

MONEY TRUST INVESTIGATION

INVESTIGATION

OF

FINANCIAL AND MONETARY CONDITIONS IN THE UNITED STATES

UNDER

HOUSE RESOLUTIONS NOS. 429 AND 504

BEFORE A

**SUBCOMMITTEE OF THE COMMITTEE ON
BANKING AND CURRENCY**

PART 23

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SUBCOMMITTEE OF THE COMMITTEE ON BANKING AND CURRENCY

HOUSE OF REPRESENTATIVES.

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MONEY TRUST INVESTIGATION.

SUBCOMMITTEE OF THE
COMMITTEE ON BANKING AND CURRENCY,
HOUSE OF REPRESENTATIVES,
Washington, D. C., Thursday, January 16, 1913.

The subcommittee met at 11 o'clock a. m.

Present: Messrs. Pujo (chairman), Daugherty, Guernsey, and McMorran.

Present, also, Samuel Untermeyer, Esq., of New York City, counsel for the committee.

The CHAIRMAN. The committee will come to order, and we will resume the taking of testimony.

TESTIMONY OF GEORGE M. REYNOLDS.

The witness was duly sworn by the chairman.

Mr. UNTERMYER. Will you be good enough to state your residence and occupation, Mr. Reynolds?

Mr. REYNOLDS. Chicago, Ill. I am president of the Continental & Commercial National Bank.

Mr. UNTERMYER. How long have you been president of the Continental & Commercial National Bank?

Mr. REYNOLDS. About seven years.

Mr. UNTERMYER. Were you connected with it prior to that, in another capacity?

Mr. REYNOLDS. Yes, sir.

Mr. UNTERMYER. In what capacity?

Mr. REYNOLDS. First as cashier. Afterwards as vice president.

Mr. UNTERMYER. What is the capital and surplus of that bank?

Mr. REYNOLDS. Between thirty and thirty-one million dollars.

Mr. UNTERMYER. How much of that is capital and how much is surplus?

Mr. REYNOLDS. \$21,500,000 capital and \$9,000,000 surplus and profits.

Mr. UNTERMYER. What were its deposits on the 1st of January of this year?

Mr. REYNOLDS. I do not know that I can give that offhand. I can give you the average deposits for the year.

Mr. UNTERMYER. Very well; that will answer.

Mr. REYNOLDS. \$181,000,000.

Mr. UNTERMYER. Have you affiliated with the bank any trust companies or savings banks?

Mr. REYNOLDS. Yes. We have an affiliated trust company and savings bank.

Mr. UNTERMYER. Will you tell us the capital and surplus of the trust company and its deposits, and the capital and surplus of the savings bank and its deposits?

Mr. REYNOLDS. The capital and surplus of the trust company is four and a half million dollars.

Mr. UNTERMYER. How much of that is capital and how much surplus?

Mr. REYNOLDS. \$3,000,000 capital and \$1,500,000 surplus; about \$25,000,000 deposits.

The savings bank has a capital of \$1,500,000, and a surplus and profits of \$1,500,000; deposits of about \$29,000,000, of which \$27,000,000 are savings.

Mr. UNTERMYER. The deposits of the savings bank are invested in securities that are required by law, are they not?

Mr. REYNOLDS. Not entirely so. I might answer that yes or no; but you mean to ask me whether or not they are invested in stock exchange bonds or things of that character?

Mr. UNTERMYER. Yes.

Mr. REYNOLDS. Only a moderate amount of it.

Mr. UNTERMYER. What is the amount of the investment there?

Mr. REYNOLDS. We have more commercial paper even in that than we have in securities.

Mr. UNTERMYER. In the savings bank?

Mr. REYNOLDS. Yes, sir.

Mr. UNTERMYER. What proportion of the resources of the savings bank is invested in straight commercial paper?

Mr. REYNOLDS. An average of about \$13,000,000 or \$14,000,000.

Mr. UNTERMYER. How is it as to your trust company? What are its deposits and how are they invested?

Mr. REYNOLDS. About \$25,000,000, and our investment portion of the business is on an average about equal in securities and commercial paper. By commercial paper I mean loans secured by collateral of different kinds, or straight notes.

Mr. UNTERMYER. Is your institution and are its allied institutions purely commercial banks?

Mr. REYNOLDS. Yes, sir.

Mr. UNTERMYER. Catering to the wants of the merchants throughout the country?

Mr. REYNOLDS. Yes. Our national bank is operated under the national bank charter entirely. Our affiliate institutions and trust and savings bank is operated under State charter and under State law, and under State supervision. We can only do what the State banking law permits us to do.

Mr. UNTERMYER. What part of the resources of your national bank is invested in commercial paper?

Mr. REYNOLDS. I can not give you the percentages offhand. I can give you the dollars, approximately.

Mr. UNTERMYER. Very well, if you will.

Mr. REYNOLDS. Our average investment in commercial paper and loans of that character is about \$120,000,000 for the entire year.

Mr. UNTERMYER. That is, out of about \$200,000,000 resources?

Mr. REYNOLDS. I will qualify that, and make it \$130,000,000, out of about \$200,000,000 resources.

Mr. UNTERMYER. You are required to keep a 25 per cent reserve, are you not?

Mr. REYNOLDS. We are required to keep a 25 per cent reserve in our vaults, being a central reserve city; but, in addition to that, in order to have balances at New York and other centers which will enable us to write exchange and meet the requirements of the business, we must carry about 15 per cent additional, above our 25 per cent requirement, so that our cash loans will average about 40 per cent, of which 25 per cent are left as reserves in money in our vaults, and the balance is subject to our check with our correspondents.

Mr. UNTERMYER. Deducting that 40 per cent of your resources, leaves how much available for use and investment?

Mr. REYNOLDS. Well, we average around \$15,000,000, in bonds and securities of that character.

Mr. UNTERMYER. No, no; deducting 40 per cent from your resources of about \$200,000,000 leaves about \$160,000,000 available for use, does it not?

Mr. REYNOLDS. Yes, sir.

Mr. UNTERMYER. And of that approximately \$160,000,000 you say there are about \$130,000,000 that you have liquid in the form of commercial paper?

Mr. REYNOLDS. That is right; yes, sir.

Mr. MAYER. Pardon me, but you made a mathematical error there, Mr. Counsel.

Mr. UNTERMYER. Yes; 40 per cent of \$200,000,000 is \$80,000,000?

Mr. REYNOLDS. Yes.

Mr. UNTERMYER. That would leave only \$120,000,000 available, would it not?

Mr. REYNOLDS. Our assets will average more than \$200,000,000.

Mr. UNTERMYER. I see.

Mr. MAYER. About \$215,000,000.

Mr. REYNOLDS. Very often our assets will run as high as \$220,000,000. I am speaking approximately, because I have no figures before me and I do not pretend to have these figures exactly correct; but that is approximately it.

Mr. UNTERMYER. The point the committee wanted to get at is this: What is the percentage of your resources, after deducting the reserve you keep, that you use in this liquid way for supplying the needs of the merchants throughout the country?

Mr. REYNOLDS. We use practically all of it. We carry an average investment of about \$15,000,000 in bonds and securities.

Mr. UNTERMYER. And all the rest of it is for the use of commercial enterprises?

Mr. REYNOLDS. All the rest of it is used in commercial enterprises; and when the demand for money over our counter is not sufficient to employ that money we go to the note brokers and buy what we call commercial paper made by commercial houses all over the United States.

Mr. UNTERMYER. How many directors have you?

Mr. REYNOLDS. Forty-five.

Mr. UNTERMYER. Did you take in other banks?

Mr. REYNOLDS. Yes, sir.

Mr. UNTERMYER. What other bank?

Mr. REYNOLDS. We took in in 1898 the International Bank, its president being an old man. It was all local business, and he sold the business to us. We got a million dollars of deposits, approxi-

mately, from that. About two years later we took in the Globe National Bank, the business of which had not been very successful and the owners of the controlling interest wished to sell. We bought that and got about \$2,000,000 net deposits out of that.

Then we took over the National Bank of North America, some four or five years later, out of which we got about \$9,000,000 deposits.

In 1909 we bought the business of the American Trust & Savings Bank and put into the national bank about \$22,000,000 of commercial deposits which they had.

In 1910 the business of the Commercial National Bank, an old institution which had been operating over 40 years, and the Continental National Bank, was merged, and the name "Continental National Bank" was changed to the "Continental Commercial," and the Commercial National Bank was liquidated and in that merger there was about \$62,000,000 of deposits turned over to us.

When I went to Chicago, the deposits of the Continental National Bank were under \$10,000,000 at that time—I think about \$8,000,000, to be correct—and we have taken in by mergers and consolidations, about \$95,000,000 of deposits. On the day upon which I made my computation, I found that we had grown about \$86,000,000 in the natural course, through putting one account on top of another, in the period of 16 years that I have been connected with the bank.

In other words, we have grown almost as much in the natural processes, by the addition of account after account, one at a time, in the natural way, as we have by all these consolidations in the period of 16 years.

Mr. UNTERMYER. I notice that in the last statement made by your bank Messrs. McRoberts and Talbert, both of whom are vice presidents of the National City Bank of New York, appear as directors in your bank. Will you tell us whether they are still directors?

Mr. REYNOLDS. They are not.

Mr. UNTERMYER. When did they become disassociated from your directorate?

Mr. REYNOLDS. At the last annual meeting, held on the 14th—two days ago.

Mr. UNTERMYER. Two days ago their connection with your bank was severed?

Mr. REYNOLDS. Yes, sir.

Mr. UNTERMYER. Do you consider that a directorate of 45 men is a wieldy or unwieldy body?

Mr. REYNOLDS. I should regard it as rather unwieldy in a way, and the only reason we have for such a large directorate is because of these consolidations or mergers of which I have just spoken. They have had a certain number of directors, and in making those consolidations it has been our purpose to preserve the good will as well as we could, and for that reason we have kept them all on.

Mr. UNTERMYER. Don't you think it is an unwise method of government to have such a large board?

Mr. REYNOLDS. I would not say that. In our case, while it is rather unwieldy in so far as regular meetings are concerned, we delegate the whole authority of the board between meetings to an executive committee of 15, of which 5 of the officers are members.

Mr. UNTERMYER. Does it not scatter the responsibility too much to have such a large board?

Mr. REYNOLDS. It scatters it, but, on the other hand, the fact that you have an executive committee of 15 gives you a sufficiently large representation and a sufficiently small representation to take care of the business properly.

Mr. UNTERMYER. Then the others are not really in touch with the business?

Mr. REYNOLDS. Not as close as the executive committee.

Mr. UNTERMYER. But are they in fact in touch with the business at all?

Mr. REYNOLDS. Not real close touch; they could not be.

Mr. UNTERMYER. Are they not largely figureheads to attract business?

Mr. REYNOLDS. I would not want to say that, because they are influential men in the community.

Mr. UNTERMYER. They may be influential figureheads in the corporation, and that is the reason they are taken in.

Mr. REYNOLDS. Largely so, of course.

Mr. UNTERMYER. Don't you think that is a poor system, and it would be better to reduce the directorates of these banks and concentrate the responsibility?

Mr. REYNOLDS. I am frank to say if I were organizing a large bank I would not have its directorate so large; I should think 15 to 17 or 19 might be sufficient. But these directors, you will understand, were retained on the board in order to conserve the good will of all the institutions we took in, and that was the reason for having Mr. Talbert and Mr. McRoberts continued.

Mr. UNTERMYER. Mr. Talbert and Mr. McRoberts were directors for many years before they went to New York?

Mr. REYNOLDS. Yes; for a long time. Mr. Talbert had been vice president of the Commercial National Bank, and they were retained as a matter of courtesy because we did not reduce the board by putting off local men and did not feel we wanted to single them out.

Mr. UNTERMYER. You have about how many accounts, apart from the accounts of banks?

Mr. REYNOLDS. About 11,000 active checking accounts.

Mr. UNTERMYER. That is, in addition to accounts of other banks?

Mr. REYNOLDS. Yes.

Mr. UNTERMYER. Is it a fact that your bank has the largest number of out of town bank accounts in the country?

Mr. REYNOLDS. I think it is generally regarded so. I never have proved the statement.

Mr. UNTERMYER. How many have you?

Mr. REYNOLDS. Pretty close to 5,000; between 4,500 and 5,000.

Mr. UNTERMYER. It appears here that one of the New York banks has 4,200 such accounts; I think it is the Park Bank.

Mr. REYNOLDS. We have about 4,500; between that and 5,000. I do not know the exact number. They are fluctuating every day, anyway, you know.

Mr. UNTERMYER. Many of these accounts you have are those of interstate corporations, are they not?

Mr. REYNOLDS. Yes.

Mr. UNTERMYER. Are any of the members of your board members of the corporations that have accounts with you, to which you lend money?

Mr. REYNOLDS. Yes, I imagine—I could not give you detailed information, but of course many of the accounts that are in our bank have directors who are directors in our bank. I would not know just what they are offhand.

Mr. UNTERMYER. Does your bank lend money to its directors?

Mr. REYNOLDS. Yes.

Mr. UNTERMYER. To its officers?

Mr. REYNOLDS. No, sir; never.

Mr. UNTERMYER. You know there is no prohibition in the law against it.

Mr. REYNOLDS. I know it. I do not regard it as a proper province for an officer to borrow of a bank in which he is an officer.

Mr. UNTERMYER. Do you think it is proper for a director to borrow from his bank?

Mr. REYNOLDS. I do, if he secures it, and his loan is as good as anybody else's is.

Mr. UNTERMYER. Do you not think the law should be changed in this respect, so that directors should not deal with their banks?

Mr. REYNOLDS. I do not. I think it would be a serious mistake.

Mr. UNTERMYER. Do you not think it gives rise, or may give rise, to their approving loans of one another?

Mr. REYNOLDS. There might be something in that, as a possibility. I do not think there is a great deal in it in actual practice. My experience has been that the average bank director whose corporation asks for a loan does not participate in passing judgment upon its securities. That is the rule at our bank. They usually ask to be excused from any consideration of it.

Mr. UNTERMYER. But do you think that cures any evil there may be in it, if there is any?

Mr. REYNOLDS. I think it cures most of the evil, and any other policy would result in having nonresponsible men for bank directors, and I think that the benefit of the wisdom and advice of successful business men as bank directors would much more than overcome the difference.

Mr. UNTERMYER. Would it not be better to reduce the number and have a more concentrated responsibility instead of having a large number of directors who can borrow a large part of the bank's funds?

Mr. REYNOLDS. I think that would depend upon the way the business is handled, and whether it is handled intelligently, successfully, and skillfully.

Mr. UNTERMYER. What about a law safeguarding the deposits of people against breaches of faith of that kind by making them less likely to occur?

Mr. REYNOLDS. I would have no objection to any law of that kind being passed, so long as it was not a law which would seriously interfere with the automatic and free exchange of business between the bank and the public.

Mr. UNTERMYER. Are you a director in any of the corporate institutions that borrow money from your bank?

Mr. REYNOLDS. No, sir. I am neither a director or stockholder in a single concern that deals with our banks.

Mr. UNTERMYER. That has been a principle of yours?

Mr. REYNOLDS. That has been the principle on which we have conducted our business ever since I have had charge of its management.

Mr. UNTERMYER. Does that apply to the other officers?

Mr. REYNOLDS. That applies to the other officers, too; yes, sir.

Mr. UNTERMYER. That, you think, is a wise business policy, do you not?

Mr. REYNOLDS. I have regarded it so, and it is for that reason that I have followed that policy. I felt I would be free and untrammelled and could exercise the dictates of my own conscience more freely, and that it would at least prove good faith to the public so far as my conduct of the business would be concerned.

Mr. UNTERMYER. Are you a member of the Chicago Clearing House committee?

Mr. REYNOLDS. Yes.

Mr. UNTERMYER. The clearing-house association there is unincorporated, is it not?

Mr. REYNOLDS. Yes; it is voluntary.

Mr. UNTERMYER. What is its membership?

Mr. REYNOLDS. I think 21 members now. I am speaking approximately, because I have not the figures before me. I am not an officer of the association that keeps the records, and therefore this is general information only.

Mr. UNTERMYER. Besides the actual members in the association how many nonmembers are there?

Mr. REYNOLDS. I should judge between 40 and 50 that are clearing through direct members.

Mr. UNTERMYER. Has your association any prohibition, as to the amount of capital, against the admission of members?

Mr. REYNOLDS. No, sir. We require that a bank shall be incorporated under the State or National law.

Mr. UNTERMYER. That is all?

Mr. REYNOLDS. That is all.

Mr. UNTERMYER. And that it shall be solvent?

Mr. REYNOLDS. And that it shall be solvent. Mr. Untermyer, we encourage them all to join the clearing house if we can get them to do it, if they are eligible by reason of being incorporated and solvent. And only recently our committee has appointed a subcommittee that has been making a special effort to induce these outside banks to become members, rather than what we call nonmembers.

Mr. UNTERMYER. Then you would not approve excluding banks that did not happen to have a given capital of say a million dollars or half a million dollars?

Mr. REYNOLDS. Not in our community; no, sir.

Mr. UNTERMYER. You would not approve of it in any community?

Mr. REYNOLDS. No; I do not think I would, so far as my knowledge of general conditions goes.

Mr. UNTERMYER. How many members are there of the Chicago Clearing House committee?

Mr. REYNOLDS. Five.

Mr. UNTERMYER. Who are they?

Mr. REYNOLDS. J. B. Forgan, President of the First National Bank, chairman of the committee; Ernest A. Hamill, President of the Corn Exchange Bank, is vice chairman; Mr. Orson Smith, President of the Merchant's Loan & Trust Co., is a member; John J. Mitchell, President of the Illinois Trust & Savings Bank, and myself. I am the youngest member, I mean the most recently elected.

Mr. UNTERMYER. How many years have you been a member?

Mr. REYNOLDS. Six or seven or eight, possibly; I can not say offhand.

Mr. UNTERMYER. The same committee has existed for many years, has it not?

Mr. REYNOLDS. Yes.

Mr. UNTERMYER. Do the gentlemen constituting that committee represent the five largest banks in Chicago?

Mr. REYNOLDS. They do.

Mr. UNTERMYER. Then is there any representation on the committee of the smaller banks through any member?

Mr. REYNOLDS. No, sir; not through any member.

Mr. UNTERMYER. Some of these gentlemen have been members of clearing-house committee for how many years?

Mr. REYNOLDS. I could not say, but I should say that Mr. Forgan has been the chairman from the time the clearing-house organization had established a committee of this kind.

Mr. UNTERMYER. How long is that?

Mr. REYNOLDS. Probably 15 or 16 years. I may not be technically correct on that.

Mr. UNTERMYER. Whose place did you take on the committee?

Mr. REYNOLDS. James H. Echols, who was president of the Commercial National Bank, and who died.

Mr. UNTERMYER. Then the policy of your association is to retain your committee practically permanently?

Mr. REYNOLDS. Yes, sir; the theory being that their continuous retention on that committee gives them a better knowledge of the general situation and makes them more competent to meet situations as they arise.

Mr. UNTERMYER. Do they run the association, in effect?

Mr. REYNOLDS. In effect; yes.

Mr. UNTERMYER. Has your association a staff of clearing-house examiners?

Mr. REYNOLDS. Yes, sir. I think Chicago was the first city that employed a clearing-house examiner.

Mr. UNTERMYER. When was that done?

Mr. REYNOLDS. I can not remember the exact date, but it was the time of the trouble with the Walsh banks.

Mr. UNTERMYER. How many years ago, about?

Mr. REYNOLDS. About eight years ago, I should say.

Mr. UNTERMYER. Was that due to the fact that you found the Federal investigation inefficient or insufficient?

Mr. REYNOLDS. In that case it was very inefficient. We found the three banks controlled by John R. Walsh in such a deplorable condition that the banks of the city of Chicago collectively guaranteed their deposits and paid them off, and we found such a condition and such a loss to the banks that, to safeguard that for the future, they conceived the idea of appointing an examiner who would keep in touch with these various banks.

Mr. UNTERMYER. How much of a staff has he?

Mr. REYNOLDS. Probably a dozen men.

Mr. UNTERMYER. Do these examinations extend also in like manner to the nonmembers who clear through banks that are members?

Mr. REYNOLDS. They extend to every bank that clears through a member, and to the nonmembers as well as to the members in the same way.

Mr. UNTERMYER. Is there a chief examiner?

Mr. REYNOLDS. Yes.

Mr. UNTERMYER. Does he report to your committee?

Mr. REYNOLDS. He does.

Mr. UNTERMYER. And does he keep records?

Mr. REYNOLDS. He does.

Mr. UNTERMYER. Suppose your committee wanted to ascertain whether a borrower was overextended, would you get that information from those records?

Mr. REYNOLDS. The examiner keeps in his files a card system showing the maximum amount of lines of what he regards as the general borrowers in large amounts. They will not be technically correct, for the reason he will be in one bank at a stated period and maybe two months before in another; but he keeps the maximum of the lines as he finds them in all the banks in Chicago.

Mr. UNTERMYER. If your committee wants to find out to what extent a man is extended in the city of Chicago, they have simply got to go to those records?

Mr. REYNOLDS. The committee has not, to my knowledge, ever made any inquiry. I have, as an individual banker, perhaps, gone to him three or four times to know what these lines were, and I think every other banker has. Every member has the right to do that. I can not ascertain how much any one borrower owes any one bank, but I can know from the records the maximum amount they may owe to all the banks under the examiner's supervision.

Mr. UNTERMYER. You can know his total liabilities to all the Chicago banks?

Mr. REYNOLDS. Yes.

Mr. UNTERMYER. And are these examiners subject to the direction of your committee?

Mr. REYNOLDS. Yes.

Mr. UNTERMYER. Are their records subject to your inspection?

Mr. REYNOLDS. They are.

Mr. UNTERMYER. Are these records of the borrowings kept on cards?

Mr. REYNOLDS. He has a card system, yes, sir, in which he keeps his records. It shows the fluctuations, and as time goes by of course they get to be more valuable by comparison than they are as simply showing the maximum lines.

Mr. UNTERMYER. Do his records also show the collaterals for those different loans?

Mr. REYNOLDS. Not in that file, no; I know nothing about that.

Mr. UNTERMYER. In what file are those kept?

Mr. REYNOLDS. Each bank's reports—

Mr. UNTERMYER. To the clearing house?

Mr. REYNOLDS. No; he does not show that in his report to the clearing house. He writes up a very full report, examines every loan and the collateral, and makes a list and keeps it on file in his office. Then he sends to each member of the committee a general letter giving a résumé of the condition of that bank as he finds it, and if the bank is in good condition, and there is nothing serious or worthy of criticism, it is only in generalities. If, however, the bank should have in its files and among its assets things regarded as dangerous, or upon which the examiner or the committee thinks there

might be a loss, or if the tendency of the management is to put too much money in fixed investments and too little in liquid assets, the examiner will bring that to the attention of the clearing house committee.

Mr. UNTERMYER. What I wanted to ascertain was as to the collateral for these loans of borrowers who may be overextended. He has a list of them, has he not?

Mr. REYNOLDS. He has a list in each bank; yes, sir.

Mr. UNTERMYER. And that is available together with the statement of the borrower's indebtedness, is it not?

Mr. REYNOLDS. Any one of the committee could get that if he asked for it. I do not know of its ever being asked for. I never have.

Mr. UNTERMYER. Is it not important, when you are determining whether or not a borrower is overextended, to know to what extent he is protected by collateral?

Mr. REYNOLDS. We do not regard it so. We depend more explicitly upon our own credit department.

Mr. UNTERMYER. But banks that deal largely with finance, and merchants and general commercial credits, would be interested in that, would they not?

Mr. REYNOLDS. There is very little collateral given to such loans as that in our section of the country. It is commercial transactions. You make a loan to a corporation or an individual, and his chief assets consists of goods on the shelves, or accounts receivable, or products in process of manufacture, or completed products in the house not yet sold, and things of that kind. There is rarely ever any collateral.

Mr. UNTERMYER. Does that apply to the large concerns in Chicago that are extensively engaged in financial enterprises?

Mr. REYNOLDS. No, sir.

Mr. UNTERMYER. They deal more with collateral, do they not?

Mr. REYNOLDS. Altogether.

Mr. UNTERMYER. Take, for instance, the First National Bank of Chicago. That is one of those financial concerns, is it not?

Mr. REYNOLDS. I would rather not express an opinion about one of my neighbors.

Mr. UNTERMYER. Perhaps that is so. But there are two or three or a number of large banks and trust companies in Chicago that deal more distinctly with financial operations rather than with merchants and commercial credits, are there not?

Mr. REYNOLDS. I would not say that. Possibly one or two may do as much in that line as they do in commercial credits. I do not think any of the national banks do anything like as much as in a commercial way. We may have one or two trust companies who may operate more along that line than they do in commercial business.

Mr. UNTERMYER. They are affiliated with these national banks, are they not?

Mr. REYNOLDS. The one I have in mind is not affiliated with any institution.

Mr. UNTERMYER. The larger institutions are?

Mr. REYNOLDS. The one I have in mind is the largest, and is not. I should say the second one is affiliated.

Mr. UNTERMYER. That is, affiliated with one of these financial banks, as we distinguish them from commercial banks?

Mr. REYNOLDS. Do not misunderstand me. I do not mean to say it is a security company. It is a bank, and operates under a State charter, and is allowed to do only such business as the State banking law of Illinois will permit them to do.

Mr. UNTERMYER. I understand, but I am trying to get a distinction in the character of business. It is a fact, is it not, that there are two distinct characters of business, by banks and affiliated trust companies?

Mr. REYNOLDS. Yes.

Mr. UNTERMYER. And is it not a fact that one of those is what we call a financial business, dealing in securities, the purchase and sale of securities of large financial enterprises, and the other is the supplying of the commercial community with credit?

Mr. REYNOLDS. You can understand I have a delicacy about expressing any opinion which would be applied to my neighbors.

Mr. UNTERMYER. We are not discussing your neighbors. We are discussing a general situation, and I am asking you as to the general situation.

Mr. REYNOLDS. Yes; I think that is true as to the general situation. I think it is true, too, that all the banks in Chicago do in a very limited way a little of this class of business.

Mr. UNTERMYER. Is it not true some of them do a very large part of this business, a few?

Mr. REYNOLDS. I think there is quite a volume done by some of them; yes, sir.

Mr. UNTERMYER. By two or three of them?

Mr. REYNOLDS. Yes.

Mr. UNTERMYER. Is there any regulation or provision or understanding among the clearing house committee, the members of the Clearing House Association, that an examiner shall not be employed by any member of the association for a reasonable time after severing his connection with the clearing house?

Mr. REYNOLDS. Yes.

Mr. UNTERMYER. What is that regulation?

Mr. REYNOLDS. Five years in our case, I think. The purpose of that was to safeguard against the examiner coming into some institution and using his general information about all the institutions which he would necessarily have obtained in the examinations of the various banks.

Mr. UNTERMYER. I notice from Exhibits 71 and 73 of December 11, 1912, that the Chicago Clearing House Association has a regulation similar to the New York association and other associations, enforcing upon all members and nonmembers the exacting of a fixed rate of commission or compensation for the collection of out-of-town checks. That is true, is it not?

Mr. REYNOLDS. Yes.

Mr. UNTERMYER. When was that put into effect?

Mr. REYNOLDS. About 10 years ago, I think.

Mr. UNTERMYER. Prior to that each of the banks had made its own arrangements with its own customers, had it not?

Mr. REYNOLDS. Yes.

Mr. UNTERMYER. Do your banks allow interest on deposits?

Mr. REYNOLDS. We do to country banks, yes, sir; 2 per cent.

Mr. UNTERMYER. No; but I mean to individuals, as a rule.

Mr. REYNOLDS. Not as a rule, although most large corporation accounts nowadays are subject to 2 per cent interest.

Mr. UNTERMYER. But in your 11,000 accounts, how many are there, should you say, that are interest-bearing accounts?

Mr. REYNOLDS. Possibly 200.

Mr. UNTERMYER. What proportion of your deposits would you say those 200 accounts represented, approximately?

Mr. REYNOLDS. Probably it would not represent to exceed five or six million dollars, in dollars.

Mr. UNTERMYER. Out of about \$220,000,000?

Mr. REYNOLDS. Out of \$180,000,000 of deposits.

Mr. UNTERMYER. Of that \$180,000,000 of deposits, how much, approximately, represents the deposits of banks?

Mr. REYNOLDS. A little over \$100,000,000; probably \$105,000,000, on an average.

Mr. UNTERMYER. So that you have about \$75,000,000 of deposits?

Mr. REYNOLDS. What we call individual deposits; yes, sir.

Mr. UNTERMYER. And you get the use of that money, and you lend it out, of course, at interest?

Mr. REYNOLDS. Yes, sir; a certain percentage of it.

Mr. UNTERMYER. Is there any place in Chicago to which a depositor of your bank can go in competition with you, where he can get his out-of-town checks collected without charge in return for the use of his money by the bank?

Mr. REYNOLDS. Yes; there are some forty or fifty smaller banks in the suburbs scattered around that are not members of the clearing house association to which they could go.

Mr. UNTERMYER. That do not clear through other banks?

Mr. REYNOLDS. That do not clear through other banks; yes, sir.

Mr. UNTERMYER. But they could not accommodate substantial depositors?

Mr. REYNOLDS. No, sir; they could not. They are too small.

Mr. UNTERMYER. As concerns substantial depositors, they could not go to them?

Mr. REYNOLDS. I would say no.

Mr. UNTERMYER. They are all included in the clearing house, are they not?

Mr. REYNOLDS. Yes.

Mr. UNTERMYER. So that the promulgation or enforcement of this rule leaves them, does it not, where they have got to conform to this regulation and pay commissions on the collection of their out-of-town checks?

Mr. REYNOLDS. The members of the clearing house, and the nonmembers; yes, sir. In actual practice, I do not think the outside banks get very much of that business.

Mr. UNTERMYER. You mean the business of that class goes to the clearing-house members and nonmembers?

Mr. REYNOLDS. Yes; it is too large for the others to handle.

Mr. UNTERMYER. How do you justify the clearing house association enforcing upon these banks, the members of it and nonmembers, that they must charge their customers a commission for collecting out-of-town checks, rather than to leave them free to deal with their customers as they see fit?

Mr. REYNOLDS. There might be a good many reasons advanced for that. I suppose, to be perfectly frank, chief among those reasons would be to make money, but in saying that I want to explain that, so far as our own institution is concerned, we lose \$190,000 a year on the operation of that department and, in addition, we get no interest on an average amount of money in what we call the transit, which means these checks that are out for collection, amounting to \$12,000,000.

Mr. UNTERMYER. On the other hand, before you promulgated this rule you made no charge, did you?

Mr. REYNOLDS. Yes; indeed we did.

Mr. UNTERMYER. Some banks did and some did not?

Mr. REYNOLDS. I do not think any bank had a rule to take them free.

Mr. UNTERMYER. But they did take them free for good customers?

Mr. REYNOLDS. They took some accounts free. Each account was analyzed—or was supposed to be analyzed—and each case was handled on what they regarded as its merits, and that amounted to a great majority paying exchange; but it was not uniform.

Mr. UNTERMYER. Now, why should not the bank now be left free to analyze each account and determine for itself whether the use of the money of that customer was worth doing that business for?

Mr. REYNOLDS. From our point of view we would be very glad to have it that way, because with the large number of par points we have over the country, and our facilities for handling it, we probably could make better terms for accommodation than any other institution.

Mr. UNTERMYER. You just said that it had cost you \$190,000.

Mr. REYNOLDS. Yes.

Mr. UNTERMYER. Is that a fair way of putting it?

Mr. REYNOLDS. I think so; yes, sir.

Mr. UNTERMYER. You are getting the use of those customers' money, are you not?

Mr. REYNOLDS. Yes. A great deal of that money, though, comes to us, as I have just stated, from country banks; \$105,000,000 of our deposits are country-bank balances.

Mr. UNTERMYER. I am excluding that. I am dealing with the rest of it.

Mr. REYNOLDS. Our figures which I gave you include it all. I have not got it separately. I could not give it to you separately.

Mr. UNTERMYER. You might just as well include your rent and office expenses against the men who left their money with you without interest as to include service account?

Mr. REYNOLDS. No; I would not agree with that.

Mr. UNTERMYER. If a bank is ready to do that business, and if its customer is valuable enough to get his money—the use of it—without interest, why should not the bank be permitted to do that in order to get his money?

Mr. REYNOLDS. Of course, that would involve the discussion of an economic principle. Chief among those reasons, I would say, is because under this method it insures a more conservative method of management of a bank, and it deters a banker from getting his money out of liquid assets and putting it into things that will pay a larger interest than current and liquid assets, and it creates a tend-

ency to get his assets tied up where they would not meet the daily requirements of the public.

Mr. UTERMYER. Do you mean that the bank would earn its money with less effort?

Mr. REYNOLDS. No; I mean this: We will say a new bank were to be started in Chicago to-day, and that new bank, having very little following, should recognize that the only way it could hope to get business would be to undertake to handle checks of this character at a loss, on the theory that they might charge it to advertising account. It would mean that sooner or later if they did enough of that we would have a bank failure, and a bank failure in a community would leave a blight which would affect everyone.

Mr. UTERMYER. Do you not know that out-of-town items are not large enough in amount to have any effect such as that?

Mr. REYNOLDS. They are not enough, alone.

Mr. UTERMYER. You know that is so, do you not?

Mr. REYNOLDS. Yes.

Mr. UTERMYER. That business is a trifling item in the whole thing, is it not?

Mr. REYNOLDS. Yes.

Mr. UTERMYER. And do you not know that the banks all made money before they enforced that, and the only effect of this was to enable them to make more money at the expense of their customers?

Mr. REYNOLDS. I would not say that, because capital invested has got to earn an honest return.

Mr. UTERMYER. But could not that be regulated by competition rather than by combination?

Mr. REYNOLDS. Perhaps so.

Mr. UTERMYER. This is a combination, is it not?

Mr. REYNOLDS. I would not want to say that it is a combination.

Mr. UTERMYER. What argument can you advance, or what fact can you state, in favor of the Clearing House Association enforcing upon these banks the collection of these items instead of leaving them free that would not apply to any violation of law affecting competition?

Mr. REYNOLDS. I think the general supervision which grows out of this examination of the clearing house proper means a higher standard of banking generally.

Mr. UTERMYER. If you would get together to-morrow in the association and agree to pay no interest on deposits, that would amount to the same thing, would it not; that is, it would enable them to make more money with less risk?

Mr. REYNOLDS. We could not control the deposits, because there would be New York and Omaha and Minneapolis and St. Louis and other cities that would continue to pay interest on deposits.

Mr. UTERMYER. You mean they would go away from you?

Mr. REYNOLDS. Yes.

Mr. UTERMYER. That is the reason you do not do it?

Mr. REYNOLDS. That is not the reason wholly, no.

Mr. UTERMYER. You are afraid of that competition?

Mr. REYNOLDS. No.

Mr. UTERMYER. Is there any difference between your getting together—

Mr. REYNOLDS. We are not afraid of the competition. We have never even discussed that matter, or thought of it, of leaving off interest entirely.

Mr. UNTERMYER. You know some of the clearing-house associations do attempt to regulate interest charges?

Mr. REYNOLDS. I have heard of one or two in smaller cities; yes, sir.

Mr. UNTERMYER. Is there any more justification for interfering with the freedom of the bank in dealing with its customers in the way of what they shall charge for out-of-town collections than if you were to say to them that they must charge a given rate of interest?

Mr. REYNOLDS. Yes; I think there is a great difference.

Mr. UNTERMYER. Where is the difference, in principle?

Mr. REYNOLDS. That is a matter of opinion largely, I suppose.

Mr. UNTERMYER. Point out, if you will, the difference in principle between enforcing upon the banks one sort of regulation that interferes with their liberty of action in conducting their banks, and enforcing upon them any other regulation that interferes with their liberty.

Mr. REYNOLDS. Is not the policy in any event of management of a bank which is semipublic in its character and has to deal with the public—is not any policy which has a tendency to bring the best results and safeguard the public, in the last analysis, the best, disregarding technically whether it is best to do this thing or that?

Mr. UNTERMYER. In what respect is the integrity of a bank safeguarded by the compelling of a bank to charge a commission for its services which it wants to do and feels able to do without charge and which you say you would be glad to do without charge?

Mr. REYNOLDS. I would answer that question by saying that I regard the attitude of the clearing-house banks in advertising to the world a fixed charge for the transaction of that class of business very much as I look upon the action of countries in passing legislation requiring that railroads should charge the same price for delivering freight from one point to another.

Mr. UNTERMYER. So that you think a bank that does not occupy the public highways and has entirely different relations to the public is in the same position as an interstate railroad?

Mr. REYNOLDS. I think it is if it covers every State.

Mr. UNTERMYER. If that is so, why should not the banks be permitted to charge a uniform rate of interest and to regulate the amount of interest they would pay?

Mr. REYNOLDS. Competition, I think, does regulate that to a very great extent.

Mr. UNTERMYER. Why should not competition be permitted to regulate the other?

Mr. REYNOLDS. All right. I have said that I have no objection to it.

Mr. UNTERMYER. You have no objection?

Mr. REYNOLDS. No, sir.

Mr. UNTERMYER. You have no objection to the application of this rule?

Mr. REYNOLDS. No, sir.

Mr. UNTERMYER. You think it is right?

Mr. REYNOLDS. I do, myself.

Mr. UNTERMYER. Very well.

Mr. REYNOLDS. Mr. Untermyer, I stated that our banks carried about \$15,000,000 of investment in fixed securities.

Mr. UNTERMYER. Yes.

Mr. REYNOLDS. I only wanted to say that of that \$15,000,000 about \$5,000,000, in round numbers, represents the stock in the corporation which owns the bank building, and all of the stock of which is owned by our bank.

Mr. UNTERMYER. One of the members of the committee asks me to inquire of you whether it is not the fact that when you say that on this out-of-town collection business your bank loses \$190,000 you do not include in that all the time you may be out of the money while the checks are in course of collection?

Mr. REYNOLDS. No, sir.

Mr. UNTERMYER. What do you include?

Mr. REYNOLDS. I include the actual cost of the operation of what we call our transit department, in which we have employed one hundred and twenty-odd million dollars, and the actual expenses, including salaries and stationery and postage and their proportionate expense of the operation of our bank for that department, deducting from it and from the amount that we actually pay out in money in collecting these checks. You understand, of course, that where we send them all over the country we do not collect them free. We have to pay, in the first place, about 80 per cent of the amount that we collect, in round numbers, and you take that cost plus the cost of operating that department, subtracting from it the actual amount charged by us to the public, and it leaves a net loss of \$190,000, in round numbers, per annum, without allowing any interest on the \$12,000,000 that is constantly tied up in that and from which we get no return.

Mr. UNTERMYER. Suppose you were to make a calculation on the amount you earn on the accounts of those same customers. It would be many times that, would it not?

Mr. REYNOLDS. No; I do not think so; but, of course, it overcomes that cost in the general operation of our business.

Mr. UNTERMYER. Do you mean to say that the amount you earn on the balances of those customers would not be many times that \$190,000?

Mr. REYNOLDS. Yes; I should say that it would not be, for this reason—

Mr. UNTERMYER. Never mind about the reason, because if we get reasons for everything we would be here all the week.

Mr. REYNOLDS. All right.

Mr. UNTERMYER. How many times \$190,000 would you say you earn on those accounts?

Mr. REYNOLDS. I would have to say that I have never analyzed that, and could not tell you.

Mr. UNTERMYER. You have no conception of that?

Mr. REYNOLDS. No. I was going to say that our earnings in the national bank are approximately \$3,000,000. The total net earnings of our entire bank and all its business would be practically 15 times this amount.

Mr. UNTERMYER. Why would you not, with the same degree of justice, and on the same basis of calculation, charge as a loss to the bank all your clerk hire in keeping the accounts of your customers and the bank books and the checks you give them?

Mr. REYNOLDS. We do charge it against every man's account, when we analyze his account.

Mr. UNTERMYER. You do?

Mr. REYNOLDS. Yes, sir.

Mr. UNTERMYER. If a man deposits money, then, with your bank, and gets no interest on it, you, by the same process of reasoning, lose money on his account?

Mr. REYNOLDS. Not all accounts. There are many accounts, however, where that is true, for the reason that a concern that is doing a great deal of interstate business and depositing \$40,000 or \$50,000 in checks, scattered all over the country, and carrying an average balance of \$10,000, according to our books, very frequently results in our having three or four times his balance out, in that way, all the time.

Mr. UNTERMYER. That is not the point at all.

Mr. REYNOLDS. Then I do not understand.

Mr. UNTERMYER. The point is this. If you are going to say you lose money on the customers' accounts because you collect out-of-town checks——

Mr. REYNOLDS. I did not say that we lost money on customers' accounts. I say we lose money in this specific department of our bank.

Mr. UNTERMYER. Yes. If you are going to say you lose money in that specific department, why, by the same process of reasoning, would you not say that you lost money on every account in your bank, because you have to keep clerks in order to take care of it, and you have to issue stationery and print stationery and distribute it.

Mr. REYNOLDS. I think that is true; yes.

Mr. UNTERMYER. You think that is true?

Mr. REYNOLDS. Yes.

Mr. UNTERMYER. Then, when you say you lose \$190,000 on this business, you mean that in the sense in which you have lost the expenses in all branches of the business?

Mr. REYNOLDS. Yes. That is right. There is no question about that.

Mr. UNTERMYER. Under the present law you know that the minority stockholders in a national bank have no voice in the bank—in the management of the bank?

Mr. REYNOLDS. Yes.

Mr. UNTERMYER. You understand that?

Mr. REYNOLDS. Yes, sir.

Mr. UNTERMYER. Would you approve of a change in the law that gave minority representation as a matter of right?

Mr. REYNOLDS. I would, from my own point of view. I have never seen any real need for it, however. I would not object to it in the slightest.

Mr. UNTERMYER. What do you mean by saying you have never seen any need of it?

Mr. REYNOLDS. In my own experience I have never seen any division of sentiment among the stockholders on the policy we would pursue.

Mr. UNTERMYER. But you think they should have the right where they have a different point of view, to be represented by their stock?

Mr. REYNOLDS. I do, unqualifiedly.

Mr. UNTERMYER. I forgot to ask you whether you did or did not approve of the incorporation of the clearing house and its subjection to direction and control?

Mr. REYNOLDS. I would approve of it, yes, sir, if some law can be passed through which it can be incorporated without interfering with the free and automatic conduct of the business. I suppose that would follow, as a matter of fact, if it were incorporated.

Mr. UNTERMYER. Would you approve of the incorporation of the clearing-house association that involves strict supervision of its affairs?

Mr. REYNOLDS. Yes; I would approve of it. I have no objection whatever to supervision or publicity of any kind. In fact, the more of it the better.

Mr. UNTERMYER. In your judgment is a clearing house association such as the Chicago Clearing House Association an important link in the financial system of the country?

Mr. REYNOLDS. Yes, sir; I think so.

Mr. UNTERMYER. And your stock exchange is also in that relation to the rest of the country, is it not?

Mr. REYNOLDS. Yes; I think so.

Mr. UNTERMYER. In your judgment, should that be incorporated and subject to legal control?

Mr. REYNOLDS. I know so little, Mr. Untermeyer, about the operation of the stock exchange that I would prefer not to express an opinion. It would not be an intelligent opinion from actual knowledge.

Mr. UNTERMYER. I suppose, Mr. Reynolds, that as the president of a great bank you have kept in touch with the very recent trend toward concentration and control of money and credit in the East?

Mr. REYNOLDS. Yes, sir; I have been constantly reminded of it in the last year or so.

Mr. UNTERMYER. You know the extent to which it has gone in the last few years?

Mr. REYNOLDS. I have a general knowledge of it; yes, sir.

Mr. UNTERMYER. Do you or not know the effect that that has on the marketing of securities of the great railroad and other interstate corporations, and the trend of concentration brought about through the concentration of this money and credit?

Mr. REYNOLDS. I have read all that has been adduced at this examination, and a great many other things, and my information in detail is very largely the result of this reading, rather than from personal experience.

Mr. UNTERMYER. But you have information and knowledge of the conditions in New York, for instance, as between the great banking houses. That is a matter of personal knowledge?

Mr. REYNOLDS. Yes; I have a fairly general knowledge of that, I should say.

Mr. UNTERMYER. What should you say as to that concentration of the control of money and credit being a menace to the country?

Mr. REYNOLDS. That involves a very deep question. Personally I am inclined to believe that an excess of power of any kind in the hands of a few men might properly be called a menace. I do not mean to say, by that, that the people who had that control and power have used it improperly. I do not mean to say that at all.

Mr. UNTERMYER. Regardless of the way they have used it for the time being, the question is, is it not, as to the way they can use it?

Mr. REYNOLDS. I think a more wide distribution of the power of credit, if that is what you mean, would really be better in the long run.

Mr. UNTERMYER. Taking the present situation as you find it, Mr. Reynolds, what is your judgment as to whether that situation is a menace?

Mr. REYNOLDS. I am inclined to think that the concentration, having gone to the extent it has, does constitute a menace. I wish again, however, to qualify that by saying that I do not mean to sit in judgment upon anybody who controls that, because I do not pretend to know whether they have used it fairly or honestly or otherwise.

Mr. UNTERMYER. Do you approve of the indentity of directors or interlocking directors in potentially competing institutions?

Mr. REYNOLDS. No, sir; personally, I do not believe that is the best policy. That is the reason I am not a director or a stockholder in any corporation that deals with us. There is hardly a day that I am not invited and do not have opportunity to do it. It has been my theory of the proper method of banking to adhere to that policy.

Mr. UNTERMYER. You have found that you could succeed in that way, too, have you not, Mr. Reynolds?

Mr. REYNOLDS. That is true as to whatever we have done. Some people would say that we have been successful. I am a little modest in that direction.

Mr. UNTERMYER. Have you not the largest deposits in the country?

Mr. REYNOLDS. With one exception, at any rate, yes;

Mr. UNTERMYER. Mr. Reynolds, would you like to explain with respect to the relations of these holding companies to the bank?

Mr. REYNOLDS. We have no holding companies. I would like to have your records mark a distinction between the words "holding companies" and "affiliated institutions," as I have been talking about them.

In explanation of that situation, I would like to say that I hold in my hand here the charter of the Continental National Bank, which was issued by Mr. Knox, Comptroller of the Currency in 1883. The bank was organized at that time with a capital of \$2,000,000. It continued to operate under the national-bank laws. Some three or four years ago, finding that we were restricted by the national-bank law to simply a certain line of business, which we can do under that law, and finding that State charters were a little more liberal under our State law, and could do different kinds of business, could deal in bonds and accept trusts and accept savings, we found that now and then a great deal of business that we ought to have was slipping away from us; and in order that we might do the general character of business, such as the requirements of the community brought to our counters, we conceived the idea of connecting with us in some way a trust company which could do this other class of business which we can not do ourselves.

Our stockholders arranged with the stockholders of the American Trust & Savings Bank, which was organized in 1889, and the charter of which I have here and am willing to put in the record if you so desire, to do a general banking business, including a savings business and a trust business, to act as trustees under wills, and handle corporate mortgages, and so on.

After some negotiations we arranged to buy that business. When I say "we," I mean the stockholders of our bank arranged to buy that business. The capital of the American Trust & Savings Bank was \$3,000,000. They had deposits of something like \$37,000,000 or \$38,000,000. The stockholders of our respective banks completed these negotiations along the line of increasing the capital stock of the Continental National Bank from \$4,000,000, which it then was, to \$9,000,000. That was done through the stockholders of the Continental National Bank subscribing for \$2,000,000 of the stock of the Continental and the additional \$3,000,000 was issued through the stockholders of the Continental National Bank and by them exchanged with the stockholders of the American Trust & Savings Bank for their \$3,000,000 of stock.

The two institutions were continued separately after that, under an agreement between the parties, representing the stockholders of both banks, which agreement I have and which I am willing to leave with you, if you so desire.

Mr. UNTERMYER. That is the same one we have here.

Mr. REYNOLDS. Yes, sir.

Since that time, we have operated both institutions. The commercial business was taken out of the trust company and put into the national bank, to the extent of about \$22,000,000.

We continued the American Trust & Savings Bank up to the 1st of August, 1910, when, finding that, with a large volume of business, we had a very small volume of savings, and having an opportunity to secure the business of the Hibernia Savings Association, one of the oldest institutions in Chicago, organized under a private charter in 1861, we made a similar arrangement with them. That is, the stockholders of the Continental National Bank voted to declare a cash dividend of \$1,500,000, for which the stock was issued, and which was afterward exchanged by them with the stockholders of the Hibernian banking institution, which was practically a savings institution, with \$27,000,000 of savings; and that stock was handled under this agreement—an agreement between two committees of stockholders representing these institutions.

The Continental National Bank has not now, and never had one dollar of its assets invested in these institutions. They are not holding corporations. They have never owned a dollar of stock in any other institution, and we could not, under the state law. We never have owned it.

Mr. UNTERMYER. Does that complete your explanation?

Mr. REYNOLDS. Yes, sir.

Mr. UNTERMYER. Have you ever heard of a great financial institution being run through a voting trust?

Mr. REYNOLDS. Not until I read the proceedings of this committee.

Mr. UNTERMYER. It is in evidence in this case that the Bankers Trust Co. and the Guaranty Trust Co. of New York, two of the great financial institutions of this country, are both operated under voting trusts, with three voting trustees, and that they select the directors, and buy banks and consolidate other institutions with their own under the power that they have under these voting trust agreements.

In your opinion, Mr. Reynolds, as an experienced man in the banking world, do you regard that as a wise method of conducting a financial institution?

Mr. REYNOLDS. I have never seen these trust agreements and therefore am not familiar with them in detail, but only in the most general way. In answer to that question, therefore, I must qualify it by saying that while I have a high regard for the people connected with those institutions, I could not agree that I believe that it is the wisest way to handle it. On the contrary, I should not agree with that policy.

Mr. UNTERMYER. You understand that we are not criticizing individuals, but only discussing here and taking evidence as to the system of doing business?

Mr. REYNOLDS. Yes. I have been trying to qualify my testimony in that way all along, so that it could not be construed as referring to or criticizing any individuals.

Mr. UNTERMYER. I have before me a copy of an address delivered by you, or purporting to have been delivered by you, before the National Business Congress. In what year was that? Do you remember?

Mr. REYNOLDS. It was either in 1910 or 1911. I am not sure.

Mr. UNTERMYER. It was in 1911, was it not?

Mr. REYNOLDS. I think it was.

Mr. UNTERMYER. You are reported as having made this statement:

I believe the money power now lies in the hands of a dozen men; and I plead guilty to being one, in the last analysis, of those men.

Was that statement made in connection with a discussion of the currency question?

Mr. REYNOLDS. Yes, sir. My purpose in making that statement, Mr. Untermeyer, was this: I talked extemporaneously, and perhaps was not as explicit as I should have been in making my explanation. I have no desire to in any way disclaim responsibility for it, however, because I have reiterated it 50 times since.

Mr. UNTERMYER. And you believed it?

Mr. REYNOLDS. And I believed it, and still believe it. What I was trying to say was that I did not believe that the bankers of the country generally were combined together and had secret meetings to control and influence this thing called money and credit. What I meant to say was that, under our national banking laws, requiring that the national banks in three central cities should carry a reserve of the national banks of the country, there was a natural concentration of the money power or the power to issue credit against reserve, which they would carry, in the hands of a few men. What I meant by saying that I was one of them was this: Our bank probably carries a larger percentage of accounts of outside banks than any other institution in America, both in number and volume. I meant to say that I was conscious of the responsibility that that thing placed upon me, and was urging currency legislation which would correct any faults that existed.

Mr. UNTERMYER. You also said, in that connection:

I believe that two or three in New York, two or three in Chicago, and two or three in St. Louis could control the question of whether or not loans should be made to correspondents throughout the country.

Mr. REYNOLDS. If there was collusion, I do believe that; yes, sir; if there was collusion.

Mr. UNTERMYER. Had that discussion, or meeting, anything to do with this other question of the concentration of money and credit to which we have been referring?

Mr. REYNOLDS. No, sir; not as investment banking, no, sir.

Mr. UNTERMYER. They are wholly apart from the other question.

Mr. REYNOLDS. Yes, sir. I regard them as two distinctly different kinds of banking.

Mr. UNTERMYER. And they constitute two distinct kinds of menace to the country, do they not?

Mr. REYNOLDS. Yes, sir; I suppose so, if they are menaces.

Mr. UNTERMYER. Don't you think they are both menaces?

Mr. REYNOLDS. Well, I have been advocating the adoption of some legislation which would cure the evils that exist in them, and I am perfectly willing to stand on that.

Mr. UNTERMYER. That is, in the banking system?

Mr. REYNOLDS. Yes; concentration, if there is too much of it, and whatever troubles else may go with it. I am perfectly willing to have adopted such laws as will insure to the masses proper treatment and am perfectly willing to take my chances under the law of competition of getting a reasonable return for my stockholders on the money I handle.

Mr. UNTERMYER. Do you think in the banking world the law of competition is dead?

Mr. REYNOLDS. No; I do not.

Mr. UNTERMYER. And that it ought to be replaced by the law of cooperation?

Mr. REYNOLDS. No.

Mr. UNTERMYER. You do not belong to that particular school?

Mr. REYNOLDS. No, sir; I do not. I do not believe the law of competition will ever be dead.

Mr. UNTERMYER. And you do not think that any body of men should be permitted to kill it, do you?

Mr. REYNOLDS. No; I do not.

Mr. UNTERMYER. Your counsel, Mr. Mayer, would like me to ask what your total net profits are on your capital and surplus.

Mr. REYNOLDS. Well, we run from $10\frac{1}{2}$ per cent to 11 per cent per annum on the total amount of money employed, including capital and surplus. I think this last year it was between 10.60 and 10.70 per cent.

Mr. UNTERMYER. I want to ask you a question or two concerning these so-called reserves of the country banks that are placed in the reserve cities. Are they really reserves?

Mr. REYNOLDS. Well, up to a certain point, there is some duplication. I imagine that is what you mean by the question.

Mr. UNTERMYER. Well, apart from the question of duplication, the country bank is required to have 15 per cent, is it not?

Mr. REYNOLDS. Yes, sir; of which two-fifths must be in its vaults and three-fifths may be with its correspondent, providing its correspondent is a national bank in a reserve city.

Mr. UNTERMYER. That three-fifths amounts to about 9 per cent, does it not?

Mr. REYNOLDS. Yes, sir.

Mr. UNTERMYER. Is that 9 per cent reserve in the hands of this correspondent, or has the correspondent the right to lend three-fourths of it?

Mr. REYNOLDS. The correspondent has the right to lend three-fourths of it, but, on the other hand, the law requiring him in turn to maintain his reserve, I think under the law of averages, would justify the counting of that as a liquid reserve.

Mr. UNTERMYER. I do not see how you figure that out. Let us take your case. You have \$100,000,000 of deposits from country banks, have you not?

Mr. REYNOLDS. Yes.

Mr. UNTERMYER. That is three-fifths of their reserves, presumably; we will assume it is.

Mr. REYNOLDS. Well, it would not be three-fifths of their reserves, because the greater bulk of that, in dollars and cents, comes from reserve cities such as Peoria, Des Moines, St. Louis, or Omaha, where they must carry half of their reserve in their vaults, 12½ per cent.

Mr. UNTERMYER. Leaving that aside, of that \$100,000,000, you have the right to invest \$75,000,000, have you not?

Mr. REYNOLDS. We have the right to do it, we can do it, of course.

Mr. UNTERMYER. You do not do it; you keep your assets liquid?

Mr. REYNOLDS. Yes.

Mr. UNTERMYER. But you know you would have the right to do as appears in other cases, to invest in bonds, would you not?

Mr. REYNOLDS. Yes--well, technically speaking, I doubt whether a national bank has a right to invest anything in bonds except on the action of its board of directors.

Mr. UNTERMYER. Do you not know the New York banks have a large part of their depositors' money invested in bonds?

Mr. REYNOLDS. I know they have a large amount of their depositors' money invested in bonds, but they have the right to invest in bonds, provided their board of directors so authorize.

Mr. UNTERMYER. Suppose the bank is not keeping it liquid, but is lending it out and investing it; that is not a general reserve available, like the money in the vaults of the bank, is it?

Mr. REYNOLDS. No; it is a secondary reserve, and if kept liquid, under the law of averages, it meets every emergency; but if it is not kept liquid, it can not meet emergencies.

Mr. UNTERMYER. Do you remember what happened in the panic of 1907 with respect to these so-called reserves on deposit in New York?

Mr. REYNOLDS. Yes. I think the same rule would apply to any city.

Mr. UNTERMYER. Well, what happened to them? Could the banks get them?

Mr. REYNOLDS. We did not have any difficulty in getting our reserves out through the use of checks. We could not get it out in currency, and no more could we give our currency to our correspondents.

Mr. UNTERMYER. Then they did not operate as real cash reserves in that time?

Mr. REYNOLDS. No; not in the sense of being cash reserves out of which you could get the cash.

Mr. UNTERMYER. Then they did not act as a reserve in the sense that the law intended, did they?

Mr. REYNOLDS. Probably not. It was an emergency in an unusual case, of course.

Mr. UNTERMYER. One of the members of the committee asks whether you have any method that occurs to you for correcting this vast and growing concentration of money and credit that has come about within the last few years in New York?

Mr. REYNOLDS. I have some ideas on the subject, but that would entail a general discussion of what would be best as a line of policy for currency legislation, and I am——

Mr. UNTERMYER. No; apart from the question of currency legislation, Mr. Reynolds, and without going into that question, have you any defined ideas as to the subject?

Mr. REYNOLDS. No; I would not say I have.

Mr. UNTERMYER. Would not one of those methods be to stop this process of identity of directors and interlocking directors in potentially competing institutions?

Mr. REYNOLDS. I think that would have some tendency to help it; yes, sir; I do.

Mr. UNTERMYER. How about vast stock investments by the same groups of people in competing institutions?

Mr. REYNOLDS. The larger the number of groups that you have that are competing, of course the better the situation would be, I should say. Does that answer your question?

Mr. UNTERMYER. Can you say whether or not in your judgment the situation is accentuated when the people who have the control of these financial institutions are the same people who control the large bond and stock issues of great interstate corporations for which they have to have a market?

Mr. REYNOLDS. Well, I would not personally want to assume the responsibility of passing judgment upon the purchase of securities the sale of which I could control myself.

Mr. UNTERMYER. And you think that is an intolerable situation?

Mr. REYNOLDS. Well, I do not think it is a proper situation.

Mr. UNTERMYER. Suppose a great banking house or a number of great banking houses are the markets of the country for issuing securities, and they also control banks that buy securities. Do you regard that as a proper condition?

Mr. REYNOLDS. I do not, and that is the reason that the policy of our institution has been that I should not be in any companies outside of the bank. We do not try to control any business except through our competition.

Mr. UNTERMYER. That is all, Mr. Reynolds. We are very much obliged to you.

The CHAIRMAN. The committee will resume its session at 2 o'clock, and will take a recess until that hour.

Whereupon, at 12.30 o'clock p. m., a recess was taken until 2 o'clock p. m.

AFTER RECESS.

At the expiration of the recess the hearing was resumed.

STATEMENT OF MR. JACOB H. SCHIFF.

The witness was sworn by the chairman.

Mr. UNTERMYER. Will you be good enough to state your residence and occupation?

Mr. SCHIFF. 52 William Street, New York; banker.

Mr. UNTERMYER. Of what firm are you a member?

Mr. SCHIFF. Kuhn, Loeb & Co.

Mr. UNTERMYER. Are you the senior member of that firm?

Mr. SCHIFF. I am.

Mr. UNTERMYER. What is its membership? Will you be good enough to tell us the members of the firm?

Mr. SCHIFF. Besides myself, there is my son, Mortimer L. Schiff, Otto H. Kahn, Paul M. Warburg, Felix M. Warburg, and Jerome H. Hanauer.

Mr. UNTERMYER. How long has that firm of Kuhn, Loeb & Co. existed under that name?

Mr. SCHIFF. Since 1867.

Mr. UNTERMYER. Do you do an international banking business?

Mr. SCHIFF. We do.

Mr. UNTERMYER. Have you any branch abroad?

Mr. SCHIFF. We have not.

Mr. UNTERMYER. Is your business confined to the issue or underwriting of railroad securities, or do you do a general banking business?

Mr. SCHIFF. A general banking business.

Mr. UNTERMYER. But you are an issuing house, are you not?

Mr. SCHIFF. We are.

Mr. UNTERMYER. Will you be good enough to explain the existing system of underwriting and issuing securities, if there may be said to be such: the general system?

Mr. SCHIFF. The way we do our business is, we always first contract with a railroad company, or a corporation if it is not a railroad company, that has securities to sell. When we have contracted with them and have obligated ourselves to purchase a certain amount of securities or issue of securities, we form an underwriting syndicate which shares the risk of the business with us. We take the risk first and the underwriter afterwards shares it with us.

Mr. UNTERMYER. It takes it off your shoulders?

Mr. SCHIFF. In part, if that is possible. Sometimes times are such, or something happens which means the taking over of an issue of securities, and there is an attempt to form an underwriting syndicate; if anything happens, the risk is our own and we have to carry the load, and we can issue and sell securities. At times that takes very long.

Mr. UNTERMYER. But you do underwrite your risks, as a rule, do you not?

Mr. SCHIFF. Always; practically always.

Mr. UNTERMYER. When you do that, is not the obligation of the underwriting syndicate to take the securities, if you do not sell them?

Mr. SCHIFF. It is.

Mr. UNTERMYER. Now, these underwriting syndicates are made up of what classes of the community? Are they corporations, individuals, or firms, or all of them?

Mr. SCHIFF. So far as our underwriting syndicates go—every house has its own methods and customs—but so far as our underwriting syndicates go, it is practically exclusively composed of firms, corporations, and our foreign correspondents.

We do not, as a rule, offer participation in our syndicates to individuals.

Mr. UNTERMYER. You do not ordinarily offer participation in your syndicates to individuals?

Mr. SCHIFF. It is very exceptional.

Mr. UNTERMYER. Are these firms in which participations are offered usually banking firms or banking houses?

Mr. SCHIFF. To a great extent.

Mr. UNTERMYER. And the corporations to which you offer them are what classes of corporations—financial corporations?

Mr. SCHIFF. Trust companies and banks; but our syndicates are very largely made up from our foreign correspondents. We always only place a part, sometimes an inconsiderable part, in the United States. We very largely place our syndicates abroad.

Mr. UNTERMYER. On the Continent and in England?

Mr. SCHIFF. In England and on the Continent.

Mr. UNTERMYER. Are your underwriters there usually corporations or banking concerns?

Mr. SCHIFF. Banking houses and banks.

Mr. UNTERMYER. Is it customary in underwriting a large issue of securities in New York by large syndicates to have the banks and trust companies as underwriters?

Mr. SCHIFF. I think it is.

Mr. UNTERMYER. Is it customary to have banks and trust companies and insurance companies purchase largely of the securities issued by those international banking houses?

Mr. SCHIFF. Sometimes it is, and sometimes it is not.

Mr. UNTERMYER. Have you a list of underwriters whom you invite to participate in your issue?

Mr. SCHIFF. I think, Mr. Untermyer, we have furnished you as far as we are able to, and wish to, with all the details that you have asked for.

Mr. UNTERMYER. That is not the question. The question is whether you have in your banking house a list of those whom you invite to underwrite. I am not asking you for the list, but have you such a list?

Mr. SCHIFF. I have no doubt that we have. I do not attend to the details of our business, but I have no doubt we have such a list.

Mr. UNTERMYER. You have no doubt you have such a list, and when you undertake an issue, that is the form in which they are invited to participate? Is it by a letter or allotment, or an offer of participation?

Mr. SCHIFF. Generally by an offer. Anybody has a right to decline. Sometimes they are invited to make applications without stating any amount. We do not state any amount in many cases, but they are asked to apply for participation. Some accept and apply, and some decline. Sometimes we offer certain amounts, and it is for the—you may call him the allottee, to accept or decline the amount offered to him.

Mr. UNTERMYER. What should you say, generally, is the extent of this list of underwriters from whom you invite participation, 1,000 men, 1,000 institutions, or 500, or how many?

Mr. SCHIFF. Oh, no; our circle—I could not say; it changes with the size of the business.

Mr. UNTERMYER. That I understand.

Mr. SCHIFF. In smaller bonds we invite no participation at all; in larger bonds we invite a larger list.

Mr. UNTERMYER. But the question is as to the extent of the list that you keep, if you keep one, from which you select.

Mr. SCHIFF. I can not guess at that.

Mr. UNTERMYER. Is it as large as 200 names?

Mr. SCHIFF. I hardly think as many as that.

Mr. UNTERMYER. Can you give us approximately an idea of the extent of the list? I do not mean the list in each case, but the extent of the list from which you issue these invitations to participate?

Mr. SCHIFF. I should simply, as a guess, say from 75 to 125: simply as a guess; I might be mistaken.

Mr. UNTERMYER. And what proportion of those should you say are foreign correspondents and what proportion are New York bankers, banking corporations?

Mr. SCHIFF. That varies with the nature and character of the business. We have sometimes not invited a home participation at all—where the issue is made exclusively abroad. As has been the case in various large amounts of securities we have placed, we do not give any participations at home at all, because our domestic banker or corporation can not assist us in placing it. Whoever is invited is expected to help in the placing of the security, and if the home banker or corporation is not likely to be able to help cooperate, because the security is exclusively destined for a foreign market, only a foreign syndicate is formed.

Mr. UNTERMYER. I do not think you quite understand my question. My question did not relate to what number in any one case, or in any other case, but what I want to find out is approximately the extent of this list from which you select for one or another issue, as divided between foreign correspondents and domestic bankers.

Mr. SCHIFF. Where issues are made and the securities are destined for both markets, or where securities are apportioned between international markets, I should say it is about two-thirds domestic, New York and the domestic market, and one-third abroad.

Mr. UNTERMYER. Does this list of underwriters of the domestic market include banking houses and corporations in cities other than New York.

Mr. SCHIFF. It does.

Mr. UNTERMYER. Have you alliances in these other cities?

Mr. SCHIFF. I can not call them alliances. We have correspondents and friends who cooperate with us, but we are not allied to anybody.

Mr. UNTERMYER. Have you not alliances in the sense that you join with them in occasional issues, and they join with you in occasional issues?

Mr. SCHIFF. We hardly ever have joined in issues of out of town bankers and banking houses. Out of town bankers or banking houses have joined with us in issues.

Mr. UNTERMYER. You mean that they have taken part of an issue, and you have made a joint issue occasionally?

Mr. SCHIFF. Yes, sir.

Mr. UNTERMYER. That is what I mean by an alliance. In that sense of an alliance you have alliances, have you not, in Boston and Chicago?

Mr. SCHIFF. We make alliances for the occasion. We have no standing alliances.

Mr. UNTERMYER. Have you not done considerable joint account business with Lee, Higginson & Co., of Boston?

Mr. SCHIFF. Hardly any. We have done some, but not to any considerable amount.

Mr. UNTERMYER. Were not the telephone bonds, to the extent of about \$175,000,000, issued in joint account with them and J. P. Morgan & Co.?

Mr. SCHIFF. I think that was with Kidder, Peabody & Co., and not Higginson & Co.

Mr. UNTERMYER. That was with Kidder, Peabody & Co.?

Mr. SCHIFF. Yes; about five years ago.

Mr. UNTERMYER. And there were three issues, were there not, one of \$100,000,000, one of \$50,000,000, and one of \$25,000,000?

Mr. SCHIFF. My recollection is that there were only two issues. There may have been three.

Mr. UNTERMYER. And is there not an issue now in course of offer to the public, of American Telephone & Telegraph bonds?

Mr. SCHIFF. There is.

Mr. UNTERMYER. Advertised in the last few days?

Mr. SCHIFF. In course of offer to the stockholders; not to the public.

Mr. UNTERMYER. They are in course of offer to the stockholders, and if the stockholders do not take them, are they then to be offered to the public?

Mr. SCHIFF. Then the underwriting syndicate will have to take them, and whether they will offer them to the public or not I do not know.

Mr. UNTERMYER. But it is an issue that is publicly offered to the stockholders?

Mr. SCHIFF. It is going to be publicly offered to the stockholders.

Mr. UNTERMYER. What is the amount of that issue?

Mr. SCHIFF. I believe it is between \$60,000,000 and \$70,000,000.

Mr. UNTERMYER. It is \$67,000,000, is it not?

Mr. SCHIFF. It may be \$67,000,000; I do not recall.

Mr. UNTERMYER. Is that a joint-account transaction between Morgan, Kidder, Peabody, and yourselves?

Mr. SCHIFF. It is a joint-account transaction between Morgan's, the First National Bank, the National City Bank, Kidder, Peabody & Co., and Baring Bros., and ourselves.

Mr. UNTERMYER. Baring Bros., of London?

Mr. SCHIFF. Yes.

Mr. UNTERMYER. Take that as an illustration; who made the deal with the company?

Mr. SCHIFF. I believe J. P. Morgan & Co.

Mr. UNTERMYER. And they invited you to participate on joint account with these other houses?

Mr. SCHIFF. They did.

Mr. UNTERMYER. Was there any competition for the bonds?

Mr. SCHIFF. I think you must ask J. P. Morgan & Co.

Mr. UNTERMYER. If you do not know, Mr. Schiff, you may say so.

Mr. SCHIFF. I have not discussed this at all.

Mr. UNTERMYER. So far as you know, was there any competition for the bonds?

Mr. SCHIFF. Possibly there was. I can not answer the question.

Mr. UNTERMYER. So far as you know, was there any?

Mr. SCHIFF. I can not answer the question. I do not know that there was and I do not know that there was not.

Mr. UNTERMYER. Is the method you describe of undervaluing securities substantially the method that is employed by all the great banking houses of this country?

Mr. SCHIFF. I think every banking house has its own method, and I believe it varies to some extent.

Mr. UNTERMYER. But they all offer participations in the way of underwriting to banks and banking houses, do they not, when they have a large issue?

Mr. SCHIFF. In some cases.

Mr. UNTERMYER. How would you describe the banking ethics as between great bankers with respect to interfering with one another's business?

Mr. SCHIFF. I would describe those just as I would describe the ethics in general lines.

Mr. UNTERMYER. Let us have it in this particular regard.

Mr. SCHIFF. I would describe it in this way, that it is not good form to create unreasonable interference or competition. A large banking house or small banking house—there is no difference between a large one and a small one—should respect itself. After the negotiation has once been begun, it should not endeavor to get it away from somebody else. That is not what I call ethics, but it is done.

Mr. UNTERMYER. That is not the point. I am speaking of the ethics with respect to one another's clients or customers. Suppose the Union Pacific Railroad was about to make an issue. Your house are the recognized bankers of the Union Pacific, are you not?

Mr. SCHIFF. Yes, sir.

Mr. UNTERMYER. And of the Southern Pacific?

Mr. SCHIFF. Yes, sir; we have been thus far, but lately the Supreme Court has come between us.

Mr. UNTERMYER. The Supreme Court has not interfered with your business of issuing securities, has it?

Mr. SCHIFF. I do not know how that will develop.

Mr. UNTERMYER. It has given you more business?

Mr. SCHIFF. I do not know how that will develop.

Mr. UNTERMYER. Suppose the Union Pacific wants to make an issue of bonds?

Mr. SCHIFF. Yes.

Mr. UNTERMYER. Would the banking ethics permit of Messrs. Morgan bidding on those bonds?

Mr. SCHIFF. If they are specially invited; I do not know what they would do. The Union Pacific Co. would not like to invite anybody else, because they are satisfied with the way Kuhn, Loeb & Co. have treated them.

Mr. UNTERMYER. Yes; we are talking about the banking ethics. That is a recognized condition, is it not?

Mr. SCHIFF. I do not think that another banking house of the standing of J. P. Morgan & Co. would accept an offer of the Union Pacific Co. to negotiate its securities while it was in the hands of Kuhn, Loeb & Co.

Mr. UNTERMYER. While what was in the hands of Kuhn, Loeb & Co.?

Mr. SCHIFF. The negotiations of the securities for the Union Pacific Railroad Co.

Mr. UNTERMYER. But suppose there was no negotiation in the hands of anybody; would banking ethics permit Mersrs. Morgan or any great banking house to ask the Union Pacific for the opportunity of bidding?

Mr. SCHIFF. They would.

Mr. UNTERMYER. And you would not, for instance, if you knew the Southern Railway was going to make an issue of securities, be willing to bid on them, would you?

Mr. SCHIFF. We would not.

Mr. UNTERMYER. In other words, these houses have their recognized clients, have they not?

Mr. SCHIFF. To some extent.

Mr. UNTERMYER. And is it not also recognized that they are their clients, and that they are not to be interfered with?

Mr. SCHIFF. I think that is going a bit too far, because there is very frequently interference or attempted interference.

Mr. UNTERMYER. Has there ever been any interference with your exclusively handling the issues of the Union Pacific Railroad in the last 10 years?

Mr. SCHIFF. Attempts have been made.

Mr. UNTERMYER. Has anybody handled any of their securities in the last 10 years?

Mr. SCHIFF. I do not think so.

Mr. UNTERMYER. Or has anybody other than Morgan & Co. handled the securities of the Southern Railway or the Steel Corporation or the New Haven road or the New York Central, or any one of the many other roads with which they have been identified?

Mr. SCHIFF. Would not J. P. Morgan & Co. be better qualified to answer that than I?

Mr. UNTERMYER. That depends upon what you know about it, Mr. Schiff.

Mr. SCHIFF. I do not know. It may be.

Mr. UNTERMYER. So far as you know, have there been any issues of any of the securities of the companies with which they are identified, except by them?

Mr. SCHIFF. I have very frequently seen advertisements by other houses than J. P. Morgan & Co. of so-called Morgan securities.

Mr. UNTERMYER. What, for instance?

Mr. SCHIFF. Well, let me think. The two issues, some little while ago, of the Steel Corporation—I think one was in January—and some railroads that I do not remember the names of—but two distinct issues of the Steel Corporation. It may be that they came from Morgan's.

Mr. UNTERMYER. Do you not know that they did?

Mr. SCHIFF. I do not know what the relation was. I do not look into other people's business.

Mr. UNTERMYER. Were they steel companies?

Mr. SCHIFF. I think there were some small railway companies.

Mr. UNTERMYER. Was it the Illinois Steel Co. and the Indiana Steel Co.?

Mr. SCHIFF. Yes; I think that is right.

Mr. UNTERMYER. That is right?

Mr. SCHIFF. I think so.

Mr. UNTERMYER. They were \$10,000,000 issues, were they not?

Mr. SCHIFF. That I do not remember.

Mr. UNTERMYER. Do you not know that both of them were issued jointly by J. P. Morgan & Co. and the First National Bank, and in both instances the City Bank?

Mr. SCHIFF. Were they not issued by Kissel, Kinnicut & Co. or some other house? That is my impression.

Mr. UNTERMYER. No; they were not, so far as the record here shows; but Kissel, Kinnicut & Co. is an annex of the Morgan house, is it not?

Mr. SCHIFF. No.

Mr. SCHIFF. No.

Mr. UNTERMYER. Do you not know that they issue securities for Messrs. Morgan that are turned over to them by Messrs. Morgan & Co.?

Mr. SCHIFF. I think they issue securities for any reputable house, or buy securities from any reputable house, out of which they can make a fair profit.

Mr. UNTERMYER. Do you not know——

Mr. SCHIFF. No; we have done very considerable business——

Mr. UNTERMYER. Do you not know they are recognized as friends of J. P. Morgan & Co., through whom bonds are sold and occasional issues made?

Mr. SCHIFF. Occasionally, yes; but just as occasionally they deal with other people.

Mr. UNTERMYER. I do not mean to imply that they only do business with J. P. Morgan & Co.; but you know, do you not, that they are known in the Street as doing business for J. P. Morgan & Co. largely and primarily?

Mr. SCHIFF. I can not accede to that. I think a house like Kissel, Kinnicut & Co. and many other similar houses are bond dealers, and they deal with any large house that has large issues for sale which they think are suitable for their clients.

Mr. UNTERMYER. You mean that instead of selling the bonds yourselves the houses sell them through Kissel, Kinnicut & Co.?

Mr. SCHIFF. Sometimes.

Mr. UNTERMYER. Why is that done?

Mr. SCHIFF. Because they have a great number of small clients or small bond purchasers, and are, perhaps, better——

Mr. UNTERMYER. Better distributors?

Mr. SCHIFF. Better qualified to retail a bond. They are not willing to take the large risks. These houses, as a rule, are not willing to take very large issues themselves, and when they issue bonds they generally do not take over, as far as I know, the entire issue. They take a part, and if that part has been sold they take another part. If they do not succeed if they have taken very small parts, generally the originally purchaser has to carry along the balance of the bonds until a market can be found.

Mr. UNTERMYER. They are jobbers, then, in a sense?

Mr. SCHIFF. Yes; they are jobbers, you might say.

Mr. UNTERMYER. And you are a wholesaler or manufacturer?

Mr. SCHIFF. No; we are not manufacturers. We are wholesalers.

Mr. UNTERMYER. The manufacturers are the corporations from whom you get the bonds?

Mr. SCHIFF. The corporations are the makers.

Mr. UNTERMYER. I do not think we have quite exhausted this question of banking ethics. Can you, within your wide range of experience, name any case in which one of the big banking houses has made an issue of securities of a company that was known to be distinctly affiliated with any of the other banking houses, except with the assent of the last-named house?

Mr. SCHIFF. That is a very difficult question to answer.

Mr. UNTERMYER. Do you know of any such instance?

Mr. SCHIFF. Will you please repeat the last part of your question? I can not follow it.

By request, the stenographer repeated the question as follows:

Can you, within your wide range of experience, name any case in which one of the big banking houses has made an issue of securities of a company that was known to be distinctly affiliated with any of the other banking houses, except with the assent of the last-named house?

Mr. SCHIFF. Yes; I can.

Mr. UNTERMYER. What instance?

Mr. SCHIFF. Speyer & Co. have often made an issue of securities which came within our range, and we have made issues of securities which came into their range. More frequently—

Mr. UNTERMYER. They have invaded your field more frequently than you have invaded theirs?

Mr. SCHIFF. Not very frequently, but it has been done. There is a sort of rivalry.

Mr. UNTERMYER. Between you and Speyer & Co.?

Mr. SCHIFF. Between us and Speyer, and certain other houses.

Mr. UNTERMYER. What other houses?

Mr. SCHIFF. White, Weld & Co.

Mr. UNTERMYER. White, Weld & Co. are what you would call jobbers, are they not?

Mr. SCHIFF. When the amount is not very large, they become wholesalers.

Mr. UNTERMYER. But they are ordinarily jobbers who buy and deal with Morgan and with yourself, who buy bonds from you?

Mr. SCHIFF. Not with ourselves. I think that has only been done in one case.

Mr. UNTERMYER. But with Morgan's they handle a large part of the bonds put out by Morgan & Co.?

Mr. SCHIFF. That I do not know. You must ask J. P. Morgan & Co.

Mr. UNTERMYER. Do you not know anything about that?

Mr. SCHIFF. No, sir; I know nothing about it.

Mr. UNTERMYER. Have you any instance in mind in which, in the last five years, you have invaded the field of Messrs. Morgan & Co., or they have invaded yours?

Mr. SCHIFF. I have not.

Mr. UNTERMYER. Or have you in mind any instance in which you have invaded the field of the National City Bank or the First National Bank or in which they have invaded yours?

Mr. SCHIFF. As to the First National Bank, I know we have not. As to the National City Bank, I can not say for certain. I think they would do business to a certain extent even where we are considered the agents, and we would do certain business where they are considered the agents; not to a large extent.

Mr. UNTERMYER. Is not that where the corporation is a customer of both of you? Is not that only the case in which the corporation is claimed to be or regarded as a customer of both of you or either of you?

Mr. SCHIFF. It is in cases where a corporation is regarded as a customer of neither.

Mr. UNTERMYER. That is, in a case in which the field happens to be open?

Mr. SCHIFF. Yes.

Mr. UNTERMYER. But then you would be more likely to cooperate than to compete, would you not?

Mr. SCHIFF. Not necessarily.

Mr. UNTERMYER. But you do cooperate, do you not?

Mr. SCHIFF. Not always.

Mr. UNTERMYER. Do not you and the City Bank cooperate pretty largely in issues of securities?

Mr. SCHIFF. Yes; we do.

Mr. UNTERMYER. And do you not cooperate very largely with Messrs. Morgan & Co. and the First National Bank, too?

Mr. SCHIFF. Not so very largely. We have done very little, comparatively little, except in one or two or perhaps three large transactions. We have done very little joint-account business with Messrs. Morgan & Co. or with the First National Bank.

Mr. UNTERMYER. Let us take an existing instance, that of the reorganization or readjustment of the Hudson Tunnel, the McAdoo tunnel system.

Mr. SCHIFF. Yes, sir.

Mr. UNTERMYER. That is something that is advertised in the morning papers to-day, is it not?

Mr. SCHIFF. Yesterday.

Mr. UNTERMYER. Yesterday or to-day?

Mr. SCHIFF. Yes, sir.

Mr. UNTERMYER. Morgan & Co. and the First National Bank are very largely interested in that enterprise?

Mr. SCHIFF. So I understand.

Mr. UNTERMYER. Do you not know that?

Mr. SCHIFF. I was told so.

Mr. UNTERMYER. You were told so by Messrs. Morgan & Co.?

Mr. SCHIFF. No. I was told so by Harvey, Fiske & Sons.

Mr. UNTERMYER. Do you not know anything about it? You are the senior investment managers of that enterprise, are you not?

Mr. SCHIFF. Yes.

Mr. UNTERMYER. I assume that you know where the securities are?

Mr. SCHIFF. We do not. We only know in a general way.

Mr. UNTERMYER. You know they are held largely——

Mr. SCHIFF (interposing). We only know in a general way, as far as we have been told by Harvey, Fiske & Sons, who originally placed them.

Mr. UNTERMYER. Do you not know that they placed them with the aid of Morgan & Co. and the First National Bank?

Mr. SCHIFF. They told us so.

Mr. UNTERMYER. Yes. And do you know what proportion of the outstanding bonds are held to-day by Messrs. Morgan & Co. and the First National Bank?

Mr. SCHIFF. I have absolutely no idea.

Mr. UNTERMYER. What is the total issue?

Mr. SCHIFF. The total issue is, I think, something like \$67,000,000.

Mr. UNTERMYER. Do you know how they were placed?

Mr. SCHIFF. They were placed in England. We took this up at the request of our English friends.

Mr. UNTERMYER. Did you take it up by understanding with Messrs. Morgan & Co. and the First National Bank?

Mr. SCHIFF. Absolutely not.

Mr. UNTERMYER. You did not do it against their objection, did you?

Mr. SCHIFF. As far as we understand, this is the situation: They first objected to it and did not like it—not because they did not like us to take it up, but because they thought the plan was too drastic; but it appears, or we are told, that they have finally acquiesced in it.

Mr. UNTERMYER. They have acquiesced in the plan?

Mr. SCHIFF. Yes; so I understand; they are going to acquiesce in it.

Mr. UNTERMYER. Thereupon you took it up?

Mr. SCHIFF. No. We made a certain plan, and said: "That is the only plan on which we will take it up, and unless we can be assured that the bondholders will come in with practical unanimity we would not take it up; and we would not take it up on any other plan." And we were assured by Messrs. Fiske & Sons, and by no one else, that the large bondholders and their English friends would come in; but there is no obligation on their part to us.

Mr. UNTERMYER. You knew, did you not, that Messrs. Morgan & Co. and the First National Bank and their affiliations controlled a large part of these bonds? You were so assured?

Mr. SCHIFF. We absolutely never had any conversation or anything else with the First National Bank about it.

Mr. UNTERMYER. But with Morgan?

Mr. SCHIFF. We had a very short conversation with Morgan, simply upon the merits of the plan.

Mr. UNTERMYER. And you knew when you took it up that you took it up with their acquiescence?

Mr. SCHIFF. We would not have taken it up unless—not Morgans had acquiesced, but unless the largest bondholders had acquiesced. If they happened to be large bondholders, they were included in the number; but there was nothing personal to Morgans or anybody else. We only knew bondholders. We knew no others.

Mr. UNTERMYER. But, as a matter of fact, they did acquiesce in it?

Mr. SCHIFF. We were assured they would. They have not yet.

Mr. UNTERMYER. Do you not know the relations of Harvey, Fiske & Sons with the Morgans?

Mr. SCHIFF. I do not.

Mr. UNTERMYER. You do not know how close they have been?

Mr. SCHIFF. I do not.

Mr. UNTERMYER. Do you not know that these bonds were taken by Morgans and placed for them when they were originally issued?

Mr. SCHIFF. I absolutely knew nothing about the details of this whole matter until we came into it about two months ago.

Mr. UNTERMYER. You spoke of the syndicate underwritings?

Mr. SCHIFF. Yes.

Mr. UNTERMYER. Does your firm ever give syndicate underwritings or participations to officers of banks and trust companies?

Mr. SCHIFF. I should say in very, very isolated cases. Only when they are investors, and I might say almost never.

Mr. UNTERMYER. Are you not opposed to that system of inviting officers of banks and trust companies that may acquire these securities to join in these syndicate participations?

Mr. SCHIFF. I think it would be better not to do it.

Mr. UNTERMYER. Where officers of banks are underwriters to the syndicate and the banks of which they are officers afterwards buy the securities, that relieves the underwriters to that extent, does it not?

Mr. SCHIFF. That is naturally the case.

Mr. UNTERMYER. It may be to you, but it may not be generally understood?

Mr. SCHIFF. Certainly.

Mr. UNTERMYER. That is so?

Mr. SCHIFF. Certainly, it does.

Mr. UNTERMYER. And therefore if they are underwriters is not that in the nature of an inducement to them to have their banks take the securities and relieve them from the underwriting?

Mr. SCHIFF. I should think not to an honest man:

Mr. UNTERMYER. You think that because they are underwriters they would not allow their banks to take the securities?

Mr. SCHIFF. I do not think a bank officer, if he takes an interest in a syndicate, would induce his bank to take a part of the securities if he thought it was not in the interest of the bank to do it.

Mr. UNTERMYER. But do you not realize that there is there a subconscious temptation which had better be avoided by not inviting them into these syndicates, where you are going to sell the securities to their banks, and relieve them from their syndicate underwriting?

Mr. SCHIFF. Not being a psychologist, I can not answer that.

Mr. UNTERMYER. I am asking your opinion because you are dealing with these things.

Mr. SCHIFF. I have no opinion.

Mr. UNTERMYER. Do you not think you are somewhat of a psychologist, or that the people are who are inviting these gentlemen into these syndicates?

Mr. SCHIFF. In the case of these officers of banks and trust companies and banking houses, if these gentlemen have acquired some competence they would probably like to go into syndicates, and possibly are offered such participations; but I am quite certain that, amongst New York bank presidents or trust company presidents the sense of honor is generally high enough not to make their companies buy securities simply because they are interested in the syndicate.

I want to add again that as far as Kuhn, Loeb & Co. are concerned, they hardly ever have given interests to bank officers; so that I am only giving an opinion.

Mr. UNTERMYER. Why do you say you think they ought not to have participations in these syndicates if you think it will not affect them?

Mr. SCHIFF. I think it is better, on general principles, as a general proposition, so as not to call forth such thoughts as those to which your question has given expression.

Mr. UNTERMYER. So as to keep them free from temptation: is that it?

Mr. SCHIFF. No; not necessarily, but so as to keep them free from being misjudged by others.

Mr. UNTERMYER. You think you should protect them against that, do you?

Mr. SCHIFF. It would be better.

Mr. UNTERMYER. In that connection, do you remember the occurrences of the insurance excitement of 1906?

Mr. SCHIFF. I think it was in 1905.

Mr. UNTERMYER. In 1905 and 1906, too. You remember the investigation in New York?

Mr. SCHIFF. Yes; I do.

Mr. UNTERMYER. And you remember, do you not, that it was found there that many of the officers of insurance companies participated in underwriting syndicates with which their companies were connected?

Mr. SCHIFF. I do not remember that.

Mr. UNTERMYER. You do not remember such participations and the criticism to which it gave rise?

Mr. SCHIFF. Yes; I think that was the case. I believe that was charged.

Mr. UNTERMYER. That was the subject of criticism and resulted in laws preventing it in insurance companies?

Mr. SCHIFF. I do not know that to-day the president of an insurance company can not participate in a syndicate. I have not heard it.

Mr. UNTERMYER. Have you not heard that he can not participate in any syndicate in which his company buys securities?

Mr. SCHIFF. I really do not know.

Mr. UNTERMYER. Do you not know that the insurance companies were also prohibited from participating in syndicates?

Mr. SCHIFF. Yes; they are.

Mr. UNTERMYER. And that their officers are?

Mr. SCHIFF. That I do not know.

Mr. UNTERMYER. Would you recommend that the rule that has been made applicable to insurance companies in New York State be also made applicable to banks?

Mr. SCHIFF. How far?

Mr. UNTERMYER. In so far as concerns the participation of the banks or their officers in underwriting syndicates for securities?

Mr. SCHIFF. I do not agree with you.

Mr. UNTERMYER. Do you not agree with the law of New York on the subject?

Mr. SCHIFF. I agree with some parts of the so-called Hughes law, but I do not agree that banks and trust companies should not participate in underwriting syndicates. That is their business.

Mr. UNTERMYER. You think the business of a national bank is to underwrite issues of securities?

Mr. SCHIFF. High-grade securities; yes.

Mr. UNTERMYER. The underwriting of those securities involves, does it not, the taking of them and paying for them?

Mr. SCHIFF. It does.

Mr. UNTERMYER. And you think it is a part of the business of a national bank to use its assets in acquiring securities instead of keep-

ing them liquid for the commercial purposes for which a bank is intended to be conducted?

Mr. SCHIFF. I think it would be a perfectly legitimate function of a national bank, always assuming that it is prudently managed; that not a large part of its free assets or its deposits or its capital be locked up in securities.

Mr. UNTERMYER. What proportion, in your judgment, ought to be locked up?

Mr. SCHIFF. I think a very small part of its profits.

Mr. UNTERMYER. What part?

Mr. SCHIFF. It is very difficult to say. That depends upon the judgment of the board of directors. It would apply also to trust companies.

Mr. UNTERMYER. Should you say 10 per cent would be about the amount?

Mr. SCHIFF. I can not say. That is impossible—

Mr. UNTERMYER. Do you know what proportion of the deposits of the Bankers Trust Co., the Guarantee Trust Co., and the City Bank, and the First National Bank, and the Bank of Commerce are locked up to-day in securities, instead of being liquid for the use of their customers?

Mr. SCHIFF. I only know in the case of the City Bank, because I am a director in that. I do not know in the case of the other banks or trust companies.

Mr. UNTERMYER. What proportion of the deposits of the City Bank?

Mr. SCHIFF. If you have their statement, I would take it. I can not know it by heart.

Mr. UNTERMYER. Have you any idea of it?

Mr. SCHIFF. I do not believe that it is more than 15 or 20 per cent, as far as I can remember.

Mr. UNTERMYER. What are its deposits?

Mr. SCHIFF. I think the deposits are about \$240,000,000.

Mr. UNTERMYER. Do you know the situation in the First National Bank?

Mr. SCHIFF. No.

Mr. UNTERMYER. Do you know anything about the securities owned by the First National Bank?

Mr. SCHIFF. As far as president of the board of directors is concerned, yes.

Mr. UNTERMYER. Who issued the Consolidated Coal first and refunding fives of 1950.

Mr. SCHIFF. Consolidated Coal? That was a small amount. They were issued, as far as I can remember, by Mr. Saloman and Kissel, Kinnicutt & Co. They were purchased by the National City Bank and ourselves to some extent, and were sold to a syndicate, I believe, consisting, as far as I can remember, of Mr. Sullivan and Kissel, Kinnicutt & Co., and Mr. Fleming, of London, and perhaps one or two others whom I do not remember. It was not a very large affair.

Mr. UNTERMYER. Who issued the Consolidated Gas fives of 1912?

Mr. SCHIFF. I believe the National City Bank did. It was their exclusive business. I am not sure.

Mr. UNTERMYER. That is their business—the Consolidated Gas—is it not?

Mr. SCHIFF. Not their business——

Mr. UNTERMYER (interposing). That is, the City Bank.

Mr. SCHIFF. Yes, sir; I believe they are affiliated.

Mr. UNTERMYER. Do you not know that the City Bank are the bankers of the Consolidated Gas Co.?

Mr. SCHIFF. I think they are the bankers for the company.

Mr. UNTERMYER. And do you not know that the company is controlled and managed from the City Bank?

Mr. SCHIFF. I am quite sure it is not controlled by the City Bank.

Mr. UNTERMYER. It is managed from the City Bank, is it not?

Mr. SCHIFF. I think it is controlled by a large number of people. I believe that Mr. Stillman and Mr. Rockefeller and Mr. Brady—who is not at all connected with the City Bank——

Mr. UNTERMYER. Mr. Stillman and Mr. Rockefeller——

Mr. SCHIFF (interposing). I do not think they have a controlling interest in it.

Mr. UNTERMYER. It does not take a controlling interest to control a corporation, does it?

Mr. SCHIFF. I want to say——

Mr. UNTERMYER (interposing). Does it?

Mr. SCHIFF. Anthony Brady——

Mr. UNTERMYER. Will you not answer the question? Does it take a majority of the stock of a great corporation like Consolidated Gas in order to control the management of the corporation, or is that management, in the case of great corporations, frequently and almost universally held by a comparatively small proportion of the stock?

Mr. SCHIFF. I shall answer that in my own way, just as in the case of the Consolidated Gas, in which what I do know I know only by hearsay. I have absolutely no interest in Consolidated Gas. Consolidated Gas is, however, as far as I know, controlled by the so-called Stillman-Rockefeller interests——

Mr. UNTERMYER. That is the City Bank interest, is it not?

Mr. SCHIFF. I do not think the City Bank has anything to do with it.

Mr. UNTERMYER. Mr. Stillman is the head of the City Bank, is he not?

Mr. SCHIFF. He is the nominal chairman of the City Bank, but he lives abroad. He is chairman and lives abroad.

Mr. UNTERMYER. Now, Mr. Schiff——

Mr. SCHIFF. Let me finish my answer and then ask me.

Mr. UNTERMYER. Very well; proceed.

Mr. SCHIFF (continuing). Mr. Anthony Brady and, I believe, Mr. Ryan—at least it was so. Now, if Mr. Stillman wished to exert a control of the Consolidated Gas Co. as against Mr. Brady and possibly Mr. Ryan, it is not said that he could control it.

Mr. UNTERMYER. Do you know who the two largest stockholders in the Consolidated Gas Co. are?

Mr. SCHIFF. I have absolutely no idea.

Mr. UNTERMYER. Do you know who the two largest stockholders in the City Bank are?

Mr. SCHIFF. I suppose Mr. Stillman is the largest stockholder.

Mr. UNTERMYER. Mr. Stillman has 47,498 shares.

Mr. SCHIFF. A very nice investment.

Mr. UNTERMYER. Yes. That is about \$18,000,000 in present value, is it not?

Mr. SCHIFF. Something like that.

Mr. UNTERMYER. And Mr. William Rockefeller has 10,000 shares, has he not?

Mr. SCHIFF. That is very interesting to me.

Mr. UNTERMYER. Will you not answer the question, Mr. Schiff?

Mr. SCHIFF. I hold 500 shares in the bank.

Mr. UNTERMYER. I have not asked you that. Now, coming back to the Consolidated Gas, or coming back, rather, to the City Bank, of which you say you are a director, do you know that it has \$4,400,000 of those Consolidated Gas bonds?

Mr. SCHIFF. I know that it has a large amount of those bonds.

Mr. UNTERMYER. Do you know how it got them?

Mr. SCHIFF. It took them from the company, no doubt.

Mr. UNTERMYER. You mean by having a large issue, part of which remained undisposed of?

Mr. SCHIFF. I presume it divided it up. I do not know what the whole issue was. It was over a year ago that the issue was made.

Mr. UNTERMYER. Do you know whether or not the assets, the bonds held by the City Bank, consist largely of securities with the issue of which the City Bank was identified?

Mr. SCHIFF. I do not think so.

Mr. UNTERMYER. You see no objection to a national bank being an issuing house for securities?

Mr. SCHIFF. I can see no potent objection to it.

Mr. UNTERMYER. No potent objection?

Mr. SCHIFF. Yes.

Mr. UNTERMYER. Do you not think that it makes the bank responsible, in a sense, for the issues to which its name is signed?

Mr. SCHIFF. Responsible? What do you mean by "responsible?"

Mr. UNTERMYER. I mean responsible to the public.

Mr. SCHIFF. Well, just as much as it makes anybody. Anybody who brings out securities has a certain moral responsibility, but no actual responsibility.

Mr. UNTERMYER. You do not see any distinction, do you, between a private banking house issuing securities and the issuing of securities by a national bank, which is the custodian of the moneys of other people?

Mr. SCHIFF. Yes, I think there are more responsibilities on the private banking house; the responsibility of the private banking house is much larger than the moral responsibility of the bank, which is an abstract person, which is not an individual.

Mr. UNTERMYER. But you see no difference, do you, so far as concerns the propriety of such action by a national bank that is using the money of its depositors in public issues and vouching in a sense for those issues to the public, so that if anything should happen to the security it might destroy confidence in the bank and perhaps lead to a run on it?

Mr. SCHIFF. I think that is a little far-fetched.

Mr. UNTERMYER. I say, you see no such distinction?

Mr. SCHIFF. I really can not say. It depends upon the bank. I mean if a bank is properly managed and carefully managed, I see no objection to its issuing securities.

Mr. UNTERMYER. How are you going to distinguish, if you allow national banks to be issuing houses for securities, between a large and powerful and properly managed bank and a weak, small bank that issues securities which afterwards might turn out badly and lead to a run on the bank?

Mr. SCHIFF. A large bank has larger resources, it has larger reserves, and can probably better sustain the interest of its depositors and of its customers than a small bank.

Mr. UNTERMYER. Then you think national banks should be permitted to be syndicate underwriters, promoters, and issuing houses, do you?

Mr. SCHIFF. I think they should.

Mr. UNTERMYER. You think they should?

Mr. SCHIFF. They should be permitted to do any legitimate banking business.

Mr. UNTERMYER. Any banking business that a private individual can do?

Mr. SCHIFF. Any legitimate business.

Mr. UNTERMYER. I see.

Mr. SCHIFF. I do not think that national banks should engage in stock operations, but high-grade bonds——

Mr. UNTERMYER. But stocks are sometimes better than bonds, are they not?

Mr. SCHIFF. Perhaps you think so.

Mr. UNTERMYER. Are they not?

Mr. SCHIFF. No; I do not think so.

Mr. UNTERMYER. You do not think that stocks are ever better than bonds?

Mr. SCHIFF. I think stocks are always risky. A stock depends on management, and there is always a certain risk involved in buying a stock or issuing a stock.

Mr. UNTERMYER. You do have bonds go wrong, do you not?

Mr. SCHIFF. What is that?

Mr. UNTERMYER. You do know that bonds go wrong sometimes and people lose on them?

Mr. SCHIFF. Yes; but——

Mr. UNTERMYER. Do you not? Will you not answer me?

Mr. SCHIFF. Sometimes——

Mr. UNTERMYER. Will you not answer my question?

Mr. SCHIFF. I will answer it in my own way.

Mr. UNTERMYER. No. Bonds do go wrong, do they not?

Mr. SCHIFF. They ought not to.

Mr. UNTERMYER. But they do?

Mr. SCHIFF. Yes; and men go wrong.

Mr. UNTERMYER. Bonds do go wrong?

Mr. SCHIFF. That happens to everything. A man goes wrong sometimes, too.

Mr. UNTERMYER. Yes; and stocks sometimes do not go wrong?

Mr. SCHIFF. Stocks go wrong much more frequently than bonds.

Mr. UNTERMYER. They do?

Mr. SCHIFF. Yes.

Mr. UNTERMYER. You think they do?

Mr. SCHIFF. Yes.

Mr. UNTERMYER. Then you would allow national banks to promote enterprises for the sale of bonds, for the underwriting of bonds, and for the issue of bonds, but not of stocks; is that right?

Mr. SCHIFF. I would.

Mr. UNTERMYER. And without restrictions?

Mr. SCHIFF. The restrictions that good management lays upon them.

Mr. UNTERMYER. I mean without legal restriction?

Mr. SCHIFF. Without legal restriction; yes.

Mr. UNTERMYER. Does your banking house take deposits? That is, is it a depository in the sense that Morgan & Co. are?

Mr. SCHIFF. Not as a rule.

Mr. UNTERMYER. That is, you do not carry deposits against checks?

Mr. SCHIFF. No; we do not carry deposits against checks, except small amounts, to accommodate banks.

Mr. UNTERMYER. I mean you do not conduct the business of a bank in the sense of being a depository of checks?

Mr. SCHIFF. No.

Mr. UNTERMYER. Do you think the officers of a bank should be permitted to borrow from the bank?

Mr. SCHIFF. No; they should not.

Mr. UNTERMYER. You know that there is nothing in the law now to prevent it?

Mr. SCHIFF. I do not know whether there is or not, but I do not think it is generally done.

Mr. UNTERMYER. Will you be good enough to explain the reasons why, in your judgment, officers should not be permitted to borrow from their banks?

Mr. SCHIFF. It might lead to abuse.

Mr. UNTERMYER. And would that answer apply to directors as well as officers?

Mr. SCHIFF. No; it would not apply to them if they are members of large banking houses or of banking houses of strong establishments.

Mr. UNTERMYER. How could you make it apply to one set of directors and not make it apply to another?

Mr. SCHIFF. There is a great difference between officers and directors.

Mr. UNTERMYER. We are not speaking of that difference now. I understood you to say that officers who are directors of banking houses and directors who are not officers of such big banking houses should not be permitted, or did we misunderstand you?

Mr. SCHIFF. I understood your question to mean whether officers of banks should be permitted to borrow from other banks, and I say no.

Mr. UNTERMYER. Now, I ask as to directors. I ask the same question as to whether directors should be permitted to borrow from other banks?

Mr. SCHIFF. Individual directors, no.

Mr. UNTERMYER. For the same reason, I suppose?

Mr. SCHIFF. Not exactly for the same reason.

Mr. UNTERMYER. For what reason?

Mr. SCHIFF. Because they might exert a certain influence in their favor, and it is better not. The general proposition would be it is

better not to. If the individual director—be sure to understand me—if the director is a member of a firm, I can see no reason why such firm should not borrow from a bank in which one of its members is a director.

Mr. UNTERMYER. But the borrowing for himself, you think, would be objectionable?

Mr. SCHIFF. In his individual capacity there would be an objection; yes, sir.

Mr. UNTERMYER. You think his firm ought to be permitted to borrow, even though he happens to be a director?

Mr. SCHIFF. Yes.

Mr. UNTERMYER. You know the rule with respect to banks on the other side, do you not, on the Continent, in Germany, say?

Mr. SCHIFF. I am not so sure that I know it.

Mr. UNTERMYER. Do you know whether in Germany the directors are permitted to borrow from other banks?

Mr. SCHIFF. I do not know.

Mr. UNTERMYER. You do not know as to that?

Mr. SCHIFF. No.

Mr. UNTERMYER. They have a somewhat different system over there, have they not, Mr. Schiff?

Mr. SCHIFF. I believe they have, but I do not know exactly the German system. I do not follow it up.

Mr. UNTERMYER. Do you know anything about the English system?

Mr. SCHIFF. Only in a general way.

Mr. UNTERMYER. Do you know that directors there are not directors in any potentially competing banks?

Mr. SCHIFF. I do not know that.

Mr. UNTERMYER. What do you think of changes in the law that will permit the minority stock in a bank to be represented under the cumulative voting system?

Mr. SCHIFF. I am a great believer in the rule of the majority in a representative Government, and I believe that should apply to stock corporations as well as to our Government.

Mr. UNTERMYER. You think the minority in a corporation ought to have no representation whatever, do you?

Mr. SCHIFF. I think it should be given it, but I do not think they should have it as a matter of law.

Mr. UNTERMYER. We are not speaking about what may come from the good graces of the majority, but we are speaking about legal rights.

Mr. SCHIFF. I do not think a minority should be entitled to representation as a matter of law.

Mr. UNTERMYER. You do not, as a matter of right?

Mr. SCHIFF. Not as a matter of law.

Mr. UNTERMYER. I mean as a matter of right; you do not think they should be?

Mr. SCHIFF. I think that any good government of a bank would give the minority, a substantial minority, a representation on their board, but they should not have it as a matter of right.

Mr. UNTERMYER. You think they ought to give it to them?

Mr. SCHIFF. They ought to give it to them; yes, sir.

Mr. UNTERMYER. And if they do not give it to them, you do not think the law ought to compel them to give it; is that it?

Mr. SCHIFF. Yes.

Mr. UNTERMYER. What is your reason for that distinction?

Mr. SCHIFF. Why should the minority rule?

Mr. UNTERMYER. We are not suggesting a minority ruling, but we are suggesting the idea of why a minority should have a minority representation on the board equivalent to its interest in the company.

Mr. SCHIFF. It should not have it.

Mr. UNTERMYER. It should not have any at all?

Mr. SCHIFF. Except by common consent amongst the directors.

Mr. UNTERMYER. Except as a matter of grace; is that right?

Mr. SCHIFF. Yes; as a matter of good business, you might say.

Mr. UNTERMYER. Now, with respect to the purchase of control of one corporation by another, you know, do you not, that a great many of the railroad corporations hold the control of other corporations through a bare majority holding of the stock?

Mr. SCHIFF. As far as the Sherman law will permit.

Mr. UNTERMYER. I say they do hold it, do they not?

Mr. SCHIFF. I believe so; yes, sir.

Mr. UNTERMYER. And you have known of no abuses arising out of that condition, have you?

Mr. SCHIFF. None come to my mind just at present.

Mr. UNTERMYER. Is it your opinion that when one railroad corporation acquires the control of another corporation, it ought to be compelled to acquire all the stock?

Mr. SCHIFF. No; I do not think they should be compelled to.

Mr. UNTERMYER. You think the minority ought to be left to shift for themselves, do you?

Mr. SCHIFF. No; I think the minority should be properly treated.

Mr. UNTERMYER. Yes; but suppose they are not properly treated; what is your suggestion then?

Mr. SCHIFF. I should go to law and see that they are properly treated.

Mr. UNTERMYER. That they should protect their rights by a series of lawsuits; is that it?

Mr. SCHIFF. They should protect their rights, the best way they can.

Mr. UNTERMYER. And that the corporation that acquires the control ought not to be compelled on the same terms to acquire a minority interest?

Mr. SCHIFF. I do not think so.

Mr. UNTERMYER. Why not?

Mr. SCHIFF. Because there is no reason why they should be. I do not think a corporation is anything else than an incorporated number of individuals, and if an individual chooses, for his own benefit and interest, to buy a majority of the stock of some corporation and control it, why should he be compelled to buy it all?

Mr. UNTERMYER. If one corporation buys control of the stock of another corporation, don't you know that it is likely to run and operate that corporation in its interest, rather than in the interest of the controlled company?

Mr. SCHIFF. I should think that proper management would run it in the interest of the stockholders.

Mr. UNTERMYER. Not in the interest of the company that owns it?

Mr. SCHIFF. No.

Mr. UNTERMYER. It never is done, is it?

Mr. SCHIFF. That I do not say.

Mr. UNTERMYER. Well, you know it is, do you not?

Mr. SCHIFF. I do not express opinions.

Mr. UNTERMYER. So you think that one corporation ought to have the right, through a bare majority of the stock, to get the control of another and to run that other corporation in the interest of the controlled company?

Mr. SCHIFF. I do not say anything of the sort.

Mr. UNTERMYER. You do not think that it ought to have imposed on it the condition of acquiring the whole company if it wants to control it?

Mr. SCHIFF. I do not think it should be compelled by law to do that.

Mr. UNTERMYER. Mr. Schiff, are you a director in any bank or banking corporation other than the City Bank?

Mr. SCHIFF. I do not think I am; not in any other bank; no.

Mr. UNTERMYER. Are your partners members in other banks or trust company boards?

Mr. SCHIFF. They are. You asked me about banks.

Mr. UNTERMYER. I mean banks and trust companies.

Mr. SCHIFF. I am a trustee of the Central Trust Co., aside from the City Bank.

Mr. UNTERMYER. You are a member of the finance committee or executive committee?

Mr. SCHIFF. Of the executive committee.

Mr. UNTERMYER. Are those the only two institutions of which you are a director?

Mr. SCHIFF. So far as financial institutions are concerned, yes.

Mr. UNTERMYER. How about the other members of your firm; do you recall as to that?

Mr. SCHIFF. Some of them are members in other banks and trust companies.

Mr. UNTERMYER. In which; do you remember?

Mr. SCHIFF. I think my son, Mr. Mortimer H. Schiff, is a director of the Fourth National Bank and of the United States Mortgage & Trust Co. Mr. Paul Warburg is trustee of the Title Guarantee & Trust Co. and a director of the Bank of Commerce, and also trustee of the United States Mortgage & Trust Co. I think my son is also a director in the Fidelity Bank, a small up-town bank.

Mr. UNTERMYER. Is not one of them in the Equitable Trust?

Mr. SCHIFF. Mr. Otto H. Kahn is a director in the Equitable Trust, yes.

Mr. UNTERMYER. Is it a fact that you and the members of your firm acquired interests in the Fourth National and the Equitable Trust recently, and I think in the United States Mortgage & Trust Co.?

Mr. SCHIFF. I believe in the Equitable Trust one of us has been a director since its foundation; in the Fourth National Bank it would be about three or four years; in the United States Mortgage & Trust probably four or five years, and in the Central Trust probably also three or four years.

Mr. UNTERMYER. Did you not forget about the Bank of Commerce?

Mr. SCHIFF. The Bank of Commerce? We must have been represented there something like 10 years ago.

Mr. UNTERMYER. Mr. Paul Warburg is a director?

Mr. SCHIFF. I used to be a director, but I resigned from it and Mr. Paul Warburg became a director.

Mr. UNTERMYER. Were not these stock interests in the Fourth National and the Equitable Trust and the United States Mortgage & Trust recently acquired or enlarged?

Mr. SCHIFF. I think we have enlarged them from time to time during the past three or four years.

Mr. UNTERMYER. When was the interest in the Bank of Commerce acquired, 4,700 shares?

Mr. SCHIFF. Originally the interest in the Bank of Commerce was acquired, I believe—we were stockholders in the Western National Bank—

Mr. UNTERMYER. I mean this larger interest, did you not acquire an interest recently, when Mr. Baker and Mr. Stillman bought some of the stock?

Mr. SCHIFF. At the time the Mutual Life and Equitable Life sold their stock we acquired an additional interest.

Mr. UNTERMYER. You acquired about 3,000 shares then?

Mr. SCHIFF. Something like that, I should say.

Mr. UNTERMYER. Through whom did you get that?

Mr. SCHIFF. I believe it was taken over, but I do not know by whom the negotiations were conducted. I think we got it either through the City Bank or Morgan's; I don't remember.

Mr. UNTERMYER. The Equitable stock was acquired by Mr. Baker and the Mutual stock by Mr. Stillman. Now do you know through whom you got your stock?

Mr. SCHIFF. It may be, probably, that we got it from both together; they probably divided. I think we had 2,000 shares before, and we bought 3,000 shares more to complete 5,000 shares.

Mr. UNTERMYER. Four thousand seven hundred. You have 4,700?

Mr. SCHIFF. Four thousand seven hundred shares.

Mr. UNTERMYER. And in the Equitable Trust you have how many shares, do you remember? Four thousand six hundred and sixty, is it not?

Mr. SCHIFF. Something like that. I think those are all shares held by individual partners and not for the interest of the bank.

Mr. UNTERMYER. Are they held for the firm?

Mr. SCHIFF. No.

Mr. UNTERMYER. In the Fourth National what is the holding?

Mr. SCHIFF. You have it there?

Mr. UNTERMYER. Three thousand two hundred and fifty-one shares.

Mr. SCHIFF. Also held by individual partners and not for the bank.

Mr. UNTERMYER. The United States Mortgage & Trust Co., 3,940 shares.

Mr. SCHIFF. No doubt that is correct.

Mr. UNTERMYER. Do you know anything about the market prices of those stocks?

Mr. SCHIFF. Those stocks all have only a nominal market price. Quotations, you might say, are not the market price, because you could not buy or sell a large amount.

Mr. UNTERMYER. Do you know what their prices are?

Mr. SCHIFF. About; yes, sir.

Mr. UNTERMYER. The Bank of Commerce, do you know what that is worth?

Mr. SCHIFF. About 200.

Mr. UNTERMYER. And the Equitable Trust?

Mr. SCHIFF. About 545.

Mr. UNTERMYER. The United States Mortgage & Trust Co.?

Mr. SCHIFF. About 475.

Mr. UNTERMYER. Do you think it is proper that banking houses should have seats on the boards of directors and large stock interests in banks and trust companies to which they sell securities?

Mr. SCHIFF. There is no objection. I can see no objection.

Mr. UNTERMYER. Not even if they control the bank?

Mr. SCHIFF. I can see no objection.

Mr. UNTERMYER. Mr. Schiff, do I understand that you see no objection to a banking house selling securities to a bank that is controlled by it?

Mr. SCHIFF. I do not know what you call controlled. I know of no bank or trust company that is absolutely controlled by one banking house.

Mr. UNTERMYER. Don't you know what I mean by control of a bank?

Mr. SCHIFF. I know what you mean by control of a bank—I mean, I know what I mean by control of a bank—that nobody else has anything to say, where the voice of the control is potent, but I know of no such institution.

Mr. UNTERMYER. Take the First National Bank, as an illustration. Do you know what proportion of the stock Messrs. Morgan and Baker hold?

Mr. SCHIFF. I believe I have read it this week in the papers; that was the first thing I heard of it. I don't remember even about that.

Mr. UNTERMYER. Do you know who is in virtual control of the affairs of that bank?

Mr. SCHIFF. I know nothing about the affairs of the First National.

Mr. UNTERMYER. Nothing about it?

Mr. SCHIFF. No.

Mr. UNTERMYER. You have had repeated transactions with them?

Mr. SCHIFF. I know Mr. Hine is president.

Mr. UNTERMYER. I say you have had repeated transactions with them?

Mr. SCHIFF. We have; yes, sir.

Mr. UNTERMYER. And you are dealing with them all the time?

Mr. SCHIFF. Not all the time, but sometimes.

Mr. UNTERMYER. I mean very frequently and in large transactions?

Mr. SCHIFF. Not very frequently, but we sometimes deal with them.

Mr. UNTERMYER. You would see no objection, would you, to Messrs. Morgan and Baker having a joint issue of securities and selling those securities to the First National Bank?

Mr. SCHIFF. To a reasonable amount, I can not see any objection.

Mr. UNTERMYER. Where would you draw the line?

Mr. SCHIFF. Where prudence would dictate.

Mr. UNTERMYER. Who is to be the judge, the man who owns the bank and is selling the security?

Mr. SCHIFF. The executive committee or its directors.

Mr. UNTERMYER. Suppose the executive committee is named by the men who are in control of the bank; where would you draw the line of prudence at which those firms or those people, Morgan and Baker, should sell securities to such a bank?

Mr. SCHIFF. That is a question I can not answer, Mr. Untermyer. That is a question of opinion which I can not answer.

Mr. UNTERMYER. But you would not draw the line by preventing them from doing it, would you?

Mr. SCHIFF. No; I would not prevent them from doing it.

Mr. UNTERMYER. And how far you think they ought to go would depend upon themselves?

Mr. SCHIFF. Well, as far as prudent management dictates. No bank or institution or corporation can succeed or will succeed if it is not prudently managed. Every bank has Government supervision, and the Government should have stringent supervision, and the Comptroller of the Currency, or in the case of the trust companies the bank examiner, should be given the power to lodge an objection if he sees that it is necessary.

Mr. UNTERMYER. Do I understand, then, that it is your idea where one or two people are selling securities to a bank that they virtually control, the point at which they should stop is where the Comptroller of the Currency or the bank superintendent stops them; is that what you mean?

Mr. SCHIFF. I should say the Comptroller of the Currency or the bank examiner, if they buy securities which they should not have bought—and I believe he does it now—would say, “You must resell those, you hold too many of these securities.”

Mr. UNTERMYER. Then do I understand the only check you would suggest upon transactions such as I have named or referred to, of people controlling the bank and selling their own securities, is the check of the Comptroller of the Currency or the bank superintendent, dependent upon whether it is a national bank or a State bank?

Mr. SCHIFF. Well, I say in general, yes; but prudent management must have its voice in it. Every bank—

Mr. UNTERMYER. Where does the prudent management come in when the seller and the buyer are the same person?

Mr. SCHIFF. They are not the same person. There is an executive committee, and if that executive committee even is named by those who control the bank, if they are self-respecting gentlemen, and I dare say, in the instance which you name, no other than self-respecting gentlemen would constitute the executive committee—

Mr. UNTERMYER. The instance I named was not intended to point out this bank, but simply by way of illustration. You understand me?

Mr. SCHIFF. I understand. I think any self-respecting gentlemen in an executive committee will make themselves felt in the management and make their voice heard no matter who names them upon the committee.

Mr. UNTERMYER. Then, according to that idea, as long as they are self-respecting gentlemen, you see no objection to their dealing with themselves with the bank's money and with depositors' money?

Mr. SCHIFF. Mr. Untermyer, that is hardly fair to put it that way. I say if they are self-respecting gentlemen they will make their voice heard. These people are not, as far as I can judge, dealing with themselves. They are offering securities to the officers of the bank, and I

should say the officers of the bank, if they are self-respecting, would say that they ought not to have any more, or ought not to have these securities at all; and I am quite sure in the instance which you name the people whom you call the sellers would take no voice in the transaction.

Mr. UNTERMYER. Then, your idea is that the law should not regulate these things at all, but should depend upon these self-respecting gentlemen to regulate themselves? Is that it?

Mr. SCHIFF. I think the less law in such instances the better.

Mr. UNTERMYER. And no law would be better than a little law, so far as the banks and trust companies are concerned. It would be better if there were not law to regulate them at all and they were allowed to conduct such transactions as they saw fit?

Mr. SCHIFF. No; I think there should be a proper supervision, but you can crush the life out of a bank by too much law, and you can make it impossible for them to do the functions for which they exist.

Mr. UNTERMYER. Is there too much law now for the protection of a depositor against the people who manage the bank?

Mr. SCHIFF. I do not think so.

Mr. UNTERMYER. You do not think there is too little, do you?

Mr. SCHIFF. I do not think there is too much. I think that covers the other question.

Mr. UNTERMYER. No; it does not cover the other question——

Mr. SCHIFF. I think with such improvements as experience may dictate there is sufficient safety now to the depositor of national banks. I think that is all you need.

Mr. UNTERMYER. I thought you said a few moments ago that you thought officers should be prohibited from borrowing from other banks.

Mr. SCHIFF. Yes, sir.

Mr. UNTERMYER. There is no such law now, is there?

Mr. SCHIFF. Well, then, make the law.

Mr. UNTERMYER. Do you approve of great banking institutions being governed by a voting trust?

Mr. SCHIFF. I do not.

Mr. UNTERMYER. You think that is wrong?

Mr. SCHIFF. I do not think it is wrong. I think it is better that they should not be.

Mr. UNTERMYER. It is either right or it is wrong, Mr. Schiff. Which is it?

Mr. SCHIFF. Oh, no; a thing may not be advisable, and still may not be wrong.

Mr. UNTERMYER. Why is it inadvisable?

Mr. SCHIFF. Because I am in general against voting trusts. I think——

Mr. UNTERMYER. Are you opposed to voting trusts in railroads?

Mr. SCHIFF. I think the stockholders should have every freedom of action except in certain instances.

Mr. UNTERMYER. Do you see any objection to banking houses engaged in the issue of securities on a large scale controlling or being dominant in banks that buy those securities?

Mr. SCHIFF. I see no objection.

Mr. UNTERMYER. You see no objection, I suppose, either, to interlocking directorates?

Mr. SCHIFF. I do not. I see great advantages in it.

Mr. UNTERMYER. You see great advantage in it?

Mr. SCHIFF. Yes.

Mr. UNTERMYER. It would enable the same director to know what is going on in all the banks that he is competing with, would it not?

Mr. SCHIFF. No.

Mr. UNTERMYER. What is the matter with having the same board of directors in all the banks?

Mr. SCHIFF. I do not think that could be done. I do not think that would be feasible, but——

Mr. UNTERMYER. But it would be a good thing if it could be done?

Mr. SCHIFF. I would not go as far as that.

Mr. UNTERMYER. Let us see where you would draw the line.

Mr. SCHIFF. You asked me if I saw any objection to having interlocking directors; in other words, to having the same man a director in a number of banks. I can see no objection to that.

Mr. UNTERMYER. You see no objection to having the same interests represented in potentially competing institutions?

Mr. SCHIFF. To a moderate extent I would see no objection.

Mr. UNTERMYER. What is the extent that you would call a moderate extent?

Mr. SCHIFF. I do not think that any interest should have a dominant representation in too many institutions.

Mr. UNTERMYER. I would like to know where you are going to draw the line.

Mr. SCHIFF. Dominant. If there are 10 directors and 2 of these directors are directors in three or four institutions, that is not dominant, but when there four or five it is dominant.

Mr. UNTERMYER. Can you not conceive of 2 being more dominant than the other 8 out of 10?

Mr. SCHIFF. I can conceive of almost anything, but that is not likely to be so.

Mr. UNTERMYER. But don't you know there are many cases in which one director is more dominant than any half dozen others?

Mr. SCHIFF. Yes. If you were on the board you probably would be. It depends upon the strength of the man. We do not make brains; brains are created by a higher Power.

Mr. UNTERMYER. Then when you speak of dominance on a board of directors, it does not depend upon the number of directors, does it?

Mr. SCHIFF. Yes; to a very far-reaching extent it does.

Mr. UNTERMYER. Does it not depend largely on the interest of the particular man in the institution and his power and patronage and ability to direct business to that institution and promote its success?

Mr. SCHIFF. No, Mr. Untermyer. Self-respect dominates. It is——

Mr. UNTERMYER. So the most self-respecting man is the dominant man on the board?

Mr. SCHIFF. The number of self-respecting men are the dominant men on the board, because they will not permit things to be done by a few directors or many directors, no matter what their control or interest is, if it is not right to be done.

Mr. UNTERMYER. Suppose it is perfectly right to be done, and still it is not the best thing to be done; for instance, suppose a banking house has a large stock interest and representation on the boards of directors of five or six leading banks and trust companies, and it is

issuing securities which are perfectly good and meritorious, and it wants to put them into all those five or six houses, and they are just as good as some other securities, do you think it is a healthful condition that permits that?

Mr. SCHIFF. It all depends on the extent to which it is done. I can see no objection that bank A, bank B, bank C, bank D, and bank E buy some of the same class of securities.

Mr. UNTERMYER. Through the same influence on the board?

Mr. SCHIFF. I can see no objection to that.

Mr. UNTERMYER. And you can see no objection to their filling up their investments through that source?

Mr. SCHIFF. Yes; I do. Filling up is an entirely different question—an entirely different proposition.

Mr. UNTERMYER. Where would you draw the line, as long as you once permit that sort of thing?

Mr. SCHIFF. Where prudent management would draw it.

Mr. UNTERMYER. And who decides that?

Mr. SCHIFF. The directors and executive committee.

Mr. UNTERMYER. And suppose the dominant people are the same in all the companies, then they decide it for them all, do they not?

Mr. SCHIFF. That is the reason I say there should be no dominant people. There should not be too many directors representing the same interest in the same bank.

Mr. UNTERMYER. Do you believe in large numbers of directors in banks?

Mr. SCHIFF. Not too large.

Mr. UNTERMYER. What is the limit?

Mr. SCHIFF. I think 12 or 15 is a good number for a large institution.

Mr. UNTERMYER. You know some of these banks have from 30 to 40, do you not?

Mr. SCHIFF. I think it is too large.

Mr. UNTERMYER. It scatters responsibility instead of concentrating it?

Mr. SCHIFF. It has that advantage in so far as it brings business.

Mr. UNTERMYER. But it lessens responsibility, does it not?

Mr. SCHIFF. I think it does; yes.

Mr. UNTERMYER. Have you been an interested observer of the concentration and control of money and credit in New York in the last few years?

Mr. SCHIFF. I have.

Mr. UNTERMYER. You have seen it grow very rapidly, have you not?

Mr. SCHIFF. Yes.

Mr. UNTERMYER. And you have seen it drift into fewer and fewer hands, have you not?

Mr. SCHIFF. It has drifted into fewer and fewer corporations.

Mr. UNTERMYER. And the concentration and control of those corporations has drifted into fewer hands, has it not?

Mr. SCHIFF. I am not sure that it has done that.

Mr. UNTERMYER. Do you know anything about it?

Mr. SCHIFF. Well, I think the stock holding in different——

Mr. UNTERMYER. I say, do you know anything about it?

Mr. SCHIFF. Not very closely.

Mr. UNTERMYER. You have not watched it very closely?

Mr. SCHIFF. I think stock holdings in most New York corporations are very well divided.

Mr. UNTERMYER. We are not talking about stock holdings, but about practical control of management as distinguished from stock holding. You see the difference?

Mr. SCHIFF. I see the difference.

Mr. UNTERMYER. It is a very substantial difference, is it not?

Mr. SCHIFF. Yes, sir.

Mr. UNTERMYER. Now, confining yourself to the question of actual practical control of the management of these great moneyed corporations, you have observed, have you not, a growing concentration of control?

Mr. SCHIFF. I have.

Mr. UNTERMYER. And has it been a subject of concern to you?

Mr. SCHIFF. No; it has not.

Mr. UNTERMYER. It would not be a subject of concern to you if it all drifted the same way, would it?

Mr. SCHIFF. I don't fully comprehend what you mean by that.

Mr. UNTERMYER. Well, suppose it went on until the control and management of all the institutions were in the same hands, would that give you any concern?

Mr. SCHIFF. If you will permit me, may I answer that in my own way?

Mr. UNTERMYER. No; I would like to have my question answered.

Mr. SCHIFF. Well, I can not answer it.

Mr. UNTERMYER. You can not answer it?

Mr. SCHIFF. No; unless you permit me to answer it in my own way.

Mr. UNTERMYER. You know, do you not, that the Guaranty Trust and the Bankers Trust Co. now represent what were nine trust companies?

Mr. SCHIFF. I do.

Mr. UNTERMYER. And you know where their control is lodged, do you not, through voting trusts?

Mr. SCHIFF. So I understand.

Mr. UNTERMYER. Where do you understand it is lodged?

Mr. SCHIFF. I have read here in the testimony given before this committee that it is largely lodged in the hands of Messrs. Morgan and the First National Bank.

Mr. UNTERMYER. Now, you know also, do you not, that the control of the First National Bank, so far as its management and practical control are concerned, are lodged in the same way?

Mr. SCHIFF. I have always understood that that was in the hands of Mr. Baker and his son and Mr. Hine.

Mr. UNTERMYER. And Mr. Morgan?

Mr. SCHIFF. I only surmise that. I do not know it.

Mr. UNTERMYER. You know, do you not, the close relations between Messrs. Morgan and the First National Bank?

Mr. SCHIFF. I do.

Mr. UNTERMYER. Do you know that they are virtual partners in nearly all their big public business of issuing?

Mr. SCHIFF. They do a great deal of joint-account business.

Mr. UNTERMYER. And you know that of late years the Citic Bank has also joined them in doing a great deal of this, together with those two houses?

Mr. SCHIFF. Yes; but so far as I know, only to a limited extent. There is no close alliance. The City Bank flocks by itself when it wants to.

Mr. UNTERMYER. Don't you know that most of the Morgan issues in the past few years have been made jointly; that is, that the City Bank has participated in them with the First National?

Mr. SCHIFF. I do.

Mr. UNTERMYER. You know, do you not, that Mr. Morgan has personally a large interest in the City Bank?

Mr. SCHIFF. So I have read in the papers this week.

Mr. UNTERMYER. That is all you know about it?

Mr. SCHIFF. That is all I know about it.

Mr. UNTERMYER. Then, all you know about the concentration of control of money and credit in New York is what you see in the newspapers?

Mr. SCHIFF. I have learned a great deal these last few weeks from the testimony given before this committee.

Mr. UNTERMYER. I say, practically all you know about it is what you get from the newspapers?

Mr. SCHIFF. No; that is not the case.

Mr. UNTERMYER. You have been an interested onlooker in this concentration?

Mr. SCHIFF. An observer; yes.

Mr. UNTERMYER. And you have understood the possibility of its affecting you and your own sources of credit, have you not?

Mr. SCHIFF. I have not been concerned in that.

Mr. UNTERMYER. You do not require credit, then?

Mr. SCHIFF. No.

Mr. UNTERMYER. But have you considered its effect upon the small banking houses not so fortunately situated as you, that do require credit?

Mr. SCHIFF. Yes.

Mr. UNTERMYER. You have considered it?

Mr. SCHIFF. Yes.

Mr. UNTERMYER. And have you considered its effect on the ability of the smaller houses to grow and become great issuing houses?

Mr. SCHIFF. Yes.

Mr. UNTERMYER. Have you been engaged for joint account with Messrs. Morgan & Co. and the City Bank in a number of issues of Atchison securities?

Mr. SCHIFF. Not for many years. I do not know that we have ever. I do not think so. I do not remember. It may be, years ago, but I do not remember.

Mr. UNTERMYER. Have you made, recently, a number of joint issues with Morgan & Co., in some of which the City Bank participated, of Chesapeake & Ohio securities?

Mr. SCHIFF. Not for two or three years, I believe.

Mr. UNTERMYER. The last one was in 1911, was it not?

Mr. SCHIFF. That is two years ago.

Mr. UNTERMYER. In January, 1911?

Mr. SCHIFF. Yes.

Mr. UNTERMYER. There were a number of such issues?

Mr. SCHIFF. A few; not very many.

Mr. UNTERMYER. There were 10 of them.

Mr. SCHIFF. Not so many as that.

Mr. UNTERMYER. Yes; 10 of them. You do not remember as to the number?

Mr. SCHIFF. No.

Mr. UNTERMYER. There are nine in which you participated, according to this list.

Mr. SCHIFF. With the Morgans and the City Bank?

Mr. UNTERMYER. The City Bank was only in four of them.

Mr. SCHIFF. I did not know there were as many as that.

Mr. UNTERMYER. The others were between you and Morgan & Co.

Mr. SCHIFF. Some of them were small issues.

Mr. UNTERMYER. Yes; they were small.

Did you participate with the First National Bank in issues of Delaware & Hudson securities?

Mr. SCHIFF. We did.

Mr. UNTERMYER. And with them in the issues of General Motors Co. securities?

Mr. SCHIFF. No; not with the First National Bank.

Mr. UNTERMYER. With whom did you make that issue? With Lee, Higginson & Co.?

Mr. SCHIFF. We did not make the issue. Lee, Higginson & Co. and Seligmans made the issue. We were interested in it, but we did not make the issue.

Mr. UNTERMYER. The First National Bank appears here.

Did you make issues of Illinois Central bonds?

Mr. SCHIFF. Yes.

Mr. UNTERMYER. With whom did you make those issues?

Mr. SCHIFF. I think we made those alone.

Mr. UNTERMYER. An issue of \$20,000,000?

Mr. SCHIFF. When was that?

Mr. UNTERMYER (continuing). Of 4 per cent bonds, due in 1955, made November 17, 1908?

Mr. SCHIFF. Perhaps. I do not remember. I think we made it alone.

Mr. UNTERMYER. Did you make a joint issue of New York, Ontario & Western joint mortgage 4 per cent bonds with Messrs. Morgan, September, 1905?

Mr. SCHIFF. I do not think so.

Mr. UNTERMYER. Yes. It was a small issue of \$2,000,000.

Mr. SCHIFF. I do not think so. I think we bought those alone.

Mr. UNTERMYER. You think you bought them alone?

Mr. SCHIFF. I think so. There is the statement. I do not know.

Mr. UNTERMYER. Yes. I have the statement.

Did you and Messrs. Morgan & Co., for joint account, make an issue of Pennsylvania Railroad convertible 3½?

Mr. SCHIFF. We did.

Mr. UNTERMYER. Of \$100,000,000?

Mr. SCHIFF. We did.

Mr. UNTERMYER. You have presented here, have you not, statements of joint account transactions with the City Bank, Lee, Higginson, and others?

Mr. SCHIFF. I think we did.

Mr. UNTERMYER. You have submitted them here?

Mr. SCHIFF. Yes.

Mr. UNTERMYER. And, if there is no objection, we will have them marked in the record, rather than to ask you all these questions about them.

Mr. SCHIFF. If you would be kind enough.

Mr. UNTERMYER. There is no objection to their being used, is there?

Mr. SCHIFF. No, sir.

The papers were thereupon marked, as a whole, Exhibit No. 200, and will be found at the end of to-day's proceedings.

Mr. UNTERMYER. Mr. Schiff, are you familiar with the operations of the clearing house?

Mr. SCHIFF. Fairly so.

Mr. UNTERMYER. In your opinion, should it be incorporated and made subject to legal control?

Mr. SCHIFF. I think it would be better if the clearing house were incorporated.

Mr. UNTERMYER. Do you know anything about their regulations with respect to the collection of out-of-town checks and that sort of business, or are you unfamiliar with it?

Mr. SCHIFF. I am not familiar with it.

Mr. UNTERMYER. As a director and stockholder in banks and stock companies, Mr. Schiff, do you see any objection to requiring the banks to make public the lists of their assets?

Mr. SCHIFF. The more publicity the bank gives the better it will be.

Mr. UNTERMYER. You see no objection to such publicity as to what their assets are?

Mr. SCHIFF. No; I see no objection.

Mr. UNTERMYER. Do you not see many manifest advantages in it?

Mr. SCHIFF. I do.

Mr. UNTERMYER. Would it not, in your opinion, lead to more careful and conservative management in the selection of their securities?

Mr. SCHIFF. I think it would.

Mr. UNTERMYER. Do you know anything about the nature and extent of the examinations that are now made by the State and National authorities of State and National institutions?

Mr. SCHIFF. In general; not in particular.

Mr. UNTERMYER. You do not know as to their thoroughness or their inefficiency or anything about it?

Mr. SCHIFF. I believe the authority is sufficient, as far as I understand it.

Mr. UNTERMYER. I am not speaking of their authority, but do you know anything as to their thoroughness or their inefficiency?

Mr. SCHIFF. I think they are very efficient.

Mr. UNTERMYER. How do you know?

Mr. SCHIFF. Because I see it in the banks and trust companies in which I am a director. I see the reports especially in the case of the State examinations, as to how carefully they are made. I speak of the report that is made to the directors, direct, by the examiner, that they pick out every weakness, as far as they can see it; and it must be presented to the directors and it must be presented to the trustees.

Mr. UNTERMYER. Do you not know, Mr. Schiff, that the report of which you are speaking is the report of the clearing house examiners, and not the report of the State department?

Mr. SCHIFF. No; I know that.

Mr. UNTERMYER. It is the report of the clearing house examiners is it not?

Mr. SCHIFF. That is not presented to the directors.

Mr. UNTERMYER. The Comptroller of the Currency has testified that the examinations are very inadequate and superficial, and that he has only two examiners for New York, whilst the clearing house has, for the State and national banks, 13 examiners.

Mr. SCHIFF. I have just been speaking of the State examiners. I was under the impression that the Government examination is efficient; but the comptroller is a better judge of that, naturally, than anybody else.

Mr. UNTERMYER. You see no objection, do you, to one bank owning another through stock ownership?

Mr. SCHIFF. Yes; I do see objections to it.

Mr. UNTERMYER. You see objections?

Mr. SCHIFF. Yes.

Mr. UNTERMYER. Does that objection apply even if the ownership is through the medium of a third company, a security company, that is owned by the bank?

Mr. SCHIFF. As a rule I am opposed to all holding companies.

Mr. UNTERMYER. You are opposed to holding companies, are you?

Mr. SCHIFF. Yes.

Mr. UNTERMYER. Why?

Mr. SCHIFF. Because of concentrations, which under our laws and tendencies should not exist.

Mr. UNTERMYER. You do not believe in concentration, do you?

Mr. SCHIFF. I do not believe in concentration through companies.

Mr. UNTERMYER. Not through holding companies?

Mr. SCHIFF. Not through holding companies. I believe in concentration through individuals.

Mr. UNTERMYER. You think that individuals should be permitted to get a monopoly of anything, but not through holding companies?

Mr. SCHIFF. I do not say a monopoly.

Mr. UNTERMYER. Where would you cut off concentration through individuals?

Mr. SCHIFF. Monopolies are odious.

Mr. UNTERMYER. How near a monopoly would you let them get?

Mr. SCHIFF. I think individuals should have every possible freedom. I do not believe in anything that will limit individual freedom.

Mr. UNTERMYER. We are not speaking of individual freedom, now. We are speaking of property questions. I think we all believe in liberty and free speech. We are talking, now, about property questions, and what I want to know is how far you would stop short of monopoly in the privilege you would give individuals to concentrate, as distinguished from holding companies?

Mr. SCHIFF. I would not limit the individual by law to buy whatever he pleases.

Mr. UNTERMYER. Even if it amounted to a monopoly?

Mr. SCHIFF. Even if it amounted to a monopoly.

Mr. UNTERMYER. Suppose three individuals should want to acquire all the banks and trust companies in New York in one way or another and get control of them; would you not put any limit on that?

Mr. SCHIFF. That is impracticable.

Mr. UNTERMYER. I say you would not put any limit on that, would you?

Mr. SCHIFF. That is a question——

Mr. UNTERMYER. Would you put any limit on it?

Mr. SCHIFF. That question is so hypothetical that you can not ask me to answer it.

Mr. UNTERMYER. Yes. I want to know where you would draw the line with respect to the license you would give to individuals to get control of any industry or any line of business?

Mr. SCHIFF. I would let nature take its course. The first monopoly attempted was in the building of the Tower of Babel. They wanted to make a monopoly of language.

Mr. UNTERMYER. You think that is a good precedent for monopolies, do you?

Mr. SCHIFF. And it broke down by its own weight. Anything that goes too far will break down by its own weight.

Mr. UNTERMYER. Then is it your idea that the law should stand aside and give these monopolies a chance to break down by their own weight?

Mr. SCHIFF. I think they would.

Mr. UNTERMYER. That is your idea, is it?

Mr. SCHIFF. As far as individuals are concerned; yes.

Mr. UNTERMYER. Then you would repeal all the laws against monopolies and restraints of trade, would you?

Mr. SCHIFF. As I told you before, I would not allow any monopoly to be acquired by holding companies or corporations.

Mr. UNTERMYER. But I mean otherwise?

Mr. SCHIFF. I would not limit, in any instance, individual freedom in anything, because I believe the law of nature governs that better than any law of man.

Mr. UNTERMYER. Has it ever occurred to you what would happen while this structure was tumbling, or before it tumbled?

Mr. SCHIFF. I do not believe my thoughts have made a flight as far as you go.

Mr. UNTERMYER. We would like you to take a flight far enough to tell us whether it has occurred to you, in constructing this theory——

Mr. SCHIFF (interposing). No; it has not.

Mr. UNTERMYER. It has not?

Mr. SCHIFF. No, sir.

Mr. UNTERMYER. You say you would not permit holding companies?

Mr. SCHIFF. No.

Mr. UNTERMYER. How do you reconcile that with your statement of a while ago to the effect that you would allow one railroad company to acquire a bare control of another without taking over the whole company?

Mr. SCHIFF. I do not see what the two things have together.

Mr. UNTERMYER. Do you not understand that when one railroad company takes over the majority of the stock of the other that it becomes a holding company?

Mr. SCHIFF. It becomes a holding company for certain legitimate purposes. I would not allow a railroad company to acquire securities of a company with which it does not connect.

Mr. UNTERMYER. Never mind about the connection.

Mr. SCHIFF. There is a good deal in that. The line must be drawn.

Mr. UNTERMYER. Then would you allow a holding company where one company connected with the other?

Mr. SCHIFF. In railroads, yes.

Mr. UNTERMYER. What is the difference between railroads and industrials or anything else—banks, for instance?

Mr. SCHIFF. There is no connection between them. A bank can not connect with another bank.

Mr. UNTERMYER. It can compete, if it is let alone, can it not?

Mr. SCHIFF. I do not speak of competition. A railroad company could not acquire the stock of another company that competes with it. The law will not permit it to do that.

Mr. UNTERMYER. We are going back to the question of a holding company. I thought I understood you to say a little while ago that you would allow one railroad company to control another railroad through the holding of a bare majority of the stock, without requiring it to take the whole property or minority interest as well as the majority interest? Am I right?

Mr. SCHIFF. Yes; if it connects.

Mr. UNTERMYER. If it connects?

Mr. SCHIFF. Yes.

Mr. UNTERMYER. That is the only condition on which you would allow it to do it at all?

Mr. SCHIFF. Yes; I would not allow a railroad company simply to buy the stocks of another if it has no connection with it.

Mr. UNTERMYER. Suppose it is an industrial company. Would you allow one industrial company to acquire a bare majority of the stock of another industrial company, leaving the minority to shift for themselves?

Mr. SCHIFF. An industrial company can not connect with any other company.

Mr. UNTERMYER. That is not the question. Would you allow one to acquire the control of the other?

Mr. SCHIFF. I would not allow one industrial company to acquire the stock of another industrial company if it is a competing company. The law does not allow that.

Mr. UNTERMYER. You would not allow that?

Mr. SCHIFF. No.

Mr. UNTERMYER. Would you allow one bank, doing business in the same region as another bank, to acquire the bare control of that other bank, which is a potential competitor?

Mr. SCHIFF. I would not.

Mr. UNTERMYER. Would you allow the same interests in those two banks to control both banks in any other form?

Mr. SCHIFF. I have said before that I would not limit individual freedom.

Mr. UNTERMYER. Do you see any objection to private bankers, whose affairs are subject to no supervision by the State or Nation, and who are not required to keep any reserves, acting as banks for interstate corporations, whose holdings are scattered among many stockholders.

Mr. SCHIFF. I see no objection to that.

Mr. UNTERMYER. You see none?

Mr. SCHIFF. No.

Mr. UNTERMYER. Why should the private individuals be permitted to do business without restriction, when corporations, banks, are subject to certain restrictions in the interest of the public?

Mr. SCHIFF. Why should they not be permitted? Why should the individual be restricted?

My experience has been, Mr. Untermeyer, that the individual is generally much safer. I think the individual banker is safer than the incorporated trust company or bank.

Do you not know, Mr. Untermeyer, the experience of 1907, when so many banks and trust companies went to the wall and when not an individual banker failed? Do you not know, Mr. Untermeyer, that many banks and trust companies had to be maintained by the individual banker? I know of no single instance, in my whole experience, where an interstate corporation has lost money because it has deposited it with the individual bankers; but I know of many experiences where they have lost money because they have deposited with the banks and trust companies or had their funds locked up.

MR. UNTERMEYER. I will answer your questions, Mr. Schiff, when I go upon the witness stand. Now, I want to ask you this question: Suppose a banking house organizes an industrial corporation, names its directors, names its finance committee, and then provides that the securities of that corporation shall be deposited with it—names itself as fiscal agent?

MR. SCHIFF. Yes.

MR. UNTERMEYER. Do you understand?

MR. SCHIFF. Yes.

MR. UNTERMEYER. That would consider an entirely proper and appropriate thing, where that corporation has, perhaps, 100,000 stockholders scattered over the face of the earth?

MR. SCHIFF. You say it names its directors. It has 100,000 stockholders—

MR. UNTERMEYER. I say, would you consider that a proper thing?

MR. SCHIFF. If the 100,000 stockholders are alive to their interests, they will put in their own directors. They will not permit the banking house to put in their own management. They will not permit the banking house that has organized it to dictate its policy or its management.

MR. UNTERMEYER. Suppose the banking house has originally organized the company and has named the directors, and that it continues to dominate that company?

MR. SCHIFF. In what way?

MR. UNTERMEYER. Do you think it proper that it should name itself as the depository for the funds of that company?

MR. SCHIFF. I can not imagine that such a banking house can continue to dominate that company as you state, unless they are the majority stockholders of it.

MR. UNTERMEYER. Suppose they are not the majority stockholders but that they have continued to dominate it. Do you consider it, proper that the funds of that company should remain with the banking house?

MR. SCHIFF. That responsibility is upon stockholders.

MR. UNTERMEYER. That is the only protection you would give them?

MR. SCHIFF. That is a very good protection.

MR. UNTERMEYER. That is all, Mr. Schiff. Thank you.

THE CHAIRMAN. We will now take a recess until next Wednesday morning at 11 o'clock.

Whereupon, at 4 o'clock p. m., an adjournment was taken until Wednesday, January 22, 1913, at 11 o'clock a. m.

EXHIBIT No. 200, JANUARY 16, 1913.

NEW YORK, December 23, 1912.

SAMUEL UNTERMYER, Esq., 37 Wall Street, City.

DEAR SIR: Referring to your letters of November 25 and 27, we beg to hand you herewith answers to the questions which you have addressed to us in the above-mentioned letters.

Yours, very truly,

KUHN, LOEB & Co.

ANSWER TO QUESTION NO. 1.

Neither this firm, nor any of its members, have organized or participated in organizing any interstate corporations from 1907 to the present time.

The following is a list of interstate corporations from whom this firm has purchased securities from 1907 to the present time. There is not included in such list cases where participations were simply received from others: American Telephone & Telegraph Co.; Armour & Co.; Associated Simmons Hardware Cos.; Baldwin Locomotive Works; Baltimore & Ohio Railroad Co.; Bethlehem Steel Co.; Central Pacific Railway Co.; Chesapeake & Ohio Railway Co.; Chicago & Alton Railroad Co.; Chicago & Eastern Illinois Railroad Co.; Chicago & Northwestern Railway Co.; Chicago, Milwaukee & Puget Sound Railway Co.; Chicago, Milwaukee & St. Paul Railway Co.; Chicago, St. Paul, Minneapolis & Omaha Railway Co.; Cincinnati, Hamilton & Dayton Railway Co.; Consolidation Coal Co.; Delaware & Hudson Co.; Galveston, Harrisburg & San Antonio Railway Co.; Hocking Valley Railway Co.; Illinois Central Railroad Co.; Missouri Pacific Railway Co.; New York, New Haven & Hartford Railroad Co.; New York, Ontario & Western Railway Co.; Norfolk & Western Railway Co.; Norfolk Southern Railroad Co.; Oregon-Washington Railroad & Navigation Co.; Pennsylvania Railroad Co.; Pittsburgh, Cincinnati, Chicago & St. Louis Railway Co.; St. Louis & San Francisco Railroad Co.; St. Louis Southwestern Railway Co.; Southern Pacific Co.; Southern Pacific Railroad Co.; Union Pacific Railroad Co.; Utah & Northern Railway Co.; Wabash Railroad Co.; Westinghouse Electric & Manufacturing Co.; Wheeling & Lake Erie Railroad Co.

ANSWER TO QUESTION NO. 2.

This firm has no fiscal agency contracts and its only relations to the corporations mentioned in the answer to question No. 1 is that of purchasers as bankers of their securities, except in the following instances, where one or more members of this firm are directors of the companies mentioned: Baltimore & Ohio Railroad Co.; Galveston, Harrisburg & San Antonio Railway Co.; Oregon-Washington Railroad & Navigation Co.; Southern Pacific Co.; Union Pacific Railroad Co.; Westinghouse Electric & Manufacturing Co.

ANSWER TO QUESTION NO. 3.

As stated in the answer to question No. 2, this firm has had no fiscal agency contracts with interstate corporations. During the past six years we have had deposits from interstate corporations in the following average amounts:

For the year—

1907.....	\$12,410,000
1908.....	5,190,000
1909.....	9,574,000
1910.....	26,070,500
1911.....	33,825,500
1912.....	17,015,000

A total of average deposits for the period mentioned of 104,085,000
Or an average per year of 17,347,500

These deposits have as a rule arisen from special transactions, such as the temporary leaving with us of the purchase price of securities, or the arrangement for a special deposit on time or on call.

It is impossible to trace the disposition of these particular funds, except that by order and for account of one of the companies there was paid in nine instances between May 4, 1908, and June 2, 1908, \$13,000,000 to certain of their bank and trust company depositaries in this city, and in another case, in disposing of the proceeds of a large issue of securities purchased from a company, there was deposited at the request of and for the credit of that company, \$42,525,000 of such proceeds with 26 different banks and trust companies in New York, Philadelphia, Boston, and Pittsburgh.

ANSWER TO QUESTION No. 4.

The following is a list of the number of shares held by this firm and the individual members thereof, or that are held for the benefit of this firm or any of its members, in banks and trust companies as of January 1, 1912, and as of November 1, 1912:

	Jan. 1, 1912.	Nov. 1, 1912.
	Shares.	Shares.
American Trust Co. of Boston	100	100
Bankers' Trust Co.	100	100
Corn Exchange Bank	100	100
Central Trust Co. of New York	250	250
Central Trust Co. of Illinois	250	250
Columbia Trust Co.	100	100
Columbia-Knickerbocker Trust Co.	66 ² / ₃	66 ² / ₃
Columbia Bank	200	200
Equitable Trust Co.	4,660	4,660
First National Bank, Chicago	1,000	1,000
First National Bank, Morristown	100	100
Fidelity Bank, New York	120	120
Fourth Street National Bank of Philadelphia	800	800
Franklin National Bank, Philadelphia	250	250
Fidelity Trust Co., Philadelphia	100	100
Fourth National Bank	2,927	3,254
Industrial Trust Co., Providence	400	400
Lawyers Title Insurance & Trust Co.	340	340
Manhattan Co. (bank)	1,000	1,000
Morristown Trust Co., Morristown	100	100
Merchants National Bank, New York	3,315	3,365
National City Bank	500	500
National Bank of Commerce	4,700	4,700
National Park Bank	1,000	1,000
Old Colony Trust Co., Boston	200	240
Oyster Bay Bank	50	50
State Bank	700	700
Standard Trust Co.	250	11
Security Bank, New York	300	300
Transatlantic Trust Co.	250	250
Title Guarantee & Trust Co.	200	229
United States Mortgage & Trust Co.	3,940	3,940
Union Exchange National Bank	1,147	1,147
Windsor Trust Co.	100	100
Wells Fargo Nevada National Bank, San Francisco	500	500

ANSWER TO QUESTION No. 5.

The following is a statement of interest acquired by this firm, or any of the members thereof, since 1905, in various banks and trust companies, on which list is noted the fact when such interest, or any part thereof, had been disposed of:

	Acquired.	Disposed of.
American Loan & Trust Co., Boston	100	100
American Trust Co., Boston	100	100
Bankers' Trust Co.	180	180
Bowling Green Trust Co.	100	100
Central Trust Co. of New York	250	250
Columbia Trust Co.	100	100
Columbia Bank	70	70
Columbia-Knickerbocker Trust Co.	66 ² / ₃	66 ² / ₃
Corn Exchange Bank	100	100
Equitable Trust Co.	3,790	3,790
First National Bank of Chicago	200	200
First National Bank of Morristown	50	50
Fidelity Bank	20	20
Fourth National Bank	3,254	3,254
Guaranty Trust Co.	224	224
Lawyers' Title Insurance & Trust Co.	400	60
Merchants National Bank	1,365	1,365
Morton Trust Co.	30	30
National Park Bank	1,000	1,000
National Bank of Commerce	2,000	2,000
Old Colony Trust Co., Boston	140	140
Oyster Bay Bank	50	50
Phoenix National Bank	400	400
State Bank	630	630
Standard Trust Co.	16	16
Security Bank of New York	300	300
Title Guarantee & Trust Co.	79	79
Trans-Atlantic Trust Co.	250	250
United States Mortgage & Trust Co.	3,915	3,915
Union Exchange National Bank	407	407

ANSWER TO QUESTION No. 6.

Since January 1, 1907, the sales of bonds by this firm to life insurance companies have aggregated \$56,179,000.

ANSWER TO QUESTION No. 7.

The following is a statement of the total amount of securities purchased by this firm from the following named interstate corporations from January 1, 1907, to the present time:

In cases where securities were purchased jointly with others, only the proportion of this firm in such purchases is included. There are not included in this statement participations received from others, but only cases of joint purchases. The total amounts to \$938,192,141, as shown by the following statement:

American Telephone & Telegraph Co.....	\$12, 500, 000
Armour & Co.....	18, 000, 000
Associated Simmons Hardware Co.....	5, 000, 000
Baldwin Locomotive Works.....	5, 000, 000
Baltimore & Ohio R. R. Co.....	41, 275, 000
Bethlehem Steel Co.....	3, 300, 000
Central Pacific Ry. Co.....	61, 643, 750
Chesapeake & Ohio Ry. Co.....	41, 553, 331
Chicago, St. Paul, Minneapolis & Omaha Ry. Co.....	5, 000, 000
Chicago & Alton R. R. Co.....	14, 000, 000
Chicago & Eastern Illinois R. R. Co.....	10, 871, 000
Chicago & North Western Ry. Co.....	53, 750, 000
Cincinnati, Hamilton & Dayton Ry. Co.....	3, 750, 000
Chicago, Milwaukee & Puget Sound Ry. Co.....	12, 500, 000
Chicago, Milwaukee & St. Paul Ry. Co.....	85, 223, 375
Consolidation Coal Co.....	4, 700, 000
Delaware & Hudson Co.....	27, 467, 665
Galveston, Harrisburg & San Antonio Ry. Co.....	991, 000
Hocking Valley Ry. Co.....	2, 928, 000
Illinois Central R. R. Co.....	47, 740, 000
Missouri Pacific Ry. Co.....	29, 806, 000
New York, New Haven & Hartford R. R. Co.....	28, 000, 000
New York, Ontario & Western Ry. Co.....	1, 948, 000
Norfolk Southern R. R. Co.....	3, 217, 000
Norfolk & Western Ry. Co.....	5, 000, 000
Oregon-Washington R. R. & Navigation Co.....	20, 000, 000
Pennsylvania R. R. Co.....	95, 100, 000
Pittsburgh, Cincinnati, Chicago & St. Louis Ry. Co.....	6, 375, 000
St. Louis & San Francisco R. R. Co.....	6, 125, 000
St. Louis Southwestern Ry. Co.....	1, 000, 000
Southern Pacific Co.....	100, 734, 000
Southern Pacific R. R. Co.....	33, 646, 000
Union Pacific R. R. Co.....	113, 400, 000
Utah & Northern Railway Co.....	4, 993, 000
Wabash R. R. Co.....	15, 566, 666
Westinghouse Electric & Manufacturing Co.....	10, 000, 000
Wheeling & Lake Erie R. R.....	6, 088, 354

938, 192, 141

ANSWER TO QUESTION No. 8.

The following is a list of the railroad corporations engaged in interstate commerce that have been reorganized by us or under our direction as bankers or syndicate managers, either alone or in conjunction with others, namely: Baltimore & Ohio Railroad Co., Baltimore & Ohio Southwestern Railroad Co., Chicago & Alton Railroad Co., and Union Pacific Railroad Co.

In addition, we are at present cooperating in the reorganization of the Wabash Railroad Co. and the Kansas City Railway & Light Co. No industrial corporations engaged in interstate commerce have been reorganized by us or under our direction as bankers or syndicate managers, either alone or in conjunction with others.

We have been members of substantially all the underwriting syndicates formed in connection with important reorganizations during the past years, but in no cases, except in the above mentioned, have we had anything to do with the management of such reorganization or such syndicate.

Appended are copies of the plans of the reorganization of the above-mentioned companies, as well as lists of the initial boards of directors.

In the case of the Baltimore & Ohio Railroad Co., where a voting trust was provided, it consisted of Messrs. William Salomon, Abraham Wolff, J. Kennedy Tod, Louis Fitzgerald, and Charles H. Coster.

ANSWER TO QUESTION NO. 9.

The following are the total amounts of purchases from interstate corporations since January 1, 1906, made jointly by this firm and other banks or bankers:

With Blair & Co.....	\$33,973,708
With Blair & Co. and the Central Trust Co.....	2,500,000
With Brown Bros. & Co., of Philadelphia.....	10,000,000
With the Central Trust Co.....	26,816,000
With the First National Bank of New York.....	44,704,000
With Harvey Fisk & Sons, Hallgarten & Co., and William Salomon & Co.....	15,200,000
With Guaranty Trust Co.....	11,000,000
With J. P. Morgan & Co.....	13,000,000
With J. P. Morgan & Co., and Blair & Co.....	8,500,000
With J. P. Morgan & Co., Kidder, Peabody & Co., and certain foreign bankers.....	175,000,000
With J. P. Morgan & Co. and the National City Bank.....	43,204,000
With the National City Bank of New York.....	189,019,000
With the National City Bank and the United States Trust Co.....	34,893,500
With Speyer & Co.....	116,334,000
With Speyer & Co. and Alexander Brown & Sons.....	20,600,000

N. B.—The participations of this firm in the above purchases are included in the aggregate given in answer to question No. 7.

During the period above mentioned, this firm has taken syndicate participations in purchases of securities of interstate corporations from such corporations, as follows:

August Belmont & Co.....	\$230,000
Blair & Co.....	2,113,000
Blair & Co. and First Trust & Savings Bank.....	350,000
Blair & Co. and Hallgarten & Co.....	100,000
Blair & Co., Ladenburg, Thalmann & Co., and Middendorf, Williams & Co.....	500,000
Brown Bros. & Co.....	350,000
Central Trust Co.....	100,000
Drexel & Co. and White, Weld & Co.....	2,525,000
First National Bank.....	1,250,000
Guaranty Trust Co.....	500,000
Hallgarten & Co.....	3,150,000
Hallgarten & Co. and Wm. Salomon & Co.....	385,000
Kean, Van Cortlandt & Co.....	75,000
Kidder, Peabody & Co. (and Baring Bros. & Co., Ltd.).....	5,000,000
Ladenburg, Thalmann & Co.....	2,787,500
Lee, Higginson & Co.....	300,000
Lee, Higginson & Co. and J. & W. Seligman & Co.....	3,074,166
Lehman Bros. and Goldman, Sachs & Co.....	3,106,250
Maitland, Coppell & Co.....	100,000
Meyer & Co., Eugene, jr.....	250,000
Morgan & Co., J. P.....	5,300,000
Redmond & Co.....	1,250,000
Salomon & Co., Wm.....	6,314,451
Salomon & Co., Wm., and G. H. Walker & Co.....	1,950,000
Speyer & Co.....	1,775,000
Trask & Co., Spencer.....	209,250
United States Mortgage & Trust Co.....	750,000

43,794,617

Directors of the Baltimore & Ohio Railroad Co. for the year ended June 30, 1899: William Salomon (chairman of the board), Edward R. Bacon, Alexander Brown, Louis Fitzgerald, Edward H. Harriman, James J. Hill, H. Clay Pierce, Norman B. Ream, Jacob H. Schiff, Charles Steele, James Stillman, J. Kennedy Tod.

Directors of Baltimore & Ohio Southwestern Railroad Co. elected December 22, 1899: Edward R. Bacon, New York; William Salomon, New York; Otto H. Kahn, New York; Charles Steele, New York; John K. Cowen, Baltimore, Md.; H. Clay Pierce, St. Louis, Mo.; Frank W. Tracy, Springfield, Ill.; J. G. Schmidlapp, Cincinnati, Ohio; William M. Greene, Cincinnati, Ohio.

Directors of the Chicago & Alton Railroad Co. for the year ending December 31, 1899: C. H. Chappell, Chicago; R. C. Clowry, Chicago; J. W. Doane, Chicago; S. M. Felton, Chicago; E. H. Harriman, New York; W. H. Henkle, Chicago; J. C. Hutchins, Chicago; M. L. Schiff, New York; W. A. Simonson, New York.

Directors of the Chicago & Alton Railway Co. for the year ending June 30, 1901: C. H. Chappell, Chicago; John W. Doane,¹ Chicago; S. M. Felton, Chicago; James P. Forgan, Chicago; David R. Francis, St. Louis; George J. Gould, Lakewood, N. J.; E. H. Harriman, Arden, N. Y.; John J. Mitchell, Chicago; Norman B. Ream, Chicago; Mortimer L. Schiff, New York; James Stillman, New York.

Directors of Union Pacific Railroad Co., for the period ending June 30, 1898: Winslow S. Pierce (chairman), New York; Oliver Ames, Boston; Horace G. Burt, Omaha; George Q. Cannon, Salt Lake City; T. Jefferson Coolidge, jr., Boston; John W. Doane, Chicago; Louis Fitzgerald, New York; George J. Gould, New York; E. H. Harriman, New York; Marvin Hughitt, Chicago; Henry B. Hyde, New York; Otto H. Kahn, New York; Roswell Miller, Chicago; Jacob H. Schiff, New York; James Stillman, New York.

PLAN AND AGREEMENT FOR THE REORGANIZATION OF THE UNION PACIFIC RAILWAY CO., INCLUDING ITS KANSAS PACIFIC LINES.

[Dated, Oct. 15, 1895.]

Louis Fitzgerald, Jacob H. Schiff, T. Jefferson Coolidge, jr., Chauncey M. Depew, Marvin Hughitt, Oliver Ames, second, committee.

Winslow S. Pierce, counsel.

Kuhn, Loeb & Co., bankers.

Alvin W. Krech, secretary.

Depositaries.—The Mercantile Trust Co., of New York; Old Colony Trust Co., of Boston; Bank of Montreal, of London; Amsterdamsche Bank, of Amsterdam; Deutsche Vereinsbank, of Frankfort-on-Main.

To the security holders of the Union Pacific main lines proper, inclusive of the Kansas Pacific line:

The system of the Union Pacific Railway Co. having become dismembered, and the holders of the securities of the branch lines having already taken steps for their own protection, it has become evident that the holders of the various kinds of bonds secured upon the main stem of the Union Pacific Railway Co., including the Kansas Pacific line, must combine in order to protect themselves.

The main difficulty in effecting a prompt reorganization of the Union Pacific Railway Co. proper is in the impracticability thus far experienced of reaching a settlement with the United States Government, which holds a second lien upon the Union division from Omaha to a point 5 miles west of Ogden, 1,038 miles, and on the Kansas division from Kansas City (exclusive of the Kansas City, Mo., terminals) west to the three hundred and ninety-fourth milepost in Kansas, but which has no lien upon that part of the Kansas Pacific line between the three hundred and ninety-fourth milepost and Denver, 245 miles, nor on the Leavenworth branch, Leavenworth to Lawrence Junction, 32 miles, nor on the Cheyenne division, Denver to Cheyenne, 104 miles. Congress having thus far been unwilling to pass any legislation authorizing a settlement, it becomes imperatively necessary on the part of the holders of the first mortgage bonds, of which part have already matured, and all of which will mature within the next few years, to combine for an enforcement of their prior lien. Eminent counsel have advised that the lien of the first mortgage bonds may be effectively foreclosed, and while it is very desirable to make a settlement with the United States Government, and to continue efforts in this direction, further delay on the part of the first mortgage bondholders in protecting themselves by securing their legal rights would be likely to become dangerous and to result in loss.

The undersigned have been asked by large interests to formulate and proceed with a reorganization which shall at once secure to the holders of the first mortgage and other bonds requiring consideration in reorganization a full return in new securities of the successor company with fixed charges based upon the lowest results from the

¹ Deceased.

operation of the main line, and the Kansas Pacific and Denver Pacific lines which have been obtained during the times of the greatest depression. A plan is submitted herewith to the consideration of the security holders, which, it is believed, fully carries this purpose into effect, and at the same time secures to first mortgage bondholders the payment of the matured and maturing interest until it shall become practicable to carry out the reorganization. Should this end, contrary to expectation, not be attained, the bonds, which holders are requested to deposit without delay, will be returned without expense.

Prompt action on the part of bondholders in uniting being imperative, the time during which deposits can be made has been limited to December 31, 1895, after which date no bonds will be admitted, unless otherwise determined, except upon the payment of a penalty of 5 per cent.

Stockholders must likewise deposit their share certificates, properly indorsed, prior to December 31, 1895, but will not be required to pay any part of the assessment of \$15 a share until the same is called for hereafter by the committee after the plan shall have been declared operative. Upon stock deposited after December 31, 1895, the assessment will be at the rate of \$20 a share, unless otherwise determined, \$5 of which shall be payable at the time of deposit as a penalty.

In case the reorganization is abandoned without having been declared operative holders of receipts will receive back the shares to which they are entitled, without expense to them, on surrender of their receipts, properly indorsed, at the depositories which issued them.

Deposit may be made at any of the depositories on and after November 1, 1895, from which date matured coupons on first mortgage bonds will be cashed as provided in the plan.

The committee may at any time after December 31, 1895, alter the penalties above specified or decline to receive further deposits of bonds or stock.

The Mercantile Trust Co. of New York has been designated as the central depository both for the bonds and the stock (with auxiliary depositories as set forth in the plan), and will issue engraved certificates of deposit, for the listing of which application will be made to the New York Stock Exchange at the proper time. Temporary receipts will be issued in exchange for securities deposited until the engraved certificates shall be ready.

Protective committee already organized in the interests of the holders of either of the classes of bonds embraced in the plan are invited to confer and cooperate with this committee in respect to such interests.

New York, October 15, 1895.

LOUIS FITZGERALD,
JACOB H. SCHIFF,
T. JEFFERSON COOLIDGE, Jr.,
CHAUNCEY M. DEFEW,
MARVIN HUGHITT,
OLIVER AMES, 2d,
Committee.

STATEMENT.

Mileage.—The main lines of the Union Pacific Railway Co. are as follows:

	Miles.
Union division—Council Bluffs to a point 5 miles west of Ogden.....	1, 048. 01
Kansas division—Kansas City to Denver.....	643. 55
Leavenworth branch—Lawrence to Leavenworth.....	31. 93
Cheyenne division—Denver to Cheyenne.....	104. 10

Total main-line mileage..... 1, 827. 59

Lands.—The outstanding land and town-lot contracts on December 31, 1894, were as follows:

Union division.....	\$2, 727, 480. 27
Kansas Pacific and Denver Pacific divisions.....	3, 435, 271. 28
Total.....	6, 162, 751. 55

It is believed that a considerable amount of these contracts will, as a result of the recent industrial depression, be cancelled, in which event the figures in the following table should be correspondingly increased:

The acreage and estimated value of unsold land-grant lands, excluding those under contract, on December 31, 1894, were as follows:

Division.	Acres.	Estimated value.
Union.....	3,345,000	\$3,157,000
Kansas Pacific and Denver Pacific.....	3,179,000	10,201,500
Total.....	6,524,000	13,358,500

Funded debt (Oct. 1, 1895).

UNION DIVISIONS.

	Amount.	Due.
Union Pacific:		
First mortgage sixes.....	\$27,229,000	Jan. 1, 1896-1899.
Land grant sevens.....	7,000	Apr. 1, 1899.
Sinking fund eights.....	3,730,000	Sept. 1, 1899.
Omaha Bridge eights.....	508,000	Apr. 1, 1896.
Omaha Bridge renewal fives.....	1,056,000	Oct. 1, 1915.
Not embraced in reorganization:		
Collateral trust sixes.....	3,626,000	July 1, 1908.
Collateral trust fives.....	4,677,000	Dec. 1, 1907.
Collateral trust four-and-a-halves.....	2,090,000	Nov. 1, 1918.
Equipment trust fives.....	1,149,000	1896 to 1900.
Collateral trust notes, sixes.....	8,610,000	Aug. 1, 1894.
	52,622,000	

KANSAS PACIFIC AND CHEYENNE DIVISION AND LEAVENWORTH BRANCH.

Eastern division sixes.....	\$2,240,000	Aug. 1, 1895
Middle division sixes.....	4,063,000	June 1, 1896
Denver extension sixes.....	5,887,000	May 1, 1899
Kansas Pacific consolidated sixes.....	11,724,000	May 1, 1919
Kansas Pacific income sevens.....	263,700	July 1, 1916
Kansas Pacific income subordinated sevens.....	4,011,650	Do.
Kansas division and collateral fives.....	5,000,000	May 1, 1921
Denver Pacific first-mortgage sevens.....	975,000	May 1, 1899
Leavenworth Branch first-mortgage sevens.....	600,000	Jan. 1, 1896
	34,764,350	
Indebtedness to the Government:		
For principal ¹	33,539,512	Nov. 1, 1895, to Jan. 1, 1899.
For interest (approximately, after deducting estimated value of the sinking fund).....	19,500,000	
	53,039,512	
Total funded debt.....	140,425,862	

¹ The lien of the Government for the security of this debt is a second lien subordinate to the lien of the first-mortgage bonds on the Union division, and of the eastern and middle division bonds on 394 miles of the Kansas division. The proportions of the principal of the debt (\$33,539,512) applicable to the Union and Kansas divisions, respectively, are as follows: Union division debt to the Government, \$27,236,512; Kansas division debt to the Government, \$6,303,000.

Capital stock.—The capital stock of the Union Pacific Railway Co. outstanding is \$60,868,500.

Fixed charges.—The interest on the debt to the United States (principal \$33,539,512) has been an accumulating obligation, diminished only by application of withheld compensation for Government service and by sinking fund receipts. The accumulated interest, now aggregating, after all deductions, more than \$19,000,000, will mature, it is claimed, with the maturity of the principal of the debt which now impends.

In the following table, which states the fixed charges of the Union Pacific Railway Co. (proper) for each of the five years from 1890 to 1894, inclusive, the following liabilities are not included:

1. The excess of interest on the debt to the Government over the percentage of net earnings applicable to it under the Thurman and other acts.¹
2. Interest on bonds held in main line mortgage trusts under conversion provisions.
3. The obligations under guaranties, determined by the deficit in the operations of auxiliary lines to meet interest or provide the traffic receipts guaranteed by the Union Pacific Railway Co.

Fixed charges or deductions from net earnings.

	Interest on bonds.	Sinking funds.	Government requirements.	Total charges.
1890.....	\$4,613,097.85	\$705,458.75	\$1,041,153.43	\$6,359,710.03
1891.....	4,782,230.29	708,332.50	1,278,488.82	6,769,051.61
1892.....	5,371,587.40	705,172.50	1,338,044.37	7,414,804.27
1893.....	4,902,594.03	666,182.50	1,203,303.73	6,772,080.26
1894.....	4,767,613.81	677,685.00	1,249,061.46	6,694,360.27
Average charges as above for five years.....				6,802,001.28

Earnings.—The following table shows the gross and net earnings resulting from the operation of the Union Pacific main lines (exclusive of the company's income from other sources) for each of the 10 years from 1885 to 1894, inclusive:

Year.	Gross earnings.	Net earnings, taxes deducted.
1885.....	\$17,455,031.51	\$8,404,676.31
1886.....	17,806,132.59	7,522,707.02
1887.....	19,546,088.62	9,111,886.85
1888.....	19,898,816.93	8,119,468.16
1889.....	19,775,555.84	8,286,679.63
1890.....	20,438,208.36	7,274,759.06
1891.....	19,687,738.43	7,846,451.70
1892.....	20,361,401.66	8,550,268.22
1893.....	17,376,792.11	6,204,716.81
1894.....	14,739,436.76	4,815,077.25
Average net earnings for 10 years.....		7,563,669.10

General considerations.—1. The mortgage debt for which provision is made in the following plan for reorganization is exclusive of main-line bonds held in trusts or sinking funds under mortgages included in the proposed reorganization—the issues being reduced, to that extent, for reorganization purposes.

The bonds thus available under the new plan without the necessity for provision in new securities, are as follows:

Omaha Bridge renewal 5 per cent bonds (held by the receivers).....	\$322,000
Eastern division bonds (held in Denver extension sinking fund).....	304,000
Middle division bonds (held in Denver extension sinking fund).....	385,000
Denver extension bonds (held in Denver extension sinking fund).....	1,781,000
Kansas Pacific consols (held in Kansas Pacific further security trust and by the receivers).....	120,000
Kansas Pacific income sevens, unsubordinated (held in Kansas Pacific consolidated mortgage trust).....	252,300
Kansas Pacific income sevens, subordinated (held in Kansas Pacific consolidated mortgage trust).....	3,988,550
Denver Pacific first mortgage sevens (held in Kansas Pacific consolidated mortgage trust).....	971,000
Leavenworth Branch first mortgage sevens (held in Kansas Pacific consolidated mortgage trust).....	585,000

¹ The annual interest charge accumulating on this debt is \$2,012,370.72 less the deductions above explained.

2. Nor does the reorganization include provision for the collateral trust obligations of the Union Pacific Railway Co. The securities embraced in these trusts are largely those of companies which have already, by orders of court made in the original general receivership cause or in independent foreclosure proceedings, lost in part or in whole their character as portions of what has been distinctively known as the Union Pacific System. Independent reorganizations of many of these properties are pending. The purposes which brought into existence guaranties of the obligations of many of these auxiliary companies have been accomplished by construction and otherwise, and considerations will not exist under reorganization for continued relations with these properties upon the basis of an assumption of any of their fixed charges. Geographical conditions and considerations of mutual advantage point to a continued operation of such of these auxiliary properties as have had a demonstrated value, in harmony with that of the reorganized company, and relief from the burden of these guaranties will, it is believed, be an advantage obtained without detriment to the earning capacity of the property.

3. The total charges for the prosperous year of 1892 (including interest on fixed bonds, mortgage sinking funds, Government deductions and requirements, and other charges made up in large part of guaranty obligations), aggregated the sum of \$7,881,475.55; or a sum greater by \$881,475.44 than an amount necessary to pay the annual interest on the maximum mortgage debt and full dividend on the maximum issue of preferred stock contemplated in the following plan of reorganization.

The maximum interest and dividend requirements under the plan applied to the average annual net earnings of the past 10 years shows these results:

Net earnings.

Average net earnings of Union Pacific Railway (proper) for 10 years, 1885 to 1894, inclusive.....	\$7,563,669
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Interest and dividends.

Annual interest on the maximum issue of \$100,000,000 4 per cent bonds under following plan.....	\$4,000,000
Annual 4 per cent dividend on the maximum issue of \$75,000,000 preferred stock.....	3,000,000
Interest and dividends on preferred stock.....	7,000,000
Average surplus over interest and full dividends on preferred stock.....	563,669

NOTE.—The lowest net earnings realized by the Union Pacific Railway were those of the year 1894, when they were \$4,315,077.25, or \$315,077.25 in excess of interest on the maximum amount of bonds as proposed in the following plan.

PLAN.

It is proposed, through such foreclosure proceedings as the committee shall cause to be instituted or shall adopt, or through such other means as the committee shall determine, that a new company shall succeed to (or that the present company reorganized upon the basis of indebtedness fixed in this plan shall retain) the main lines and lands covered by the mortgages included in the plan.

The new company shall issue the following new securities:

First-mortgage railway and land grant 50-year 4 per cent gold bonds ...	\$100,000,000
4 per cent preferred stock.....	75,000,000
Common stock.....	61,000,000

New bonds.—The new bonds shall be dated January 1, 1897, and shall bear interest from that date, payable on the first days of each January and July thereafter until maturity. They shall be secured by a first-mortgage lien upon all the main-line mileage of the Union Pacific Railway Co., upon the equipment acquired by the new company, and upon the unsold lands and the land contracts embraced in the trusts of the Union Pacific land-grant and sinking-fund mortgages, the Denver extension first mortgage, the Kansas Pacific consolidated first mortgage, and the Denver Pacific first mortgage, and upon such branch lines of railway as the committee shall avail of through the ownership of branch-line bonds in the trust of the Kansas Pacific consolidated first mortgage.

New preferred stock.—The new preferred stock shall be entitled to 4 per cent non-cumulative dividends, payable out of the net or surplus earnings of the reorganized company before the payment of any dividend on the common stock.

The following will be the distribution of new company's securities:

	New 4 per cent 50-year gold bonds.		New preferred stock.		New common stock.	
	Per cent.	Amount.	Per cent.	Amount.	Per cent.	Amount.
FOR UNION DIVISION DEBT.						
1. Union Pacific first-mortgage sixes	100	\$27,229,000	50	\$13,614,500	.....	.....
2. Land grant sevens ¹	100	3,730,000	50	1,865,000	.....	.....
3. Sinking-fund eights	100	508,000	50	254,000	.....	.....
4. Omaha bridge eights	100	734,000	25	183,500	.....	.....
5. Omaha bridge renewals, fives	100				.....	.....
FOR KANSAS DIVISION DEBT.						
1. Eastern division sixes	100	1,936,000	50	968,000	.....	.....
2. Middle division sixes	100	3,678,000	50	1,839,000	.....	.....
3. Denver extension first sixes	100	4,106,000	50	2,053,000	.....	.....
4. Consolidated first-mortgage sixes	80	9,283,200	50	5,802,000	.....	.....
Consolidated first mortgage, defaulted interest ²			25	2,901,000	.....	.....
5. Income sevens (unsubordinated)	80	8,880	50	5,550	.....	.....
6. Income sevens (subordinated)	80	16,440	50	10,275	.....	.....
7. Leavenworth branch sevens	80	12,000	50	7,500	.....	.....
8. Denver Pacific first sevens	80	3,200	50	2,000	.....	.....
9. Kansas division and collateral mortgage fives			50	2,500,000	.....	.....
For assessment on common stock			100	9,130,275	.....	.....
In exchange for common stock of Union Pacific Railway Co. on which assessment is paid under the plan						\$60,868,500
For compensation to reorganization syndicate and bankers				6,000,000	.....	.....
Total defined issues for reorganization purposes		51,244,720	.....	47,135,600	.....	60,868,500
Reserved to dispose of equipment obligations and for reorganization and corporate uses		13,000,000	.....	7,000,000	.....	.....
Balance reserved for settlement of the debt to the United States and for extraordinary requirements		35,755,280	.....	20,864,400	.....	131,500

¹ The Union Trust Co., of New York, trustee under the land-grant mortgage, has funds in hand with which to pay the \$7,000 outstanding bonds.

² Should a greater or less amount of interest than that here estimated be in default on these bonds at the date from which the new bonds bear interest, the provision in preferred stock will be varied accordingly so as to equal in amount such defaulted interest. Interest received by the committee on deposited bonds of this class will be accounted for to the holders of corresponding certificates of deposit.

CASH PROVISIONS FOR FIRST-MORTGAGE BONDS.

Through arrangements made with the syndicate hereafter mentioned, the following cash provisions are made in respect to defaulted and future interest on present outstanding first-mortgage bonds of the Union Pacific and Kansas Pacific Railway Cos., as shown in detail below:

First. The coupons now in default upon present first-mortgage bonds are to be purchased in cash for account of the syndicate at the time of the deposit with the committee of the bonds to which they pertain.

Second. Coupons maturing on deposited first-mortgage bonds in the interval between the deposit thereof under the plan and the date from which bonds of the new company are to bear interest (Jan. 1, 1897), are to be purchased by the syndicate from the committee, which in turn shall apply the amounts so received, at the respective due dates of the coupons, to the payment of corresponding installments on its outstanding certificates applicable to such deposited bonds.

Third. At the time of the issue of the new 4 per cent bonds the difference between the interest at their rate and at the rate of the present first-mortgage bonds (i. e., the rate difference of 2 per cent) shall be adjusted in cash covering the periods between January 1, 1897, and the respective dates of the maturity of the present bonds. The proportion of the current semiannual interest installments which shall have accrued on January 1, 1897, on such of said bonds as do not bear January coupons shall be likewise provided for in cash at the time of the delivery of the new bonds.

The bonds to which the foregoing cash provisions apply and the extent of the cash requirements to meet these provisions are thus shown:

Union Pacific first sixes (due in installments Jan. 1, 1896, to Jan. 1, 1899, inclusive):	
Defaulted coupons of Jan. 1 and July 1, 1895.....	\$1, 633, 740
Interest maturing, during pendency of plan to and including Jan. 1, 1897.....	2, 450, 610
Adjustment of interest as between rates of old and new bonds, 2 per cent per annum from Jan. 1, 1897, to maturity of old bonds:	
On \$1,920,000 bonds, due July 1, 1897.....	\$19, 200
On \$5,999,000 bonds, due Jan. 1, 1898.....	119, 980
On \$8,837,000 bonds, due July 1, 1898.....	265, 110
On \$2,400,000 bonds, due Jan. 1, 1899.....	96, 000
	500, 290
Kansas Pacific, eastern division, first sixes (matured Aug. 1, 1895):	
Defaulted coupons of August, 1894, and February and August, 1895..	201, 600
Interest maturing during pendency of plan to Jan. 1, 1897.....	190, 400
Kansas Pacific, middle division, first sixes (due June 1, 1896):	
Defaulted coupons of June 1 and Dec. 1, 1894, and June 1, 1895.....	365, 670
Interest maturing during pendency of plan to Jan. 1, 1897.....	385, 985
Kansas Pacific, Denver extension, first sixes (due May 1, 1899):	
Defaulted coupons of May 1 and Nov. 1, 1894, and May 1 and Nov. 1, 1895.....	706, 440
Interest maturing during pendency of plan to Jan. 1, 1897.....	412, 090
Adjustment of interest as between rates of old and new bonds—2 per cent from Jan. 1, 1897, to maturity of old bonds.....	274, 727
	7, 121, 552

In all cases where the foregoing provisions apply to semiannual interest installments not represented by coupons because of the prior maturity of the principal of the bonds, the syndicate will take assignments of such interest installments from holders presenting their bonds for deposit or from the committee as to such bonds as shall have been deposited, and will hold and treat such assignments in the manner hereinafter provided with respect to coupons taken up by the syndicate.

ASSESSMENT.

The common stock of the present company will be assessed at the rate of \$15 per share. Shareholders paying the assessment of \$15 per share will receive the amount of the assessment (viz, \$15 per share) in new preferred stock at par, and will also receive par of their present common stock in common stock of the new company.

Shareholders who do not pay their assessments as called will forfeit their rights. The stock assessment will be underwritten before the plan is declared operative.

The proceeds of the assessment shall be applicable to the cash requirements of this plan as herein provided, and to such requirements as shall be fixed and determined by the committee, including such expenses and charges as it shall make or incur in the premises, and suitable compensation to the members of the committee.

The amount of this assessment shall be payable at such times and in such installments as the committee shall determine after the plan has been declared operative, but not more than \$5 per share shall be called in any consecutive 30 days.

REORGANIZATION SYNDICATE.

A reorganization syndicate has been organized under the management of Messrs. Kuhn, Loeb & Co., bankers, to furnish the sum of \$10,000,000 for the following purposes:

1. To purchase all the interest coupons on first-mortgage bonds now in default.
2. To purchase, as they shall mature hereafter, the interest coupons on first-mortgage bonds and also the semiannual assignments of interest accruing on bonds already matured during the pendency of the plan, and until it shall become operative.

3. To purchase, if it shall be found advisable for the promotion of the reorganization, any outstanding first-mortgage bonds and Omaha Bridge bonds, and to deposit the same under this plan; and, if it shall be found advisable, to purchase all or any defaulted or future maturing coupons or interest assignments on Omaha Bridge bonds.

Coupons and interest assignments purchased for account of the syndicate shall be deposited in The Mercantile Trust Co. of New York, which shall issue its certificates for the same to the syndicate, or such other course shall be taken in respect thereto as

shall be determined by the committee and the bankers to effectively and conveniently carry out this feature of the plan, and as will secure to the syndicate all rights of the bondholders in and to the coupons and interest claims so purchased and in and to the lien and right of enforcement of the lien thereof.

Such steps shall be taken in respect to all purchased coupons and interest assignments as will secure a valid claim for cumulative interest in favor of the reorganization syndicate.

The right is reserved on behalf of the committee, with the assent of the bankers, to call for an increase of the amount required to be advanced by the syndicate to \$15,000,000.

The syndicate is to advance a sum not exceeding \$100,000 for expenses repayable with 6 per cent interest after the plan shall have been declared operative.

All advances made by the syndicate shall be repayable to it in gold.

Six million dollars of preferred stock are to be turned over as compensation to the syndicate, of which the bankers are to retain one million as their own compensation.

LIMITATIONS OF TIMES.

For declaring plan operative.—The time for declaring this plan operative is to be limited to December 31, 1896, with the right on the part of the committee to extend the time for six months, namely, to June 30, 1897. Notice that the plan is operative shall be given by publication through each of the depositaries hereinafter mentioned.

For deposit of securities.—The time for the deposit of bonds receivable under this plan and of the shares of stock of the present company is limited to December 31, 1895, after which date no bonds will be admitted except upon the payment of a penalty of 5 per cent. Upon shares of stock deposited after the time above limited (Dec. 31, 1895), the assessment will be at the rate of \$20 a share. After the expiration of the limit of time the penalty of \$5 a share will be payable at the time of deposit and will not be refunded.

Deposits may be made on and after November 1, 1895. The committee reserves the right at any time to alter the penalties above specified or decline to receive further deposits of bonds or stock.

Should it, in the opinion of the committee, appear desirable to make any substantial alterations in the foregoing plan, it shall make publication of such proposed alterations for at least 20 days, during which time the security holders not approving of the proposed alterations shall be permitted to surrender their certificates of deposit and withdraw their securities upon refunding, with 6 per cent interest, the amounts advanced in purchase of the coupons and interest assignments on their respective bonds.

SECURITIES RECEIVABLE ON DEPOSIT UNDER THIS PLAN.

The following securities will be received under this plan at either of the depositaries hereinafter mentioned:

Bonds.

1. Union Pacific Railroad Co.'s first mortgage bonds.
2. Union Pacific Railroad Co.'s sinking fund mortgage bonds.
3. Union Pacific Railroad Co.'s Omaha Bridge 8 per cent mortgage bonds.
4. Union Pacific Railway Co.'s Omaha Bridge renewal bonds.
5. The Union Pacific Railway Co., Kansas division and collateral mortgage bonds.
6. (Kansas Pacific) Union Pacific, eastern division, first mortgage bonds.
7. (Kansas Pacific) Union Pacific, middle division, first mortgage bonds.
8. Kansas Pacific Railway, Denver extension first mortgage bonds.
9. Kansas Pacific Railway consolidated first mortgage bonds
10. Kansas Pacific Railway income bonds.
11. Leavenworth Branch bonds.
12. Denver Pacific Railway and Telegraph first mortgage bonds.

Also

Stock.

13. The certificates of stock of the present company.

DEPOSITARIES.

The Mercantile Trust Co. of New York; Old Colony Trust Co., of Boston; Bank of Montreal, of London; Amsterdamsche Bank, of Amsterdam; Deutsche Vereinsbank, of Frankfurt-on-Main.

Bonds and shares may be deposited by the holders thereof in either of the above-named depositaries, who shall issue their own negotiable certificates. After the plan

has become operative the committee may order the transmission of securities deposited in any one of the depositaries into the keeping of The Mercantile Trust Co. of New York, who shall constitute the central depository, and who shall thereupon issue its own engraved certificates for the previously issued certificates of the branch or auxiliary depositaries.

Until the plan shall have been declared operative, depositors of bonds in either of the depositaries may apply to have their bonds transferred to any other depository, upon payment of the expense thereof, and shall be entitled to the certificates of the last depository upon the surrender of the certificates previously issued to such depositors.

Holders of securities who shall have deposited the same in any one of the foreign auxiliary depositaries shall, where such securities have had the foreign Government stamp attached, be entitled to receive the new securities likewise with the foreign Government stamp.

For further particulars and powers of the committee, depositors are referred to the agreement of which this plan is a part.

AGREEMENT.

An agreement made this 15th day of October, 1895, between Louis Fitzgerald, Jacob H. Schiff, T. Jefferson Coolidge, jr., Chauncey M. Depew, Marvin Hughitt, and Oliver Ames, 2d, parties of the first part, and herein called the "Committee," and holders of such bonds and stock of the Union Pacific Railway Co. as shall, conformably with the provisions of the annexed plan and of this agreement, be deposited as in said plan and herein provided, parties of the second part, and herein called "Depositors."

Whereas the parties of the first part have been and hereby are constituted a committee for the reorganization of the affairs of the Union Pacific Railway Co. proper, inclusive of its Kansas Pacific lines, and have formulated the annexed plan for such reorganization: Now, this agreement witnesseth:

That each and every person or party who shall have deposited with either of the depositaries hereunder as hereinafter provided any bonds of the Union Pacific Railway Co. receivable under this agreement, or any stock of said company, hereby promises and agrees to and with the committee and every other party hereto, and they and the committee, respectively, promise and agree as follows:

First. Printed copies of this agreement, certified by a majority of the committee and lodged, respectively, with the depositaries shall be held and taken as the original agreement. The said plan is, and shall be taken to be a part of this agreement, with the same effect as though each and every provision thereof had been embodied herein, and said plan and this agreement shall be read as parts of one and the same instrument, but it is understood, however, that no estimate, statement, explanation, or suggestion in said plan or in the statement which precedes the same, or in this agreement, or in any circular issued or to be issued by the committee, is intended to or shall operate as a representation or warranty or as a condition of the deposit of securities hereunder, and no error or defect therein shall operate to release any depositing security holder, except with the consent of the committee.

Depositors of securities shall receive receipts or certificates of deposit in form to be approved by the committee, specifying the securities deposited and assessments, if any, paid thereon, and all rights of the depositors in respect of such deposits shall be such only as are evidenced by such receipts or certificates; and thereafter the holder of any such receipt or certificate, or of any receipt or certificate issued in lieu thereof or in exchange therefor, shall be subject to this agreement and entitled to have and exercise the rights of the original depositor under the receipt or certificate issued to him in respect of the securities therein mentioned.

The respective receipts or certificates of deposit, and the interest represented thereby, and all rights of the holders in respect of the deposited securities and assessments paid thereon, shall be transferable only subject to the terms and conditions of this agreement and in such manner as the committee shall approve, and upon such transfer the transferees and holders of such receipts or certificates of deposit shall for all purposes be substituted in place of the prior holders, subject to this agreement. All such transferees, as well as the original holders of receipts or certificates of deposit, shall be embraced under the term "Depositors," whenever used herein. Each receipt or certificate of deposit may be treated by the committee and by the depositaries as a negotiable instrument, and the holder for the time being may be deemed to be the absolute owner thereof and of all rights of the original depositor of the bond or stock and assessments in respect of which the same was issued, and neither the depositaries nor the committee shall be affected by any notice to the contrary. By accepting any such receipt or certificate, every recipient or holder thereof shall

thereby become party to this agreement with the same force and effect as though an actual subscriber hereto under seal.

Depositors must in all cases deposit with the certificates for their stock, or with their bonds or other securities, such transfers, assignments, and powers of attorney as may be required by the committee in order to vest in said committee or to enable it to transfer the complete and absolute title to such stock, bonds, or other securities, and to coupons or interest installments on deposited bonds; and the depositors respectively agree at any time, on demand of the committee, to execute any and all transfers, assignments, or writings necessary for vesting complete ownership of the bonds, stocks, or other securities deposited hereunder in said committee or in its nominees, or for the purpose of enabling said committee to carry out said plan of reorganization.

The committee shall have power to fix or limit the time within which all or any class of security holders may deposit their securities and become parties to this agreement, as herein provided, and may, in its discretion and on such terms and conditions as it may see fit, either generally or in special instances, extend or renew the time so fixed or limited.

Holders of securities not deposited in the manner herein provided within the times so fixed, limited, extended, or renewed, will not be entitled to deposit the same or become parties to this agreement or share in the benefits thereof and shall acquire no rights thereunder, except by express consent of the committee and on such terms and conditions as the committee may prescribe. Depositors of stock who shall fail to pay their assessments, or any installments thereof, within such time as shall be fixed or limited shall cease to be entitled to any benefit hereunder or in the securities deposited or assessments paid, and shall absolutely forfeit, without right of redemption, their stock, together with any part of the assessments paid thereon, and the committee may sell the same, or the new securities which may be issued in respect thereof, to any purchaser paying such amount as the committee may determine, and the proceeds thereof may be used for any of the requirements of carrying out said plan and as a reserve for the uses of the new company. The committee may, however, in its discretion, on such terms as it shall see fit, waive by resolution any such forfeiture or failure to pay the assessment within the times allowed.

Second. The depositors hereunder hereby request the committee to endeavor to carry into practical operation this agreement; including the foregoing plan of reorganization, in its entirety or in part, to such extent and in such manner and with such additions, exceptions, and modifications as the committee shall deem to be for the best interests of the depositors. Each and every depositor, for himself and not for any other depositor, does hereby sell, assign, transfer, and set over to the said parties of the first part as joint tenants and not as tenants in common, and to the survivor and survivors of them and to their successors, as a committee, each and every bond, share of stock, security, or obligation or evidence thereof deposited hereunder, and every depositor hereby agrees that the committee shall be, and hereby is, vested with all the power and authority of owners of the stock, bonds, securities, and obligations deposited hereunder, with full right to transfer the same into its own name, as a committee, or into the name of any other person or persons whom the committee may select; to vote thereon at any meeting of stockholders or bondholders or creditors; to use every such stock, bond, security, or obligation as fully and to the same extent as the owner or holder thereof, including power to declare due the principal of any bond or other obligation deposited hereunder, and to revoke any such declaration whenever made; to call or attend and either in person or by proxy to vote at any and all meetings of stockholders or bondholders or creditors of any corporation, however convened; to terminate or to seek to dissolve or modify any trust or lease, in whole or in part; to apply for the determination of the validity thereof, or for the removal of any trustees or the substitution of other trustees, or to take any other steps in respect of any trust or lease or under any provision thereof; to purchase at such prices as it shall see fit, or to pay, compromise, or settle with the holders of any coupons, notes, or other obligations of the Union Pacific Railway Co., or of any or either of the original companies consolidated therein, or of auxiliary companies heretofore related thereto, or any receivers' certificates or obligations issued or which may be issued or incurred by the receivers thereof, and to apply for that purpose any moneys received from the assessments on the stock, or which may otherwise be received or raised by the committee; to sell and transfer and to effectively assign any and all coupons on deposited bonds, and any rights, claims, or demands for accrued or future interest on such bonds; to give all bonds of indemnity or other bonds, and to charge therewith the securities deposited hereunder or any part thereof, if the committee shall so deem necessary or expedient in carrying out the purposes hereof; to institute or cause to be instituted or to become parties to any legal proceedings which could be instituted by any depositor or any corporation, or any officer of any corporation whose stock or bonds or other obligations (or any part

thereof) are deposited hereunder, and to participate in, adopt, or extend its aid and co-operation in and to any and all legal proceedings now existing; to apply for receivers, or the removal of receivers and the substitution of other receivers, or for the termination of any receivership and the delivery of any property to its owners; to enter into settlement of any litigation now or at any time existing or threatened, in whole or in part, with plenary power to enter into arrangement for decrees, or for facilitating or hastening the course of litigation, or in any way to promote the objects of the plan and the purposes of the committee; to do whatever, in the judgment of the committee, may be necessary to promote or to procure such joint or separate sales of any property or franchises herein concerned, as the committee may deem desirable, wherever the same may be situated; to adjourn the sale of any property or franchises, or of any portion or lot thereof, at discretion; to bid, or to refrain from bidding, at any sale, either public or private, either in separate lots or as a whole, for any property or franchise or any part thereof, whether or not owned, controlled, or covered by any deposited security, including or excluding any particular rolling stock or other property, real or personal, and at, before, or after any such sale to arrange and agree for the resale of any portion of the property which the committee may decide to sell rather than to retain; to hold any property or franchises purchased by the committee, either in its name or in the name of the persons or corporations by it chosen for the purposes of this agreement, and to apply any security deposited hereunder in satisfaction of any bid or toward obtaining funds for the satisfaction thereof, it being understood that the term "property and franchises" includes any and all railroads, railroad and other transportation lines, leaseholds, stock, or other interests in corporations in which the Union Pacific Railway Co. has any interest of any kind whatever, direct or indirect. The amount to be bid or paid by the committee for any property or franchises shall be absolutely discretionary with it; and, in case of the sale to others of any property or franchise, the committee may receive out of the proceeds of such sale or otherwise any dividend in any form accruing on any securities held by it.

The enumeration of specific powers hereby conferred shall not be construed to limit or to restrict general powers herein conferred or intended so to be; and it is hereby distinctly declared that it is intended to confer on the committee, and each depositor hereunder hereby confers on the committee, in respect of all securities deposited or to be deposited, and in all other respects, any and all powers necessary or expedient, or which the committee may deem necessary or expedient, in or toward carrying out or promoting the purposes of this agreement in any respect, even though any such power be apparently of a character not now contemplated; and the committee may exercise any and every such power as fully and effectively as if the same were herein distinctly specified, and as often as, for any cause or reason, it may deem expedient. And it is further understood and agreed that the methods to be adopted for or towards carrying out this agreement shall be entirely discretionary with the committee.

Third. Any moneys paid under or with reference to said plan or this agreement shall be paid over by the depositaries to the committee, and shall be applicable for any of the purposes of the plan and agreement as may be most convenient and as may from time to time be determined by the committee, whose determination as to the propriety and purposes of any such application shall be final, and nothing in said plan shall be understood as limiting or requiring the application of specific moneys to specific purposes. No liability in respect or in favor of any bonds, stocks, obligations, securities or debts not called for and accepted on deposit hereunder, nor in favor of any lease or contract, is assumed hereunder, or by or for any new company (notwithstanding any mention thereof, or estimate in respect thereto, or reservation of securities to provide therefor, in said plan), nor is any trust in this favor created or impressed upon any deposit or payment hereunder, or upon any securities to be issued under the plan. Any obligation in the nature of floating debt or otherwise against the Union Pacific Railway Co. or any property embraced in the plan, either as proposed or as carried out, or any securities held as collateral for any such obligation, may be acquired or extinguished or held by the committee at such times, in such manner, and upon such terms as it may deem proper for the purposes of reorganization, but nothing contained in the plan or in this agreement is intended to constitute, nor shall it constitute, any liability or trust in favor or in respect of any such obligation.

The committee shall have absolute and complete discretion and latitude in the use, disposition, or distribution of all securities of the new company which are specified in the plan as reserved for purposes therein stated, and which are in excess of the securities there embraced in the defined issues for reorganization purposes; and it may use, dispose of, distribute, or apportion any of such reserved securities of the new company in any manner and upon any terms which it may deem expedient or advisable to promote or accomplish the substantial objects and purposes of the plan and of this agreement. In case of any claim, lien, or obligation not herein fully provided for

and affecting the Union Pacific Railway Co., or any property or franchises thereof, the committee may from time to time make such compromise in respect thereto or provision therefor as it may deem suitable, using therefor any securities not expressly required for settlement with depositors; but the total amount of new securities to be created, as set forth in the plan, shall not be increased.

Fourth. The committee may from time to time make contracts or arrangements with any other committee, person, syndicate, or corporation, for the purpose of carrying this agreement, or any of the provisions or purposes thereof, into effect. The committee may employ counsel, agents, and all necessary assistants, and may incur and discharge any and all expenses by the committee deemed reasonable for the purposes of this agreement. Its selection of the depositaries named in the plan, and any selections which may be hereafter made by it of further or substituted depositaries, are hereby authorized, ratified, and confirmed. The committee may prescribe the form of all securities and all of instruments at any time to be issued or entered into under this agreement. It may create and provide for all necessary trusts, and may nominate and appoint trustees thereunder. It may, at public or private sale, or otherwise, dispose of any securities of the new company left in its hands because of any failure to make deposits hereunder. In so disposing of any such new securities thus left in its hands the committee may use the same or the proceeds thereof for the purpose of carrying out the reorganization in such manner as it may deem expedient and advisable.

Fifth. The committee may procure the organization of one or more new companies, or may adopt or use any existing or future companies, and may cause to be made such consolidations, leases, sales, or other arrangements, and may make, or cause to be made, such conveyances or transfers of any properties or securities acquired by the committee and take such other steps as the committee may deem proper for the purpose of creating the new securities provided for in the plan and carrying out all or any of the provisions thereof.

The committee may negotiate and agree with any and all companies or persons for obtaining or granting running powers, terminal facilities, exchanges of property, or any other conveniences which it may deem necessary or desirable to obtain or to grant, and may make contracts therefor binding upon such new company; and generally may authorize, ratify, and make such purchases, contracts, stipulations, or arrangements as will in its opinion operate directly or indirectly to aid in the preservation, improvement, development, or protection of any property of the Union Pacific Railway Co., or to prevent or avoid opposition to, or interference with, the successful execution hereof.

The committee may proceed under this agreement, or any part thereof, with or without foreclosure, and may exercise any power after foreclosure sale.

Any action contemplated in the plan or agreement to be performed on or after completion of reorganization may be taken by the committee at any time when it shall deem the reorganization advanced sufficiently to justify such course, and the committee may defer, as it may deem necessary, the performance of any provision of the plan or agreement, or may refer such performance to the new company.

Sixth. The bonds deposited under this agreement, and all receivers' certificates, coupons, and claims purchased or otherwise acquired under this agreement, shall remain in full force and effect for all purposes, and shall not be deemed satisfied, released, or discharged by the delivery to the depositors of new securities in respect of their deposits, and no legal right or lien shall be deemed released or waived, but said bonds and other claims, and any deficiency judgment obtained in respect of any of said deposited bonds, and any judgment upon any of such claims, and all liens and equities, shall remain unimpaired, and may be enforced by the committee or by the new company or other assigns of the committee until paid or satisfied in full or expressly released. Neither the committee nor any bondholders or creditors of the Union Pacific Railway Co., by executing this agreement or by becoming parties thereto, release, surrender, or waive any lien, right, or claim in favor of any stockholders or other parties interested in such company, and all such liens, rights, or claims shall vest unimpaired in the committee, and in the new company, as its assigns; and any purchase or purchases by or on behalf of the committee, or the new company, under any decree for the enforcement of any such lien, right, or claim shall vest the property purchased in the committee or the new company, free from all interest or claim on the part of such stockholders or other parties.

Seventh. The committee may construe this agreement (including the plan of reorganization), and its construction thereof or action thereunder in good faith shall be final and conclusive.

The committee may supply any omission or correct any error in the plan or in this agreement, and may modify or depart from any provisions thereof which it shall

unanimously deem not to be substantial. In case, however, in the opinion of the committee, any substantial change or alteration of the plan or of this agreement shall be necessary, such amendment shall be made only in the following manner:

A copy of the proposed change or alteration shall be lodged with each of the depositaries under this agreement, and a notice thereof shall be advertised in the manner specified in article 10 hereof. Thereupon any holders of receipts or certificates of deposit who do not assent to such alteration may, at any time before a date specified in such advertisement, which date shall be at least 20 days after the first publication of such advertisement, withdraw the securities represented by their receipts or certificates of deposit upon surrendering their said receipts or certificates of deposits to the proper depositaries.

Any interest paid or advanced in purchase of coupons or otherwise to holders of receipts or certificates in respect of deposited bonds represented thereby, or in respect of the new bonds to be issued in exchange therefor under the plan, must in such case also be repaid with interest by the holders of such certificates of deposit before the deposited bonds represented by such certificates shall be surrendered in exchange therefor. Any assessments paid on deposited stock so withdrawn or the proceeds of the use thereof shall be returned to the holders of certificates of deposit representing such deposited stock, less a pro rata share of the expenses and other expenditures and compensation to the committee incurred up to the date of such withdrawal, which pro rata shall be such as the committee shall estimate to be properly applicable to the stock so withdrawn. All holders of certificates of deposit who shall not exercise this right to withdraw their securities within said time shall be deemed to have assented to and adopted such change or alteration, and shall be bound thereby, and the committee shall be fully authorized to carry the same into effect with all the powers provided in this agreement.

Wherever the plan or this agreement is referred to in the plan or in this agreement it shall be deemed to include any change or alteration thereof so adopted.

The plan may be abandoned by the committee at any time, notwithstanding it may have previously declared the same to be operative.

The committee may at any time abandon such portions and features of the reorganization as relate to any of the lines, or parts of lines, embraced in said plan, which lines, or parts of lines, by reason of failure of holders to deposit securities affecting the same, or for any reason satisfactory to the committee, it may deem expedient to omit from the reorganization; and in such event the committee shall, upon the surrender of the corresponding certificates of deposit and reimbursement of advances in respect to the bonds represented thereby, as above provided in case of withdrawals, return to the holders the deposited bonds secured upon the lines, or portions of lines, thus omitted, and the securities apportioned in the plan to the bonds thus returned shall not be issued.

In case the committee shall finally abandon the entire plan, after having once declared it operative, the stock, bonds, and securities deposited hereunder, or their proceeds, or any stock, bonds, securities, or claims representative thereof then under the control of the committee shall be delivered to the several depositors in amounts representing their respective interests upon surrender of their respective receipts or certificates. In such case the assessment moneys paid by the depositing stockholders, or any coupons, notes, receivers' certificates, or other claims or property acquired therewith, or the proceeds thereof, when received, shall be distributed or equally adjusted among the respective holders of the receipts or certificates of deposit for stock in proportion to the amount of the assessment moneys paid thereon, respectively.

Eighth. The action of a majority of the members of the committee expressed from time to time, either at a meeting or in writing with or without meeting, shall for all purposes constitute the action of the committee, and have the same effect as if assented to by all. It may adopt its own rules of procedure. Any vacancy in the committee may be filled by appointment in writing by the remaining members or a majority of them, and the committee may by action of a majority of its members add to its number. All title, rights, and powers vested in the committee hereunder shall from time to time vest in the members of the committee for the time being without any further appointment, transfer, or assignment whatsoever. In case of absence, any member may vote by any other member as his proxy.

Any member of the committee may at any time resign by giving notice in writing to a majority of the remaining members, and the committee may give full release and discharge to any such member, or to the personal representative of any deceased member. The committee may act through subcommittees or agents, and may delegate any authority, as well as discretion, to any such subcommittee or agent. The committee, or the depositaries, or any present or future member of either may be member of the committee or of the depositaries, and all or any of them may be or

become pecuniarily interested in any contracts, property, or matters which this agreement concerns, including any syndicate agreement, whether or not mentioned in the plan. Any direction given by the committee shall be full and sufficient authority for any action of the depositaries or any trust company or other custodian, or for any subcommittee or agent.

Ninth. The committee undertakes in good faith to endeavor to carry out said plan and this agreement, but the members of the committee assume no personal responsibility for the execution thereof. No member of said committee shall be liable in any case for the acts of the other members or of any other committees or of any depositary, nor for the acts of their agents, subcommittees, or employees; nor shall they be personally liable for any error of judgment or mistake of law, but each shall be liable only for his willful misfeasance. No depositary shall be liable for the acts of the committee or of any other depositary hereunder, or of any agents of the committee or of any depositary.

The members of the committee shall be entitled to receive reasonable compensation for their services, and such compensation, with the reasonable expenses of said committee, shall be paid as part of the expenses of reorganization, the amounts of such compensation and expenses being first approved of by at least four members of the committee. The accounts of the committee shall be filed with the board of directors of the new company, and when audited by said board of directors shall be binding and conclusive on all parties, and the committee shall be thereby discharged, turning over to the new company any balance in the hands of the committee.

The acceptance of new securities by any depositor shall estop such depositor from questioning the conformity of such securities, as to character or otherwise, with any provision of said plan, and the acceptance of new securities by a majority in amount of any class of depositors shall so estop all depositors of such class.

Tenth. All calls for the deposit of bonds and stocks, for the payment of assessments or for the surrender of certificates, all notices fixing or limiting the time for the deposit of securities or the payment of assessments, and all other calls or notices hereunder, shall, except when otherwise provided, be inserted in two or more daily papers of general circulation published in the city of New York, and in one or more daily papers of general circulation published in the cities of London, Boston, Amsterdam, and Frankfurt, respectively, twice in each week for two successive weeks. Any call or notice whatsoever, when so published by the committee, shall be taken and considered as though personally served on all parties hereto and upon all parties becoming bound hereby, as of the respective dates of insertion thereof, and such publication shall be the only notice required to be given under any provision of this agreement.

Eleventh. This agreement shall bind the committee and their successors in office appointed in accordance herewith and the depositors hereunder, their and each of their heirs, executors, administrators, successors and assigns.

In witness whereof, the members of the committee have hereunto signed their names, and all other parties hereto have deposited securities as above set forth.

REORGANIZATION OF THE BALTIMORE AND OHIO RAILROAD CO.

PLAN AND AGREEMENT

[Dated June 22, 1908.]

Reorganization committee.—Louis Fitzgerald; chairman, August Belmont, Edward R. Bacon, Henry Budge, Eugene Delano, William A. Read, Howland Davis. H. C. Deming, secretary. William C. Gulliver, counsel to reorganization committee.

Reorganization managers.—Speyer Bros., 7 Lothbury, London. Speyer & Co., 30 Broad Street, New York. Kuhn, Loeb & Co., 27 Pine Street, New York.

Counsel to reorganization managers.—Seward, Guthrie & Steele, 40 Wall Street, New York. Evarts, Choate & Beaman, 52 Wall Street, New York. Freshfields & Williams, London.

Advisory committee.—Louis Fitzgerald, Edward R. Bacon, Henry Budge, William A. Read. Alvin W. Krech, secretary, 120 Broadway, New York. William C. Gulliver, counsel to advisory committee.

Depositary.—The Mercantile Trust Co., of New York. London and Westminster Bank, Limited, London agent.

The undersigned committee, at the request of holders of a large amount of the securities, has been for a long time past engaged in an examination of the affairs of the Baltimore & Ohio system and the relative value and earning capacity of the various lines comprised therein, with a view to formulating a plan of reorganization therefor which should fairly recognize the rights of all security holders, and at the same time bring the fixed charges of the reorganized company safely within the net

earning capacity of the system. Much time and attention have been devoted to acquiring full and accurate information as to all details, including a careful examination of the company's accounts for the period of nine years and six months, made by Mr. Stephen Little on behalf of the committee. The aim of the committee has been to formulate a plan for the reorganization of the system which should accomplish the following results:

(a) The reduction of the fixed charges to a limit safely within the net earning capacity of the reorganized properties; (b) adequate capital for present and future requirements; (c) the payment of floating debt and provision for existing car-trust obligations; (d) the preservation of the integrity of the system as far as the same can be economically and advantageously accomplished and such control of the reorganized company as shall secure a satisfactory management of the property for a period of years.

Having these objects in view, the annexed plan has been prepared, and Messrs. Speyer & Co. and Messrs. Kuhn, Loeb & Co., of New York, and Messrs. Speyer Bros., of London, have been selected by the committee to act as reorganization managers to carry out the plan.

Messrs. Louis Fitzgerald, Henry Budge, Edward R. Bacon, and William A. Read have been appointed an advisory committee to continue and complete the work of the reorganization committee and to consult and cooperate with the reorganization managers. Any vacancy in the advisory committee occasioned by death, resignation, or otherwise may be filled by the joint action of the reorganization managers and of the remaining members of the advisory committee.

LOUIS FITZGERALD,
AUGUST BELMONT,
EDWARD R. BACON,
HENRY BUDGE,
EUGENE DELANO,
WILLIAM A. READ,
HOWLAND DAVIS,
Reorganization Committee.

NEW YORK, *June 22, 1898.*

PLAN FOR THE REORGANIZATION OF THE BALTIMORE & OHIO RAILROAD CO.—CON-
DITIONS OF PARTICIPATION.

Participation under this plan of reorganization in any respect whatsoever is dependent upon the deposit of securities with the Mercantile Trust Co., of New York, the depositary named in the reorganization agreement, either at its office, No. 120 Broadway, in the city of New York, or at the London & Westminster Bank (Ltd.), its agency in the city of London, England, within such time as may be fixed by notice, and the plan will embrace only securities so deposited. No securities will be received on deposit unless in negotiable form, and bonds must carry all coupons (or claims for interest on registered bonds) maturing on or after July 1, 1898. The first-mortgage 6 per cent bonds of the Washington City & Point Lookout Railroad Co. must also carry all matured and unpaid coupons.

Pursuant to the offer of the syndicate hereinafter stated, holders of the first and second preferred and common stock of the Baltimore & Ohio Railroad Co. may purchase from the syndicate the new preferred and common stock by depositing their old stock with the Mercantile Trust Co. or its agency in London as above stated, on the following terms: As consideration for shares of the new company, depositors of first preferred stock must pay \$2 per share deposited for new preferred and common stock; depositors of second preferred stock must pay \$20 per share deposited for new preferred and common stock; and depositors of common stock must pay \$20 per share deposited for new preferred and common stock, all as hereinafter indicated on page 10.

The payments by depositors of such preferred and common stocks must be made for account of the syndicate at the offices of the Mercantile Trust Co., in New York, or at its agency in London above named, in not less than three installments at least thirty (30) days apart, when and as called for by advertisement published in each instance at least twice a week for two weeks in at least two of the daily newspapers of general circulation published in the cities of New York, Baltimore, and London, respectively.

All payments must be receipted for by the depositary or its London agent on the certificates of deposit.

Failure to pay any installment when and as payable will subject the deposited stock and all rights on account of any prior payments to forfeiture to the syndicate as provided in the reorganization agreement.

The depositary will issue proper receipts or certificates of deposit for all securities deposited.

The following bonds, coupons, and stocks may be deposited on the terms hereinafter provided:

Baltimore & Ohio Railroad Co. bonds, loan of 1853, extended to 1935 at 4 per cent.
Baltimore & Ohio Railroad Co. 100-year 5 per cent consolidated mortgage bonds of 1888.

Baltimore & Ohio Railroad Co. sterling 6 per cent loan of 1872, due March 1, 1902.

Baltimore & Ohio Railroad Co. sterling 6 per cent loan of 1874, due May 1, 1910.

Baltimore & Ohio Railroad Co. 6 per cent loan of 1879, due April 1, 1919 (account Parkersburg Branch Railroad Co.).

Baltimore & Ohio Railroad Co. 5 per cent bonds, loan of 1885 (account Pittsburgh & Connellsville Railroad Co.).

Baltimore & Ohio Railroad Co. $4\frac{1}{2}$ per cent terminal mortgage bonds of 1894.

Baltimore & Ohio Railroad Co. sterling $4\frac{1}{2}$ per cent loan of 1883, Philadelphia Branch.

Baltimore & Ohio Railroad Co. sterling 5 per cent loan of 1877, due June 1, 1927 (account Baltimore & Ohio & Chicago Railroad Co.).

Baltimore & Ohio Railroad Co. first preferred stock.

Baltimore & Ohio Railroad Co. second preferred stock.

Baltimore & Ohio Railroad Co. common stock.

Pittsburgh & Connellsville Railroad Co. first-mortgage bonds, extended to 1946 at 4 per cent.

Pittsburgh & Connellsville Railroad Co. first-mortgage 7 per cent bonds, due July 1, 1898.

Pittsburgh & Connellsville Railroad Co. 6 per cent consolidated mortgage bonds.

Akron & Chicago Junction Railroad Co. first-mortgage 5 per cent bonds.

Akron & Chicago Junction Railroad Co. preferred stock.

Washington City & Point Lookout Railroad Co. 6 per cent bonds.

Matured and unpaid coupons (and claims for interest on registered bonds), appertaining to any of the above-named bonds except those of the Washington City & Point Lookout Railroad Co. may be deposited separate from the bonds as hereinafter stated.

NEW RAILROAD COMPANY.

Unless the reorganization managers shall decide to proceed without foreclosure or sale, the various properties will be sold under foreclosure of one or more of the existing mortgages, or otherwise dealt with, and a successor company or companies will be organized. The term "new company," as hereinafter used, is intended to mean either the existing company or the new proprietary company or companies which may be organized.

DEPOSITED SECURITIES.

The securities deposited hereunder will be held by the depositary subject to the order and control of the reorganization managers as provided in the reorganization agreement.

All securities deposited under the plan are to be kept alive so long as deemed necessary by the managers for the purposes of reorganization or the protection of the new company or its security holders.

All matured and unpaid coupons and claims for interest on registered bonds (excepting the unpaid coupons on the first-mortgage 6 per cent bonds of the Washington City & Point Lookout Railroad Co., which matured and unpaid coupons, however, must be deposited with the bonds as above stated), may be deposited separate from the bonds, and the same will be paid in cash as soon as practicable after the plan is declared operative, with interest on such coupons (and claims for interest on registered bonds) at the rate of 5 per cent per annum from the date of maturity up to the date when the same are finally paid. Interest will also be paid in cash upon the completion of the reorganization on all deposited bonds (excepting the first-mortgage 6 per cent bonds of the Washington City & Point Lookout Railroad Co. above mentioned), at the rate provided in the old bonds, up to July 1, 1898, from the coupon date last preceding.

The syndicate will purchase such coupons (and claims for interest on registered bonds) matured prior to July 1, 1898, from holders who do not desire to deposit the same under the plan (provided, and so soon as, the bonds to which such coupons, and claims for interest on registered bonds, appertain, have been deposited), at their face value with interest at the rate of 5 per cent per annum from the respective dates of maturity of such coupons or claims for interest, to date of purchase, provided such coupons and claims for interest on registered bonds shall be presented for sale to the

syndicate, at the office of the Mercantile Trust Co., in New York, or at its London agency above mentioned, on or before July 22, 1898.

The syndicate has agreed to purchase for cash, upon the plan being declared operative, all Baltimore & Ohio Railroad Co. 100-year 5 per cent consolidated mortgage bonds, deposited under the plan, whose holders prefer to accept cash rather than to take the new securities, at the price (in New York) of 110 and interest accrued and unpaid since the maturity of the last paid coupon, provided such holders shall signify their election to take cash in the manner and within the time hereinafter limited: Depositors electing to receive cash for their bonds must signify their election by presenting their Mercantile Trust Co. certificates of deposit at the office of that company in New York or at its London agency above specified, within 60 days from the time the plan shall be actually issued, to be stamped as electing to accept such cash payment, and will thereupon be entitled to receive such cash payment so soon as the plan is declared operative by the reorganization managers, upon surrender of their certificates of deposit so stamped.

NEW STOCKS AND BONDS.

The new company is to authorize the following securities:

First. \$70,000,000 prior lien $3\frac{1}{2}$ per cent gold bonds, due 1925.

These bonds will bear interest from July 1, 1898, and are to be secured by a mortgage upon the main line and branches, Parkersburg Branch and Pittsburg Division (see appendix, Table C) when acquired by the new company, covering about 1,017 miles of first track, and about 964 miles of second, third and fourth tracks and sidings and also all the equipment now owned by the company of the value of upward of \$20,000,000 (see appendix, Table E) or hereafter acquired in any manner except by the use of the \$34,000,000 reserved first mortgage bonds, as hereinafter stated.

The right will be reserved to issue, after January 1, 1902, not to exceed \$5,000,000 additional of these bonds, at the rate of not exceeding \$1,000,000 a year, for the enlargement, betterment or extension of the properties covered by the prior lien mortgage, or for the acquisition of additions thereto.

In case delay should occur in acquiring any of the said lines of railway, the execution of the plan will not for that reason necessarily be postponed, but the existing bonds upon such line deposited under the plan may be pledged under the prior lien mortgage, as security for the bonds issued thereunder, until such line of railway shall be acquired by the new company and subjected to the lien of said mortgage.

The prior lien bonds are to be applied as follows:

In partial exchange for existing bonds (see page 8).....	\$60, 073, 090
Purchased by syndicate to provide cash requirements of plan (see page 8).....	9, 000, 000
	<hr/>
	69, 073, 090
For contingencies (any surplus to new company).....	926, 910
	<hr/>
	70, 000, 000

Second. \$63,000,000 first mortgage 50-year 4 per cent gold bonds.

These bonds will bear interest from July 1, 1898, and are to be secured by a mortgage which will be a first lien on the Philadelphia, Chicago, and Akron divisions and branches, and the Fairmont, Morgantown and Pittsburgh Railroad, covering about 570 miles of first track, and about 332 miles of second, third and fourth tracks and sidings (see appendix, Table D), and also on the properties now included in the present Baltimore & Ohio terminal mortgage of 1894, when said lines and properties are acquired by the new company; also on the Baltimore Belt Railroad, if and when the same shall be acquired by the new company; and a lien subject to the prior lien mortgage upon the lines, property and equipment covered by the latter.

The right will be reserved to increase the amount of these bonds to \$90,000,000 for the enlargement, betterment or extension of the railroads and properties covered by the prior lien mortgage and also those covered by the first mortgage, or for the acquisition of extensions or additions thereto or equipment for use thereon, at the rate of not exceeding \$1,500,000 a year for the first four years after the organization of the new company and at the rate of not exceeding \$1,000,000 a year thereafter. The right will also be reserved to call in and redeem all or any part of the first mortgage bonds after 25 years, at 105, and also to issue not to exceed \$75,000,000 additional of said bonds or such lesser amount as may be required to retire the prior lien bonds when due.

In case delay should occur in acquiring any of the said lines of railway or properties to be included under the first mortgage as above stated, the execution of the plan will

not for that reason necessarily be postponed, but the existing bonds upon such line or property deposited under the plan may be pledged under the first mortgage, as security for the bonds issued thereunder, until such line or property shall be acquired by the new company, and subjected to the lien of first mortgage.

The first mortgage bonds are to be applied as follows:

In partial exchange for existing bonds (see page 8).....	\$36, 384, 535
Purchased by syndicate to provide cash requirements of plan (see page 8).....	12, 450, 000
For contingencies (any surplus to new company).....	1, 165, 465
	<hr/>
	50, 000, 000
Reserve for new company.....	7, 000, 000
	<hr/>
	57, 000, 000
Reserve to be issued only to retire Baltimore Belt Line 5s (see page 8).....	6, 000, 000
	<hr/>
	63, 000, 000

Third. \$40,000,000 4 per cent noncumulative preferred stock,

This stock will be entitled to receive noncumulative dividends at the rate of 4 per cent per annum before the payment of any dividend on the common stock. This stock will be applied as follows:

For reorganization purposes (see page 9).....	\$17, 218, 700
Purchased by syndicate to provide cash requirements of plan (see page 9).....	16, 450, 000
For adjustment with various outstanding bondholders' and stockholding interest, contingencies, etc. (any surplus to new company).....	1, 331, 300
	<hr/>
	35, 000, 000
Reserve for new company.....	5, 000, 000
	<hr/>
	40, 000, 000

Fourth. \$33,000,000 common stock.

This stock will be applied as follows:

For reorganization purposes (see page 9).....	\$31, 178, 000
For adjustment outstanding securities, contingencies, etc. (any surplus to new company).....	3, 822, 000
	<hr/>
	35, 000, 000

RESTRICTIONS AS TO ADDITIONAL MORTGAGE DEBT AND PREFERRED STOCK.

Provision is to be made that no additional mortgage shall be put upon the property to be acquired by the new company hereunder, and that no increase in the amount of the preferred stock authorized under this plan shall be made, except in each instance after obtaining the consent of the holders of a majority of the whole amount of preferred stock outstanding given at a meeting of the stockholders called for that purpose, and the consent of the holders of a majority of such part of the common stock as shall be represented at such meeting, the holders of each class of stock voting separately. During the existence of the voting trust similar consent of holders of like amounts of the respective classes of certificates of beneficial interest shall also be necessary for the purposes indicated.

VOTING TRUST.

The preferred and common stock of the new company (except such number of shares as may be disposed of to qualify directors) shall be vested in the following five voting trustees: William Salomon, Abraham Wolff, J. Kennedy Tod, Louis Fitzgerald, and Charles H. Coster.

In the event of the death or failure or refusal to serve of any person designated as a voting trustee prior to the creation of the voting trust, the vacancy shall be filled by the reorganization managers. The stock shall be held by the voting trustees, and their successors, jointly (under a trust agreement prescribing their powers and duties and the method of filling vacancies) for five years, although the voting trustees may, in their discretion, as provided in the trust agreement, deliver the stock at an earlier date. Until delivery of stock is made by the voting trustees they shall issue certificates of beneficial interest entitling the registered holders to receive, at the time therein provided, stock certificates for the number of shares therein stated, and in the meanwhile to receive payments equal to the dividends collected by the voting trustees

upon the number of shares therein stated, which shares, however, with the voting power thereon, shall be vested in the voting trustees until the stock shall become deliverable, as provided in the trust agreement and in the certificates of the voting trustees issued thereunder.

SYNDICATE.

A syndicate has been formed by Messrs. Speyer Bros., of London, and Messrs. Speyer & Co., Kuhn, Loeb & Co., August Belmont & Co., Hallgarten & Co., and Vermilye & Co., of New York, which will be conducted by the first-named three firms as syndicate managers, and which agrees—

(1) To purchase \$6,975,000 of the new preferred stock and \$30,250,000 of the new common stock and to offer the same for sale to depositing holders of old first and second preferred and common stock of the Baltimore & Ohio Railroad Co., as stated on page 3 of this plan.

(2) To purchase \$9,000,000 $3\frac{1}{2}$ per cent prior lien bonds, \$12,450,000 first mortgage 4 per cent bonds, \$16,450,000 preferred stock.

(3) To protect the new company in the ownership and possession of the properties covered by \$49,974,098 (sterling issues being figured at \$4.8666) of the existing mortgage bonds of the old company of different issues, by agreeing to purchase from the new company the new securities not taken, but to which the holders of such bonds would have been entitled if deposited under the plan, at a price equal to the principal of the respective old securities, and also to make advances and perform other obligations essential for the purposes of the plan.

APPLICATION OF SECURITIES.

It is contemplated that as a consideration for the property and securities to be conveyed and delivered to the new company, or which it shall acquire pursuant to the plan, it shall deliver the new bonds and stock, excepting such final amounts of the new bonds as shall be reserved for the future use of the new company. The requisite deliveries of the new securities to depositors and subscribers under the plan will thus be provided for.

The following details show the disposition to be made under the plan of the securities of the new company:

DISPOSITION OF NEW SECURITIES IN DETAIL.

The new prior-lien $3\frac{1}{2}$ per cent gold bonds will be disposed of as follows:

Present authorized issue..... \$70,000,000

To be used in partial exchange for existing bonds, as follows:

Existing bonds.	Amount outstanding.	Each \$1,000 or £200 receives—	Amount of new prior-lien bonds.
Baltimore & Ohio loan of 1853, extended.....	\$1,661,000	\$1,025	\$1,702,525
Baltimore & Ohio consolidated mortgage 5 per cent.....	\$11,988,000	1,050	12,587,400
Baltimore & Ohio sterling loan of 1872.....	£1,921,800	1,020	9,801,180
Baltimore & Ohio sterling loan of 1874.....	£1,990,600	1,120	11,147,360
Baltimore & Ohio, Parkersburg branch.....	\$3,000,000	1,050	3,150,000
Pittsburgh & Connellsville first extended 4 per cent.....	\$2,581,000	1,025	2,645,525
Pittsburgh & Connellsville first 7 per cent not extended.....	\$1,419,000	1,000	1,419,000
Baltimore & Ohio 5 per cent loan of 1885.....	\$10,000,000	1,000	10,000,000
Pittsburgh & Connellsville 6 per cent consolidated mortgage.....	£1,352,000	1,025	6,929,000
Chicago division 5 per cent.....	£1,382,200	100	681,100
			60,073,090
Sold to syndicate for cash requirements.....			9,000,000
For contingencies (any surplus to new company).....			926,910
			70,000,000

The new first mortgage 4 per cent bonds will be disposed of as follows:

Present authorized issue..... \$63,000,000

To be used in partial exchange for existing bonds, as follows:

Existing bonds.	Amount outstanding.	Each \$1,000 or £200 receives—	Amount of new first-mortgage bonds.
Baltimore & Ohio loan of 1853, extended	\$1,661,000	\$125	\$207,625
Baltimore & Ohio consolidated mortgage 5 per cent.	\$11,988,000	125	1,498,500
Baltimore & Ohio sterling loan of 1872	£1,921,800	120	1,153,080
Baltimore & Ohio sterling loan of 1874	£1,990,600	120	1,194,360
Baltimore & Ohio, Parkersburg branch	\$3,000,000	125	375,000
Pittsburgh & Connellsville first extended 4 per cent.	\$2,581,000	125	322,625
Pittsburgh & Connellsville first 7 per cent not extended ..	\$1,419,000	150	177,375
Baltimore & Ohio 5 per cent loan of 1885	\$10,000,000	125	1,250,000
Pittsburgh & Connellsville $\frac{4}{5}$ per cent consolidated mortgage ..	£1,352,000	120	811,200
Philadelphia division 5 per cent	\$2,400,000	1,000	12,000,000
Chicago division 5 per cent	£1,382,200	1,070	7,394,770
Akron & Chicago Junction 5 per cent	\$1,500,000	1,000	1,500,000
Baltimore & Ohio terminal $\frac{4}{5}$ per cent	\$8,500,000	1,000	8,500,000
			36,384,535
Sold to syndicate for cash requirements			12,450,000
For contingencies (any surplus to new company)			1,165,465
Total			50,000,000
Reserve for new company			7,000,000
			57,000,000
Reserve to be issued only to retire Baltimore Belt Line fives ¹ ..			6,000,000
			63,000,000

¹ The properties covered by the Baltimore Belt Line mortgage will be leased at a rental equivalent to interest at 4 per cent on the existing belt line 5 per cent bonds, which is to be in full payment of said interest. The rental agreement will provide that in consideration of the rental the new company shall have an option to purchase all the said belt line 5 per cent bonds at par and accrued interest at any time within 5 years on 60 days' notice, and that in case the company shall not purchase such bonds within the 5 years specified it will, at the termination of that period, assume the ultimate payment, when due, of the principal of such bonds.

The new preferred stock is to be disposed of as follows:

Total issue..... \$40,000,000

To be used in partial exchange for existing bonds and to purchase existing stocks, as follows:

Existing securities.	Amount outstanding.	Each \$1,000 or £200 receives—	Amount of new preferred stock.
Baltimore & Ohio loan of 1853, extended	\$1,661,000	\$140	\$232,540
Baltimore & Ohio consolidated 5 per cent mortgage bonds	\$11,988,000	85	1,018,980
Baltimore & Ohio sterling loan of 1872	£1,921,800	40	384,360
Baltimore & Ohio sterling loan of 1874	£1,990,600	160	1,592,480
Baltimore & Ohio 5 per cent loan of 1885	\$10,000,000	100	1,000,000
Pittsburgh & Connellsville first extended 4 per cent bonds ..	\$2,581,000	40	103,240
Pittsburgh & Connellsville 6 per cent consolidated mortgage bonds.	£1,352,000	200	1,352,000
Chicago division 5 per cent bonds	£1,382,200	100	691,100
Philadelphia division $\frac{4}{5}$ per cent bonds	\$2,400,000	265	3,180,000
Akron & Chicago Junction 5 per cent bonds	\$1,500,000	250	375,000
Akron & Chicago Junction preferred stock	\$600,000	250	150,000
Washington City & Point Lookout 6 per cent bonds	\$328,000	500	164,000
			10,243,700
Purchased by syndicate and offered for sale to depositing holders of \$25,000,000 of old common stock, being 20 per cent of the par value thereof. \$5,000,000			
Purchased by syndicate and offered for sale to depositing holders of \$3,000,000 of old first preferred stock, being $5\frac{1}{2}$ per cent of the par value thereof. 1,575,000			
Purchased by syndicate and offered for sale to depositing holders of \$2,000,000 of old second preferred stock, being 20 per cent of the par value thereof. 400,000			
			6,975,000
			17,218,700
Sold to syndicate for cash requirements			16,450,000
			33,668,700
For adjustment existing securities, contingencies, etc. (any surplus to new company)			1,331,300
			35,000,000
Reserve for new company			5,000,000
			40,000,000

The new common stock is to be disposed of as follows:

Total issue..... \$35,000,000

To be used in exchange for existing bonds and to purchase existing stocks, as follows:

Existing securities.	Amount outstanding.	Each \$1,000 receives—	Amount of new common stock.
Akron & Chicago Junction preferred stock.....	\$600,000	\$1,000	\$600,000
Washington City & Point Lookout 6 per cent bonds.....	328,000	1,000	328,000
			928,000
Purchased by syndicate and offered for sale to depositing holders of \$25,000,000 of old common stock, being 100 per cent of the par value thereof.....	\$25,000,000		
Purchased by syndicate and offered for sale to depositing holders of \$3,000,000 of old first preferred stock, being 75 per cent of the par value thereof.....	2,250,000		
Purchased by syndicate and offered for sale to depositing holders of \$2,000,000 of old second preferred stock, being 150 per cent of the par value thereof..	3,000,000		
			30,250,000
For adjustment outstanding securities, contingencies, etc. (any surplus to new company).....			31,178,000
			3,822,000
			35,000,000

Noninterest-bearing scrip, exchangeable in round amounts for the new securities, will be issued for fractional amounts of new bonds and stocks.

LEASED ROADS.

Holders of bonds or stocks of the following companies are requested to communicate with the advisory committee, giving the amount of their holdings and stating how the same are held: Columbus & Cincinnati Midland Railroad, Central Ohio Railroad, Newark, Somerset & Straitsville Railroad, Sandusky, Mansfield & Newark Railroad, Schuylkill River, East Side Railroad, Winchester & Potomac Railroad, Winchester & Strasburg Railroad.

In order to deal with the holders of these leased-line securities, it is deemed necessary to consider each case separately and upon its merits. After hearing from the holders of a large proportion of each class of securities of said leased lines the matter of adjustment will be considered.

EXISTING GUARANTIES.

If the managers shall deem it advisable to proceed without foreclosure and sale, they will endeavor to secure some satisfactory arrangement in connection with the existing guaranties of the company.

PRESENT FIRST PREFERRED STOCK.

Upon completion of the reorganization the managers, on behalf of the syndicate, will deliver to each depositor of first preferred stock who shall have paid, for account of the syndicate, \$2 per share deposited, as provided on page 3 of this plan, the following new securities: For each share of first preferred stock deposited \$52.50 in new preferred stock trust certificates, \$75 in new common stock trust certificates.

PRESENT SECOND PREFERRED STOCK.

Upon completion of the reorganization the managers, on behalf of the syndicate, will deliver to each depositor of second preferred stock who shall have paid, for account of the syndicate, \$20 per share deposited, as provided on page 3 of this plan, the following new securities: For each share of second preferred stock deposited \$20 in new preferred stock trust certificates, \$150 in new common stock trust certificates.

PRESENT COMMON STOCK.

Upon completion of the reorganization the managers, on behalf of the syndicate, will deliver to each depositor of common stock who shall have paid, for account of the syndicate, \$20 per share deposited, as provided on page 3 of this plan, the following new securities: For each share of common stock deposited \$20 in new preferred stock trust certificates, \$100 in new common stock trust certificates.

Estimated cash requirements as of July 1, 1898, and provision therefor.

Unpaid interest, as per Table F.....	\$4,565,375
To provide for existing car trusts, receivers' certificates, and other outstanding obligations.....	19,192,225
For floating debt, improvements, equipment, working capital, and other purposes of the new company, including also expenses of the reorganization, commission to syndicate, and compensation of the reorganization managers and their associates in the formation of the syndicate....	12,334,900
	<hr/> 36,092,500
To meet these requirements the syndicate will contribute ..	\$32,592,500
The sale of certain securities in treasury is estimated to yield.	3,500,000
Making a total of.....	<hr/> 36,092,500

POSITION OF THE NEW COMPANY.

The fixed charges for year ending June 30, 1897, as reported by the receivers, were.....	\$7,771,111
The annual fixed charges after reorganization and retirement of existing bonds as proposed, it is estimated, will be as stated in Table B.....	6,252,351
Decrease of annual fixed charges.....	<hr/> 1,518,760
The net earnings for year ending June 30, 1896, were, including miscellaneous income.....	7,330,359
The net earnings for year ending June 30, 1897, were, including miscellaneous income.....	<hr/> 6,593,990
(For the fiscal year ending June 30, 1897, equipment of the company valued on its books at \$1,155,829.95 was put out of service and charged not to operating expenses but to "Profit and loss," because it represented the depreciation of a number of years. As against this, however, extraordinary expenses—estimated at not less than \$750,000—for the maintenance of the property generally were incurred during the year and charged to operation. For the year 1898, as stated in the annual report of last year, all equipment when put out of service is replaced with equipment of equal value, as shown on the books of the company, and the cost thereof charged to "Maintenance of equipment.")	
The net earnings from the operations of the property for the present fiscal year (April, May, and June approximated) have (notwithstanding liberal charges for maintenance) as compared with the same period of the preceding fiscal year increased.....	\$1,443,909
Miscellaneous income decreased.....	62,114
Net increase.....	<hr/> 1,381,795

Estimated net earnings for the fiscal year ending June 30, 1898, including miscellaneous income..... 7,975,785

(Taxes not deducted, they being included in fixed charges. See Table B.)

From which, however, will have to be deducted the sum of about \$251,000, representing the decrease in the amount of miscellaneous income which will be occasioned by the proposed sale of securities and the cancellation of sinking-fund investments under the reorganization.

The company, as shown by Mr. Stephen Little's expert examination and report, dated July 11, 1896, from September 30, 1888, to November 30, 1895, a period of seven years and two months, earned net, including miscellaneous income, a yearly average of \$7,234,000, without deduction, however, of average taxes amounting to \$437,000.

The fixed charges of the new company, on completion of the reorganization, will be well within the past net income of the property, even that of the last fiscal year of extreme depression.

The new company will be relieved from floating debt and the embarrassment of car and wheelage trust payments, and will start not only with a substantial working cash capital but also with power to provide facilities for the increase of business.

The by-laws of the new company will provide that its accounts shall be audited annually by accountants of established reputation.

JUNE 22, 1898.

APPENDIX.

TABLE A.—*Showing the amount of cash and new securities which deposited securities will be entitled to receive on completion of reorganization.*

Existing bonds and stock to be deposited.	Each \$1,000 or £200 receives—					Actual percentage for sterling issues, figured at \$4.8666.		
	Cash. ¹	New prior lien 3½ per cent bonds.	New first-mortgage 4 per cent bonds.	New preferred stock trust certificates.	New common stock trust certificates.	New prior lien 3½ per cent bonds.	New first-mortgage 4 per cent bonds.	New preferred stock trust certificates.
Baltimore & Ohio loan of 1853, extended.....	\$10 00	\$1,025	\$125	\$140		<i>Per ct.</i>	<i>Per ct.</i>	<i>Per ct.</i>
Baltimore & Ohio consolidated mortgage, 5 per cent.....	20.83	1,050	125	85				
Baltimore & Ohio sterling loan of 1872.....	19.47	1,020	120	40		104.79	12.33	4.11
Baltimore & Ohio sterling loan of 1874.....	9.73	1,120	120	160		115.07	12.33	16.44
Baltimore & Ohio Parkersburg branch bonds.....	15.00	1,050	125					
Pittsburgh & Connellsville, first extended fours.....	20.00	1,025	125	40				
Pittsburgh & Connellsville, first sevens, not extended.....	35.00	1,000	125					
Baltimore & Ohio fives, loan of 1885.....	20.83	1,000	125	100				
Pittsburgh & Connellsville consolidated mortgage 6 per cent bonds.....	29.20	1,025	120	200		105.31	12.33	20.55
Chicago division, 5 per cent.....	4.06	100	1,070	100		10.27	109.93	10.27
Philadelphia division, 4½ per cent.....	10.95		1,000	265		102.74		27.22
Baltimore & Ohio 4½ per cent terminal bonds of 1894.....	3.75		1,000					
Akron & Chicago Junction bonds.....	8.33		1,000	250				
Akron & Chicago Junction preferred stock.....				250	\$1,000			
Washington City & Point Lookout bonds.....				500	1,000			
Old first preferred stock, may purchase from syndicate.....				525	750			
Old second preferred stock, may purchase from syndicate.....				200	1,500			
Old common stock, may purchase from syndicate.....				200	1,000			

¹ Interest at the rate provided in the old bonds, from the date of the last matured coupon next preceding July 1, 1898, up to the date when the new bonds begin to bear interest, namely, July 1, 1898 (exclusive previously matured coupons otherwise provided for, see p. 4).

TABLE B.—*Fixed charges on completion of reorganization and retirement of existing bonds.*

\$70,000,000 prior lien 3½ per cents.....	\$2,450,000
\$50,000,000 first-mortgage 4 per cents.....	2,000,000
Estimated rentals and charges (including Belt Line as stated in footnote, p. 8), say.....	1,000,000
Taxes ¹	525,351
Terminals.....	202,000
Ground rents and mortgage interest.....	75,000
Total.....	6,252,351

¹ In case foreclosure shall be found necessary, the exemption from taxation under the charter of the old company may be lost and the amount of annual taxes be increased.

TABLE C.—*Mileage of roads to be included in the prior-lien mortgage.*

	First track.	Second, third, and fourth tracks.	Sidings.	Total.
Main line.....	379.80	329.78	261.87	971.45
Branches:				
Locust Point branch.....	5.60	5.60	14.81	26.01
Curtis Bay branch.....	5.30		.45	5.75
Sea Wall branch.....	1.50		1.61	3.11
Camden cut-off.....	1.50	1.50		3.00
Washington branch ¹	31.00	31.00	12.49	74.49
Alexandria branch.....	12.50		1.86	14.36
Metropolitan branch.....	42.80	21.41	13.36	77.57
Frederick branch.....	3.50		2.64	6.14
Parkersburg Bridge.....	1.40			1.40
Benwood Bridge.....	1.10			1.10
South Baltimore branch.....	2.00		.43	2.43
Potuxent branch.....	1.30		.18	1.48
South branch.....	16.00		.86	16.86
Parkersburg branch.....	103.30	1.55	38.98	143.83
Washington County Railroad.....	24.20		5.14	29.34
Berkeley Springs & Potomac.....	5.95		.87	6.82
Metropolitan Southern.....	2.25			2.25
Grafton & Bellington division.....	42.00		2.40	44.40
Pittsburgh division:				
Pittsburgh & Conneville.....	150.20	59.70	89.86	299.76
Hickman Run branch.....	2.10		.04	2.14
Salisbury.....	8.60		6.13	14.73
Grassy Run extension.....	2.00		2.46	4.46
Hocking extension.....	1.10		.27	1.37
Berlin branch.....	8.00		.95	8.95
Somerset & Cambria.....	45.10		9.23	54.33
Ohio & Baltimore Short Line, eastern division.....	9.30		3.31	12.61
Fayette County branch.....	11.80		6.37	18.17
Mount Pleasant branch.....	9.70		3.61	13.31
Red Stone branch.....	1.00			1.00
Wheeling, Pittsburgh & Baltimore.....	65.80		31.42	97.22
Confluence & Oakland.....	19.70		1.85	21.55
	1,017.40	450.54	513.45	1,981.39

¹ This line can not be directly mortgaged, but will be controlled by deposit with the trustee under the new prior-lien mortgage of two-thirds of its capital stock. The line is not subject to any existing mortgage.

TABLE D.—*Mileage of roads to be included in the first mortgage, and other properties covered thereby.*

	First track.	Second, third, and fourth tracks.	Sidings.	Total.
Philadelphia division:				
Philadelphia branch.....	52.60	51.10	16.78	120.48
Sparrow Point branch.....	1.60			1.60
Highlandtown branch.....	.90			.90
Baltimore & Philadelphia Railroad.....	36.80	36.80	23.98	97.58
Landenberg branch.....	14.30		2.97	17.27
Crum Creek branch.....	2.40			2.40
Market Street branch.....	3.02			3.02
South Wilmington branch.....	2.80			2.80
Lancaster, Cecil & Southern.....	4.00		.20	4.20
Chicago division ¹	282.37	40.60	113.47	436.44
Akron division.....	76.66	15.63	12.37	104.66
Wooster branch.....	36.26		3.24	39.50
Fairmont, Morgantown & Pittsburgh.....	56.60		15.08	71.68
	570.31	144.13	188.09	902.53

¹ Of the mileage given for the Chicago division 34.94 miles are not owned, but are held under trackage rights.

The first mortgage will also be a first lien on the properties now covered by the Baltimore & Ohio terminal mortgage of 1894 when acquired.

TABLE E.—*Equipment to be included in prior-lien mortgage.*

Rolling equipment:		
Electric motors.....	4	
Locomotives.....	897	
Passenger coaches.....	360	
Combination coaches.....	77	
Dining cars.....	9	
Baggage and mail cars.....	97	
Express cars.....	60	
Refrigerator cars.....	14	
Officers' cars.....	9	
Pay cars.....	2	
Freight-service cars.....	38,332	
Floating equipment:		
Tugs.....	8	
Steam lighters.....	2	
Covered lighters.....	15	
Barges.....	31	
Floats.....	2	
Pile drivers.....	2	
Open lighters.....	4	

TABLE F.

	Amount out- standing.		Past-due coupons. (1)	Interest at 5 per cent on past-due coupons.	Accrued interest up to July 1, 1898 (2).	Totals in each class of bonds.
Baltimore & Ohio extended fours (loan of 1853).	\$1,661,000	3 months' accrued interest, Apr. 1, 1898, to July 1, 1898, on principal.	-----	-----	\$16,610	\$16,610
Baltimore & Ohio consolidated mortgage 5 per cent bonds.	11,988,000	5 months' accrued interest, Feb. 1, 1898, to July 1, 1898, on principal.	-----	-----	249,750	249,750
Baltimore & Ohio sterling loan of 1872 (£1,-921,800, at \$4.8666).	9,352,632	Coupon due Mar. 1, 1898.	\$280,579	-----	-----	-----
		Interest, 4 months, at 5 per cent, on past-due coupons.	-----	\$4,676	-----	-----
		4 months' accrued interest, Mar. 1, 1898, to July 1, 1898, on principal.	-----	-----	187,053	472,308
Baltimore & Ohio sterling loan of 1874 (£1,-990,600, at \$4.8666).	9,687,454	Coupon due May 1, 1898.	290,624	-----	-----	-----
		Interest, 2 months, at 5 per cent on past-due coupons.	-----	2,422	-----	-----
		2 months' accrued interest May 1, 1898, to July 1, 1898, on principal.	-----	-----	96,875	389,921
Baltimore & Ohio Parkersburg Branch sixes.	3,000,000	Coupon due Apr. 1, 1898.	90,000	-----	-----	-----
		Interest, 3 months, at 5 per cent, on past-due coupon.	-----	1,125	-----	-----
		3 months' accrued interest, Apr. 1, 1898, to July 1, 1898, on principal.	-----	-----	45,000	136,125
Pittsburgh & Connellsville first extended fours.	2,581,000	6 months' accrued interest, Jan. 1, 1898, to July 1, 1898, on principal.	-----	-----	51,620	51,620
Pittsburgh & Connellsville first sevens, not extended.	1,419,000	6 months' accrued interest, Jan. 1, 1898, to July 1, 1898, on principal.	-----	-----	49,665	49,665
Pittsburgh & Connellsville consolidated mortgage sixes (£1,-352,000, at \$4.8666).	6,579,643	Coupon due July 1, 1897.	197,389	-----	-----	-----
		Interest, 1 year, at 5 per cent, on past-due coupon.	-----	9,869	-----	-----
		Coupon due Jan. 1, 1898.	197,389	-----	-----	-----

1 Separate certificates of deposit issued for these coupons.

2 Included in certificate of deposit for bonds.

TABLE F—Continued.

	Amount out- standing.		Past-due coupons.	Interest at 5 per cent on past-due coupons.	Accrued interest up to July 1, 1898.	Totals in each class of bonds.
Pittsburgh & Connells- ville consolidated mortgage sixes (£1,- 352,000, at \$4.8666).	\$6,579,643	Interest, 6 months, at 5 per cent, on past-due coupon. 6 months' accrued interest, Jan. 1, 1898, to July 1, 1898, on principal.		\$4,935		
					\$197,389	\$606,971
Baltimore & Ohio fives (loan of 1885).	10,000,000	Coupon due Aug. 1, 1897. Interest, 11 months, at 5 per cent on past-due coupon. Coupon due Feb. 1, 1898. Interest, 5 months, at 5 per cent, on past-due coupon. 5 months' accrued interest, Feb. 1, 1898, to July 1, 1898, on principal.	\$250,000	11,453		
			250,000	5,208		
					208,333	724,999
Chicago Division fives (£1,382,200, at \$4.8666)	6,726,615	Coupon due Dec. 1, 1897. Interest, 7 months, at 5 per cent, on past-due coupon. Coupon due June 1, 1898. Interest, 1 month, at 5 per cent, on past-due coupon. 1 month's accrued interest, June 1, 1898, to July 1, 1898, on principal.	168,165	4,905		
			168,165	701		
					28,028	368,964
Baltimore Belt Line fives.	6,000,000	Coupon due Nov. 1, 1897. Interest, 8 months, at 5 per cent, on past-due coupon. Coupon due May 1, 1898. Interest, 2 months, at 5 per cent, on past-due coupon. 2 months' accrued interest, May 1, 1898, to July 1, 1898, on principal.	150,000	5,000		
			150,000	1,250		
					50,000	356,250
Baltimore & Ohio 4½ per cent terminal bonds of 1894.	8,500,000	Coupon due Dec. 1, 1897. Interest, 7 months, at 5 per cent, on past-due coupon. Coupon due June 1, 1898. Interest, 1 month, at 5 per cent, on past-due coupon. 1 month's accrued interest, June 1, 1898, to July 1, 1898, on principal.	191,250	5,578		
			191,250	797		
					31,875	420,750
Philadelphia, Division four and one-half (£2,400,000, at \$4.8666).	11,679,840	Coupon due Oct. 1, 1897. Interest, 9 months, at 5 per cent, on past-due coupon. Coupon due Apr. 1, 1898. Interest, 3 months, at 5 per cent, on past-due coupon. 3 months' accrued interest, Apr. 1, 1898, to July 1, 1898, on principal.	262,796	9,854		
			262,796	3,285		
					131,398	470,126
Akron & Chicago Junction fives.	1,500,000	Coupon due May 1, 1898. Interest, 2 months, at 5 per cent, on past-due coupon. 2 months' accrued interest, May 1, 1898, to July 1, 1898, on principal.	37,500	313		
					12,500	50,313
Total.....			3,137,903	71,376	1,356,096	
Grand total.....						4,565,375

REORGANIZATION AGREEMENT.

An agreement made this 22d day of June, 1898, between Louis Fitzgerald, August Belmont, Edward R. Bacon, Henry Budge, Eugene Delano, William A. Read, and Howland Davis (hereinafter called the "Reorganization Committee"), parties of the first part; Speyer & Co. and Kuhn, Loeb & Co., of New York, and Speyer Bros., of London (hereinafter called the "Managers"), parties of the second part; holders of the mortgage bonds, stocks, and evidences of indebtedness hereinafter mentioned, who shall become parties to this agreement (hereinafter called "Depositors"), parties of the third part; and the Mercantile Trust Co., of the city of New York (hereinafter called the "Depositary"), party of the fourth part.

Whereas, the Baltimore & Ohio Railroad Co. has made default in the payment of its obligations, and receivers of its railroads and property have been appointed;

And whereas, the plan referred to in this agreement has been proposed by the Reorganization Committee for the reorganization of the railroad company: Now, therefore, it is mutually agreed by and between the respective parties hereto as follows:

First. A printed copy of this agreement, signed by the parties hereto of the first, second, and fourth parts, shall be lodged with the Mercantile Trust Co., in the city of New York, and a duplicate, signed in like manner, shall be lodged with the London and Westminster Bank (Ltd.), in the city of London. Each of said copies shall be taken as a complete and original instrument, but both shall constitute but one agreement. The foregoing plan is and shall be taken to be a part of this agreement, with the same effect as though each and every provision thereof had been embodied herein, and said plan and this agreement shall be read as parts of one and the same paper; but no estimate, statement, explanation, or suggestion contained in the said plan or this agreement, or in any circular issued, or which may hereafter be issued, by the Depositary or by the Reorganization Committee, or by the Managers, is intended, or is to be accepted as a representation or warranty, or as a condition of deposit or assent under the plan and this agreement, and no defect or error shall release any deposit under this plan and agreement, or affect or release any assent thereto, except by written consent of the Managers.

Holders of the following-named bonds and coupons (or claims for interest on registered bonds) and stocks, or any of them, may become parties to this plan and agreement by depositing their securities with the Depositary upon the terms and conditions specified in the plan and this agreement, or hereafter defined, and within the periods which shall be fixed or limited by the Managers:

Baltimore & Ohio Railroad Co. bonds, loan of 1853, extended to 1935, at 4 per cent.

Baltimore & Ohio Railroad Co. 100-year 5 per cent consolidated mortgage bonds of 1888.

Baltimore & Ohio Railroad Co. sterling 6 per cent loan of 1872, due March 1, 1902.

Baltimore & Ohio Railroad Co. 6 per cent sterling loan of 1874, due May 1, 1910.

Baltimore & Ohio Railroad Co. 6 per cent loan of 1879, due April 1, 1919 (account Parkersburg Branch Railroad Co.).

Baltimore & Ohio Railroad Co. 5 per cent bonds, loan of 1885 (account Pittsburgh & Connellsville Railroad Co.).

Baltimore & Ohio Railroad Co. 4½ per cent terminal mortgage bonds of 1894.

Baltimore & Ohio Railroad Co. sterling 4½ per cent loan of 1883, Philadelphia Branch.

Baltimore & Ohio Railroad Co. sterling 5 per cent loan of 1877, due June 1, 1927 (account Baltimore & Ohio and Chicago Railroad Co.).

Baltimore & Ohio Railroad Co. first preferred stock.

Baltimore & Ohio Railroad Co. second preferred stock.

Baltimore & Ohio Railroad Co. common stock.

Pittsburgh & Connellsville Railroad Co. first mortgage bonds, extended to 1946 at 4 per cent.

Pittsburgh & Connellsville Railroad Co. first mortgage 7 per cent bonds, due July 1, 1898.

Pittsburgh & Connellsville Railroad Co. 6 per cent consolidated mortgage bonds.

Akron & Chicago Junction Railroad Co. first mortgage 5 per cent bonds.

Akron & Chicago Junction Railroad Co. preferred stock.

Washington City & Point Lookout Railroad Co. 6 per cent bonds.

Matured and unpaid coupons (and claims for interest on registered bonds) appertaining to any of the above bonds, except those of the Washington City & Point Lookout Railroad Co.

Also such other mortgage bonds or stocks, if any, of any other railroad company or companies heretofore known as parts of the Baltimore & Ohio Railroad system as

the Managers may hereafter decide to admit to participation in the plan upon terms to be fixed by the Managers.

Such holders must in all cases deposit the certificates for their stock, or their bonds or coupons, or claims for interest on registered bonds or other securities, with such transfers, assignments, and powers of attorney, as may be required by the Managers in order to vest in them, and to enable them to transfer the complete and absolute title to such stocks, bonds, coupons, claims for interest, or other securities, and the Depositors agree, respectively, at any time on demand of the Managers to execute any and all other transfers, assignments, or writings required for vesting the complete ownership of the bonds, coupons, claims for interest, and stocks deposited hereunder in the Managers or their nominees. All Depositors shall receive certificates of deposit in form to be prescribed by the Managers specifying the respective bonds, coupons, claims for interest, or stock deposited, and the holders of such certificates of deposit issued hereunder shall be entitled, subject to any provisions contained in such certificates, only to the rights and benefits specified in the plan and this agreement as accruing to the holders of the bonds, coupons, claims for interest, or stocks of the class represented by such certificates, respectively, or granted by the Managers pursuant to the powers conferred upon them, and thereafter the holder of any such certificate or of any certificate issued in lieu thereof or in exchange therefor shall be subject to the plan and this agreement and entitled to have and exercise only the rights of the original depositor under the certificate issued to him in respect of the securities therein mentioned.

Such certificates of deposit issued hereunder and the interests represented thereby shall be transferable only subject to the terms and conditions of the plan and this agreement, and in such manner as the Managers shall approve; and upon such transfer all rights of the Depositors or in respect of the deposited bonds, coupons, claims for interest, or stock represented by such certificates, together with all installments paid by the Depositors of such stock, or their transferees, and all rights under the certificates of deposit transferred, shall pass to the transferee, and the transferees and holders of such certificates of deposit shall for all purposes be substituted in place of the prior holders, subject to this agreement. All such transferees, as well as the original holders of certificates of deposit issued hereunder, shall be embraced under the term "Depositors," whenever used herein. Each certificate of deposit may be treated by the Managers and by the Depositary as a negotiable instrument, and the holder for the time being may be deemed to be the absolute owner thereof, and of all rights of the original Depositor of the bond, coupon, claim for interest, stock, or other security in respect of which the same was issued, and neither the Depositary nor the Managers shall be affected by any notice to the contrary. By accepting any such certificate, every recipient or holder thereof shall thereby become party to the plan and this agreement with the same force and effect as though an actual subscriber hereto. The term Depositor, whenever used herein, is intended, and shall be construed, to include not only persons acting in their own right, but also trustees, guardians, committees, agents, and all persons acting in a representative or fiduciary capacity, and those represented by or claiming under them, and partnerships, associations, joint-stock companies, and corporations. No rights hereunder shall accrue in respect of any securities hereinbefore mentioned unless, or until, the same shall have been subjected to the control of the Managers and to the operation of the plan and this agreement as herein provided.

The Depositary shall receive the deposited stocks, bonds and coupons, claims for interest, or other securities, and shall hold the same respectively subject to the order and control of the Managers.

The Managers may in their discretion fix or limit the period or periods within which holders of bonds, coupons, claims for interest, or stock or other securities, or any class thereof, may deposit their securities, and within which they may become parties to the plan and this agreement, and the periods within which must be paid the installments of cash payable by depositing holders of first and second preferred and common stock as consideration for new preferred and common stock, and in their discretion, either generally or in special instances, may extend or renew the period or periods so fixed or limited, on such terms and conditions as they may see fit.

Holders of securities, not deposited within the periods respectively fixed or limited therefor, will not be entitled to deposit the same or to become parties to this agreement or to share in the benefits thereof, and shall acquire no rights thereunder, except upon obtaining the express consent of the Managers, who may withhold or give such consent in their absolute discretion and upon such terms and conditions as they may see fit.

The several installments of cash, payable by depositing stockholders as provided in the plan and this agreement, must be paid to the Managers for account of the syndicate, and must be received by the Depositary on the respective certificates of deposit

issued for such stock. The depositing stockholders agree that all such installments of cash may be used at any time by the Managers, for any of the purposes of the plan and this agreement. Depositors of stock and holders of certificates of deposit for deposited stock respectively agree that prompt payment of the several installments of cash payable by them respectively on the terms of the plan and this agreement is an essential condition to their acquisition of new stock by purchase from the syndicate under the plan and this agreement, and that any depositor or any holder of a certificate of deposit for stock who shall fail to make prompt payment of any installment of cash payable as provided in the plan within the periods fixed or limited by the Managers for such payment shall forthwith, and without further or other notice or action, cease to have any rights, or to be entitled to any benefits hereunder, and in every such case the deposited stock and any cash paid as above provided prior to the date of such default shall vest in and belong to the syndicate, and that no such defaulting depositor or certificate holder shall be entitled to the return or repayment thereof, or to have any further interest or rights in respect thereof. The Managers, however, in their discretion, may on behalf of the syndicate waive any such default and accept payment of overdue installments due from any depositor at any time before final settlement of accounts with the syndicate.

Second. The depositors hereby irrevocably request the Managers to endeavor to carry into practical operation the plan and this agreement in its entirety or in part, to such extent and in such manner and with such additions, exceptions, and modifications as the Managers shall deem to be for the best interests of the depositors or of the properties finally embraced in the reorganization. Each and every depositor, for himself and not for any other, does hereby sell, assign, transfer, and set over to the Managers as copartners, and to the survivor and survivors of them and to their successors, each and every bond, coupon, claim for interest on registered bonds, share of stock, security, or obligation or evidence thereof deposited hereunder, and every depositor hereby agrees that the Managers shall be and they are hereby vested with all the rights and powers of owners of the stocks, bonds, coupons, claims for interest, securities and obligations deposited hereunder, including the right to transfer the same into their own names, as copartnerships and as Managers, or into the name of any other person or persons whom they may select; and (without limiting the foregoing provision) it is hereby declared that the Managers shall be fully authorized to vote thereon at any meeting of stockholders or bond or certificate holders or creditors; to use every such stock, bond, coupon, claim for interest, receipt, security, or obligation as fully and to the same extent as the owner or holder thereof; to declare due the principal of any bond or other obligation deposited hereunder, and to revoke any such declaration whenever made; to call or attend, and, either in person or by proxy, to vote at any and all meetings of stockholders, bondholders, or creditors of any corporation however convened; to terminate or to seek to dissolve or modify any trust, contract, or lease, in whole or in part; to apply for the determination of the validity thereof, or for the removal of any trustees or the substitution of other trustees, or to take any other steps in respect of any trust, contract, or lease, or under any provision thereof; to purchase at any time or times, at such prices as they shall deem proper, or to pay, compromise, or settle with the holders of any coupons, notes, or other indebtedness or car trust or other obligations of any of the railroad companies, or any receiver's certificates or obligations issued or which may be issued or incurred by the receivers thereof, and to apply for that purpose any moneys received from the sale of trust certificates for stock in the new company, or which may otherwise be received or raised by them; to borrow money for any of the purposes of this agreement, and to charge or pledge any deposited securities, property purchased, or new securities to be issued, for the payment of any moneys borrowed; to give all bonds of indemnity or other bonds, and to charge therewith the securities deposited hereunder, or any part thereof; to institute or to become parties to any legal proceeding; to apply for receivers, or for the removal of receivers and the substitution of other receivers, or for the termination of any receivership and the delivery of any property to its owners; to settle any litigation now or at any time existing or threatened in whole or in part, with plenary power to enter into arrangements for decrease, or for facilitating or hastening the course of litigation, or in any way to promote the consummation of the plan; to do whatever, in the judgment of the Managers, may be necessary to promote or to procure the sale as an entirety or the joint or separate sales of any lands, property, or franchises herein concerned, wherever situated; to adjourn any sale of any property or franchises, or any portion or lot thereof, at discretion; to bid, or to refrain from bidding, at any sale, either public or private, either in separate lots or as a whole, for any property or franchises, or any part thereof, whether or not owned, controlled, or covered by any deposited security, including or excluding any particular rolling stock or other property, real or personal; and at, before, or after any sale to arrange and agree for the resale

of any portion of the property which they may decide to sell rather than to retain; to hold any property or franchises purchased by them either in their name or in the name of persons or corporations by them chosen for the purposes of this agreement, and to apply any security embraced hereunder in satisfaction of any bid or toward obtaining funds for the satisfaction thereof; and the term property and franchise shall include any and all railroads, railroad and other transportation lines, branches, leaseholds, lands, rights in lands, mining rights, stocks, or other interests in corporations in which the railroad company has any interest of any kind whatever, direct or indirect. The amount to be bid or paid by the Managers for any property or franchises shall be absolutely discretionary with them; and, in case of the sale to others of any property or franchises, the Managers may receive, out of the proceeds of such sale, or otherwise, any dividend in any form accruing on any securities held by them.

Third. The Managers may procure the organization of one or more new companies, or they may adopt or use any existing or future companies, and they may cause to be made such consolidations, leases, sales, or other arrangements and may make or cause to be made such conveyances or transfers of any properties or securities acquired by them, and may take such other proceedings as they may deem proper for the purpose of creating the new securities provided for in this plan and agreement and for carrying out all or any of the provisions thereof. The Managers shall further be authorized to receive and dispose of, in accordance with any of the provisions of this plan and agreement, the new securities to be created, and the Managers may vote upon all the stock of such new corporation for all purposes in their judgment necessary to carry out the plan until the same shall be delivered to the voting trustees or to the depositors who shall be entitled to receive the same.

Fourth. The Managers may construe the plan and this agreement; and their construction thereof or action thereunder, in good faith, shall be final and conclusive. They may supply any defect or omission, or reconcile any inconsistency in such manner and to such an extent as shall be necessary to carry out the same properly and effectively, and they shall be the sole judges of such necessity. They shall be the sole and final judges as to when and whether the assent of enough parties interested in the railroad company shall have been obtained to warrant them in declaring the same or any part thereof operative, or in carrying the same or any part thereof into effect, and as to when and whether a sufficient number of the existing bonds upon the lines of railway to be included in the prior lien or first mortgages, respectively, have been deposited, to warrant the execution by the new company of such prior lien or first mortgage, respectively, and the issue of bonds thereunder, pending the acquisition of such lines of railway by the new company, and they shall have power whenever they shall deem proper, at any time before the new securities shall have been issued and delivered to the Depositors, to abandon or to alter, modify or depart from, the plan of reorganization, or any part thereof, except the provisions for the voting trust. They may at any time or times after any such partial abandonment, restore to the plan any abandoned part or parts thereof, and may seek to carry the same into effect, as fully as if such part or parts had not been abandoned. They may also attempt to carry the plan into effect rather than abandon or modify the same, even though it be manifest that, as carried out, the plan must depart from the original plan or from some part thereof. But in case of any intentional change or modification or departure from the plan, which in their judgment shall materially affect any of the several classes of Depositors, or their mutual relations, a statement of such proposed change, modification, or departure shall be filed with the Depositary in New York and also with its agent, the London & Westminster Bank (Ltd.), in London, and notice of the fact of such filing shall be given as hereafter provided in article twelfth; and within two weeks after final publication all holders of the outstanding certificates for such particular class or classes of securities affected thereby may surrender their respective certificates therefor and withdraw securities of such particular class or classes, or the proceeds thereof, or substitutes therefor then under the control of the Managers, to the amount indicated in such certificates, provided, however, that in every case of withdrawal and cancellation the certificate holders shall, respectively, make payment of their shares of the expenses of the Managers, as apportioned by the Managers. Every depositor of securities not so surrendering and withdrawing within such two weeks after final publication shall be deemed to have assented to the proposed changes or modifications, and whether or not otherwise objecting, shall be bound thereby as fully and effectively as if he had actually assented thereto. Any changes or modifications finally made by the Managers shall be part of the plan and this agreement; and all provisions and references concerning the plan shall apply to the plan so changed or modified. In every such case of withdrawal any cash advanced to depositors and any interest paid or advanced to holders of certificates of deposit in respect of deposited bonds, represented by such certificates of deposit, or in respect of the new bonds to be issued in exchange therefor under the

plan must be repaid, if the Managers so require, by the holders of such certificates before the deposited bonds, represented by such certificates of deposit shall be surrendered in exchange therefor; but any interest collected by the Managers on deposited securities will, in case of such withdrawal, be accounted for by the Managers to the holders of the certificates of deposit for such securities. In case the Managers shall finally abandon the entire plan, the stocks and bonds and coupons deposited hereunder or their proceeds, or any stocks, bonds, coupons, securities, or claims or representatives thereof, then under the control of the Managers, shall be delivered to the several Depositors in amounts representing their respective interests upon surrender of their respective certificates and payment of such actual expenses as shall have been incurred by the Managers, and the Managers shall have power to determine and to apportion upon the several classes of securities deposited hereunder the share of expense to be borne by each security. In any such case any moneys paid by the depositing stockholders, or any coupons, receiver's certificates, or other obligations, claims, or property acquired therewith or the proceeds thereof when received, remaining after deducting therefrom the share of the expenses incurred by the Managers under this agreement apportioned upon such depositing stockholders shall be equitably distributed or adjusted among the respective holders of certificates of deposit therefor. But the Managers shall not be held liable for loss of any such money disbursed by them for the purposes of this agreement nor for the depreciation in value of any property or securities purchased by them, and the depositing stockholders or holders of such certificates of deposit shall have no claim for the repayment of any such moneys except to the extent of their ratable shares of such moneys or their proceeds at the time remaining in the hands of or subsequently collected by the Managers after payment of such expenses.

Fifth. The Managers may proceed under the plan and this agreement or any part thereof with or without foreclosure, and in case of foreclosure may exercise any power either before or after foreclosure sale; and in every case all the provisions of the plan and this agreement shall equally apply to and in respect of any physical properties embraced under the reorganization and to and in respect of any securities representing any such property, it being intended that for all purposes thereunder any such property and any security representing such property may be treated by the Managers as substantially identical. In case any separate plan shall in the opinion of the Managers become necessary or expedient to effect the reorganization of any subordinate or other company, the Managers may promote and participate in any such reorganization and may deposit thereunder any securities thereby affected.

In case of any claim, lien, or obligation not herein fully provided for and affecting the railroad company, or any property or franchises thereof, the Managers may from time to time (subject, however, to article sixth hereof) make such compromise in respect thereto or such provision therefor as they may deem suitable, using therefor any securities not expressly required for settlement with Depositors or not expressly reserved for liens or obligations specified in the plan, but the total amount of new securities to be created as set forth in the plan shall not thereby be increased.

Any action contemplated in the plan and this agreement to be performed on or after completion and reorganization may be taken by the Managers at any time when they shall deem the reorganization advanced sufficiently to justify such course, and the Managers as they may deem necessary may defer the performance of any provision of the plan and this agreement, or may commit such performance to the new company.

They may also in their discretion set apart and hold in trust or place in trust with any trust company any part of the new securities to be issued and cash which may be received from sales of new securities or otherwise as they may deem judicious for the purpose of securing the application thereof for any of the purposes of the plan and this agreement.

Sixth. From time to time, for the purpose of carrying this agreement into effect, or of obtaining assents thereto, the Managers, either generally or in specific instances, may make contracts with any person, syndicate, or corporation; and, in their discretion, either generally or in specific instances and upon such general or special terms and conditions as they may deem proper, may arrange to procure the deposit of securities hereunder; they may also, from time to time, by loan, guaranty, or by sale of the new securities to be created or otherwise upon such terms, conditions, and rates as said Managers may deem proper, may obtain any moneys required to carry out the plan and this agreement, including such sums as the Managers may deem expedient to provide for the uses of the new company; and for the performance of any contract said Managers may charge the deposited securities and the new securities to be issued and may pledge the same for the payment of any moneys borrowed and interest thereon, and other performance of any other obligations incurred under the powers herein conferred. The Managers may employ counsel, agents, and all neces-

sary assistance, and may incur and discharge any and all expenses by them deemed reasonable for the purpose of this agreement. They may prescribe the form of all securities, mortgages, and all instruments at any time to be issued or entered into. They may create and provide for all necessary trusts, and may nominate and appoint trustees thereunder, excepting that the voting trustees shall be appointed as stated in the plan. The Managers may, at public or private sale, or otherwise, dispose of any bonds and trust certificates for stock of the new company left in their hands because of any failure to make deposits hereunder. In so disposing of any such new securities thus left in their hands they may use the same or the proceeds thereof for the purpose of carrying out the reorganization in such manner as they may deem expedient and advisable. At the time of the creation of the new securities or as soon thereafter as may be the Managers may take such action (either by creating lesser amounts of securities or otherwise) as they may deem necessary to guard against the issue of such particular securities in any manner or to any extent inconsistent with the purposes of the plan.

Seventh. The said firms of Speyer & Co. and Kuhn, Loeb & Co., of New York, and Speyer Bros., of London, shall be the Managers under this agreement. So far as practicable the three firms as such Managers shall act and concur in all steps and proceedings hereunder, but in the event of the three firms not concurring, the concurrent action of any two of said firms shall be the action of the Managers, and no action shall be taken except with the assent of at least two of said three firms. The said firms as Managers shall each act as a copartnership, and in case of any change in either of said firms, the respective firms of Speyer & Co., Kuhn, Loeb & Co., and Speyer Bros., or their respective successor firms, as from time to time constituted, shall continue as Managers, with all the powers, rights and title vested in the Managers hereunder. Neither the Reorganization Committee nor the Managers nor the Depositary assume any personal responsibility for the execution of the plan, or of this agreement, or any part of either, nor for the result of any steps taken or acts done for the purposes thereof; the Managers, however, undertaking in good faith to endeavor to execute the same. No member of the Reorganization Committee, nor any Depositary nor any of the Managers shall be personally liable for any act or omission of any agent or employee selected in good faith, nor for any error of judgment or mistake of law, nor in any case except for his, its, or their own individual willful malfeasance or neglect, and no member of the Reorganization Committee shall in any case be personally liable for the act or omission of any other member, nor for the acts of any Depositary or of the Managers; nor shall any Depositary or any of the Managers be personally liable for the acts or defaults of the Reorganization Committee or any member thereof, or of any other Depositary, or Manager, or of any trust company. The Managers may act through any committee or agents, and may delegate any authority, as well as discretion, to any such committee or agent, and the members of such committee or such agents may be allowed a reasonable compensation for their services hereunder. The Managers shall be entitled to compensation for their services, which shall be fixed by agreement between the Managers and the Reorganization Committee, and as so fixed, shall be finally binding and conclusive upon all parties. The Managers shall have the right to form or procure the formation of any syndicate or syndicates which they may deem necessary or advantageous for carrying out the purposes of the plan, and may act as Managers of such syndicate or syndicates. Any member of either firm of the Managers or Depositaries, or any member of the Reorganization Committee, at any time, may be a voting trustee, and any of said firms or any member thereof or any Depositary or any member of the Reorganization Committee may be or become pecuniarily interested in any contracts, property, or matters which this agreement concerns, including participation in or under any syndicate agreement, as Syndicate Managers, or otherwise, whether or not mentioned in the plan. Any direction given by the Managers shall be full and sufficient authority for any action of the Depositary or of any trust company or of any other custodian or of any committee or agent.

The Reorganization Committee shall be entitled to compensation for their services, which shall be fixed by agreement between the Managers and the Reorganization Committee, and as so fixed, shall be finally binding and conclusive upon all parties. It may discharge any and all reasonable expenses, including counsel fees, by it incurred for any of the purposes of this agreement. Its accounts shall be filed with the Managers, and when approved by the Managers, shall be finally binding and conclusive upon all parties having any interest therein. The compensation of the said Reorganization Committee shall be paid as part of the expenses of the reorganization.

Eighth. The Managers may negotiate and contract with any and all companies or persons for obtaining or granting running powers, terminal facilities, exchanges of property, or any other convenience which they may deem necessary or desirable to obtain or to grant, and may make contracts therefor binding upon such new company, and generally may ratify and make such purchases, contracts, stipulations, or arrange-

ments as will in their opinion operate directly or indirectly to aid in the preservation, improvement, development, or protection of any property now constituting the Baltimore & Ohio Railroad system, or which the railroad company or any subordinate company has contracted to acquire, or to prevent or avoid opposition to or interference with the successful execution hereof.

Ninth. The accounts of the Managers shall be filed with the board of directors of the new company within one year after its organization shall have been completed, unless a longer time be granted by the said board. The accounts, when approved by such board of directors, shall be final, binding, and conclusive upon all parties having any interest therein, and thereupon the Managers shall be discharged. The acceptance of new securities by any depositor shall estop such acceptor from questioning the conformity of such securities in any particular to any provisions of the plan; and the acceptance of new securities by the holders of a majority in amount of the certificates of deposit for any class of securities shall in each case respectively estop all holders of certificates of deposit for securities of that class.

Tenth. The enumeration of specific powers hereby conferred shall not be construed to limit or to restrict general powers herein conferred or intended so to be; and it is hereby distinctly declared that it is intended to confer on the Managers, in respect of all securities deposited or to be deposited, and in all other respects, any and all powers which the Managers may deem necessary or expedient in or toward carrying out or promoting the purposes of the plan and this agreement in any respect, even though any such power be apparently of a character not now contemplated; and the Managers may exercise any and every such power as fully and effectively as if the same were herein distinctly specified, and as often as, for any cause or reason, they may deem expedient. The methods to be adopted for or toward carrying out this agreement shall be entirely discretionary with the Managers.

The bonds, coupons, claims for interest on registered bonds, and other obligations deposited under the plan and this agreement, and all receivers' certificates, coupons, and claims purchased or otherwise acquired under this agreement, shall remain in full force and effect for all purposes, and shall not be deemed satisfied, released, or discharged by any delivery of new securities; and no legal right or lien shall be deemed released or waived, but said bonds and other claims, and any judgment upon any of such claims, including claims and judgments for deficiencies, and all liens and equities, shall remain unimpaired, and may be enforced by the Managers or by the new company or by any other assign of the Managers until paid or satisfied in full or expressly released. Neither the Managers nor any bondholders or creditors of the railroad company, by executing this agreement, or by becoming parties thereto, release, surrender, or waive any lien, right, or claim in favor of any stockholders or other creditors of such company, and all such liens, rights, or claims shall vest unimpaired in the Managers and in the new company, or its assigns, severally and respectively; and any purchase or purchases by or on behalf of the Managers, or the new company, under any decree for the enforcement of any such lien, right, or claim, shall vest the property purchased in the Managers or the new company free from all interest or claim on the part of any such stockholders, creditors, or other parties. No right is conferred, nor any trust, liability, or obligation (except the agreements herein contained in favor of the holders of certificates of deposit hereunder) is created by the plan and this agreement, or is assumed hereunder, or by or for any new company in favor of any bondholder, or any other creditor, or of any holder of any claim whatsoever against the railroad company, nor in favor of any company now existing or to be formed hereafter (whether such claim be based on any bonds, coupons, stocks, securities, lease, guaranty or otherwise), with respect to any securities deposited under this agreement or any moneys paid to or received by the Managers or by the Depositary hereunder or with respect to any property acquired by purchase at any foreclosure sale, or with respect to any new certificates to be issued hereunder, or with respect to any other matter or thing.

Eleventh. All moneys paid under or with reference to the plan and this agreement shall be paid over to the Managers, who shall, as bankers, hold the same subject to application for any of the purposes of the plan and this agreement as may be most convenient, and as from time to time may be determined by the Managers, whose determination as to the propriety and purpose of any such application shall be final and nothing in the plan shall be understood as limiting or requiring the application of specific moneys to specific purposes. Any obligation in the nature of floating debt or otherwise against any company or property embraced in the plan either as proposed or carried out, or any securities held as collateral for any such obligation, may be acquired or extinguished or held by the Managers at such time, in such manner and upon such terms as they may deem proper for the purposes of reorganization, but nothing in the plan and this agreement contained is intended to constitute, nor shall it constitute, any liability or trust in favor or in respect of any such obligation.

Twelfth. All calls for the payments to be made by depositing stockholders or for the surrender of certificates of deposit issued hereunder, all notices fixing or limiting any period for the deposit of securities or for such payments, and all other calls or notices hereunder, except when herein otherwise expressly provided, shall be inserted in the New York Times and the New York Tribune, or in two other daily papers of general circulation published in the city of New York; the Baltimore Sun and the Baltimore American, or in two other daily papers of general circulation published in the city of Baltimore, Md., and in two daily papers of general circulation published in the city of London, twice in each week for two successive weeks, beginning on any day of the week. Any call or notice whatsoever when so published by the Managers shall be taken and considered as though personally served on all parties hereto and upon all parties bound hereby, as of the respective dates of insertion thereof, and such publication shall be the only notice required to be given under any provision of this plan and agreement. When a call or notice shall have been advertised as above specified in New York or in London, publication shall be complete as regards all holders of certificates of deposit, issued by the depositary in the city in which such publication shall have been made, and no further publication shall be required in such city.

Thirteenth. The plan and this agreement shall bind and benefit the several parties, including the depositors hereunder, their and each of their survivors, heirs, executor, administrators, successors, and assigns.

In witness whereof, a majority of the Reorganization Committee, the Managers, and the Mercantile Trust Co. of New York have caused these presents to be duly executed, the day and year first above written, and the parties of the third part have become parties hereto by depositing their securities and accepting certificates of deposit therefor hereunder.

REORGANIZATION OF THE BALTIMORE & OHIO SOUTHWESTERN RAILWAY CO.

PLAN AND AGREEMENT.

[Dated December 15, 1898.]

Reorganization Managers.—Speyer Bros., 7 Lothbury, London. Speyer & Co., 30 Broad Street, New York. Kuhn, Loeb & Co., 27 Pine Street, New York.

Counsel to reorganization managers.—Seward, Guthrie & Steele, 40 Wall Street, New York. Evarts, Choate & Beaman, 52 Wall Street, New York. Freshfields & Williams, London.

Depositary.—The Mercantile Trust Co. of New York. London and Westminster Bank (Ltd.), London agent.

To the security holders of the Baltimore & Ohio Southwestern Railway Co.:

The Baltimore & Ohio Railroad, the guarantor of certain of your securities, having become insolvent and its property being in the possession of receivers, and its reorganization having been declared operative, it became necessary for your board, in order to properly protect the securities of your company, to enter into negotiations with the reorganization managers of the Baltimore and Ohio Railroad Co. to arrange the future relations of your company with that reorganized property.

For several months the board has been in negotiation with them, and in consultation with the security holders, for the purpose of securing an exchange of your company's securities for the securities of the reorganized Baltimore & Ohio Railroad Co. upon a satisfactory basis, and to secure additional new capital to place the company in a position to successfully carry on its business and place it on a sound financial basis.

Since the organization of your company vigorous competition, then unexpected, has developed in the territory it occupies, greatly reducing the rates for transportation received by your company.

The effect of such reduction in rates has been most serious and shows the pressing need of a readjustment of the company's securities and fixed charges, and the securing of additional capital to make needed improvements upon the property. Had the same rates prevailed last year as existed at the time of the organization of the company there would have been a surplus over fixed charges of \$2,273,626 instead of a deficit of \$99,574.

When your company was organized it was believed ample provision had been made for necessary capital to reduce its grades, secure increased and heavier motive power, equipment and rails, and to bring the property to the highest standard of condition. Such necessary capital was to be secured through the sale of the company's securities, guaranteed by the Baltimore & Ohio Railroad Co. Immediately upon the organiza-

tion of the company, certain of such improvements were entered upon; before they could be completed to the extent whereby substantial savings in operation could be effected to meet the prevailing low rates, the insolvency and receivership of the Baltimore & Ohio Railroad Co. prevented the sale of its securities and thereby arrested the completion of the contemplated improvements. These improvements have become imperative and can not longer be delayed.

The amount of capital now needed to be expended in the reduction of the grades, purchase of additional equipment, and for other improvements in order to bring the property to the efficiency requisite for advantageous and profitable operation, in conjunction with the reorganized Baltimore & Ohio Railroad, is estimated at about \$5,500,000, the greater proportion of which should be expended during the next calendar year and the remainder as soon as possible thereafter.

The reorganization managers have agreed to undertake the consummation of the plan herewith submitted, which provides for the issue by the Baltimore & Ohio Railroad Co. (as reorganized), of its securities in exchange for yours on a just and equitable basis, and the securing of additional capital required to put your property in a position to successfully carry on its business. The syndicate mentioned in the plan will purchase at their face value all coupons due on the first day of January next that are not paid from such bondholders as shall deposit their securities. It is hoped that further financial embarrassment with its inevitable consequences and the depreciation in the value of your securities can be avoided by a prompt acceptance of the plan.

Your board therefore urgently recommends its prompt acceptance.

Dated New York, December 15, 1898.

EDWARD R. BACON,
President.
WILLIAM L. BULL,
EDGAR T. WELLES,
JOHN H. DAVIS,
New York,
JAMES SLOAN, Jr.,
Baltimore,
FRANCIS PAVY, *London.*
Committee of Board.

PLAN FOR THE REORGANIZATION OF THE BALTIMORE & OHIO SOUTHWESTERN
RAILWAY CO.

The following securities will be dealt with under the plan, and are hereinafter referred to as "existing securities":

List of securities with outstanding amounts.

	Amounts outstanding.
Ohio & Mississippi Railway first consolidated mortgage bonds, extended 4 per cent.....	\$6,385,000
Ohio & Mississippi Railway first consolidated mortgage sterling bonds, extended 4 per cent.....	83,000
Ohio & Mississippi Railway second consolidated mortgage 7 per cent bonds (currency).....	2,952,000
Ohio & Mississippi Railway first mortgage Springfield Division 7 per cent bonds (currency).....	1,993,000
Ohio & Mississippi Railway general mortgage 5 per cent bonds (currency) ..	313,000
Baltimore & Ohio Southwestern Railroad first mortgage 4½ per cent bonds..	10,667,000
Baltimore & Ohio Southwestern Railway first consolidated mortgage 4½ per cent gold bonds.....	10,363,900
Baltimore & Ohio Southwestern Railway first income mortgage 5 per cent bonds, series A.....	8,750,000
Baltimore & Ohio Southwestern Railway first income mortgage 5 per cent bonds, series B.....	10,000,000
Baltimore & Ohio Southwestern Railway preferred stock.....	20,000,000
Baltimore & Ohio Southwestern Terminal Co. 5 per cent gold bonds.....	1,500,000
Cincinnati & Baltimore Railroad first mortgage 7 per cent bonds.....	333,000
Marietta Railway first mortgage 4 per cent bonds.....	175,000

NEW SECURITIES.

It is proposed that the Baltimore & Ohio reorganization managers shall recommend to the Baltimore & Ohio Railroad Co. (as reorganized) that it shall acquire the properties of the above-named companies, or the securities above named, representing the same, and shall issue in exchange therefor, and to provide new capital for the enlargement, betterment, or extension of said properties, its bonds to be known as "Baltimore & Ohio Railroad Co. (as reorganized) southwestern division first mortgage $3\frac{1}{2}$ per cent gold bonds" and also Baltimore & Ohio Railroad Co. (as reorganized) new preferred and common stock (trust certificates) as hereinafter stated. The right will be reserved to reorganize or consolidate any of the lines above mentioned in a new corporation if that shall be deemed expedient by the reorganization managers.

The Baltimore & Ohio Railroad Co. (as reorganized) is therefore to authorize the following new securities:

First. Forty million dollars Baltimore & Ohio Railroad Co. (as reorganized) southwestern division first mortgage $3\frac{1}{2}$ per cent gold bonds, due 1925.

These bonds will bear interest from the 1st day of January, 1899. The right will be reserved to issue \$5,000,000 additional of these bonds at the rate of not exceeding \$1,000,000 per year after the reorganization is completed for the enlargement, betterment, or extension of the properties covered by the Baltimore & Ohio Railroad Co.'s (as reorganized) southwestern division first mortgage (either as a direct lien or by pledge of the securities representing such properties) or for additions thereto. The mortgage securing these bonds is expected to be ultimately a first lien upon the railroads and properties constituting the Baltimore & Ohio Southwestern Railroad system above named, or the above-mentioned securities representing the same, covering about 920.98 miles of first track and about 305.48 miles of second track and sidings (see Appendix, Table A) and also all of the equipment now owned by the Baltimore & Ohio Southwestern Railway Co. or subsequently acquired with the proceeds of these bonds. In case it shall be found inexpedient to acquire any of said railroads or properties, the consummation of the plan will not necessarily for that reason be affected; but the said bonds and stocks representing said railroads or properties, respectively, may be pledged under said mortgage in lieu of the railroads or properties themselves. The new bonds are to be applied as follows:

In partial exchange for existing bonds (see p. 5).....	\$35,540,980
Sold to syndicate for cash requirements.....	4,459,020
Total.....	40,000,000

Second. New preferred stock (trust certificates ¹) of the Baltimore & Ohio Railroad Co. (as reorganized).

The Baltimore & Ohio reorganization managers will recommend to the Baltimore & Ohio Railroad Co. (as reorganized) that for the purposes of this plan it shall issue \$12,500,000 additional of its new preferred stock (trust certificates) to be applied as follows:

In partial exchange for existing bonds (see p. 5).....	\$6,253,440
Sold to syndicate for cash requirements.....	6,246,560
Total.....	12,500,000

The Baltimore & Ohio reorganization managers will also recommend to the Baltimore & Ohio Railroad Co. (as reorganized) that it shall issue \$7,500,000 additional of its new preferred stock (trust certificates) for the purpose among others of restoring the reserve of such new preferred stock appropriated under the plan and agreement dated September 28, 1898, for the reorganization or consolidation of the Central Ohio Railroad Co. and other companies.

The new preferred stock of the Baltimore & Ohio Railroad Co. (as reorganized) will then aggregate \$60,000,000 in amount applied as follows:

Appropriated under plan for reorganization of Baltimore & Ohio R. R. Co., dated June 22, 1898.....	\$33,668,700
For contingencies, etc. (any surplus to new company).....	1,331,300
Reserve for new company (under Baltimore & Ohio plan June 22, 1898).....	5,000,000
	<u>\$40,000,000</u>

¹ The words "trust certificates" wherever used in this plan refer to the voting trust certificates as provided for in the Baltimore & Ohio reorganization plan, dated June 22, 1898.

Proposed new issue:

Appropriated under Central Ohio plan Sept. 28, 1898..	\$5,888,850
Appropriated under this plan.....	12,500,000
For contingencies, etc. (any surplus to new company)...	1,611,150
	<u>\$20,000,000</u>

Total amount new preferred stock..... 60,000,000

The new company will thus have an unappropriated surplus of new preferred stock as follows:

Reserve under Baltimore & Ohio plan of June 22, 1898.....	\$5,000,000
Balance under Baltimore & Ohio plan of June 22, 1898, for contingencies, etc. (any surplus to new company).....	1,331,300
Balance for contingencies, etc., as above stated.....	1,611,150

Total surplus unappropriated.....	7,942,450
Total amount appropriated under the several plans as above stated.....	52,057,550
	<u>60,000,000</u>

Third. New common stock (trust certificates) of the Baltimore & Ohio Railroad Co. (as reorganized).

The Baltimore & Ohio reorganization managers will recommend to the Baltimore & Ohio Railroad Co. (as reorganized) that it shall issue \$10,000,000 additional of new common stock (trust certificates) to be applied as follows:

In exchange for existing bonds and stocks (see p. 6)	\$7,500,000
For contingencies, etc. (any surplus to new company)	2,500,000
Total.....	<u>10,000,000</u>

The new common stock of the Baltimore & Ohio Railroad Co. (as reorganized) will then aggregate \$45,000,000 in amount, applied as follows:

Appropriated under plan for reorganization of Baltimore & Ohio R. R. Co., dated June 22, 1898.....	\$31,178,000
For contingencies, etc. (any surplus to new company).....	3,822,000
	<u>\$35,000,000</u>

Proposed new issue:

Appropriated under this plan.....	7,500,000
For contingencies, etc. (any surplus to new company) ..	2,500,000
	<u>10,000,000</u>
	45,000,000

The new company will thus have an unappropriated surplus of new common stock as follows:

Balance under Baltimore & Ohio plan of June 22, 1898, for contingencies, etc. (any surplus to new company)	\$3,822,000
Balance under this plan for contingencies, etc. (any surplus to new company).....	2,500,000

Total surplus unappropriated.....	6,322,000
Total amount appropriated under the two plans as above stated.....	38,678,000
	<u>45,000,000</u>

APPLICATION OF SECURITIES.

It is contemplated that, as a consideration for the railroads and property or securities representing the same, to be conveyed and delivered to the Baltimore & Ohio Railroad Co. (as reorganized), or which it shall acquire pursuant to this plan, it shall deliver the new bonds and stock (trust certificates), excepting such final amounts as shall be reserved as herein provided. The requisite deliveries of the new securities to depositors and subscribers under this plan will thus be provided for.

The following details show the disposition to be made under the plan of the new securities.

DISPOSITION OF NEW SECURITIES IN DETAIL.

The Baltimore & Ohio Railroad Co. (as reorganized) Southwestern Division first mortgage $3\frac{1}{2}$ per cent gold bonds will be disposed of as follows:

Present authorized issue.....	\$40,000,000
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To be used in partial exchange for existing bonds as follows:

Existing bonds	Amount outstanding.	Per cent of new $3\frac{1}{2}$ per cent first mortgage bonds offered in exchange.	Amount of new $3\frac{1}{2}$ per cent first mortgage bonds.
Ohio & Mississippi Ry. first consolidated mortgage bonds, extended 4 per cent.	\$6,385,000	107	\$6,831,950
Ohio & Mississippi Ry. first consolidated mortgage sterling bonds, extended 4 per cent.	83,000	104	86,320
Ohio & Mississippi Ry. second consolidated mortgage 7 per cent bonds (currency).	2,952,000	124	3,660,480
Ohio & Mississippi Ry. first mortgage, Springfield Division, 7 per cent bonds (currency).	1,993,000	100	1,993,000
Ohio & Mississippi Ry. general mortgage 5 per cent bonds (currency).	313,000	90	281,700
Baltimore & Ohio Southwestern R. R. first mortgage $4\frac{1}{2}$ per cent bonds.	10,667,000	106	11,307,020
Baltimore & Ohio Southwestern Ry. first consolidated mortgage $4\frac{1}{2}$ per cent gold bonds.	10,363,900	90	9,327,510
Baltimore & Ohio Southwestern Terminal Co.'s 5 per cent gold bonds.	1,500,000	103	1,545,000
Cincinnati & Baltimore R. R. first mortgage 7 per cent bonds.	333,000	100	333,000
Marietta Ry. first mortgage 4 per cent bonds.	175,000	100	175,000
			35,540,980
Sold to syndicate for cash requirements.			4,459,020
			40,000,000

The new preferred stock (trust certificates) will be disposed of as follows:

Proposed increased issue..... \$12,500,000

To be used in partial exchange for existing bonds as follows:

Existing securities.	Amount outstanding.	Per cent of new preferred stock offered in exchange.	Amount of new preferred stock.
Ohio & Mississippi Ry. first consolidated mortgage bonds, extended 4 per cent.	\$6,385,000	10	\$638,500
Ohio & Mississippi Ry. first consolidated mortgage sterling bonds, extended 4 per cent.	83,000	10	8,300
Ohio & Mississippi Ry. second consolidated mortgage 7 per cent bonds (currency).	2,952,000	12 $\frac{1}{2}$	369,000
Ohio & Mississippi Ry. first mortgage, Springfield Division, 7 per cent bonds (currency).	1,993,000	12 $\frac{1}{2}$	249,125
Ohio & Mississippi Ry. general mortgage 5 per cent bonds (currency).	313,000	10	31,300
Baltimore & Ohio Southwestern R. R. first mortgage $4\frac{1}{2}$ per cent bonds.	10,667,000	10	1,066,700
Baltimore & Ohio Southwestern Ry. first consolidated mortgage $4\frac{1}{2}$ per cent gold bonds.	10,363,900	10	1,036,390
Baltimore & Ohio Southwestern Ry. first income mortgage 5 per cent bonds, Series A.	8,750,000	30	2,625,000
Baltimore & Ohio Southwestern Terminal Co. 5 per cent gold bonds.	1,500,000	12 $\frac{1}{2}$	187,500
Cincinnati & Baltimore R. R. first mortgage 7 per cent bonds.	333,000	12 $\frac{1}{2}$	41,625
			6,253,440
Sold to syndicate for cash requirements.			6,246,560
			12,500,000

The new common stock (trust certificates) will be disposed of as follows:

Proposed increased issue..... \$10,000,000

To be used in partial exchange for existing bonds and stocks as follows:

Existing securities.	Amount outstanding.	Per cent of new common stock offered in exchange.	Amount of new common stock.
Baltimore & Ohio Southwestern Ry. first income mortgage 5 per cent bonds, Series A.....	\$8,750,000	20	\$1,750,000
Baltimore & Ohio Southwestern Ry. first income mortgage 5 per cent bonds, Series B.....	10,000,000	22½	2,250,000
Baltimore & Ohio Southwestern Ry. preferred stock.....	20,000,000	17½	3,500,000
			7,500,000
For contingencies, etc. (any surplus to new company).....			2,500,000
			10,000,000

SYNDICATE.

A syndicate has been formed by Messrs. Speyer & Co. and Messrs. Kuhn, Loeb & Co., of New York, and Messrs. Speyer Bros., of London, to purchase \$4,459,020 of the new Baltimore & Ohio Railroad Co. (as reorganized), Southwestern Division, first mortgage 3½ per cent gold bonds and \$6,246,560 of the new preferred stock (trust certificates).

And also to protect the new company in the ownership and possession of the properties covered by \$21,030,900 of the existing mortgage bonds of the Baltimore & Ohio Southwestern Railway Co. of different issues, by agreeing to purchase from the new company the new securities not taken, but to which the holders of such bonds would have been entitled if deposited under the plan, and also to make advances and perform other obligations essential for the purposes of the plan.

CONDITIONS OF PARTICIPATION.

Participation under this plan of reorganization in any respect whatsoever is dependent upon the deposit of securities with the depositary, the Mercantile Trust Co., at its office, No. 120 Broadway, in the city of New York, or at its London agency, the London & Westminster Bank (Ltd.), in the city of London, within such time as may be fixed by notice, and the plan will embrace only securities so deposited. No securities will be received on deposit except in negotiable form, and bonds must carry all coupons or claims for interest on registered bonds maturing on or after January 1, 1899 (excepting Baltimore & Ohio Southwestern Railway first income mortgage 5 per cent bonds, Series A and B, which must carry all matured and unpaid coupons). The syndicate will purchase for cash at their face value such coupons and claims for interest on registered bonds maturing January 1, 1899, from holders who deposit their bonds under the plan, upon the certificates of deposit for such bonds being stamped "Ex interest due January 1, 1899," and the said coupons or claims for interest on registered bonds being respectively delivered or assigned to the syndicate or upon its order. Upon the completion of the reorganization there will be paid in cash upon all deposited bonds (not including, however, Baltimore & Ohio Southwestern Railway first income mortgage 5 per cent bonds, series A and B), interest at the respective rates provided in the old bonds up to January 1, 1899, from the coupon date last preceding, excepting in the case of bonds represented by certificates of deposit stamped as aforesaid, "Ex interest due January 1, 1899."

The depositary will issue proper receipts or certificates of deposit for all securities deposited.

The securities deposited hereunder will be held by the depositary, subject to the order and control of the reorganization managers, as provided in the reorganization agreement.

All securities deposited under the plan are to be kept alive so long as deemed necessary by the reorganization managers or the new company for the purposes of the reorganization or the protection of the new company or its security holders.

Cash requirements and provision therefor.

For improvements, cutting down grades, equipment, etc.....	\$5,500,000
To take up existing car trusts, collateral loan and floating debt (estimated).....	2,444,329
Reorganization expenses, syndicate compensation, etc., any surplus to new company.....	1,400,000

Total.....	9,344,329
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To be raised as follows:

By sale of \$4,459,020 of new 3½ per cent first-mortgage bonds and \$6,246,560 of new preferred stock (trust certificates).....	8,858,523
By sale sundry treasury assets.....	485,806
	9,344,329

POSITION OF THE BALTIMORE & OHIO RAILROAD CO. (AS REORGANIZED) UPON THE CONSUMMATION OF THIS PLAN.

Upon the completion of the reorganization of the Baltimore & Ohio Railroad Co. and of the reorganization or consolidation of the Central Ohio Railroad Co.'s system and the Pittsburgh Junction Railroad Co., and upon the consummation of this plan, the position of the Baltimore & Ohio Railroad Co. (as reorganized), it is estimated, will be as follows:

The net earnings from operations, together with earnings from miscellaneous sources, for the year ending June 30, 1898, including net earnings from Central Ohio system and Pittsburgh Junction Railroad Co., were.....

\$8,547,433

From which, however, will have to be deducted the sum of about \$251,000, representing the decrease in the amount of miscellaneous income occasioned by the sale of securities and the cancellation of sinking-fund investments under the reorganization plan of the Baltimore & Ohio Railroad Co., dated June 22, 1898.....

251,000

Leaving.....

8,296,433

Add to this the net earnings of the Baltimore & Ohio Southwestern System for the year ending June 30, 1898, including miscellaneous income.....

1,989,761

Total.....

10,286,194

Deduct fixed charges of Baltimore & Ohio:

\$70,000,000 prior lien 3½ per cents.....

\$2,450,000

\$15,000,000 new 3½ per cent Pittsburgh Junction and

Middle Division first-mortgage gold bonds.....

525,000

\$40,000,000 new 3½ per cent Southwestern Division first-

mortgage gold bonds.....

1,400,000

\$50,000,000 first-mortgage 4 per cents.....

2,000,000

Estimated rentals (including 4 per cent on \$6,000,000

Belt Line Railroad mortgage bonds, and excluding

rentals of Central Ohio System), about.....

500,000

Taxes¹.....

544,794

Taxes—Baltimore & Ohio Southwestern System.....

293,998

Terminals.....

202,000

Ground rents and mortgage interest.....

75,000

7,990,792

Leaving a surplus over fixed charges of about.....

2,295,402

Apart from the large amount provided in the plan for the reorganization of the Baltimore & Ohio Railroad Co., dated June 22, 1898, to be expended on the properties comprised therein, and for additional equipment, the plan for the reorganization or consolidation of the Central Ohio Railroad system, dated September 28, 1898, provides the further amount of \$3,000,000 to be expended on the properties comprised

¹ In case foreclosure shall be found necessary, the exemption from taxation under the old charter of the Baltimore & Ohio Railroad Co. may be lost and the amount of annual taxes increased.

therein and for additional equipment; and this plan (see p. 5) provides the further amount of \$5,500,000 to be expended in like manner on the Baltimore & Ohio Southwestern System. The above statement of earnings does not allow for any increase in earnings from these expenditures, which, it is confidently expected, should largely increase the surplus over fixed charges.

The amount of \$5,500,000, reserved for improvements, cutting down grades, equipment, etc., is necessary to carry out the original plan adopted when the Baltimore & Ohio Southwestern Railroad Co. was reorganized, and to bring the property to the standard required for advantageous and profitable operation in connection with the Baltimore & Ohio Railroad Co. (as reorganized).

The company's accounts have been examined at the request of the reorganization managers by Mr. Stephen Little, who certifies to the correctness of the figures contained in this plan.

The consummation of this plan is conditional upon the Baltimore & Ohio Railroad Co. (as reorganized) approving the same, and consenting to issue its Southwestern Division first mortgage $3\frac{1}{2}$ per cent gold bonds and preferred and common stock as herein provided within one year from the date hereof, or such further time as the reorganization managers shall allow. In case the Baltimore & Ohio Railroad Co. (as reorganized) should fail to fulfill the foregoing conditions this plan will be abandoned, and deposited securities will be returned to depositors upon surrender of the certificates of deposit therefor without expense, unless some modification of the plan satisfactory to the depositors shall be proposed, in which case due notice of such modified plan will be given, and depositors will be afforded an opportunity to withdraw their deposited securities in case the modification of the plan is not acceptable to them.

Dated December 15, 1898.

TABLE A.—*Mileage of road.*

	First track.	Second track.	Side-tracks.
Main track:	<i>Miles.</i>	<i>Miles.</i>	<i>Miles.</i>
Belpre to Cincinnati.....	192.88	15.20	85.33
Cincinnati to East St. Louis.....	339.46		118.10
Marietta branch: Belpre to Marietta.....	11.09		1.80
Portsmouth branch: Hamden to Portsmouth.....	55.43		24.26
Hillsboro branch: Blanchester to Hillsboro.....	21.43		2.93
Louisville branch:			
North Vernon to Jeffersonville.....	53.31		9.50
Watson to New Albany.....	7.46		1.85
Bedford branch: Riverdale to Bedford.....	11.40		
Springfield division: Beardstown to Shawneetown.....	228.25		38.04
Total.....	920.71	15.20	281.81
Baltimore & Ohio Southwestern terminal.....			7.38
Marietta terminal.....	.27		1.09
Operated under trackage rental—Central Union Depot to I. & C. transfer..	1.20		
Total length of all tracks.....	922.18	15.20	290.28
Total mileage.....			1,227.66

APPENDIX.

TABLE B.—*Showing amount of cash and new securities which deposited securities will be entitled to receive on completion of reorganization.*

Existing bonds and stock to be deposited.	Each \$1,000 receives—			
	Cash. ¹	New Southwestern Division 3½ per cent gold bonds.	New preferred stock trust certificates.	New common stock trust certificates.
Ohio & Mississippi Ry. first consolidated mortgage bonds, extended 4 per cent.	\$20.00	\$1,070	\$100	.....
Ohio & Mississippi Ry. first consolidated mortgage sterling bonds, extended 4 per cent.	20.00	1,040	100	.....
Ohio & Mississippi Ry. second consolidated mortgage 7 per cent bonds (currency).	17.50	1,240	125	.....
Ohio & Mississippi Ry. first mortgage Springfield Division 7 per cent bonds (currency).	11.67	1,000	125	.....
Ohio & Mississippi Ry. general mortgage 5 per cent bonds (currency).	4.17	900	100	.....
Baltimore & Ohio Southwestern R. R. first mortgage 4½ per cent bonds.	22.50	1,060	100	.....
Baltimore & Ohio Southwestern Ry. first consolidated mortgage 4½ per cent gold bonds.	22.50	900	100	.....
Baltimore & Ohio Southwestern Ry. first income mortgage 5 per cent bonds, series A.	.....	.....	300	\$200
Baltimore & Ohio Southwestern Ry. first income mortgage 5 per cent bonds, series B.	.....	.....	.....	225
Baltimore & Ohio Southwestern Ry. preferred stock.	.....	.....	.....	175
Baltimore & Ohio Southwestern Terminal Co. 5 per cent gold bonds.	8.33	1,030	125	.....
Cincinnati & Baltimore R. R. first mortgage 7 per cent bonds.	35.00	1,000	125	.....
Marietta Ry. first mortgage 4 per cent bonds.	6.67	1,000	.....	.....

¹ Interest at the rate provided in the old bonds from the date of the last matured coupon next preceding Jan. 1, 1899, up to the date when the new bonds begin to bear interest, namely, Jan. 1, 1899, excepting in respect of bonds represented by certificates of deposit stamped "Ex interest due Jan. 1, 1899," as stated in plan.

AGREEMENT.

An agreement, made this 15th day of December, 1898, between Speyer & Co. and Kuhn, Loeb & Co., of New York, and Speyer Bros., of London, as reorganization managers (hereafter called the "Managers"), parties of the first part; holders of the mortgage bonds and stocks, hereinafter mentioned, who shall become parties to this agreement (hereinafter called "Depositors"), parties of the second part; and The Mercantile Trust Co., of the city of New York (hereinafter called the "Depositary"), party of the third part.

Whereas the Baltimore & Ohio Railroad Co. has made default in the payment of its obligations, and receivers of its railroad and property have been appointed;

And whereas a plan has been proposed for its reorganization, and the parties of the first part, as Reorganization Managers, are engaged in carrying out said plan;

And whereas the Baltimore & Ohio Southwestern system of railroads has heretofore been operated in connection with the Baltimore & Ohio Railroad system, and the plan referred to in this agreement has been proposed for the reorganization of the Baltimore & Ohio Southwestern Railway Co. and the exchange of its existing securities for new securities of the Baltimore & Ohio Railroad Co., as reorganized (the term "new company" hereinafter employed meaning either the Baltimore & Ohio Railroad Co. or such successor company or companies as may be organized under the plan for its reorganization, dated June 22, 1898);

And whereas the parties of the first part have consented to undertake the consummation of this plan and agreement: Now, therefore, it is mutually agreed by and between the respective parties hereto as follows:

First. A printed copy of this agreement, signed by the parties hereto of the first and third parts, shall be lodged with the Mercantile Trust Co. in the city of New York, and a duplicate signed in like manner shall be lodged with the London & Westminster Bank (Ltd.) in the city of London. Each of said copies shall be taken as a complete and original instrument, but both shall constitute but one agreement. The foregoing plan is and shall be taken to be a part of this agreement, with the same

effect as though each and every provision thereof had been embodied herein, and said plan and this agreement shall be read as parts of one and the same paper; but no estimate, statement, explanation, or suggestion contained in the said plan or this agreement, or in any circular issued, or which may hereafter be issued, by the Depositary, or by the Managers, is intended, or is to be accepted, as a representation or warranty, or as a condition of deposit or assent under the plan and this agreement, and no defect or error shall release any deposit under this plan and agreement, or affect or release any assent thereto, except by written consent of the Managers.

Holders of the following-named bonds and stocks, or any of them, may become parties to this plan and agreement by depositing their securities with the Depositary upon the terms and conditions specified in the plan and this agreement, or hereafter defined, and within the periods which shall be fixed or limited by the Managers:

Ohio & Mississippi Railway first consolidated mortgage bonds, extended 4 per cent.

Ohio & Mississippi Railway first consolidated mortgage sterling bonds, extended 4 per cent.

Ohio & Mississippi Railway second consolidated mortgage 7 per cent bonds (currency).

Ohio & Mississippi Railway first mortgage, Springfield Division, 7 per cent bonds (currency).

Ohio & Mississippi Railway general mortgage 5 per cent bonds (currency).

Baltimore & Ohio Southwestern Railroad first mortgage $4\frac{1}{2}$ per cent bonds.

Baltimore & Ohio Southwestern Railway first consolidated mortgage $4\frac{1}{2}$ per cent gold bonds.

Baltimore & Ohio Southwestern Railway first income mortgage 5 per cent bonds, series A.

Baltimore & Ohio Southwestern Railway first income mortgage 5 per cent bonds, series B.

Baltimore & Ohio Southwestern Railway preferred stock.

Baltimore & Ohio Southwestern Terminal Co. 5 per cent gold bonds.

Cincinnati & Baltimore Railroad first mortgage 7 per cent bonds.

Marietta Railway first mortgage 4 per cent bonds.

Such holders must in all cases deposit the certificates for their stock, or their bonds or coupons or other securities, with such transfers, assignments, and powers of attorney as may be required by the Managers in order to vest in them, and to enable them to transfer the complete and absolute title to such stocks, bonds, coupons, or other securities, and the Depositors agree, respectively, at any time on demand of the Managers to execute any and all other transfers, assignments, or writings required for vesting the complete ownership of the bonds, coupons, and stocks deposited hereunder in the Managers or their nominees. All Depositors shall receive certificates of deposit in form to be prescribed by the Managers, specifying the respective bonds, coupons, or stock deposited; and the holders of such certificates of deposit issued hereunder shall be entitled, subject to any provisions contained in such certificates, only to the rights and benefits specified in the plan and this agreement as accruing to the holders of the bonds, coupons, or stocks of the class represented by such certificates, respectively, or granted by the Managers pursuant to the powers conferred upon them; and thereafter the holder of any such certificate or of any certificate issued in lieu thereof or in exchange therefor shall be subject to the plan and this agreement and entitled to have and exercise only the rights of the original Depositor under the certificate issued to him in respect of the securities therein mentioned.

Such certificates of deposit issued hereunder and the interests represented thereby shall be transferable only subject to the terms and conditions of the plan and this agreement, and in such manner as the Managers shall approve; and upon such transfer, all rights of the Depositors or in respect of the deposited bonds, coupons, or stock represented by such certificates, and all rights under the certificates of deposit transferred, shall pass to the transferee, and the transferees and holders of such certificates of deposit shall for all purposes be substituted in place of the prior holders, subject to this agreement. All such transferees, as well as the original holders of certificates of deposit issued hereunder, shall be embraced under the term "Depositors," whenever used herein. Each certificate of deposit may be treated by the Managers and by the Depositary as a negotiable instrument, and the holder for the time being may be deemed to be the absolute owner thereof, and of all rights of the original Depositor of the bond, coupon, stock, or other security in respect of which the same was issued, and neither the Depositary nor the Managers shall be affected by any notice to the contrary. By accepting any such certificate, every recipient or holder thereof shall thereby become party to the plan and this agreement with the same force and effect as though an actual subscriber hereto. The term "Depositor," whenever used herein, is intended, and shall be construed, to include not only persons acting in their own right, but also trustees, guardians, committees, agents, and all persons acting in a

representative or fiduciary capacity, and those represented by or claiming under them, and partnerships, associations, joint-stock companies, and corporations. No rights hereunder shall accrue in respect of any securities hereinbefore mentioned unless, or until, the same shall have been subjected to the control of the Managers and to the operation of the plan and this agreement as herein provided.

The Depositary shall receive the deposited stocks, bonds and coupons, or other securities, and shall hold the same respectively subject to the order and control of the Managers.

The Managers may in their discretion fix or limit the period or periods within which holders of bonds, coupons or stock or other securities, or any class thereof, may deposit their securities, and within which they may become parties to the plan and this agreement, and in their discretion, either generally or in special instances, may extend or renew the period or periods so fixed or limited on such terms and conditions as they may see fit.

Holders of securities not deposited within the periods respectively fixed or limited therefor, will not be entitled to deposit the same or to become parties to this agreement or to share in the benefits thereof, and shall acquire no rights thereunder, except upon obtaining the express consent of the Managers, who may withhold or give such consent in their absolute discretion and upon such terms and conditions as they may see fit.

Second. The Depositors hereby irrevocably request the Managers to endeavor to carry into practical operation the plan and this agreement in its entirety or in part, to such extent and in such manner and with such additions, exceptions and modifications as the Managers shall deem to be for the best interests of the Depositors or of the properties finally embraced in the readjustment or reorganization. Each and every Depositor, for himself and not for any other, does hereby sell, assign, transfer and set over to the Managers as copartners, and to the survivor and survivors of them and to their successors, each and every bond, coupon, share of stock, security or obligation or evidence thereof deposited hereunder, and every Depositor hereby agrees that the Managers shall be, and they are hereby, vested with all the rights and powers of owners of the stocks, bonds, coupons, securities, and obligations deposited hereunder, including the right to transfer the same into their own names, as copartnerships and as Managers, or into the name of any other person or persons whom they may select; and (without limiting the foregoing provision) it is hereby declared that the Managers shall be fully authorized to vote thereon at any meeting of stockholders, or bond or certificate holders or creditors; to use every such stock, bond, coupon security or obligation as fully and to the same extent as the owner or holder thereof; to declare due the principal of any bond or other obligation deposited hereunder, and to revoke any such declaration whenever made; to call or attend, and, either in person or by proxy, to vote at any and all meetings of stockholders, bondholders, or creditors of any corporation however convened; to terminate or to seek to dissolve or modify any trust, contract or lease, in whole or in part; to apply for the determination of the validity thereof, or for the removal of any trustees or the substitution of other trustees, or to take any other steps in respect of any trust, contract, or lease or under any provision thereof; to purchase at any time or times, at such prices as they shall deem proper, or to pay, compromise, or settle with the holders of any coupons, notes, or other indebtedness of any of the railroad companies heretofore known as part of the Baltimore & Ohio Southwestern system, and to apply for that purpose any moneys in any manner received or raised by them; to borrow money for any of the purposes of this agreement, and to charge or pledge any deposited securities, property purchased, or new securities to be issued or delivered hereunder for the payment of any money borrowed; to give all bonds of indemnity or other bonds, and to charge therewith the securities deposited hereunder, or any part thereof; to institute or to become parties to any legal proceeding; to apply for receivers, or for the removal of receivers and the substitution of other receivers, or for the termination of any receivership and the delivery of any property to its owners; to settle any litigation now or at any time existing or threatened in whole or in part, with plenary power to enter into arrangements for decrees, or for facilitating or hastening the course of litigation, or in any way to promote the consummation of the plan; to do whatever, in the judgment of the Managers, may be necessary to promote or to procure the sale as an entirety or the joint or separate sales of any property or franchises herein concerned wherever situated; to adjourn any sale of any property or franchises, or any portion or lot thereof, at discretion; to bid or to refrain from bidding at any sale, either public or private, either in separate lots or as a whole, for any property or franchises or any part thereof, whether or not owned, controlled, or covered by any deposited security, including or excluding any particular rolling stock or other property, real or personal; and at, before, or after any sale to arrange and agree for the resale of any portion of the property which they may decide to sell rather than to retain; to hold any property or franchises purchased

by them either in their name or in the name of persons or corporations by them chosen for the purposes of this agreement, and to apply any security embraced hereunder in satisfaction of any bid or towards obtaining funds for the satisfaction thereof; and the term "property and franchise" shall include any and all railroads, railroad and other transportation lines, branches, leaseholds, lands, rights in lands, mining rights, stocks, or other interests in corporations in which any of the railroads now or hereafter embraced in the plan has any interest of any kind whatever, direct or indirect. The amount to be bid or paid by the Managers for any property or franchises shall be absolutely discretionary with them; and, in case of the sale to others of any property or franchises, the Managers may receive, out of the proceeds of such sale, or otherwise, any dividend in any form accruing on any securities held by them.

Third. The Managers may, without any reorganization or consolidation of the companies whose securities shall be deposited hereunder, sell or otherwise dispose of the deposited bonds and stocks in exchange for the new securities to be delivered to the Depositors as provided in the plan, or they may procure the organization of one or more new companies, or they may adopt or use any existing or future companies, and they may cause to be made such consolidations, leases, sales, or other arrangements, and may make or cause to be made such conveyances or transfers of any properties or securities acquired by them, and may take such other proceedings as they may deem proper for the purpose of carrying out all or any of the provisions of the plan and this agreement. The Managers shall further be authorized to receive and dispose of, in accordance with any of the provisions of this plan and agreement, the new securities to be issued or delivered under this plan in exchange for the deposited bonds and stocks.

Fourth. The Managers may construe the plan and this agreement; and their construction thereof or action thereunder, in good faith, shall be final and conclusive. They may supply any defect or omission, or reconcile any inconsistency in such manner and to such extent as shall be necessary to carry out the same properly and effectively, and they shall be the sole judges of such necessity. They shall be the sole and final judges as to when and whether the assent of enough parties interested in the several railroad companies shall have been obtained to warrant them in declaring the same or any part thereof operative, or in carrying the same or any part thereof into effect, and they shall have power whenever they shall deem proper, at any time before the new securities shall have been issued and delivered to the Depositors, to abandon or to alter, modify or depart from, the plan or any part thereof. They may at any time or times, after any such partial abandonment, restore to the plan any abandoned part or parts thereof, and may seek to carry the same into effect, as fully as if such part or parts had not been abandoned. They may also attempt to carry the plan into effect rather than abandon or modify the same, even though it be manifest that, as carried out, the plan must depart from the original plan or from some part thereof. But in case of any intentional change or modification or departure from the plan, which, in their judgment, shall materially affect any of the several classes of Depositors or their mutual relations, a statement of such proposed change, modification, or departure shall be filed with the Depositary in New York and also with its agent, the London & Westminster Bank (Limited), in London, and notice of the fact of such filing shall be given as hereafter provided in article twelfth; and within two weeks after final publication all holders of the outstanding certificates for such particular class or classes of securities affected thereby may surrender their respective certificates therefor and withdraw securities of such particular class or classes, or the proceeds thereof, or substitutes therefor then under the control of the Managers, to the amount indicated in such certificates without expense to the Depositors. Every Depositor of securities not so surrendering and withdrawing within such two weeks after final publication shall be deemed to have assented to the proposed changes or modifications, and, whether or not otherwise objecting, shall be bound thereby as fully and effectively as if he had actually assented thereto. Any changes or modifications finally made by the Managers shall be part of the plan and this agreement; and all provisions and references concerning the plan shall apply to the plan so changed or modified. In every such case of withdrawal any cash advanced to Depositors, and any interest paid or advanced to holders of certificates of deposit in respect of deposited bonds, represented by such certificates of deposit, or in respect of the new bonds to be issued and delivered in exchange therefor under the plan, must be repaid, if the Managers so require, by the holders of such certificates before the deposited bonds represented by such certificates of deposit shall be surrendered in exchange therefor; but any interest collected by the Managers on deposited securities will, in case of such withdrawal, be accounted for by the Managers to the holders of the certificates of deposit for such securities. In case the Managers shall finally abandon the entire plan, the stocks and bonds and coupons deposited hereunder or their proceeds, or

any stocks, bonds, coupons, securities, or claims, or representatives thereof, then under the control of the Managers, shall be delivered to the several Depositors in amounts representing their respective interests upon surrender of their respective certificates of deposit without expense to the Depositors.

Fifth. The Managers may proceed under the plan and this agreement or any part thereof with or without foreclosure, and in case of foreclosure may exercise any power, either before or after foreclosure sale; and in every case all the provisions of the plan and this agreement shall equally apply to and in respect of any physical properties embraced under the readjustment or reorganization and to and in respect of any securities representing any such property, it being intended that for all purposes thereunder any such property, and any securities representing such property, may be treated by the Managers as substantially identical. In case any separate plan shall in the opinion of the Managers become necessary or expedient to effect the reorganization of any subordinate or other company, the Managers may promote and participate in any such reorganization and may deposit thereunder any securities thereby affected.

The Managers may, if they deem it expedient, arrange for the consolidation of the various railroad lines comprised in the Baltimore & Ohio Southwestern system—or without foreclosure or consolidation of any of said lines they may transfer or deliver to the new company the securities deposited hereunder in exchange for the new securities to be issued and delivered by the new company as consideration therefor.

Any action contemplated in the plan and this agreement to be performed on or after completion and readjustment, reorganization, or consolidation may be taken by the Managers at any time when they shall deem the reorganization or consolidation advanced sufficiently to justify such course, and the Managers as they may deem necessary may defer the performance of any provision of the plan and this agreement, or may commit such performance to the new company.

They may also in their discretion set apart and hold in trust, or place in trust with any trust company, any part of the new securities to be issued or delivered by the new company hereunder, and cash which may be received from sales of such new securities or otherwise, as they may deem judicious for the purpose of securing the application thereof for any of the purposes of the plan and this agreement.

Sixth. From time to time, for the purpose of carrying this agreement into effect, or of obtaining assents thereto, the Managers, either generally or in specific instances, may make contracts with any person, syndicate, or corporation, and, in their discretion, either generally or in specific instances, and upon such general or special terms and conditions as they may deem proper, may arrange to procure the deposit of securities hereunder; they may also, from time to time, by loan, guaranty, or by sale of the new securities to be issued or delivered, or otherwise, upon such terms, conditions, and rates as said Managers may deem proper, obtain any moneys required to carry out the plan and this agreement; and for the performance of any contract said Managers may charge the deposited securities and the new securities to be issued, and may pledge the same for the payment of any moneys borrowed and interest thereon and other performance of any other obligations incurred under the powers herein conferred. The Managers may employ counsel, agents, and all necessary assistance, and may incur and discharge any and all expenses by them deemed reasonable for the purpose of this agreement. They may prescribe the form of all securities, mortgages, and all instruments at any time to be issued or entered into. They may create and provide for all necessary trusts, and may nominate and appoint trustees thereunder. The Managers may, at public or private sale, or otherwise, dispose of any bonds and trust certificates for stock of the new company left in their hands because of any failure to make deposit hereunder.

In so disposing of any such new securities thus left in their hands, they may use the same or the proceeds thereof for the purpose of carrying out the reorganization in such manner as they may deem expedient and advisable. At the time of the creation of the new securities, or as soon thereafter as may be, the Managers may take such action (either by creating lesser amounts of securities, or otherwise) as they may deem necessary to guard against the issue of such particular securities in any manner or to any extent inconsistent with the purposes of the plan.

Seventh. The said firms of Speyer & Co. and Kuhn, Loeb & Co., of New York, and Speyer Bros., of London, shall be the Managers under this agreement. So far as practicable the three firms as such Managers shall act and concur in all steps and proceedings hereunder, but, in the event of the three firms not concurring, the concurrent action of any two of said firms shall be the action of the Managers, and no action shall be taken except with the assent of at least two of said three firms. The said firms as Managers shall each act as a copartnership, and, in case of any change in either of said firms, the respective firms of Speyer & Co., Kuhn, Loeb & Co., and Speyer Bros., or their respective successor firms, as from time to time constituted,

shall continue as Managers, with all the powers, rights, and title vested in the Managers hereunder. Neither the Managers nor the Depositary assume any personal responsibility for the execution of the plan, or of this agreement, or any part of either, nor for the result of any steps taken or acts done for the purposes thereof; the Managers, however, undertaking in good faith to endeavor to execute the same. No Depositary, nor any of the Managers, shall be personally liable for any act or omission of any agent or employee selected in good faith, nor for any error of judgment or mistake of law, nor in any case except for his, its or their own individual willful malfeasance or neglect, and no Depositary or any of the Managers shall be personally liable for the acts or defaults of any other Depositary or Manager or of any trust company. The Managers may act through any committee or agents, and may delegate any authority, as well as discretion, to any such committee or agent, and the members of such committee or such agents may be allowed a reasonable compensation for their services hereunder. The Managers shall be entitled to compensation for their services, which shall be fixed by agreement between the Managers and the board of directors of the new company, and, as so fixed, shall be finally binding and conclusive upon all parties. The Managers shall have the right to form or procure the formation of any syndicate or syndicates which they may deem necessary or advantageous for carrying out the purposes of the plan, and may act as Managers of such syndicate or syndicates. Any of said firms or any member thereof or any Depositary may be or become pecuniarily interested in any contracts, property, or matters which this agreement concerns, including participation in or under any syndicate agreement, as syndicate managers, or otherwise, whether or not mentioned in the plan. Any direction given by the Managers shall be full and sufficient authority for any action of the Depositary or of any trust company or of any other custodian or of any committee or agent.

Eighth. The Managers may negotiate and contract with any and all companies or persons for obtaining or granting running powers, terminal facilities, exchanges of property, or any other convenience which they may deem necessary or desirable to obtain or to grant, and may make contracts therefor, and generally may ratify and make such purchases, contracts, stipulations, or arrangements as will in their opinion operate directly or indirectly to aid in the preservation, improvement, development, or protection of any property now constituting or known as part of the Baltimore & Ohio Southwestern Railroad System, or to prevent or avoid opposition to or interference with the successful execution hereof.

Ninth. The accounts of the Managers shall be filed with the board of directors of the new company within one year after its organization shall have been completed, unless a longer time be granted by the said board. The accounts, when approved by such board of directors, shall be final, binding, and conclusive upon all parties having any interest therein, and thereupon the Managers shall be discharged. The acceptance of new securities by any Depositor shall estop such acceptor from questioning the conformity of such securities in any particular to any provisions of the plan; and the acceptance of new securities by the holders of a majority in amount of the certificates of deposit for any class of securities shall in each case respectively estop all holders of certificates of deposit for securities of that class.

Tenth. The enumeration of specific powers hereby conferred shall not be construed to limit or to restrict general powers herein conferred or intended so to be; and it is hereby distinctly declared that it is intended to confer on the Managers, in respect of all securities deposited or to be deposited, and in all other respects, any and all powers which the Managers may deem necessary or expedient in or toward carrying out or promoting the purposes of the plan and this agreement in any respect, even though any such power be apparently of a character not now contemplated; and the Managers may exercise any and every such power as fully and effectively as if the same were herein distinctly specified, and as often as, for any cause or reason, they may deem expedient. The methods to be adopted for or toward carrying out this agreement shall be entirely discretionary with the Managers.

The bonds, coupons, and other obligations deposited under the plan and this agreement, and all securities, obligations, or claims purchased or otherwise acquired under this agreement, shall remain in full force and effect for all purposes, and shall not be deemed satisfied, released, or discharged by any delivery of new securities; and no legal right or lien shall be deemed released or waived, but said bonds and other claims, and any judgment upon any of such claims, including claims and judgments for deficiencies, and all liens and equities, shall remain unimpaired, and may be enforced by the managers or by the new company or by any other assign of the Managers until paid or satisfied in full or expressly released. Neither the Managers nor any bondholders or creditors of any of the railroad companies embraced in the plan, by executing this agreement, or by becoming parties thereto, release, surrender, or waive any lien, right, or claim in favor of any stockholders of other creditors of such company,

and all such liens, rights, or claims shall vest unimpaired in the Managers and in the new company, or its assigns, severally and respectively; and any purchase or purchases by or on behalf of the Managers, or the new company, under any decree for the enforcement of any such lien, right, or claim, shall vest the property purchased in the Managers or the new company free from all interest or claim on the part of any such stockholders, creditors, or other parties. No right is conferred, nor any trust, liability, or obligation (except the agreements herein contained in favor of the holders of certificates of deposit hereunder) is created by the plan and this agreement, or is assumed hereunder, or by or for any new company in favor of any bondholder, or any other creditor, or of any holder of any claim whatsoever against any of the railroad companies embraced herein, nor in favor of any company now existing or to be formed hereafter (whether such claim be based on any bonds, coupons, stocks, securities, lease, guaranty, or otherwise), with respect to any securities deposited under this agreement, or any moneys paid to or received by the Managers or by the Depositary hereunder, or with respect to any property acquired by purchase at any foreclosure sale, or with respect to any new certificates to be issued hereunder, or with respect to any other matter or thing.

Eleventh. All moneys paid under or with reference to the plan and this agreement shall be paid over to the managers, who shall as bankers hold the same subject to application for any of the purposes of the plan and this agreement as may be most convenient, and as from time to time may be determined by the managers, whose determination as to the propriety and purpose of any such application shall be final, and nothing in the plan shall be understood as limiting or requiring the application of specific moneys to specific purposes. Any obligation in the nature of floating debt or otherwise against any company or property embraced in the plan either as proposed or carried out, or any securities held as collateral for any such obligation, may be acquired or extinguished or held by the Managers at such time, in such manner, and upon such terms as they may deem proper for the purposes of the reorganization, but nothing in the plan and this agreement contained is intended to constitute, nor shall it constitute, any liability or trust in favor or in respect of any such obligation.

Twelfth. All notices fixing or limiting any period for the deposit of securities and all other calls or notices hereunder, except when herein otherwise expressly provided, shall be published in two daily papers of general circulation published in the city of New York, and in two daily papers of general circulation published in the city of London, twice in each week for two successive weeks, beginning on any day of the week. Any call or notice whatsoever when so published by the Managers shall be taken and considered as though personally served on all parties hereto and upon all parties bound hereby, as of the respective dates of insertion thereof, and such publication shall be the only notice required to be given under any provision of this plan and agreement. When a call or notice shall have been advertised, as above specified, in New York or in London, publication shall be complete as regards all holders of certificates of deposit issued by the Depositary in the city in which such publication shall have been made, and no further publication shall be required in such city.

Thirteenth. The consummation of this plan and agreement is conditional upon the assent thereto of the Baltimore & Ohio Railroad Co., as reorganized, and the issue by it of the proposed new bonds and stocks to be delivered in exchange for the securities deposited hereunder and for other purposes hereof. Unless the Baltimore & Ohio Railroad Co., as reorganized, shall accept this plan and agreement as now proposed or as modified by the Managers pursuant to the terms hereof, and issue and deliver such new bonds and stocks within one year from the date hereof, this plan and agreement will be abandoned, and the deposited securities will be returned to the holders of certificates of deposit therefor upon the surrender of such certificates of deposit, without expense to the Depositors, unless some modification of the plan and agreement be approved by the Depositors after due notice and an opportunity to withdraw the deposited securities have been given, as herein provided.

Fourteenth. The plan and this agreement shall bind and benefit the several parties, including the Depositors hereunder, their and each of their survivors, heirs, executors, administrators, successors, and assigns.

In witness whereof the Managers and the Mercantile Trust Co. have caused these presents to be duly executed the day and year first above written, and the parties of the second part have become parties hereto by depositing their securities and accepting certificates of deposit therefor hereunder.

THE FACTS CONCERNING THE RECAPITALIZATION OF THE CHICAGO & ALTON RAILROAD CO.

In view of the evident misunderstanding of the facts respecting the recapitalization of the Chicago & Alton Railroad Co. resulting from the recent inquiry by the Interstate Commerce Commission, the following statement of facts, which has been prepared primarily for the information of the holders of Chicago & Alton securities, is authorized on behalf of the syndicate which acquired control of the property in 1899:

Early in the year 1899 over 97 per cent of the capital stock of the Chicago & Alton Railroad Co. was acquired by the purchasing syndicate at an aggregate cost of over \$39,000,000 at the rate of \$175 a share for the common and \$200 a share for the preferred stock, in response to an offer to all stockholders contained in a widely published circular. That the stockholders at that time were fully apprised of the future course of the company with respect to the capitalization of previous expenditures of income for permanent improvements and the declaration of a substantial dividend therefrom, is shown by the following public circular which, in February, 1899, was addressed to the stockholders by Mr. T. B. Blackstone, who for upward of 20 years had been the president and moving spirit of the Chicago & Alton Co:

FEBRUARY, 1899.

To Chicago & Alton Stockholders:

In my communication addressed to you under date of 31st of January [1899], I made certain statements with reference to an offer made by Mr. J. J. Mitchell to purchase your shares. I now wish to supplement that statement by advising you that in case a majority of the shares of the company are not sold to the syndicate represented by Mr. Mitchell, I shall advise that you authorize the refunding of the outstanding bonds of the company and the issue of a stock dividend to represent earnings heretofore invested in permanent improvements.

T. B. BLACKSTONE.

The syndicate comprised upward of 100 individuals, firms, and corporations, and for over a year certificates representing participations in this syndicate were dealt in upon the open market. The plan of recapitalization was intended to create low interest bearing preferred securities (bonds and preferred stock) based upon the past earnings of the property, which preferred securities were to represent the greater part of the syndicate's investment; and also common stock which would represent the future of the property and the additional earning capacity which was expected to result from the application of progressive methods of management and a liberal expenditure of new capital for the improvement of the property and the expansion of traffic and of the service to the public. Every step in the recapitalization was taken publicly, under the advice of eminent counsel, and all the facts stated below and all the facts brought out in the recent investigation have been publicly stated in applications for listing the securities upon the New York Stock Exchange, in annual reports of the company and in other public documents which have been accessible to everybody.

The complicated legal and bookkeeping technicalities incident to the scheme of readjustment have been misunderstood, with the result that the increase in capitalization and the profits of the syndicate have been absurdly overestimated.

On December 31, 1898, immediately prior to the acquisition of control by the syndicate, the market value of the securities representing the capitalization of the Chicago & Alton Railroad Co. was substantially as follows:

Par value:

\$8,650,850 high interest bearing bonds (market value, say, at 105 per cent).....	Market value. \$9,083,392.50
\$3,693,200 guaranteed stocks (including \$1,750,000 6 per cent preferred stock and \$114,200 common stock of Kansas City, St. Louis & Chicago R. R. Co., outstanding in the hands of the public but not taken up in the report of 1898) at 150 per cent.....	5,539,800.00
\$3,479,500 7 per cent preferred stock (at 200 per cent); \$18,751,100 7 per cent common stock (at 175 per cent).....	39,773,425.00

Total value as of Dec. 31, 1898..... 54,396,617.50

To this amount should be added the subsequent expenditures for improvements and additions, as follows:

Actual cost of Springfield & Peoria line, about.....	3,000,000.00
Cash spent subsequent to Dec. 31, 1898, for improvements, new equipment, reconstruction, etc., up to June 30, 1906, about..	19,500,000.00

Total investment on cash basis. about..... 76,896,617.50

As the result of the recapitalization and capital expenditures the amounts of securities outstanding on June 30, 1906, were as follows:

\$37,350,000, par value, 3 per cent bonds representing a value at the average price realized, say 90 per cent (the remaining \$3,000,000 bonds of this issue being pledged to secure notes mentioned below or being held in the treasury), about.....	\$33,615,000.00
\$22,000,000, par value, 3½ per cent bonds actual value at average price, say 82½ per cent, about.....	18,150,000.00
\$8,016,918, par value, notes and car trusts, value say.....	7,800,000.00
\$3,693,200, par value, guaranteed stock, cash value say 150, same as in 1898.....	5,539,800.00
\$899,300, par value, 4 per cent prior lien stock, at par.....	899,300.00
\$19,544,000, par value, 4 per cent preferred stock, at par.....	19,544,000.00
\$19,542,800, par value, common stock, at par.....	19,542,800.00
Total capitalization.....	105,090,900.00

This shows an increase, as compared to December 31, 1898, of about \$28,000,000, taking the new common and preferred stock at par. As a matter of fact, these stocks have always sold considerably below par. At its issue the common stock sold at about 33 and the preferred stock at about 70.

The fixed charges on the outstanding securities under the recapitalization, including full dividends upon the preferred stock, are less than the aggregate amount which, under the former management, the company had been paying out annually by way of interest and dividends, plus interest upon the new capital expended for improvements and additions. This appears from the following comparison:

For the year ending Dec. 31, 1898, the amount paid out by the company by way of interest upon its funded debt, rentals, and dividends (7 per cent) upon its capital stock (after crediting \$231,232 interest and dividends collected on bonds and stocks owned by the company) was.....	\$2,339,448.05
The annual fixed charges as of June 30, 1906, including interest upon all obligations, rentals, and 4 per cent dividends upon the preferred stock (after crediting \$240,000 interest on bonds owned by the company) were.....	3,228,864.69

An increase of.....	889,416.64
This increase is considerably less than interest at 4½ per cent per annum upon \$19,500,000 of the new capital which the present management has expended upon the property and \$3,000,000 paid for the Springfield and Peoria line, which interest aggregates.....	1,012,500.00

It will thus be seen that the net result of the recapitalization was the creation of preferred securities consisting of bonds and preferred stock, the interest and dividends upon which absorb only such earnings as the company had already been paying out for many years under unprogressive management and unfavorable conditions. The common stock was created to represent the future of the property and the increased earning capacity which was expected to result from progressive management and a radical increase in the company's facilities. This was precisely the basis of capitalization which at that period was being applied in the readjustment and reorganization of many railroad enterprises in the United States. That the Chicago & Alton was in need of readjustment is apparent from the fact that for years it had been steadily deteriorating in physical condition, in the quality of its service to the communities along its lines, and in earning power.

The fact that the property has not made as large earnings upon the new common stock as was expected is due to the fact that the capital expenditures required to modernize the property proved to be much greater than was anticipated and also to the very great decline in freight rates in the company's territory which has taken place in the last few years. The official statements show an aggregate decline in the freight rates of the Chicago & Alton since 1898 of approximately 30 per cent as compared to present rates. Even with this decline it is estimated that in the current fiscal year the Chicago & Alton will make substantial earnings on its common stock.

With respect to the sale of 3 per cent bonds in 1899 at 65, it is pointed out that the bonds were sold, not to favored individuals, but without discrimination to all stockholders, including the large number of holders of syndicate participations, and that the sale of both bonds and stock to stockholders at less than market value has been a common and generally approved expedient. While the low interest rates which pre-

vailed in 1899, and the fact that the bonds became savings bank investments, made it possible to market them at a substantial profit, the stockholders, in taking them at 65, took them upon an interest basis of about $4\frac{1}{2}$ per cent per annum. In other words, the effect of the transaction, so far as the company was concerned, was precisely the same as if 5 per cent bonds had been sold to the stockholders at a price slightly above par.

That the public has enormously benefited from the improvement of the property and the application of progressive methods to its management is shown by the fact that since 1898 the volume of freight traffic upon the Chicago & Alton has more than doubled, while the amount of freight carried for every dollar paid out in interest and dividends has increased more than 80 per cent. The capacity of the freight equipment has been increased over 200 per cent, that of the passenger equipment nearly 100 per cent, and the traction capacity of locomotives over 130 per cent.

In capitalizing part of the company's expenditures for improvements and distributing \$6,669,180 of this addition to surplus by way of an extra dividend of 80 per cent upon the old stock, the directors were simply carrying out the purpose of the former management of the company, as contemplated in the public circular of Mr. Blackstone, quoted above.

An apparent misapprehension has resulted from the testimony of a witness that the mortgage securing the $3\frac{1}{2}$ per cent bonds covered, as an unimportant part of the security a short piece of road which the company was authorized to build, but which had not been actually constructed. This provision is in accord with the common practice with respect to general mortgages of railroad companies and it conferred no pecuniary advantage whatsoever on any one.

For the information of bondholders it is stated that eminent counsel have advised that there is not the slightest doubt as to the validity of both issues of bonds. Copies of counsel's opinion will be furnished to bondholders upon application to the president of the company.

CHICAGO, January 31, 1899.

To the stockholders of the Chicago & Alton Railroad Co.:

John J. Mitchell, of Chicago (the undersigned), has entered into a certain agreement, dated January 28, 1899, and lodged with the United States Trust Co. of New York, providing for the purchase, upon the terms and conditions thereof, by certain parties therein named, of any or all of the outstanding capital stock of the Chicago & Alton Railroad Co. Said agreement is conditioned, among other things, upon the acceptance of the offer of the said parties to so purchase, by the holders of a majority of the outstanding capital stock, irrespective of classification, on or before March 1, 1899. The terms of purchase are at the rate of \$200 per share for each share of preferred stock and \$175 per share for each share of common stock. The agreement provides also that without the mutual consent of the parties thereto there shall be no sale unless a majority accept the offer as stated in the agreement. Stockholders may inspect the original agreement so lodged with the United States Trust Co.

The agreement also provides:

1. That the acceptance of shareholders shall be evidenced by the deposit of share certificates duly indorsed in blank with said United States Trust Co., for which said trust company shall issue negotiable receipts to depositors, subject to the terms and conditions of the said agreement.

2. That if said majority aforesaid shall have been deposited with said trust company on March 1, 1899, then, and in that event, the time for remaining holders of common or preferred stock to accept said offer and deposit their certificates with said trust company shall be extended to and including April 1, 1899.

3. That persons away from home or outside of the United States shall have until and including June 1, 1899, to deposit their stock, provided notification is given to the United States Trust Co., by or for them, on or before April 1, 1899, that they accept the offer to purchase and that they will deposit their stock indorsed in blank with said United States Trust Co. on or before June 1, 1899; also that guardians, trustees, executors, or administrators who are without power to accept said offer and deposit their stock without an order of court shall likewise have until June 1, 1899, to accept the same and to deposit their certificates indorsed in blank with said United States Trust Co., provided notification is given said trust company, by or for them, on or before April 1, 1899, of their intention, if authorized by order of court, to accept the said offer and to deposit their stock indorsed in blank as aforesaid on or before June 1, 1899, and of their purpose to present to the proper court a petition asking for authority to accept said offer and to deposit their stock subject to the terms of said agreement.

4. That if such purchase be consummated payment for all stock sold shall be made

at the office of said United States Trust Co. on or before March 15, 1899, but that from the purchase price shall be deducted any and all dividends declared and paid subsequent to the date of the said agreement, and also the necessary internal-revenue taxes. Thereafter payments for additional stock, deposited within the limitation of time provided in the agreement shall be made within three days of deposit.

The undersigned, in view of the said offer, herewith submits the same to the stockholders of the Chicago & Alton Railroad Co., with the suggestion that stockholders promptly consider the same, and in the event of acceptance, forward their certificates indorsed in blank to the said United States Trust Co.

I inclose herewith blank form of letter for use by those desiring to deposit their stock.

I also inclose blank form of letter addressed to the secretary of the company so that the undersigned may be advised of the receipt by you of this communication.

Respectfully,

JOHN J. MITCHELL.

The foregoing is upon the request of the parties to said agreement, submitted to the stockholders by the unanimous order of the board of directors.

Respectfully,

H. E. R. WOOD, *Secretary.*

CHICAGO & ALTON SYNDICATE.

[Syndicate agreement of March 2, 1899.]

The United States Trust Co. of New York is prepared to deliver on or after October 25, 1900, in settlement of Chicago & Alton purchase money certificates, for each \$1,000 face value of such certificates, \$375 face value of temporary certificates of interest for Chicago & Alton Railroad Co., 3 per cent refunding 50-year gold bonds; \$500 face value of Chicago & Alton Railway Co. first lien $3\frac{1}{2}$ per cent gold bonds; \$400 face value of Chicago & Alton Railway Co. 4 per cent noncumulative preferred stock; \$250 face value of Chicago & Alton Railway Co. common stock; \$10 cash (including adjustment of interest to July 1, 1900).

The certificates of interest for Chicago & Alton Railroad Co. 3 per cent refunding 50-year gold bonds provide for the right of sale until July 1, 1901, of all or any part of the bonds which have been deposited with the United States Trust Co. of New York, at the price of 95 per cent and accrued interest. If the bonds remain unsold, the certificates of interest are to be exchanged for the actual bonds on and after July 1, 1901. If sold, the certificates will be redeemed in cash on or before the above date, at 95 per cent and the accrued interest from April 1, 1900; if only part are sold, redemption will be made proportionally in cash and bonds. These 3 per cent refunding bonds certificates of interest, as well as the Chicago & Alton Railway Co. $3\frac{1}{2}$ per cent coupon bonds are of the denomination of \$1,000 each, and the shares are of the par value of \$100 each. Holders entitled to fractional amounts of certificates, bonds or shares, can either sell the fractions or can purchase sufficient to entitle them to an entire certificate, bond, or share. Holders transmitting Chicago & Alton purchase money certificates by mail or express should indicate whether they wish to sell or purchase fractional amounts, and whether they wish the securities sent by registered mail or express at their expense and risk.

NEW YORK, *October 22, 1900.*

CHICAGO & ALTON SYNDICATE—NEW SECURITIES.

Chicago & Alton Railroad Co. 3 per cent refunding 50-year gold bonds, due 1949.—Total authorized amount \$40,000,000, of which \$31,988,000 par value have been issued. These bonds are secured by mortgage dated October 1, 1899, to the Illinois Trust and Savings Bank as trustee. Out of the proceeds of the bonds already issued, the prior bonds which matured during this year have been paid off, and funds have also been deposited with the United States Trust Co. of New York to redeem the principal, and to pay the interest thereon until maturity of all outstanding prior bonds amounting to \$6,789,850 face value.

The privilege of subscription was exercised for the syndicate in respect of its holdings at the time the refunding bonds were offered to the railroad company's shareholders. Of the bonds received for syndicate account, a sufficient amount has been sold to provide, together with dividends received, the funds for the cash requirements of the syndicate. The bonds now distributable among certificate holders represent the balance of the bonds subscribed for syndicate account.

The further issue of 3 per cent refunding mortgage bonds beyond the first \$40,000,000 is restricted to funding the existing leasehold obligations of the railroad company, now amounting to about \$233,000 net per annum, and to providing funds for building, completing, or acquiring additional railroad in extension of the present property, for which latter purpose an amount not exceeding \$10,000,000 may be issued, and to providing funds for future requirements and betterments undertaken or contracted for after January 1, 1900, for which purpose an additional \$5,000,000 may be issued. These additional bonds, over the \$40,000,000 now authorized, can only be issued when authorized by the holders of two-thirds of the outstanding preferred and common stock of the railroad company.

Of the 3 per cent refunding mortgage bonds subscribed for syndicate account a portion has been sold, and the remaining bonds have been deposited with the United States Trust Co. of New York against which negotiable receipts in the denomination of \$1,000 will be issued to the holders of Chicago & Alton purchase money certificates. The receipts provide for the right of sale until July 1, 1901, of all or any part of the deposited bonds at the price of 95 per cent and accrued interest. If the bonds remain unsold, the receipts are exchangeable for the deposited bonds on and after July 1, 1901. If the bonds are sold, the receipts will be redeemed in cash on or before the above date at 95 per cent and the accrued interest from April 1, 1900; and if only part of the bonds are sold redemption will be made proportionally in cash and bonds.

Chicago & Alton Railway Co. securities.—The Chicago & Alton Railway Co. was incorporated in April, 1900, under the laws of the State of Illinois, with a capital of \$20,000,000 noncumulative 4 per cent preferred stock and \$20,000,000 common stock. The preferred stock is entitled to noncumulative preferential dividends not exceeding 4 per cent annually, and the balance appropriated in any year to dividends goes to the common stock. The Chicago & Alton Railway Co. has acquired the railroad from Springfield to Peoria, formerly owned by the St. Louis, Peoria & Northern Railway Co., and it has leased the lines of the Chicago & Alton Railroad Co. for the term of 99 years from April 3, 1900, at a rental equal to the net earnings of the lines of the railroad company after payment of all fixed charges, taxes, etc. The new company has also purchased 183,224 shares of the common stock and 34,722 shares of the preferred stock of the Chicago & Alton Railroad Co. (out of a total of 187,511 shares of common and 34,795 shares of preferred stock outstanding).

The Chicago & Alton Railway Co. has also created an issue of \$22,000,000 first lien 3½ per cent gold bonds maturing July 1, 1950, but redeemable at par at any time on six months' notice. These bonds are secured by a mortgage to the Farmers' Loan & Trust Co. of New York, as trustee, mortgaging the railway line and the entire corporate property of the railway company including leaseholds and pledging 34,722 shares of preferred stock and 183,224 shares of common stock of the Chicago & Alton Railroad Co., certificates for which have been deposited with said trustee. This mortgage provides that the railway company as owner of stock of the railroad company will not give its consent to the issue of any of the refunding 3 per cent bonds of the Chicago & Alton Railroad Co. in excess of the \$40,000,000 now authorized, except when such additional issue is expressly authorized by a three-fourths vote of the entire board of directors of the railroad company and approved by a three-fourths vote of the entire board of directors of the railway company. All the bonds and the entire capital stock of the railway company have been issued with the exception of 4,572 shares of common and 4,560 shares of preferred stock, which have been reserved to acquire, if practicable, the 4,287 shares of common stock of the Chicago & Alton Railroad Co. outstanding in the hands of others than the railway company.

The position of the Chicago & Alton Railway Co. at this time is as follows:

Interest on \$31,988,000 Chicago & Alton R. R. Co. 3 per cent refunding mortgage bonds (assumed under lease).....	\$959,640.00
Annual net rentals of the Chicago & Alton R. R. Co.....	233,030.00
Interest on \$22,000,000 Chicago & Alton Ry. Co. first lien 3½ per cent bonds.....	770,000.00
Total requirements for fixed charges, including rentals..... ¹	1,962,670.00

The gross earnings of the Chicago & Alton Railroad Co. for the year ending June 30, 1900, during which year the road lacked much needed improvements and betterments which are now progressing, and suffered from want of equipment now acquired and in course of delivery were \$7,796,450; net earnings, \$2,964,628.

¹ The railroad and railway companies have agreed to take over on or before January 1, 1904, if previously not otherwise disposed of, the terminals in the city of Chicago, Ill., leased on October 1, 1898, to the St. Louis, Peoria & Northern Railway Co. by the Chicago Terminal Transfer Co., upon the terms and conditions of the agreement of lease between the two companies as modified by the supplemental agreement of May 25, 1899.

In the two months of the current year ending August 31, the gross earnings increased over 1899, \$432,551; and the net earnings increased over 1899, \$151,783.

In the above figures the earnings of the line from Springfield to Peoria are not included.

NEW YORK, October 25, 1900.

DISSOLUTION OF THE VOTING TRUST OF THE NORTHERN PACIFIC RAILWAY CO., NOVEMBER 12, 1900.

23 WALL STREET,
New York, November 12, 1900.

To the holders of trust certificates for the common and preferred capital stock of the Northern Pacific Railway Co.:

Pursuant to the plan for the reorganization of the Northern Pacific Railroad Co., dated March 16, 1896, and "in furtherance of the independent reorganization and administration of the property and to promote and protect the value of the securities of the new company," Messrs. J. P. Morgan & Co., as reorganization managers, delivered to the undersigned, as voting trustees, under the terms of an agreement dated December 1, 1896, the common and preferred capital stocks of the Northern Pacific Railway Co., for which our trust certificates have been issued and are now outstanding.

By the receipt of these Northern Pacific shares the voting trustees possessed and became "entitled to exercise all the rights of every name and nature, including the right to vote in respect of any and all such stock."

As stockholders of record, the voting trustees have received all dividends paid upon these shares and have caused the same to be distributed as received to the holders of the trust certificates.

In voting the stock held by them the voting trustees have exercised their best judgment, from time to time, in the selection of suitable directors, to the end that the affairs of the company should be properly managed.

The annual reports issued and distributed by order of the directors during the past four years to the holders of the trust certificates and various securities of the company have given prompt and full information to all parties in interest regarding the directors and officers selected, and the management thereby secured by the voting trustees in the exercise of their voting power and the administration of their trust.

Although the 1st day of November, 1901, was fixed as the date for the expiration of this trust, yet it was provided that at any time the voting trustees might call upon the holders of the stock trust certificates to exchange them for certificates of capital stock.

By reason of the evidences of financial strength, conservative management, skillful and profitable operation, superior physical condition of the property, and the reasonable prospect of continued prosperity of the Northern Pacific Railway Co., the voting trustees, in the exercise of their discretion, have decided to now terminate their trust and to distribute on January 1, 1901, the shares of stock they hold in exchange for their outstanding trust certificates.

The Northern Pacific Railway Co. has already declared 13 dividends upon its preferred stock and six dividends upon its common stock. Although its published statements of earnings and cash resources give evidence that the continuance of regular quarterly dividends, now established at the rate of 4 per cent per annum, upon both its common and preferred stocks, may be reasonably expected under its present management, yet a brief summary of the position of the company may be of interest to its proprietors at the present time.

MILEAGE.

On September 1, 1896, when the Northern Pacific Railway Co. received possession of its property, the railroad system consisted of a main line and branches aggregating 4,345.69 miles. On November 1, 1900, the total mileage owned and operated amounted to 5,666.52 miles, an increase of 1,320.83 miles, equivalent to an increase of 30.4 per cent in mileage owned and operated.

During the same period the miles of second track, spurs, and sidings have increased 575.39 miles, or 63.2 per cent, from 909.32 to 1,484.71 miles.

EQUIPMENT.

The increase in number of items constituting the equipment has been as follows:

Equipment.	Sept. 1, 1896.	Nov. 1, 1900.	Increase.	
			Number.	Per cent.
Locomotives.....	574	688	114	19.9
Passenger-train cars.....	438	582	144	32.9
Freight-train cars.....	18,032	25,130	7,098	39.4
Miscellaneous equipment.....	465	652	187	40.2
Total.....	19,509	27,052	7,543	38.7

While the increase in total number is 38.7 per cent, the increased horsepower of the road locomotives is 62.2 per cent, and the increased capacity of the freight trains is 70.6 per cent, by reason of the purchase of heavier power and the reinforcement and purchase of cars of larger capacity.

The average trainload of revenue freight increased in the same period 69.57 per cent, from 193.52 to 328.16 tons.

LAND GRANT.

Instead of holding the lands at prices that were high compared with the prices asked for adjoining Government lands, the policy of selling at much reduced rates has been vigorously carried out with great success, thereby reducing the company's taxes, stopping the interest on "land-grant" bonds retired, and increasing the population and tonnage tributary to the railroad system.

The acreage of the lands granted by the United States to the Northern Pacific Railroad Co. has been thus reduced over 34 per cent, from about 34,000,000 to about 22,000,000 of acres, as will be seen by the following details of unsold lands:

Locations.	Dec. 1, 1896.	Sept. 30, 1900.	Decrease in acres.
Minnesota.....	1,336,154	442,796	893,358
North Dakota.....	6,851,987	1,267,780	5,584,207
Montana.....	15,801,143	13,270,271	2,530,872
Idaho.....	1,832,493	1,633,272	199,221
Washington.....	8,670,333	6,129,934	2,540,399
Oregon.....	146,763	29,197	117,566
Total acres.....	34,638,873	22,773,250	11,865,623

Under the terms of the mortgages issued by the Northern Pacific Railway Co. the net proceeds of the land grant are now applicable to the extent of one-half, but not exceeding \$500,000 in any one year, to the purchase at not exceeding 110 per cent and the cancellation of prior lien 4 per cent bonds; and when these are not obtainable, then to the purchase at not exceeding 100 per cent and the cancellation of general lien 3 per cent bonds. The remaining half of the proceeds are to be used for betterments and additions to the mortgaged property.

Since the cancellation of all the mortgages securing the "land-grant" bonds of the old Northern Pacific Railroad Co. the proceeds of land sales have been applied as above provided, and \$1,282,500 of prior lien bonds have been purchased and canceled.

CAPITALIZATION AND FIXED CHARGES.

During the same period of increased assets and earning power the mortgage debt and fixed interest charges have been increased as follows:

Date of balance sheet.	Mortgage debt.	Average rate of interest.	Annual interest charges
		<i>Per cent.</i>	
June 30, 1900.....	\$171,346,596	3.79	\$6,497,655
Sept. 1, 1896.....	156,157,500	3.98	6,217,320
Changes.....	15,189,096	.19	280,335

While the mortgage debt has been increased 9.72 per cent and the fixed annual interest charges 4.51 per cent, the average rate of interest on the entire mortgage debt, both that of original issue and that assumed, has been reduced 4.8 per cent.

By reason of the application of the proceeds of land sales to the payment of "land-grant" bonds and the acquisition and construction of additional mileage during the period from September 1, 1896, to June 30, 1900, the capitalization per mile has been reduced \$11,623 per mile, or 16.16 per cent.

ADVANCE IN PRIORITY OF MORTGAGE LIENS.

Since September 1, 1896, all the then outstanding bonds of the old Northern Pacific Railroad Co. assumed to be paid by the new Northern Pacific Railway Co.—being \$1,776,000 Missouri River division sixes, \$16,142,000 general first-mortgage sixes, \$17,918,000 in all—have been retired and their mortgages discharged of record.

The prior lien 4 per cent bonds have thus become a first lien, by direct mortgage or through the ownership of securities, upon 4,975.04 miles of main line and branches, including extensive terminal properties at the several termini on Lake Superior and Puget Sound, upon the entire Northern Pacific Railroad land grant and all the equipment of the Northern Pacific Railway Co., exclusive of the St. Paul & Northern Pacific and St. Paul & Duluth divisions, upon which, subject to their existing underlying mortgages, the new bonds likewise have subsisting liens.

The general lien 3 per cent bonds have likewise been advanced in order of lien, so that they are now secured by a second mortgage upon the same property that secures the prior lien 4 per cent bonds and subject to the same exceptions stated.

EARNINGS.

The gross earnings for the fiscal year ending June 30, 1900, were.....	\$30,021,317
For the year ending June 30, 1896, they were.....	19,863,159

Being an increase of 51.14 per cent, or.....	10,158,156
--	------------

The net income for the same periods increased 105.39 per cent, being from \$7,527,913 to \$15,461,620.

Appropriations from net income have been made during the past three years to the extent of \$5,988,328 for new equipment and additions and betterments to the property.

Dividends have been declared upon both common and preferred shares to the aggregate amount of \$14,550,000.

Surplus revenues have been accumulated in cash, amounting on September 30, 1900 to \$7,273,248, of which \$3,000,000 cash was set aside in 1898 as a special reserve, until the end of 1901, to insure the continuity of dividends upon the preferred stock.

CASH WORKING CAPITAL.

On June 30, 1897, the current assets, exclusive of the betterment and enlargement funds, exceeded the current liabilities by \$5,258,592.

On September 30, 1900, the current assets, exclusive of the betterment and enlargement and insurance funds, and the special reserve of \$3,000,000 for continuity of dividends on preferred stock, exceeded the current liabilities by \$19,540,482, an increase of 271.6 per cent since June 30, 1897.

CASH AND CASH ASSETS.

The cash and available assets of the company on September 30, 1900, including the betterment and enlargement, preferred stock dividend and insurance funds, were as follows:

Cash.....	\$8, 856, 645
Accounts receivable.....	2, 607, 601
Materials on hand.....	2, 270, 928
Land contracts.....	2, 284, 990
Treasury securities:	
Prior lien bonds, \$9,894,000, at 100 per cent.....	9, 924, 000
General lien bonds, \$2,650,000, at 60 per cent.....	1, 590, 000
Miscellaneous bonds and stocks.....	7, 153, 854
Total present cash resources.....	34, 688, 018

With the exception of the interest on \$811,000 general lien bonds held by the insurance fund, the interest accruing upon the prior lien and general lien bonds held as treasury securities has not been included in either the fixed charges or the miscellaneous income of the company for the past fiscal year.

In addition to the above-described cash and convertible assets there are the following marketable bonds available, under the provisions of their respective mortgages, for new construction, betterments, equipment, and other purposes:

Prior lien 4-per cent bonds to the extent of not exceeding \$1,500,000 per annum.....	\$20, 500, 000
General lien 3 per cent bonds, as required for betterments, new construction, equipment, etc.....	4, 000, 000
St. Paul & Duluth Division 4 per cent bonds, for betterments and additions to this division.....	5, 502, 000
	30, 002, 000

BETTERMENT AND ENLARGEMENT FUND.

Under the plan of reorganization a cash fund amounting to \$5,073,964 was provided for early use in the betterment and enlargement of the property acquired by the new company. The entire amount of this fund has been expended for the purposes indicated:

Further cash and bonds have been received, from time to time, for similar improvements, pursuant to the provisions therefor under the terms of the prior lien mortgage, to the aggregate amount of.....	\$18, 028, 579
During the same period there has been expended from this additional fund, for new mileage, equipment, real estate, and improvements.....	9, 564, 065
Leaving Sept. 30, 1900, still available in cash and bonds for similar expenditures.....	8, 464, 514
After a total disbursement, as above described, of.....	14, 638, 029
	23, 102, 543

PHYSICAL CONDITION.

In addition to the large amounts charged to operating expenses during our period of trusteeship for improvements and additions to the property, there has been \$5,988,328 appropriated from net income during the past three years for these purposes.

The following details will indicate the amount and character of the expenditures made from September 1, 1896, to November 1, 1900, to place the property, exclusive of the proprietary companies, in condition for economical operation and maintenance:

Heavy steel rails laid on.....	miles..	1, 042
Added second track, spurs and sidings.....	do....	221
Embankments widened to 16 feet on.....	do....	1, 391
Roadway ballasted for.....	do....	1, 426
Replaced.....	ties..	7, 550, 000
Grades reduced, with incidental improvement of alignment and curvature, over engine districts aggregating.....	miles..	1, 700
Tonnage capacity of freight-train cars, increased.....	per cent..	70. 6
Horse-power capacity of road locomotives, increased.....	do....	62. 2

OPERATING RESULTS.

The increase of net income to the extent of 103.89 per cent in the past four years, while largely due to the improvement in general business, could not have been attained in the face of voluntary reductions in freight and passenger rates but for the decrease of expenses of transportation through the intelligent application of the best methods known in the science of railroad operation and engineering. The results of such methods are shown in the following comparative statistics for that period, by which it will be seen that invested capital, labor, and fuel have been utilized with an economy and profit seldom before shown in the solution of railroad problems of this country.

Although there has been in this period of four years an increase of 67.45 per cent in tons of revenue freight carried 1 mile, yet by increasing the tonnage loaded in each car 25.66 per cent and the number of loaded cars in each train 34.93 per cent, the number of revenue tons in each train has been increased 69.57 per cent, and the increase of 888,358,921 tons 1 mile has been transported in 1900 in trains that ran 85,181 miles less than was required for that much less tonnage under the methods and facilities of 1896.

Although the mileage of loaded freight cars increased 33.22 per cent, and the average receipts per ton per mile decreased 12.65 per cent, yet the total freight earnings per train mile increased 48.29 per cent.

The following statistics are from the annual reports.

Operating units.	Year.	Tons, miles, etc.	Increase (+) or Decrease (-).	Per cent.
Tons of revenue freight carried 1 mile.....	1900 1896	2,205,317,271 1,816,958,350	+888,358,921	67.45
Average tons of revenue freight in each loaded car...	1900 1896	13.42 10.68	+ 2.74	25.66
Average number of loaded freight cars in each train...	1900 1896	24.45 18.12	+ 6.33	34.93
Average number of tons of revenue freight in each train	1900 1896	328.16 193.52	+ 134.64	69.57
Miles run by freight trains.....	1900 1896	6,720,173 6,905,354	- 85,181	1.25
Mileage of loaded freight cars.....	1900 1896	164,314,552 123,342,454	+ 40,972,098	33.22
Average receipts per ton per mile revenue freight....	1900 1896	0.00987 0.01130	- 0.00143	12.65
Total freight earnings per train-mile.....	1900 1896	3,295 2,222	+ 1,073	48.29

The above record appears even more creditable when it is considered that 42 per cent of the mileage of the system now operated is composed of 63 separate branch lines.

SUMMARY.

The strength of the Northern Pacific Railway Co. in its physical and financial condition, as well as in its management, may be briefly stated in conclusion as follows:

While the mileage has been increased 30.4 per cent, the capitalization has been decreased \$11,623 per mile.

The prior-lien bonds have been made a first mortgage, and the lien of the general lien bonds has been correspondingly advanced to the second position.

Even with unusual charges to expenses for improvements to the property, the net income during the past three years has averaged 5.16 per cent on both preferred and common stocks.

The net cash working capital on September 30, 1900, was \$19,540,482, while the total cash assets of the treasury amounted to \$34,688,018.

There are additional resources for present and future requirements in \$30,002,000 of bonds issuable under existing mortgages of the Northern Pacific Railway Co.

The condition of the railroad and its equipment is of the first class.

The officers have given continued evidence of their ability to improve and extend the property while increasing its net revenue.

The directors have contributed, by their varied experiences and personal attention, so much to the strength and credit of the company that we consider their continuance in the guidance of its affairs to be of the greatest importance to its future prosperity.

Because of the conditions above described we believe that the purposes of our trusteeship have been fulfilled and that we are warranted in now dissolving the voting trust.

J. PIERPONT MORGAN,
DR. GEORG VON SIEMENS,
JOHNSTON LIVINGSTON,
AUGUST BELMONT,
CHARLES LANIER,
Voting Trustees.

Traction statistics of the Northern Pacific Railway Co.

	Sept. 1, 1896.	Nov. 1, 1900.	Increase.	
			Amount.	Per cent.
Number of engines.....	574	688	114	19.9
Weight on drivers.....	41,915,565	61,756,335	19,840,770	47.3
Number of road engines.....	505	604	99	19.6
Weight on drivers.....	36,732,815	54,647,035	17,914,220	48.7
Horsepower of road engines.....	242,475	393,345	150,870	62.2
Number of cars in service.....	18,032	25,130	7,098	39.4
Total capacity in tons.....	368,914	629,269	260,355	70.6
Net tons per train-mile ¹	234.2	² 451.3	217.1	92.7

¹ Including company as well as commercial freight.

² Sept. 1, 1900.

Population of States tributary to the railroad system of the Northern Pacific Railway Co.

States.	1890	1900	Increase.	Per cent.
Wisconsin.....	1,686,880	2,068,963	382,083	22.6
Minnesota.....	1,301,826	1,751,395	449,569	34.5
North Dakota.....	152,719	319,040	166,321	74.6
Montana.....	132,159	242,280	110,120	84.1
Idaho.....	84,385	161,771	77,386	91.7
Washington.....	340,390	517,672	168,282	48.2
Oregon.....	313,767	413,532	99,765	31.8
Total.....	4,051,126	5,475,662	1,424,536	35.2
Alaska.....	32,052	44,000	11,948	37.3
Maine (approximate).....	150,000	300,000	150,000	100.0
Total.....	4,233,178	5,819,662	1,586,484	37.5

KUHN, LOEB & Co., WILLIAM AND PINE STREETS,
New York, January 6, 1913.

SAMUEL UNTERMYER, Esq., New York.

DEAR SIR: Referring to your letter of December 24, we beg to hand you herewith supplemental statements as follows:

Statement A.—Giving details of purchases from interstate corporations mentioned in our answer to question No. 1 in your former letter, where such purchases were made by us in the first instance without any associates.

Statement B.—Giving details of purchases from interstate corporations, mentioned in our answer to question No. 1 in your former letter, where such purchases were made by us jointly with others, the names of our associates being specified. A separate statement, marked "B 2," is included, giving the same information from 1897 to 1906.

Statement C.—Giving the same information as in statement B, but grouping the items together under the names of the associates, instead of under the names of the corporations.

Statement D.—Giving the names of the members of this firm who are directors in the companies mentioned in our answer to question No. 2 in your former letter, as well as the names of the members of our firm who are directors in the various banks and trust companies mentioned.

Statement E.—Giving the details of sales of bonds to life insurance companies.

Statement F.—Containing the same information as statement E, but grouped by years.

Statement G.—Showing the resources of the corporations specified in our answer to question No. 1 in your former letter. These totals have been compiled by employees of this firm from published reports, but, of course, we can in no way vouch for their accuracy. They represent the totals of the asset side of the balance sheet of the respective corporations, as of the dates mentioned, which, in some instances, include good will, etc.

We further beg to hand you herewith copy of the voting-trust agreement created at the time of the reorganization of the Baltimore & Ohio Railroad Co., which is the only voting trust incident to a reorganization in which our firm acted as reorganization managers, or in which any partner of this firm was a member of the committee of reorganization or a voting trustee. This voting trust was dissolved on September 12, 1901.

We inclose a form of syndicate agreement used in connection with the syndicate formed for the purchase of the securities therein named. While we rarely use syndicate agreements, this may be regarded as a typical one, although no two syndicate agreements are exactly alike. Our allotment letters differ so greatly, depending on the circumstances of each case, that we do not find it practicable to select a form that could be regarded as typical.

The above statements contain all the information which we feel at liberty to give without disclosing the affairs of our clients and associates. For this reason we have not given detailed information regarding syndicate participations which we have granted or received. We have answered your question in regard to our sales of bonds to life insurance companies, as these are matters of public record.

As to furnishing a list of intrastate corporations having the same relations to this firm as those specified in the list with respect to interstate corporations, we do not feel that we should be called upon to furnish this information.

As in the case of the information previously furnished, we are giving the above information in pursuance of our policy of facilitating the investigation as far as we consistently can with due regard to our obligations to others, notwithstanding that we are advised by counsel that most, if not all, the information called for is of such nature that we are under no legal obligation to furnish it.

Yours, respectfully,

KUHN, LOEB & Co.

STATEMENT A.

Date.	Name.	Total Issue.
	<i>Associated Simmons Hardware Co.</i>	
Oct. 14, 1911	5-year 5 per cent gold notes.....	\$5,000,000
	<i>Central Pacific Railway Co.</i>	
Jan. 6, 1911	Through short line first mortgage 4 per cent bonds.....	1,340,000
Feb. 24, 1911	4 per cent 35-year European loan.....	50,000,000
	<i>Chicago & Alton Railroad Co.</i>	
Jan., 1907	5 per cent 5-year gold notes due Jan. 1, 1912.....	6,000,000
Jan. 23, 1907	do.....	
June 5, 1909	Refund mortgage 3 per cent gold bonds.....	
	<i>Chicago & Eastern Illinois Railroad.</i>	
Jan. 3, 1912	General consolidated and first mortgage 5 per cent bonds.....	1,230,000
Feb. 16, 1912	Preferred stock.....	1,000,000
Jan. 19, 1912	5 per cent purchase money first lien coal bonds.....	2,680,000
May 14, 1912	Preferred stock.....	300,000
Apr. 25, 1912	Purchase money first lien 5 per cent coal mortgage bonds.....	1,826,000
June 24, 1912	do.....	525,000
Sept. 6, 1912	5 per cent equipment certificates.....	3,310,000
	<i>Chicago & North Western Railway Co.</i>	
Jan. 18, 1909	General mortgage 3½ per cent gold bonds.....	10,000,000
Do.....	Manitowoc, Green Bay & N. W. first-mortgage 3½ per cent gold bonds.....	3,750,000
Do.....	Milwaukee & State Line Ry. Co. first-mortgage 3½ per cent gold bonds.....	2,500,000
Nov. 17, 1910	General mortgage 4 per cent gold bonds.....	15,000,000
Apr. 25, 1911	do.....	7,500,000
Jan. 25, 1912	Milwaukee, Sparta & N. W. first-mortgage 4 per cent gold bonds.....	15,000,000
	<i>Chicago, St. Paul, Minneapolis & Omaha Railway Co.</i>	
Jan. 25, 1912	5 per cent debenture gold bonds, due 1930.....	5,000,000

STATEMENT A—Continued.

Date.	Name.	Total issue.
	<i>Delaware & Hudson Co.</i>	
Mar. 20, 1908	5-month 4½ per cent notes, due Aug. 28, 1908.....	\$2,000,000
	<i>Galveston, Harrisburg & San Antonio Railway.</i>	
Jan. 9, 1911	First-mortgage 5 per cent bonds.....	991,000
	<i>Illinois Central Railroad.</i>	
Nov. 1, 1908	Refunding mortgage 4 per cent gold bonds.....	20,000,000
Jan. 18, 1911	First and refunding mortgage 4 per cent bonds.....	2,740,000
June 9, 1911	.....do.....	10,000,000
June 12, 1912	4½ per cent 2-year notes, dated July 1, 1912.....	15,000,000
	<i>Missouri Pacific Railway Co.</i>	
Nov. 16, 1909	Convertible 5 per cent first and refunding mortgage 50-year gold bonds, Series A.....	29,806,000
	<i>New York, New Haven & Hartford Railroad Co.</i>	
Feb. 15, 1907	4 per cent 15-year European loan of 1907, due Apr. 1, 1922.....	28,000,000
	<i>New York, Ontario & Western Railway Co.</i>	
June 7 to Dec. 31, 1907.	General mortgage 4 per cent bonds.....	1,948,000
	<i>Pennsylvania Railroad Co.</i>	
Feb. 19, 1907	3-year 5 per cent secured notes, due Mar. 15, 1910.....	60,000,000
May 14, 1909	General freight equipment trust 4 per cent certificates.....	8,100,000
June 6, 1912	General freight equipment trust 4 per cent serial certificates.....	6,000,000
Oct. 3, 1912	.....do.....	1,000,000
	<i>St. Louis Southwestern Railway Co.</i>	
Jan. 28, 1909	Consolidated mortgage 4 per cent bonds.....	1,000,000
	<i>Southern Pacific Co.</i>	
Apr. 20, 1909	4 per cent convertible gold bonds.....	15,000,000
June 4, 1909	.....do.....	12,000,000
June 14, 1909	.....do.....	10,234,000
June 10, 1910	.....do.....	
Nov. 22, 1910	San Francisco Terminal first mortgage 4 per cent bonds.....	19,000,000
	<i>Southern Pacific Railroad Co.</i>	
Apr. 30, 1909	First refunding mortgage 4 per cent gold bonds.....	2,292,000
Mar. 9, 1910	.....do.....	13,395,000
	<i>Union Pacific Railroad Co.</i>	
May 7, 1907	4 per cent 20-year convertible bonds.....	75,000,000
June 4, 1908	First lien and refunding mortgage 4 per cent bonds.....	20,000,000
June 21, 1909	.....do.....	3,500,000
Mar. 7, 1910	.....do.....	4,902,000
	<i>Utah & Northern Railway Co.</i>	
May 20, 1908	First-mortgage 4 per cent bonds.....	4,993,000
	<i>Wabash Railroad Co.</i>	
Feb. 1, 1912	5 per cent receivers' certificates.....	10,000,000
May 1, 1912	.....do.....	1,500,000
Aug. 1, 1912	.....do.....	2,500,000
	<i>Westinghouse Electric & Manufacturing Co.</i>	
Aug. 1, 1907	3-year 6 per cent collateral notes dated Aug. 1, 1907.....	6,000,000
May 24, 1910	6 per cent notes.....	4,000,000
	Total.....	530,862,000

STATEMENT B.

Date.	Name.	Total issue.	Associates.
American Telephone & Telegraph Co.			
Sept. 30, 1908	Convertible 4 per cent gold bonds.....	\$25,000,000	{ J. P. Morgan & Co., Kidder, Peabody & Co., and foreign bankers.
Jan. 8, 1907	3-year 5 per cent notes dated Jan. 1, 1907....	25,000,000	
Armour & Co.			
May 24, 1909	Real estate first mortgage 4 per cent bonds...	30,000,000	National City Bank.
Baldwin Locomotive Works.			
Apr. 8, 1910	First mortgage 5 per cent sinking fund 30-year gold bonds.	10,000,000	Brown Bros. & Co., Philadelphia.
Baltimore & Ohio Railroad Co.			
Feb. 19, 1908	1-year 5 per cent gold notes.....	6,000,000	Speyer & Co.
Feb. 8, 1909	Pittsburgh, Lake Erie & West Virginia System 4 per cent refunding mortgage bonds.	13,100,000	Speyer & Co., and Alex. Brown & Sons, Baltimore.
Mar. 2, 1910	1-year 5 per cent notes.....	10,000,000	Speyer & Co.
May 4, 1910	3-year 4½ per cent secured notes.....	40,000,000	Do.
Feb. 11, 1911	.....do.....	10,000,000	Do.
Jan. 22, 1912	Equipment trust 4½ per cent gold certificates.	5,000,000	None.
Bethlehem Steel Co.			
Apr. 22, 1912	First lien and refunding mortgage 5 per cent 30-year bonds.	15,200,000	Harvey Fisk & Sons, Hallgarten & Co., Wm. Salomon & Co.
Central Pacific Railway Co.			
Jan. 30, 1908	First refunding mortgage 4 per cent bonds...	2,500,000	Speyer & Co.
July 17, 1908	.....do.....	13,107,500	Do.
Consolidation Coal Co.			
Nov. 3, 1910	First and refunding mortgage 5 per cent bonds.	9,000,000	Spencer Trask & Co., William Salomon & Co., Kissel, Kinnicutt & Co., Fidelity Trust Co., Baltimore, National City Bank, New York.
Apr. 27, 1911	.....do.....	2,500,000	National City Bank.
Feb. 29, 1912	.....do.....	1,500,000	Do.
Chesapeake & Ohio Railway Co.			
Feb. 13, 1907	4½ per cent general mortgage gold bonds...	1,000,000	J. P. Morgan & Co.
June 27, 1907	3-year 6 per cent notes dated July 1, 1907....	5,000,000	J. P. Morgan & Co. and Blair & Co.
Apr. 24, 1908	First consolidated mortgage 5 per cent 50-year gold bonds.	2,000,000	Do.
Do.....	6 per cent collateral notes due July 1, 1910...	1,500,000	Do.
May 20, 1908	6 per cent collateral notes, due July 1, 1910...	1,000,000	J. P. Morgan & Co.
Dec. 23, 1908	General funding and improvement 5 per cent 20-year gold bonds.	11,000,000	Do.
Mar. 21, 1910	4½ per cent 20-year convertible gold bonds...	31,390,000	J. P. Morgan & Co. and National City Bank.
Aug. 30, 1910	General mortgage 4½ per cent bonds.....	1,591,000	Do.
Aug. 19, 1910	5 per cent equipment notes, series A.....	4,800,000	Do.
Nov. 4, 1910	First consolidated mortgage 5 per cent gold bonds.	2,000,000	Do.
Jan. 24, 1911	General mortgage 4½ per cent bonds.....	1,839,000	Do.
Apr. 20, 1911	3-year 4½ per cent secured gold notes, due June 1, 1914.	16,000,000	National City Bank.
Jan. 9, 1912	General mortgage 4½ per cent bonds.....	374,000	Do.
Mar. 7, 1912	4½ per cent secured gold notes, due June 1, 1914.	3,500,000	Do.
July 17, 1912	.....do.....	1,000,000	Do.
Oct. 18, 1912	.....do.....	1,000,000	Do.
Chicago & Alton Railroad Co.			
Oct. 1, 1912	6 per cent 20-year general mortgage bonds...	4,500,000	Union Pacific R. R. Co.; Jas. Stillman; estate of E. H. Harriman.
Chicago, Milwaukee & Puget Sound Railway Co.			
Mar. 2, 1911	First-mortgage 4 per cent gold bonds.....	25,000,000	National City Bank.

STATEMENT B—Continued.

Date.	Name.	Total issue.	Associates.
	<i>Chicago, Milwaukee & St. Paul Railway.</i>		
June 16, 1909	4 per cent 25-year debenture bonds.....	\$28,000,000	National City Bank.
Dec. 10, 1909	General mortgage 4 per cent bonds.....	25,000,000	Do.
Apr. 12, 1912	4½ per cent convertible gold bonds.....	34,893,500	National City Bank & United States Trust Co.
	<i>Cincinnati, Hamilton & Dayton Railway.</i>		
Oct. 15, 1909	First and refunding mortgage 4 per cent gold bonds.	7,500,000	Speyer & Co.
	<i>Delaware & Hudson Co.</i>		
May 22, 1907	Equipment first-lien 4½ per cent 15-year gold bonds.	10,000,000	First National Bank.
Jan. 28, 1908	6-months 4½ per cent collateral notes due Aug. 6, 1908.	8,000,000	Do.
July 10, 1908	First and refunding mortgage 4 per cent bonds.	13,309,000	Do.
Jan. 7, 1909	.....do.....	230,000	Do.
Dec. 24, 1909	.....do.....	7,165,000	Do.
Jan. 17, 1911	.....do.....	6,000,000	Do.
	<i>Hocking Valley Railway Co.</i>		
Mar. 30, 1910	First consolidated mortgage 4½ per cent bonds.	1,584,000	J. P. Morgan & Co. and National City Bank.
Oct. 20, 1911	2-year 4½ per cent gold notes.....	4,000,000	National City Bank.
	<i>Norfolk Southern Railroad.</i>		
Sept. 30, 1910	6 per cent collateral trust gold notes, dated Oct. 1, 1910.	4,360,000	Central Trust Co.
Jan. 11, 1912	First and refund mortgage 5 per cent bonds.	5,762,000	Do.
May 23, 1912	3-year collateral trust notes.....	6,000,000	Do.
	First and refund mortgage 5 per cent bonds.	544,000	Do.
	<i>Norfolk & Western Railway Co.</i>		
Jan. 18, 1909	Divisional first-lien and general mortgage 4 per cent gold bonds.	10,000,000	Guaranty Trust Co.
	<i>Oregon-Washington R. R. & Navigation Co.</i>		
May 25, 1911	First and refund mortgage 4 per cent bonds.	40,000,000	Foreign bankers.
	<i>Pennsylvania Railroad Co.</i>		
Apr. 22, 1908	Consolidated mortgage 40-year 4 per cent bonds.	40,000,000	Foreign bankers.
	<i>Pittsburgh, Cincinnati, Chicago & St. Louis Railway Co.</i>		
May 29, 1908	Consolidated mortgage 4 per cent gold bonds, series G.	6,000,000	Speyer & Co.
June 9, 1910	.....do.....	4,000,000	Speyer & Co. and Kissel, Kinniont & Co.
May 1, 1911	Consolidated mortgage 4 per cent gold bonds, series H.	3,000,000	Speyer & Co.
	<i>St. Louis & San Francisco Railroad.</i>		
Oct. 16, 1908	4½ per cent notes due Dec. 1, 1908.....	6,125,000	Hallgarten & Co.
	<i>Southern Pacific Co.</i>		
Feb. 23, 1909	4 per cent consolidated gold bonds.....	44,500,000	National City Bank.
	<i>Southern Pacific Railroad Co.</i>		
Jan. 11, 1907	} First refunding mortgage 4 per cent gold bonds. }	2,427,000	Speyer & Co.
Apr. 14, 1907			
Oct. 7, 1908	.....do.....		
Jan. 5, 1909	.....do.....		
Jan. 11, 1909	.....do.....		
	<i>Union Pacific Railroad Co.</i>		
Sept. 22, 1910	First lien and refunding 4 per cent bonds....	7,500,000	Foreign bankers.

STATEMENT B—Continued

Date.	Name.	Total issue.	Associates.
	<i>Wabash Railroad Co.</i>		
Mar. 28, 1910	4½ per cent gold notes extended to May 1, 1913.	\$5,000,000	Blair & Co.
	<i>Wheeling & Lake Erie Railroad.</i>		
July 31, 1908	2-year 5 per cent notes, due Aug. 1, 1908.....	8,000,000	Blair & Co.
Sept. 1, 1908	6 per cent receivers' certificates.....	4,176,708	Do.
	Total.....	704,777,708	

STATEMENT B 2.

Date.	Name.	Total.	Associates.
	<i>American Beet Sugar Co.</i>		
Jan. 20, 1899	Preferred stock.....	\$4,000,000	Spencer, Trask & Co.
Do.....	Common stock.....	2,400,000	Do.
	<i>American Telephone & Telegraph Co.</i>		
Feb. 13, 1906	4 per cent convertible gold bonds.....	100,000,000	J. P. Morgan & Co.; Kidder, Peabody & Co.; Baring Bros. & Co. (Ltd.), London.
	<i>Atchison, Topeka & Santa Fe Railway.</i>		
Dec. 10, 1897	Guarantee fund notes, refunding.....	10,200,000	Speyer & Co.; Guaranty Trust Co.
Oct. 29, 1898	General mortgage 4 per cent bonds.....	2,500,000	Do.
Apr. 6, 1899	do.....	3,000,000	Guaranty Trust Co.
	<i>Baltimore & Ohio Railroad Co.</i>		
Apr. 14, 1897	Preferred stock.....	1,148,000	Speyer & Co.; Speyer Bros., London.
June 21, 1898	Reorganization Syndicate.....	90,000,000	Do.
Oct. 4, 1898	Middle Division & Pittsburgh Junction 3½ per cent bonds.	4,000,000	Speyer & Co.
Sept. 27, 1898	Baltimore & Ohio preferred stock.....	1,164,500	Speyer & Co.; Speyer Bros., London.
Dec. 15, 1898	Baltimore & Ohio Southwestern, underwriting.	25,000,000	Do.
Feb. 1, 1900	Baltimore & Ohio first mortgage 4 per cent bonds.	8,634,000	Speyer & Co.
Apr. 10, 1900	Baltimore & Ohio common stock.....	1,640,000	Speyer & Co.; Speyer Bros., London.
Feb. 6, 1901	4 per cent convertible debenture bonds.....	15,000,000	Speyer & Co.; Speyer Bros. & Co.
Nov. 29, 1901	Baltimore & Ohio Pittsburgh, Lake Erie & West Virginia 4 per cent refunding bonds.	20,000,000	Speyer & Co.
Do.....	Underwriting offer of common stock to extent of.	13,000,000	Do.
Oct. 1, 1902	Baltimore & Ohio common stock, underwriting.	1,255,000	Do.
Oct. 30, 1903	3½ per cent prior-lien bonds.....	3,000,000	Do.
Do.....	First mortgage 4 per cent bonds.....	5,000,000	Do.
Do.....	Southwestern Division 3½ per cent bonds.	1,600,000	Do.
Apr. 14, 1904	Baltimore & Ohio 2-year 4½ per cent notes.	10,000,000	Do.
Dec. 7, 1904	Baltimore & Ohio Pittsburgh, Lake Erie & West Virginia 4 per cent bonds.	7,000,000	Do.
	<i>Central Pacific Railway Co.</i>		
Mar. 2, 1903	First refund 4 per cent bonds.....	2,000,000	Speyer & Co.
Apr. 20, 1903	do.....	2,000,000	Do.
Nov. 19, 1903	do.....	5,027,000	Do.
Oct. 13, 1904	First refund mortgage 4 per cent bonds.	6,000,000	Do.
Do.....	Central Pacific Through Short Line 4 per bonds.	8,300,000	Do.
June 26, 1905	First refund mortgage 4 per cent bonds.....	2,941,000	Do.
	<i>Denver & Rio Grande Railroad Co.</i>		
Feb. 10, 1898	7 per cent bond conversion.....	6,382,500	Speyer & Co.
Sept. 25, 1899	5 per cent improvement bonds.....	252,500	Do.

¹ Shares.

STATEMENT B 2—Continued.

Date.	Name.	Total.	Associates.
<i>Illinois Central Railroad Co.</i>			
Mar. 14, 1897	First gold $3\frac{1}{2}$ per cent bonds.....	\$30,000,000	Vermilye & Co.
May 14, 1897	Springfield division $3\frac{1}{2}$ per cent bonds.....	3,358,000	Do.
Nov. 29, 1904	Illinois Central purchased lines $3\frac{1}{2}$ per cent bonds.	12,000,000	Speyer & Co.
<i>Kansas City Railway & Light Co.</i>			
May 9, 1903	First lien refunding bonds.....	7,000,000	Blair & Co.
Do.....	5 per cent preferred stock.....	3,100,000	Do.
Do.....	Common stock.....	3,450,000	Do.
Dec. 7, 1904	3-year 5 per cent notes.....	3,000,000	Do.
<i>Oregon Railway & Navigation Co.</i>			
Oct. 12, 1897	6 per cent bonds, conversion.....	5,390,000	Heidelberg, Ickelheimer & Co.
<i>Pennsylvania Railroad Co.</i>			
May 27, 1899	Pittsburgh, Cincinnati, Chicago, & St. Louis consolidated mortgage $3\frac{1}{2}$ per cent bonds.	8,263,000	Speyer & Co.
Feb. 10, 1900	Pennsylvania Car Trust certificates.....	5,000,000	Do.
May 22, 1900	.....do.....	3,350,000	Do.
Oct. 15, 1901	Pennsylvania Co. $3\frac{1}{2}$ per cent guaranty gold bonds.	20,000,000	Do.
Jan. 31, 1902	Penna. Eq. Tr. $3\frac{1}{2}$ per cent certificates.....	5,000,000	Do.
Do.....	Pittsburgh, Cincinnati, Chicago & St. Louis $3\frac{1}{2}$ per cent bonds.	2,000,000	Do.
May 22, 1903	Pennsylvania R. R. stock, underwriting....	75,000,000	Do.
Sept. 22, 1904	Pittsburgh, Cincinnati, Chicago & St. Louis consolidated mortgage 4 per cent bonds.	9,000,000	Do.
Mar. 29, 1905	Pennsylvania R. R. $3\frac{1}{2}$ per cent conversion bonds due 1915, underwriting.	100,000,000	J. P. Morgan & Co.
Sept 22, 1905	Pittsburgh, Cincinnati, Chicago & St. Louis 4 per cent consolidated mortgage bonds, series F.	1,000,000	Speyer & Co.
<i>Southern Pacific Co.</i>			
May 19, 1903	2/5-year $4\frac{1}{2}$ per cent bonds.....	5,000,000	Speyer & Co.
Jan. 19, 1904	.....do.....	8,000,000	Do.
Jan. 25, 1904	.....do.....	2,000,000	Do.
July 15, 1903	Southern Pacific of California first consolidated mortgage 5 per cent bonds.	1,000,000	Do.
<i>Southern Pacific Railroad Co.</i>			
Feb. 3, 1905	First refunding mortgage 4 per cent bonds...	75,000,000	Speyer & Co.
Sept. 24 to Oct. 18, 1906.	.....do.....	3,990,000	Do.
<i>St. Louis, Iron Mountain & Southern Railway Co.</i>			
Feb. 10, 1897	First and second mortgage bond extension..	10,000,000	Vermilye & Co.
	Grand total.....	\$21,289,000	

STATEMENT C.

Jointly with Blair & Co.:

July 30, 1907, \$4,125,000 Kansas City Ry. & Light Co. 6 per cent convertible collateral gold notes, series A.

July 31, 1908, \$8,000,000 Wheeling & Lake Erie 3-year 5 per cent gold notes.

Sept. 1, 1908, etc., \$4,176,708 Wheeling & Lake Erie 6 per cent receiver's certificates.

Mar. 28, 1910, \$5,000,000 Wabash R. R. $4\frac{1}{2}$ per cent gold notes extension.Jan. 2, 1912, \$1,172,000 Wabash R. R. first refund and extension 4 per cent bonds.
(There was an error of \$11,500,000 in the statement as originally furnished.)

Jointly with Brown Bros. & Co., Philadelphia:

Apr. 8, 1910, \$10,000,000 Baldwin Locomotive Works first-mortgage 5 per cent S. F. 30-year gold bonds.

Jointly with Central Trust Co.:

Sept. 30, 1910, \$4,360,000 Norfolk Southern 6 per cent notes; \$5,762,000 Norfolk Southern first and refund mortgage 5 per cent bonds.

Jan. 11, 1912, \$6,000,000 Norfolk Southern 5 per cent notes; May 24 to Oct. 31, 1912, \$597,000 Norfolk Southern first and refund mortgage 5 per cent bonds.

Jointly with First National Bank:

May 22, 1907, \$10,000,000 Delaware & Hudson equipment first lien $4\frac{1}{2}$ per cent 15-year gold bonds.

Jan. 28, 1908, \$8,000,000 Delaware & Hudson $4\frac{1}{2}$ per cent 6-month notes.

July 10, 1908, \$13,309,000 Delaware & Hudson first and refund mortgage fours.

Jan. 7, 1909, \$230,000 Delaware & Hudson first and refund mortgage fours.

Dec. 24, 1909, \$7,165,000 Delaware & Hudson first and refund mortgage fours.

Jan. 17, 1911, \$6,000,000 Delaware & Hudson first and refund mortgage fours.

Jointly with Guaranty Trust Co.:

Jan. 18, 1909, \$10,000,000 Norfolk & Western Division first lien and general mortgage fours.

June 22, 1911, \$1,000,000 Norfolk Terminal first mortgage 50-year fours.

Jointly with Hallgarten & Co.:

May 15, 1911, \$5,000,000 Union Oil Co. of California first lien 5 per cent sinking fund bonds.

Jointly with Harvey Fisk & Sons, Hallgarten & Co., and William Salomon & Co.:

Apr. 22, 1912, \$15,200,000 Bethlehem Steel Co. first lien and refund mortgage 5 per cent 30-year gold bonds.

Jointly with J. P. Morgan & Co.:

Feb. 13, 1907, \$1,000,000 Chesapeake & Ohio general mortgage $4\frac{1}{2}$ per cent bonds.

May 20, 1908, \$1,000,000 Chesapeake & Ohio 6 per cent collateral notes.

Dec. 23, 1908, \$11,000,000 Chesapeake & Ohio general funding and improvement 5 per cent bonds.

Jointly with J. P. Morgan & Co. and Blair & Co.:

June 27, 1907, \$5,000,000 Chesapeake & Ohio 3-year 6 per cent notes.

Apr. 24, 1908, \$2,000,000 Chesapeake & Ohio first consolidated mortgage 5 per cent 50-year gold bonds.

Apr. 24, 1908, \$1,500,000 Chesapeake & Ohio 6 per cent collateral notes.

Transactions jointly with J. P. Morgan & Co. and Kidder, Peabody & Co., and foreign bankers:

Feb. 13, 1906, \$100,000,000 American Telegraph & Telephone Co. convertible fours.

Jan. 8, 1907, \$25,000,000 American Telegraph & Telephone Co. 3-year 5 per cent notes.

Nov. 27, 1908, \$50,000,000 American Telegraph & Telephone Co. convertible fours.

Jointly with J. P. Morgan & Co. and National City Bank:

Mar. 21, 1910, \$31,390,000 Chesapeake & Ohio $4\frac{1}{2}$ per cent 20-year convertible bonds.

Mar. 30, 1910, \$1,584,000 Hocking Valley first consolidated mortgage $4\frac{1}{2}$ per cent bonds.

Aug. 30, 1910, \$1,591,000 Chesapeake & Ohio general mortgage $4\frac{1}{2}$ per cent bonds.

Aug. 10, 1901, \$4,800,000 Chesapeake & Ohio equipment corporation 5 per cent equipment notes, series A.

Nov. 4, 1910, \$2,000,000 Chesapeake & Ohio first consolidated mortgage 5 per cent gold bonds.

Jan. 24, 1911, \$1,839,000 Chesapeake & Ohio general mortgage $4\frac{1}{2}$ per cent bonds.

Jointly with National City Bank:

Jan. 5, 1909, etc., \$10,000,000 Southern Pacific first refund mortgage 4 per cent gold bonds.

May 24, 1909, \$30,000,000 Armour & Co. real estate first mortgage $4\frac{1}{2}$ per cent 30-year gold bonds.

June 16, 1909, \$28,000,000 Chicago, Milwaukee & St. Paul 25-year 4 per cent debentures.

Dec. 10, 1909, \$25,000,000 Chicago, Milwaukee & St. Paul general mortgage fours.

June 1, 1910, \$2,145,000 Chicago, Milwaukee & St. Paul 25-year 4 per cent debentures.

Nov. 3, 1910, \$9,000,000 Consolidation Coal Co. first and refund mortgage 5 per cent bonds.

Mar. 2, 1911, \$25,000,000 Chicago, Milwaukee & Puget Sound first mortgage fours.

Apr. 20, 1911, \$16,000,000 Chesapeake & Ohio 3-year $4\frac{1}{2}$ per cent secured gold notes.

Apr. 27, 1911, \$2,500,000 Consolidation Coal Co. first and refund mortgage fives.

Oct. 20, 1911, \$4,000,000 Hocking Valley 2-year $4\frac{1}{2}$ per cent gold notes.

Jan. 9, 1912, \$374,000 Chesapeake & Ohio general mortgage $4\frac{1}{2}$ per cent bonds.

Feb. 29, 1912, \$1,500,000 Consolidation Coal Co. first and refund mortgage 5 per cent bonds.

Mar. 7, 1912, \$3,500,000 Chesapeake & Ohio $4\frac{1}{2}$ per cent secured gold notes.

July 17, 1912, \$1,000,000 Chesapeake & Ohio $4\frac{1}{2}$ per cent secured gold notes.

Oct. 18, 1912, \$1,000,000 Chesapeake & Ohio $4\frac{1}{2}$ per cent secured gold notes.

Digitized by FRASER (There was an error of \$30,000,000 in the statement as originally furnished.)

Jointly with National City Bank and United States Trust Co.:

Apr. 12, 1912, \$34,893,500 Chicago, Milwaukee & St. Paul $4\frac{1}{2}$ per cent convertible gold bonds.

Jointly with Speyer & Co.:

Jan. 11, 1907, \$2,427,000 Southern Pacific first refunding fours.

Jan. 30, 1908, \$2,500,000 Central Pacific first refunding fours.

Feb. 19, 1908, \$6,000,000 Baltimore & Ohio 1-year 5 per cent notes.

May 29, 1908, \$6,000,000 Pittsburgh, Cincinnati, Chicago & St. Louis consolidated mortgage fours, series G.

July 17, 1908, \$18,107,500 Central Pacific first refunding fours.

Oct. 7, 1908, \$14,300,000 Southern Pacific first refunding fours.

Mar. 2, 1910, \$10,000,000 Baltimore & Ohio 1-year 4 per cent notes.

May 4, 1910, \$40,000,000 Baltimore & Ohio 3-year $4\frac{1}{2}$ per cent notes.

June 9, 1910, \$4,000,000 Pittsburgh, Cincinnati, Chicago & St. Louis consolidated mortgage fours, series G.

Feb. 11, 1911, \$10,000,000 Baltimore & Ohio 3-year $4\frac{1}{2}$ per cent notes.

May 1, 1911, \$3,000,000 Pittsburgh, Cincinnati, Chicago & St. Louis consolidated mortgage fours, series H.

Jointly with Speyer & Co. and Alex. Brown & Sons (Baltimore).

Feb. 18, 1909, \$13,100,000 Baltimore & Ohio, Pittsburgh, Lake Erie & West Virginia system 4 per cent refunding mortgage bonds.

Oct. 15, 1909, \$7,500,000 Cincinnati, Hamilton & Dayton first refunding fours.

Jointly with Union Pacific R. R. Co., James Stillman, and estate of E. H. Harriman:

Oct. 1, 1912, \$4,500,000 Chicago & Alton R. R. Co. 20-year 6 per cent general mortgage bonds.

STATEMENT D.

QUESTION No. 2.—*Further information wanted.*

Company.	Director.
Baltimore & Ohio R. R. Co.	P. M. Warburg.
Galveston, Harrisburg & San Antonio Ry. Co.	M. L. Schiff.
Oregon-Washington R. R. & Navigation Co.	J. H. Schiff, O. H. Kahn, M. L. Schiff
Southern Pacific Co.	O. H. Kahn, M. L. Schiff.
Union Pacific R. R. Co.	Do.
Westinghouse Electric & Manufacturing Co.	P. M. Warburg.

BANKS AND TRUST COMPANIES.

Central Trust Co. of New York.	J. H. Schiff.
Equitable Trust Co. of New York.	O. H. Kahn.
Fidelity Bank.	M. L. Schiff.
Fourth National Bank.	Do.
National Bank of Commerce in New York.	P. M. Warburg.
National City Bank.	J. H. Schiff.
Title Guarantee & Trust Co.	P. M. Warburg.
United States Mortgage & Trust Co.	M. L. Schiff, P. M. Warburg.

STATEMENT E.

Sold to Equitable Life Assurance Society, New York:

Feb. 19, 1907, \$2,500,000 Pennsylvania R. R. Co. 3-year 5 per cent secured notes.

May 23, 1907, \$1,000,000 Delaware & Hudson Co. equipment lien $4\frac{1}{2}$ per cent bonds.

Oct. 13, 1908, \$500,000 Southern Pacific R. R. first refund mortgage 4 per cent bonds.

Jan. 17, 1907, \$1,250,000 Chicago & Alton R. R. Co. 5 per cent 5-year gold notes.

Apr., 1908, \$50,000 Pennsylvania R. R. consolidated mortgage 40-year 4 per cent bonds.

Nov. 16, 1908, \$1,000,000 Illinois Central R. R. Co. refund mortgage 4 per cent gold bonds.

June 9, 1908, \$2,000,000 Union Pacific R. R. first lien and refund mortgage 4 per cent bonds.

Jan. 8, 1909, \$2,000,000 Chicago & Alton R. R. refund mortgage 3 per cent bonds.

Jan. 22, 1909, \$500,000 Norfolk & Western Ry. Co. Div. first lien and general mortgage 4 per cent bonds.

Sold to Equitable Life Assurance Society, New York—Continued.

- Dec. 24, 1908, \$500,000 Chesapeake & Ohio Ry. general funding and improvement mortgage 5 per cent bonds.
 May 10, 1909, \$500,000 Oregon R. R. & Navigation Co. consolidated mortgage 4 per cent bonds.
 Dec. 14, 1909, \$1,000,000 Chicago, Milwaukee & St. Paul general mortgage 4 per cent bonds.
 Mar. 9, 1910, \$500,000 Union Pacific R. R. first lien and refund mortgage 4 per cent bonds.
 June 24, 1910, \$500,000 Southern Pacific Co. San Francisco terminal first mortgage 4 per cent bonds.
 Feb. 3, 1910, \$500,000 Southern Pacific Co. San Francisco terminal first mortgage 4 per cent bonds.
 Jan. 24, 1911, \$400,000 Galveston, Harrisburgh & San Antonio, Mexico & Pacific 5 per cent bonds.
 June 13, 1911, \$1,000,000 Illinois Central R. R. refund mortgage 4 per cent bonds.
 May 26, 1911, \$500,000 Oregon-Washington R. R. & Navigation Co. first and refund mortgage 4 per cent bonds.
 Sept. 17, 1912, \$500,000 Chicago & Eastern Illinois R. R. Co. 5 per cent equipment certificates.
 Sept. 24, 1912, \$250,000 Pennsylvania general freight equipment trust 4 per cent certificates.
 Feb. 21, 1912, £200,000 City of Tokyo (Japan) 5 per cent bonds.

Sold to Metropolitan Life Insurance Co.:

- Feb. 21, 1912, \$500,000 Chicago & Eastern Illinois P. M. first lien 5 per cent coal bonds.
 Sept. 17, 1912, \$500,000 Chicago & Eastern Illinois R. R. Co. 5 per cent equipment certificates.

Sold to Mutual Benefit Life Insurance Co.:

- Oct. 15, 1908, \$100,000 Southern Pacific R. R. Co. first refunding mortgage 4 per cent gold bonds.

Sold to Mutual Life Insurance Co., New York:

- Feb. 13, 1907, \$750,000 Chesapeake & Ohio general 4½ per cent bonds.
 May 23, 1907, \$2,500,000 Delaware & Hudson Co. equipment first lien 4½ per cent bonds.
 May 31, 1907, \$500,000 New York, Ontario & Western Ry. general mortgage 4 per cent bonds.
 May 22, 1908, \$200,000 Utah & Northern Ry. Co. extended 4 per cent bonds.
 June 19, 1908, \$500,000 Utah & Northern Ry. Co. extended 4 per cent bonds.
 Jan. 16, 1907, \$2,000,000 Chicago & Alton R. R. Co. 5 per cent five-year gold notes.
 Apr., 1908, \$100,000 Pennsylvania R. R. consolidated mortgage 40-year 4 per cent bonds.
 July 25, 1908, \$1,000,000 Central Pacific Ry. Co. first refund mortgage 4 per cent gold bonds.
 Nov. 16, 1908, \$2,000,000 Illinois Central R. R. Co. refund mortgage 4 per cent gold bonds.
 June 9, 1908, \$2,000,000 Union Pacific R. R. first lien and refund mortgage 4 per cent bonds.
 Jan. 8, 1909, \$2,000,000 Chicago & Alton R. R. refund mortgage 3 per cent bonds.
 Jan. 25, 1909, \$250,000 Norfolk & Western Ry. Co. divisional first lien and general mortgage 4 per cent bonds.
 Apr. 1, 1909, \$250,000 Norfolk & Western Ry. Co. divisional first lien and general mortgage 4 per cent bonds.
 Jan. 22, 1909, \$1,000,000 Chicago & North Western Ry. general mortgage 3½ per cent bonds.
 Dec. 24, 1908, \$500,000 Chesapeake & Ohio Ry. general funding and improvement mortgage 5 per cent bonds.
 May 26, 1909, \$1,000,000 Armour & Co. real estate first mortgage 2½ per cent bonds.
 Dec. 13, 1909, \$1,000,000 Chicago, Milwaukee & St. Paul general mortgage 4 per cent bonds.
 June 13, 1910, \$1,000,000 Pittsburgh, Cincinnati, Chicago & St. Louis consolidated mortgage 4 per cent bonds, series G.
 June 24, 1910, \$1,000,000 Southern Pacific Co. San Francisco terminal first mortgage 4 per cent bonds.
 Jan. 23, 1911, \$250,000 Galveston, Harrisburg & San Antonio, Mexican & Pacific 5 per cent bonds.

Sold to Mutual Life Insurance Co., New York—Continued.

- Mar. 15, 1911, \$1,000,000 Chicago, Milwaukee & Puget Sound Ry. first mortgage 4 per cent bonds.
 May 1, 1911, \$1,000,000 Chicago, Milwaukee & Puget Sound Ry. first mortgage 4 per cent bonds.
 Nov. 20, 1911, \$500,000 Chicago, Milwaukee & Puget Sound Ry. first mortgage 4 per cent bonds.
 Jan. 22, 1912, \$1,500,000 Chicago, Milwaukee & Puget Sound Ry. first mortgage 4 per cent bonds.
 Jan. 30, 1911, \$500,000 Chesapeake & Ohio Ry. general mortgage 4½ per cent bonds.
 June 19, 1911, \$500,000 Illinois Central R. R. refund mortgage 4 per cent bonds.
 May 26, 1911, \$1,000,000 Oregon-Washington R. R. & Navigation Co. first and refund mortgage 4 per cent bonds.
 July 13, 1911, \$1,000,000 Oregon-Washington R. R. & Navigation Co. first and refund 4 per cent bonds.
 Nov. 22, 1911, \$3,000,000 Oregon-Washington R. R. & Navigation Co. first and refund mortgage 4 per cent bonds.
 Feb. 7, 1912, \$1,000,000 Milwaukee, Sparta & North Western Ry. first mortgage 4 per cent bonds.
 Apr. 17, 1912, \$150,000 Milwaukee, Sparta & North Western Ry. first mortgage 4 per cent bonds.
 Sept. 23, 1912, \$500,000 Pennsylvania general freight equipment trust 4 per cent certificates.

Sold to New York Life Insurance Co.:

- May 31, 1907, \$809,000 New York, Ontario & Western Ry. general mortgage 4 per cent bonds.
 July 23, 1908, \$450,000 Central Pacific Ry. Co. first refund 4 per cent bonds.
 Apr., 1908, \$50,000 Pennsylvania R. R. consolidated mortgage 40-year 4 per cent bonds.
 July 23, 1908, \$450,000 Central Pacific Ry. Co. first mortgage refund 4 per cent bonds.
 Nov. 16, 1908, \$1,000,000 Illinois Central R. R. Co. refund mortgage 4 per cent gold bonds.

Sold to Northwestern Mutual Life Insurance Co., Milwaukee:

- Mar. 9, 1911, \$500,000 Chicago, Milwaukee & Puget Sound Railway first mortgage 4 per cent bonds.
 Apr. 27, 1911, \$500,000 Chicago & North Western general mortgage 4 per cent bonds.
 June 17, 1911, \$500,000 Illinois Central Railroad refunding mortgage 4 per cent bonds.

Sold to Pennsylvania Co. for insurances on lives and granting annuities:

- Jan. 25, 1909, \$100,000 Chicago & North Western general mortgage 3½ per cent bonds.

Jan. 25, 1912, \$70,000 Baltimore & Ohio 4½ per cent equipment trust certificates.

Sold to Prudential Insurance Co. of America:

- June 2, 1908, \$500,000 Pittsburgh, Cincinnati, Chicago & St. Louis Ry. Co. consolidated mortgage 4 per cent bonds.
 Dec. 14, 1909, \$500,000 Chicago, Milwaukee & St. Paul general mortgage 4 per cent bonds.
 Dec., 1909, \$250,000 Delaware & Hudson Co. first refund mortgage 4 per cent bonds.

STATEMENT F.

Face value of bonds and notes sold to insurance companies.

1907.

Equitable Life Assurance Society.....	\$4, 750, 000
Mutual Life Insurance Co.....	5, 750, 000
New York Life Insurance Co.....	809, 000
	<hr/>
	11, 309, 000
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1908.

Equitable Life Assurance Society.....	4, 050, 000
Mutual Life Insurance Co.....	6, 300, 000
Mutual Benefit Life Insurance Co.....	100, 000
New York Life Insurance Co.....	1, 950, 000
Prudential Life Insurance Co. of America.....	500, 000
	<hr/>
	12, 900, 000
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1909.

Prudential Life Insurance Co. of America.....	750, 000
Equitable Life Assurance Society.....	4, 000, 000
Mutual Life Insurance Co.....	5, 500, 000
Pennsylvania Co. for Insurances on Lives and Granting Annuities.....	100, 000
	<hr/>
	10, 350, 000
	<hr/>

1910.

Equitable Life Assurance Society.....	1, 500, 000
Mutual Life Insurance Co.....	2, 000, 000
	<hr/>
	3, 500, 000
	<hr/>

1911.

Equitable Life Assurance Society.....	1, 900, 000
Mutual Life Insurance Co.....	8, 750, 000
North Western Mutual Life Insurance Co. of Milwaukee.....	1, 500, 000
	<hr/>
	12, 150, 000
	<hr/>

1912.

Metropolitan Life Insurance Co.....	1, 000, 000
Equitable Life Assurance Society.....	1, 750, 000
Mutual Life Insurance Co.....	3, 150, 000
Pennsylvania Co. for Insurances on Lives and Granting Annuities.....	70, 000
	<hr/>
	5, 970, 000

STATEMENT G.

Resources.

[As per Poor's Manual for 1912.]

	Year ending—	Amount.
American Telephone & Telegraph Co.	Dec. 31, 1911	\$565,523,189.00
Armour & Co.	Nov. 4, 1911	139,898,713.00
Associated Simmons Hardware Cos.	Dec. 31, 1911	13,382,447.00
Baldwin Locomotive Works.	do.	53,865,090.00
Baltimore & Ohio R. R. Co.	June 30, 1911	605,403,435.53
Bethlehem Steel Corporation.	Dec. 31, 1911	75,077,255.00
Central Pacific Ry. Co.	June 30, 1911	271,192,944.98
Chesapeake & Ohio Ry. Co.	do.	241,132,298.26
Chicago & Alton R. R. Co.	do.	125,705,962.84
Chicago & Eastern Illinois R. R. Co.	do.	76,391,382.77
Chicago & North Western Ry. Co.	do.	383,026,312.74
Chicago, Milwaukee & Puget Sound Ry. Co.	do.	279,027,765.75
Chicago, Milwaukee & St. Paul Ry. Co.	do.	527,782,412.30
Chicago, St. Paul, Minneapolis & Omaha Ry. Co.	do.	74,164,488.67
Cincinnati, Hamilton & Dayton Ry. Co.	do.	105,385,201.08
Consolidation Coal Co.	Dec. 31, 1911	59,086,468.84
Delaware & Hudson Co.	do.	127,198,620.93
Galveston, Harrisburg & San Antonio Ry. Co.	June 30, 1911	77,441,828.43
Hocking Valley Ry. Co.	do.	46,247,391.97
Illinois Central R. R. Co.	do.	330,139,534.04
Missouri Pacific Ry. Co.	do.	318,807,459.58
New York, New Haven & Hartford R. R. Co.	June 30, 1911	492,118,175.51
New York, Ontario & Western Ry. Co.	do.	96,599,187.34
Norfolk & Western Ry. Co.	do.	227,817,700.87
Norfolk Southern R. R. Co.	do.	28,672,021.20
Oregon-Washington R. R. & Navigation Co.	Sept. 30, 1911	133,089,606.09
Pennsylvania R. R. Co.	Dec. 31, 1911	869,643,066.78
Pittsburgh, Cincinnati, Chicago & St. Louis Ry. Co.	do.	154,039,683.07
St. Louis & San Francisco R. R. Co.	June 30, 1911	356,668,565.84
St. Louis Southwestern Ry. Co.	do.	106,783,719.92
Southern Pacific Co.	do.	603,666,555.81
Southern Pacific R. R. Co.	do.	328,411,863.45
Union Pacific R. R. Co.	do.	809,447,568.09
Utah & Northern Ry. Co. (merged with Oregon Short Line R. R.)	do.	233,132,945.45
Wabash R. R. Co.	do.	82,620,654.00
Westinghouse Electric & Manufacturing Co.	Mar. 31, 1912	75,274,713.23
Wheeling & Lake Erie R. R. Co.	June 30, 1911	9,046,303.92
Wheeling & Lake Erie R. R. Co., receivers.	do.	

VOTING TRUST AGREEMENT.

[Dated June 22, 1898.]

Speyer & Co., Kuhn, Loeb & Co., and Speyer Bros., with William Salomon, Abraham Wolff, J. Kennedy Tod, Louis Fitzgerald, and Charles H. Coster.

An agreement made this 22d day of June, 1898, between Speyer & Co. and Kuhn, Loeb & Co., of New York, and Speyer Bros., of London (hereinafter called the "Managers"), as reorganization managers under a certain plan and agreement for the reorganization of the Baltimore & Ohio Railroad Co., dated the 22d day of June, 1898, parties of the first part, and William Salomon, Abraham Wolff, J. Kennedy Tod, Louis Fitzgerald, and Charles H. Coster (hereinafter called the "Voting trustees"), parties of the second part;

Whereas, pursuant to the terms and conditions of the said plan and agreement for reorganization and in order to promote and protect the value of the new securities and to secure a satisfactory management of the property for a period of years, the Managers have delivered to the voting trustees certificates for fully paid shares of \$100 each of the capital stock of the Baltimore & Ohio Railroad Co., as follows, namely, 400,000 shares of the preferred stock and 349,702.36 shares of the common stock, which certificates, together with such other similar certificates as hereafter from time to time may be delivered hereunder, are to be held and disposed of by the Voting Trustees under and pursuant to the terms and conditions hereof: Now, therefore,

First. The Voting Trustees do hereby promise and agree to and with the Managers, and to and with each and every holder of any certificate issued hereunder as hereinafter provided, that from time to time upon request they will cause to be issued to the Managers, or upon their order, in respect of all stock received by them hereunder, certificates in substantially the following form:

THE BALTIMORE & OHIO RAILROAD CO.

Preferred stock trust certificate.

This is to certify that on the 1st day of March, 1904, will be entitled to receive a certificate or certificates for 100 fully paid shares of \$100 each in the preferred capital stock of the Baltimore & Ohio Railroad Co., and in the meantime to receive payments equal to the dividends, if any, collected by the undersigned Voting Trustees upon a like number of such shares standing in their names; and until after the actual delivery of such certificates the Voting Trustees shall possess and shall be entitled to exercise all rights of every name and nature, including the right to vote in respect of any and all such stock, it being expressly stipulated that no voting right passes by or under this certificate, or by or under any agreement express or implied.

This certificate is issued under and pursuant to the terms and conditions of a certain agreement dated June 22, 1893, by and between Speyer & Co. and Kuhn, Loeb & Co., of New York, and Speyer Bros., of London, as reorganization managers, and the undersigned Voting Trustees.

No stock certificate shall be due or deliverable hereunder until the 1st day of March, 1904, but the Voting Trustees, in their discretion, may make earlier delivery.

This certificate is transferable only on the books of the Voting Trustees by the registered holder, either in person or by attorney duly authorized, according to rules established for that purpose by the Voting Trustees, and on surrender hereof, and until so transferred, The Voting Trustees may treat the registered holder as owner hereof for all purposes whatsoever, except that delivery of stock certificates hereunder shall not be made without the surrender hereof.

This certificate is not valid unless duly signed on behalf of the Voting Trustees by Speyer & Co., as agents, and also registered by the Mercantile Trust Co. of New York, as registrar.

In witness whereof, the said Voting Trustees have caused this certificate to be signed by Speyer & Co., their duly authorized agents, this——day of——, 189—.

WILLIAM SALOMON,
ABRAHAM WOLFF,
J. KENNEDY TOD,
LOUIS FITZGERALD,
CHARLES H. COSTER,

Voting Trustees, by Their Agents hereunder.

Registered this——day of——, 189—.

THE MERCANTILE TRUST CO., Registrar.

By———.

THE BALTIMORE & OHIO RAILROAD CO.

Common stock trust certificate.

This is to certify, that on the 1st day of March, 1904, will be entitled to receive a certificate or certificates for 100 fully paid shares of \$100 each in the common capital stock of the Baltimore & Ohio Railroad Co., and in the meantime to receive payments equal to the dividends, if any, collected by the undersigned Voting Trustees upon a like number of such shares standing in their names; and until after the actual delivery of such certificates the Voting Trustees shall possess and shall be entitled to exercise all rights of every name and nature, including the right to vote in respect of any and all such stock, it being expressly stipulated that no voting right passes by or under this certificate or by or under any agreement, express or implied.

This certificate is issued under and pursuant to the terms and conditions of a certain agreement dated June 22, 1893, by and between Speyer & Co., and Kuhn, Loeb & Co., of New York, and Speyer Bros., of London, as reorganization managers, and the undersigned Voting Trustees.

No stock certificate shall be due or deliverable hereunder until the 1st day of March, 1904, but the Voting Trustees, in their discretion may make earlier delivery.

This certificate is transferable only on the books of the Voting Trustees by the registered holder either in person or by attorney duly authorized, according to the rules established for that purpose by the Voting Trustees, and on surrender hereof, and until so transferred, the Voting Trustees may treat the registered holder as owner hereof for all purposes whatsoever, except that delivery of stock certificates hereunder shall not be made without the surrender hereof.

This certificate is not valid unless duly signed on behalf of the Voting Trustees by Kuhn, Loeb & Co., as agents, and also registered by the Mercantile Trust Co., of New York, as registrar.

In witness whereof, the said Voting Trustees have caused this certificate to be signed by Kuhn, Loeb & Co., their duly authorized agents, thisday of....., 189...

WILLIAM SALOMON,
ABRAHAM WOLFF,
J. KENNEDY TOD,
LOUIS FITZGERALD,
CHARLES H. COSTER,

Voting Trustees, by Their Agents hereunder.

Registered this —— day of ——, 189—

THE MERCANTILE TRUST CO., Registrar.

By —— ———.

Second. On the 1st day of March, 1904, and upon surrender of any stock trust certificate then outstanding, the voting trustees will, in accordance with the terms hereof, deliver therefor corresponding proper certificates of stock of the Baltimore & Ohio Railroad Co., such deliveries to be made only out of and from such certificates of stock heretofore or hereafter received by the voting trustees under the provisions of this agreement and upon payment of any lawful tax upon the transfer or delivery of such certificates. It is, however, distinctly understood and agreed that at any earlier date the voting trustees may call upon the holders of stock trust certificates to exchange them for certificates of capital stock, and at and after the date to be specified in any such call they shall deliver stock certificates in exchange therefor.

Third. From time to time hereafter the voting trustees may receive from the managers or from other parties, certificates for any additional fully paid stock, duly authorized, of the Baltimore & Ohio Railroad Co., either preferred or common, and, in respect for all such certificates of stock so received, will issue and deliver to the party delivering such stock certificates, stock trust certificates similar to those above mentioned, entitling the holders to all rights above specified. All certificates for such stock received by the voting trustees hereunder shall be deposited with a trust company in the city of New York, to be selected by them as depositary, and the voting trustees shall not be liable for any loss of said certificates or any of them by such depositary.

Fourth. Any voting trustee may at any time resign by delivering to the other voting trustees in writing his resignation to take effect 10 days thereafter; and, in every case of death or resignation or of the inability of any voting trustee to act, the vacancy so occurring shall be filled as follows:

The successor or successors from time to time of William Salomon shall be appointed by Speyer & Co.; the successor or successors from time to time of Abraham Wolff shall be appointed by Kuhn, Loeb & Co.; the successor or successors from time to time of J. Kennedy Tod shall be appointed by Speyer Bros., of London; the successor or successors from time to time of Louis Fitzgerald shall be appointed by the Mercantile Trust Co. of the city of New York, and the successor or successors from time to time of Charles H. Coster shall be appointed by J. P. Morgan & Co., of New York; and such appointment shall in every case be confirmed by the other voting trustees by written instrument; and the term "voting trustee," as herein used, shall apply to the parties of the second part and their successors hereunder.

Fifth. All action to be taken by or questions arising between the voting trustees from time to time shall be determined by the decision of the majority of those then acting as voting trustees (except where their unanimous approval is expressly required by the terms of this agreement), either at a meeting or by writing with or without meeting, and in like manner they may establish their rules of action; but they will not, nor will any of them, consent that any mortgage additional to the prior lien and first mortgages authorized by the said plan and agreement of reorganization, dated June 22, 1898, shall hereafter be put upon the property to be acquired by the Baltimore & Ohio Railroad Co. under said plan or that the amount of the preferred stock authorized under the plan shall be increased, except after they shall have in each instance obtained the consent of the holders of a majority of the whole amount of preferred stock trust certificates outstanding, given at a meeting of such certificate holders called for that purpose, and also the consent of the holders of a majority of such part of the common stock trust certificates as shall be represented at such meeting, the holders of each class of stock trust certificates voting separately. Meetings of the holders of stock trust certificates shall be called by notice published at least twice a week for four successive weeks in two daily newspapers of general circulation in the cities of Baltimore and New York, respectively.

Sixth. In voting the stock held by them, the voting trustees will exercise their best judgment from time to time to select suitable directors to the end that, in accordance with the purposes first above set forth, the affairs of the company shall be properly managed, and in voting on other matters which may come before them at any stockholders' meeting they will exercise like judgment, but they assume no responsibility in respect to such management or in respect of any action taken pursuant to their votes so cast, it being further understood that no voting trustee incurs any responsibility for the act or omission of any agent hereunder, nor by reason of any error of law or any matter or thing done or omitted under this agreement except for his own individual malfeasance. Any voting trustee shall be eligible for election as a director of the company.

Seventh. This agreement may be simultaneously executed in several counterparts, each of which so executed shall be deemed to be an original, and such counterparts shall together constitute but one and the same instrument. Any voting trustee hereunder may vote in person or by proxy to any other person, whether or not a voting trustee, and a proxy in writing signed by any three of the voting trustees shall be sufficient authority to the person named therein to vote at any meeting of the stockholders of the company unless objection thereto be made at or before such meeting by either of the other voting trustees. In case such objections be made such proxy shall not be deemed sufficient authority unless it shall appear that the same was executed by direction of a majority of the voting trustees as provided in paragraph fifth hereof.

In witness whereof, the several parties have caused this agreement to be dated the day and year first above written, and have hereunto set their hands and seals the _____ day of May, 1899.

SYNDICATE AGREEMENT.

[Dated May 14, 1907.]

Union Pacific Railroad Co. 4 per cent 20-year convertible gold bonds.

Agreement, dated the 14th day of May, 1907, by and between Kuhn, Loeb & Co. (hereinafter called the syndicate managers), parties of the first part, and the syndicate subscribers hereto, severally (of whom each is hereinafter termed a subscriber, and all of whom constitute the syndicate), parties of the second part.

Whereas the Union Pacific Railroad Co., hereinafter called the railroad company, contemplates offering for subscription, at 90 per cent of the face value (with an adjustment of interest), to the holders of its common and preferred shares, pro rata according to their respective holdings, such an amount of its proposed issue of \$75,000,000 of 4 per cent 20-year convertible gold bonds as will be divisible among said shareholders at the rate of one bond of the face value of \$1,000 for each 40 shares of stock; and the syndicate managers have entered into an agreement with said railroad company to form a syndicate to purchase so many of said bonds so offered to the shareholders as shall not be subscribed for by the shareholders under the offer of subscription to be made by the railroad company, at the price and on the terms of said offer of subscription (less a commission to the syndicate of 2 per cent upon the face value of said bonds so offered, which is exclusive of the commission to be paid by the railroad company to the syndicate managers), in accordance with the terms of the letter of the president of the said railroad company dated May 9, 1907, a copy of which is hereto annexed and marked Exhibit A; and

Whereas the parties hereto desire to form a syndicate to purchase such of said bonds as shall not be subscribed for by said shareholders and for the other purposes herein set forth;

Now, this agreement witnesseth that in consideration of the premises and of their mutual promises, the parties hereto agree, and the subscribers severally agree with each other and with the syndicate managers as follows:

First. The subscribers hereby form a syndicate for the purpose of purchasing said bonds upon the terms provided in said agreement; and the said managers grant and allot to the respective subscribers participation in said purchase as hereinafter provided. The syndicate shall from time to time pay for the said bonds upon call of the syndicate managers, without reference to the receipt or possession by the syndicate managers or by the subscribers, of any of the said bonds, and in all respects shall execute and carry out the undertakings in said agreement expressed. Each subscriber signing this agreement, or any counterpart thereof, shall set opposite his name the amount of his subscription to the syndicate, and each subscriber shall be called upon to pay and be liable for only such aggregate amount as shall bear to the whole

obligation of the syndicate when fully determined, the same ratio or proportion that his subscription bears to the aggregate syndicate obligation.

Second. The subscribers nominate and appoint the syndicate managers their agents and attorneys, with full power and authority to do any and all acts and enter into and execute any and all agreements or other instruments necessary, proper, or expedient in the premises to carry out and perform this agreement according to its true intent and meaning, including the purchase and resale from time to time for the account of the syndicate of any of said bonds or of the certificates or receipts hereinafter mentioned, which may have been sold for account of the syndicate, and, generally, such dealings and transactions in bonds of said issue and in certificates and receipts and in stockholders' rights to subscribe for said bonds as they may deem best for the interest of the syndicate.

Third. The syndicate shall continue in force and operation until September 16, 1907, unless sooner terminated by the syndicate managers upon notice to the subscribers.

Fourth. The subscribers shall pay their respective subscriptions on the call of the syndicate managers, and the syndicate managers will, so far as practicable, distribute among the subscribers the bonds of the railroad company called for by their respective subscriptions, when such bonds shall be received by the syndicate managers. The subscribers, however, may be required to take, in the first instance, such temporary certificates, exchangeable for bonds when engraved, or such receipts for payments on account of the purchase price of bonds, as the railroad company may issue. All such bonds, certificates, or receipts so acquired by subscribers shall, until the termination of the syndicate, be held by the subscribers subject to the control of the syndicate managers, to be returned to them upon demand, or upon their order, for sale on syndicate account. Any subscriber may, with the written consent of the syndicate managers, and on such terms as they may deem expedient, withdraw from sale any of the bonds, certificates, or receipts which such subscriber may receive from the syndicate managers. No subscriber who shall withdraw bonds, certificates, or receipts from sale as hereinbefore provided shall, prior to the termination of the syndicate, sell any of such bonds, certificates, or receipts, or offer them for sale, or enter into any agreement contemplating their sale after the termination of the syndicate. Any of said bonds, certificates, or receipts acquired by the syndicate hereunder may from time to time be sold by the syndicate managers on behalf of the syndicate at public or private sale, at such prices as the syndicate managers shall deem proper or advisable; and any bonds, certificates, or receipts which the syndicate managers shall purchase for account of the syndicate after having been sold, may be resold likewise for account of the syndicate, at such prices as the syndicate managers shall deem proper or advisable.

Fifth. The syndicate managers shall have the sole direction and management of the syndicate. They may, in their absolute discretion, settle the form of the bonds and certificates or receipts, and of any agreements or instruments of any character to be executed and delivered by the railroad company, notwithstanding that such bonds certificates, receipts, agreements, or other instruments vary in terms or in character from the provisions therefor set out in said letter of the president of the railroad company. The enumeration of particular or specific powers in this agreement shall not be construed as in any way limiting or abridging the general powers or discretion intended to be conferred upon and reserved to the syndicate managers in order to authorize them to do any and all things proper, necessary, or expedient in their discretion to carry out the purposes of this agreement. They shall be under no responsibility in respect of the form or validity of the bonds, certificates, receipts, agreements, or other instruments executed by the railroad company, nor for the delivery of bonds by the railroad company in exchange for certificates or receipts, nor for the performance by the railroad company of any agreement on its part, nor shall they be liable under any of the provisions of this agreement, or in or for any matter connected therewith, except for want of good faith and the failure to exercise reasonable diligence. The syndicate managers shall retain for their own use the commission of one-half of 1 per cent (or in case the stockholders of the railroad company should fail to confer the necessary authority to consummate the plan, one-quarter of 1 per cent) which they are entitled to receive from the railroad company, over and above the syndicate commission of 2 per cent (or one-half of 1 per cent, as the case may be). The syndicate managers shall also be entitled to reimburse themselves from the proceeds of the sale of said bonds for any commissions, brokerages, and other expenses which may be incurred in marketing said bonds or otherwise in the management of the syndicate, in so far as the syndicate managers shall not be reimbursed in respect thereof by the railroad company. The net profits of the syndicate, including the said syndicate commission of 2 per cent, shall be divided among the subscribers pro rata in the proportion that the

several subscriptions hereto shall bear to the aggregate syndicate subscription, proper allowance being made, in the discretion of the syndicate managers, for any bonds withdrawn from sale; and the losses of the syndicate shall be borne by the syndicate subscribers in like proportion.

Sixth. Each subscriber hereby assents to, and agrees to be bound by, any action of the syndicate managers taken under this agreement, and agrees to perform all his undertakings hereunder from time to time on call of the syndicate managers to the full extent of the amount set opposite his subscription, but shall be liable hereunder solely to the syndicate managers and their assigns, and only to the extent of his individual participation in the syndicate: *Provided, however,* that the syndicate managers may deliver to the railroad company a copy of this agreement having annexed thereto a list of the subscribers with their addresses and the amounts of their subscriptions, respectively, and thereupon and upon the approval thereof by the railroad company, the subscribers, severally and respectively, but not jointly, and no one for any other, shall become responsible to the extent of their several subscriptions for the purchase of said bonds from the railroad company. Each and every party hereto will, upon reasonable request, execute and deliver all further writings which may be necessary or proper to carry this agreement into effect. Failure of any subscriber to perform any of his undertakings hereunder shall not affect or release any other subscriber. The syndicate managers may in their discretion, by written consent, release any subscriber. In case any subscriber shall fail to perform any of his undertakings hereunder, or shall be released by the syndicate managers, other subscribers may be received to take the share of the subscriber so failing to perform his undertakings or so released. Upon failure of any subscriber to perform any of his undertakings hereunder the syndicate managers shall have the right at their option to exclude such subscriber from further interest and participation in the syndicate and to declare forfeited to the syndicate any payments he may have made and to hold him liable for all damages caused by his failure. Nothing contained in this agreement or otherwise shall constitute the subscribers partners with the syndicate managers, or with one another, or render them liable to contribute more than their ratable amount as aforesaid, nor render the syndicate managers liable for the subscription of any subscriber. The syndicate managers may, however, be subscribers to the syndicate, and to the extent of any such subscription or reservation by them, shall participate in the profits and losses of the syndicate to the same extent as other subscribers.

Seventh. Books shall be kept by the syndicate managers, in which shall be recorded the addresses of such of the subscribers as shall furnish the same. Any notice hereunder from the syndicate managers to subscribers, or any of them, shall be deemed to have been duly given if mailed to subscribers, directed to the addresses so furnished. The syndicate managers shall be under no obligation to ascertain the address of any party to whom notice shall have been so directed.

Eighth. This agreement shall bind and benefit (ratably according to the amount of the several subscriptions) not only the parties hereto, but their respective successors, survivors, assigns, and personal representatives. An original hereof shall be signed by the syndicate managers and retained by them, but counterparts may be signed by subscribers, and all shall be taken and deemed to be one original instrument.

In witness whereof the syndicate managers, parties of the first part hereto, have subscribed an original hereof, and the subscribers, parties of the second part hereto, have subscribed said original or a counterpart thereof, as of the day and the year first above written.

Name.	Address.	Amount of subscription.

EXHIBIT A.

UNION PACIFIC RAILROAD Co.,
120 Broadway, New York, May 9, 1907.

Messrs. KUHN, LOEB & Co.,
New York.

DEAR SIR: The Union Pacific Railroad Co. has decided to issue \$75,000,000 of 4 per cent 20-year convertible gold bonds of \$1,000 each, convertible (unless redeemed), at the option of the holder, into common stock of the company at \$175 per share, on or at any time before July 1, 1917, and redeemable, at the option of the company, on July 1, 1912, or on any semiannual interest day thereafter, at a premium of 2½ per cent, upon 90 days' notice, in which case the privilege of conversion (if the same shall not have expired) shall terminate 30 days before the redemption date. The said bonds are to bear interest from July 1, 1907, payable semiannually, and are to mature July 1, 1927.

Said issue of bonds, or such proportion thereof as will be divisible among the stockholders at the rate of one bond for each 40 shares of stock, will be offered at 90 per cent of their par value (with an adjustment of interest) to the common and preferred shareholders of the company pro rata according to their respective holdings.

In order to insure the necessary funds to provide for its requirements, the company wishes to arrange with you to form a syndicate to guarantee the purchase, at the same price and upon the same terms of payment as are offered to the stockholders, of such part of said issue of bonds as shall not be subscribed for by the stockholders upon the proposed offering.

The form of the bonds and of the agreement under which the same shall be issued shall be subject to your approval.

The company will pay such guaranty syndicate as you may form a commission of 2 per cent upon the face value of said issue of bonds, and will also pay you for your services a commission of one-half of 1 per cent and your actual disbursements.

A meeting of the stockholders of the company will be called to be held within the next 60 days, and if the stockholders should fail within that period to confer the necessary authority to increase the capital stock and otherwise consummate said plan, the obligation of your syndicate shall cease and its compensation shall be reduced to one-half of 1 per cent upon the par value of said issue and your own compensation to one-quarter of 1 per cent thereon.

Asking your early confirmation of the arrangement stated in this letter, I am,

Very truly, yours,

E. H. HARRIMAN,
President.