

### UNION PACIFIC'S SURPLUS

#### Considerations For and Against Distribution Weighed.

### RAILROAD NEEDS OF FUTURE

#### Extra Dividend Proposal and Question of Its Size Viewed from Standpoint of Union Pacific Situation.

What will the Union Pacific Railroad company do with its surplus money? The question in all its bearings is discussed by the Wall Street Journal, as follows:

Judge Lovett and his associate directors of the Union Pacific have acted wisely in permitting their associate stockholders to understand that the decree of the court, forcing the sale of the entire Central and Southern Pacific systems largely for cash and to outside interests, makes necessary careful consideration by the board of the status of the Union Pacific—with a contracted geographical domain and an expanded treasury.

Stockholders are entitled to know when the directors are considering either increased or decreased distributions that they may not part with their shares without full knowledge in the premises, and also be able to judge of the wisdom of important action concerning their property by the representatives for whom their votes are annually invited. While the action of the directors cannot be foretold or even predicted with safety, for divergent minds have yet to effect their meeting upon this problem, some facts may well be set forth in this connection. The capital stock of the Union Pacific is \$216,625,000 common and \$9,543,500 of 4 per cent preferred.

The second paragraph of article 4 of the company's articles of association reads as follows:

"Such preferred stock shall be entitled in preference and priority over the common stock of said corporation to dividends in each and every fiscal year, at such rate, not exceeding 4 per cent per annum, payable out of net profits, as shall be declared by the board of directors. Such dividends are to be non-cumulative and the preferred stock is entitled to no other or further share of the profits. The directors may adopt proper bylaws to carry into effect the provisions of this article."

It is altogether probable that the preferred stock will participate in any extra distribution plan that may be worked out. There was testimony in the merger suit regarding a big pool in the preferred stock in which several of the Union Pacific directors were interested. The holdings of the preferred there referred to have not been decreased since that time, but one of the largest holders in connection with the plan for an extra distribution that can be devised at this time can provide for any participation by the preferred. The rights of the preferred will probably be thrashed out in the courts, as it is probable that there will be smaller holders who will not be willing to take the above view.

The Union Pacific has earned an accumulated surplus of substantially 190 per cent upon its common share capital, of \$23,000,000, but at present prices its investment securities show a depreciation of about \$3,000,000 from the cost figure at which they are carried on the books, and on which the above surplus is figured. Following is a table of these securities, with their par, cost and present values:

	Par.	Cost	Present Value
B. & O. com.	\$2,254,300	150	\$5,063,550
B. & O. pd.	2,274,000	100	1,962,650
B. & O. pd.	7,200,000	32	235,226
B. & O. pd.	2,173,800	90	212,726
Ill. Central	222,500,000	163	119,121,000
N. Y. Central	11,857,100	44	7,200,582
C. & A. pd.	19,543,100	64	12,578,181
St. Paul pd.	1,845,000	132	2,500,460
S. W. com.	4,015,700	174	2,349,566
Total	\$118,631,700	Loss—\$7,715,228	

"Through the Railroad Securities company Union Pacific owns an additional \$500,000 Illinois Central stock, but of this \$3,000,000 is pledged under \$3,000,000 outstanding Railroad Securities company 4 per cent collateral trusts. Here is a depreciation of a few more millions.

**Harriman's Foresight.**  
A large portion of the above \$23,000,000 Union Pacific surplus was accumulated through the financial foresight of E. H. Harriman, combined with some good fortune. The effort of Harriman to get control of Northern Pacific, when denied any participation in the Burlington ownership, resulted in a profit of about \$58,000,000 from the fortunate sale at high prices of the Northern Pacific and Great Northern stocks, which came back to the Union Pacific treasury when the court dissolved the Northern Securities company, and Mr. Harriman was forced to accept for Union Pacific, not the original Northern Pacific he had turned into

Northern Securities, but the proportionate parts of Northern Pacific and Great Northern. In the markets in which Union Pacific disposed of these stocks in 1908 and 1909, Northern Pacific reached 222 1/2 and Great Northern sold up to \$48. Had Mr. Harriman held the original Northern Pacific stock in the Union Pacific treasury it would now show little if any profit and at times would have shown considerable shrinkage.

To the \$3,000,000 profit in the Northern Pacific transaction must be added \$15,000,000 net profit from a second decree of the court, which forces the sale of the last Southern Pacific shares from the Union Pacific treasury.

**Possibilities to Reckon With.**  
Prudence should dictate that in any consideration of Union Pacific's divisible surplus full insurance should be made against present or possible depression in Union Pacific's investment account. For it must be remembered that this is a treasury asset and likely to call for cash only on a depressed market.

It should be further remembered that separation of Central Pacific from Southern Pacific is one of the possibilities to reckon with. Attorney General McReynolds has announced that suit to seek this separation will be filed by the government in the near future. Should the government win, Southern Pacific would be compelled to find some market for Central Pacific, and Union Pacific could not afford to let Central Pacific go into other hands. Acts of congress (1902) require the Central and Union Pacific to be "operated and used for all purposes of communication, travel and transportation, so far as the public and the government are concerned, as one connected, continuous line," but there is no doubt that Union Pacific might be seriously embarrassed should Central Pacific fall into the hands of a strong competitor. The Union Pacific treasury should, therefore, be in a position to take advantage of any opportunity to acquire Central Pacific at attractive figures, which decrease of the courts may provide.

Most of the low lines have built west of Omaha, so that their acquisition as extensions of the Union Pacific eastward would seem to be out of the question. As originally built, the Rock Island would make a splendid extension of the Union Pacific to Chicago, but as at present existing east and west of Omaha its acquisition by Union Pacific could not be contemplated, and, moreover, Union Pacific directly and through the Railroad Securities company owns 25 per cent of the \$108,200,000 outstanding Illinois Central stock, and this line covers the gap between Omaha and Chicago. Added to this, through presence on its board of President Earling of the St. Paul system and Chairman Hughtitt of the Chicago North Western, Union Pacific appears to have such comprehensive provision for connection with Chicago that further out or extensions eastward may be considered altogether impractical.

#### A Circumscribed Territory.

The Union Pacific is, therefore, in a circumscribed territory. It is not to furnish the credit or financing for the Southern Pacific and need not be concerned largely with the development of California's oil lands or the present bad investment by Southern Pacific of \$50,000,000 in Mexico; nor has it to look after the Southern Pacific steamship lines on the Atlantic or the Pacific. Of its 1,000 miles of Omaha-Ogden, main line over miles are double track. Only a few millions more can be expended on this main line with prospect of fair return.

It, therefore, becomes apparent that Union Pacific is now more than ever an investment proposition and approaches a banking proposition. Railroads in the banking business are adverse to the public sentiment of the present.

Union Pacific paying 10 per cent and holding 100 per cent surplus in cash and securities in its treasury may be somewhat of a menace to itself, its stockholders and the railroad interests of the country.

When the completion of double tracking and improvements and possibilities of connection with Central Pacific are provided for as well as possibilities of depreciation in its treasury assets, there remains a handsome margin in surplus that may be well distributed to the shareholders, with possibly some reduction in the present 10 per cent dividends.

#### Purchase of Central Pacific.

In the merger dissolution plan which provided for transfer of the Central Pacific to Union Pacific the price agreed upon was \$104,000,000. Were Southern Pacific compelled to dispose of the property by court decree the price might be shaded. Deducing \$100,000,000 from the Union Pacific \$23,000,000 surplus as a reserve against the possible purchase of Central Pacific, and an additional \$38,000,000 as the shrinkage in Union Pacific's investment securities at present prices as compared with the cost at which they are carried on the books leaves \$23,000,000 for improvements, possible further

shrinkage in asset values and a margin for the extra distribution.

With an annual surplus after dividends of from \$10,000,000 to \$15,000,000 Union Pacific will probably have \$30,000,000 to \$50,000,000 additional surplus by the time the supreme court would reach a decree in a suit to compel the sale of the Central Pacific. This should be ample to take care of improvement expenditures meanwhile, leaving the bulk of the above \$52,000,000 available for distribution.

Union Pacific is entitled, in normal times, to have a theoretical value of \$200 per share, of which half is the railroad and half is the treasury of the company.

There can be no question but that sound finance and sound railroad management should dictate the distribution to the shareholders of a reasonable proportion of this surplus after full consideration of all the factors in the situation and particularly of the suggestion respectfully submitted that any possible dividend reduction should be considered and announced in connection with a division from the accumulated surplus.

#### Stock Distribution.

The main facts to keep in mind are that the distribution should be of investment stocks not needed in the operation of the system and having substantially steady value such as \$28,000,000 of Baltimore & Ohio, preferred, which, paying 4 per cent, would find its best lodging place in distribution among the 30,000 shareholders of the Union Pacific. A good sized distribution accompanying the distribution of investment securities might insure a substantial retention of the investment securities as placed with the Union Pacific shareholders.

But the Union Pacific itself should keep a major part of the cash which has recently fallen to its lot or keep it so invested as to be quickly available as a treasury asset.

When the Standard Oil company represented no more in property than does the Union Pacific system it was always the Rockefeller policy to have \$50,000,000 where it could be available at any moment. The Union Pacific and every other railroad company should take a lesson from the New Haven railroad situation at the present time and when petitioning state authorities for permission to issue securities, these should be securities to go into the company's treasury for subsequent reimbursement for expenditures out of cash on hand and not for immediate public issue to meet pressing necessities.

It may be remarked that no railroad company ever got into financial difficulties until it had accumulated a floating indebtedness. This may be laid down as a principle, but the history of the Union Pacific happens to show the exception to the rule, for the Union Pacific was receivershiped with no floating debt, but with nearly \$1,000,000 cash on hand. It is interesting to recall that this was when the net earnings fell to \$3,000,000 per annum, while the annual charges remained at \$12,000,000. Today net earnings are \$5,000,000 and fixed charges \$14,000,000.

During the receivership S. H. H. Clark, who had been with the property from its inception, and other old time railroad men, declared that the prosperity of the country surrounding the Union Pacific had forever disappeared; that Nebraska, Kansas and the plains of the west could not compete with Argentine in raising food, beef, pork, mutton or wheat, for the American people.

Nobody could have then dreamed that the genius of a Wall street broker would cause Union Pacific to rise Phoenixlike from its financial ashes and in less than ten years put Union Pacific at the head of the railroad interests in the United States. When it started upon a career of expansion, geographically and financially, continuing until it reached from Puget Sound to the Gulf of Mexico with a \$50,000,000 lap over into old Mexico, nobody imagined that when arrested and sundered by the courts because of its size, the financial problem on its hands would be the free distribution of its accumulated treasury, notwithstanding an annual distribution to its common stockholders of \$2,000,000, as contrasted with 1902, when there was only \$2,000,000 of net earnings with which to pay \$12,000,000 of charges.

The Union Pacific directors should remember in considering the conservative side of the problem presented that Mr. Harriman was wise enough to admit that it was Harriman expansion that made the Union Pacific what it is.

If the Union Pacific directors conclude to retain in the treasury the equivalent of \$50,000,000 in cash, and securities that could always be relied upon to yield an annual \$50,000,000, we think they might find in the balance something approaching \$40 per share in cash or securities, or \$56,000,000. Coupled with any such announcement of \$20 to \$40 dividend should go a statement that annual dividends beginning with the next quarter would be at the rate of 8 per cent instead of 10 per cent per annum.

The modern Union Pacific—the Union Pacific of Harriman—was created and expanded and buttressed by keeping dividends well below the earnings.

#### PICKPOCKET ARRESTED; ALSO PASSED BAD CHECKS

Thomas S. Kirk, residing at the Urbana apartments, was sentenced to thirty days in the county jail for the theft of a watch and fob, taken from a woman patron of the carnival. Detective John Dunn made the arrest, and upon inquiry found that Kirk had also passed worthless checks on the Brandeis stores, Hayden Bros. and other concerns throughout the city. At the former department store he secured money on a \$30 check and at the latter cashed one for \$5. He was arraigned on the check charge Monday morning.

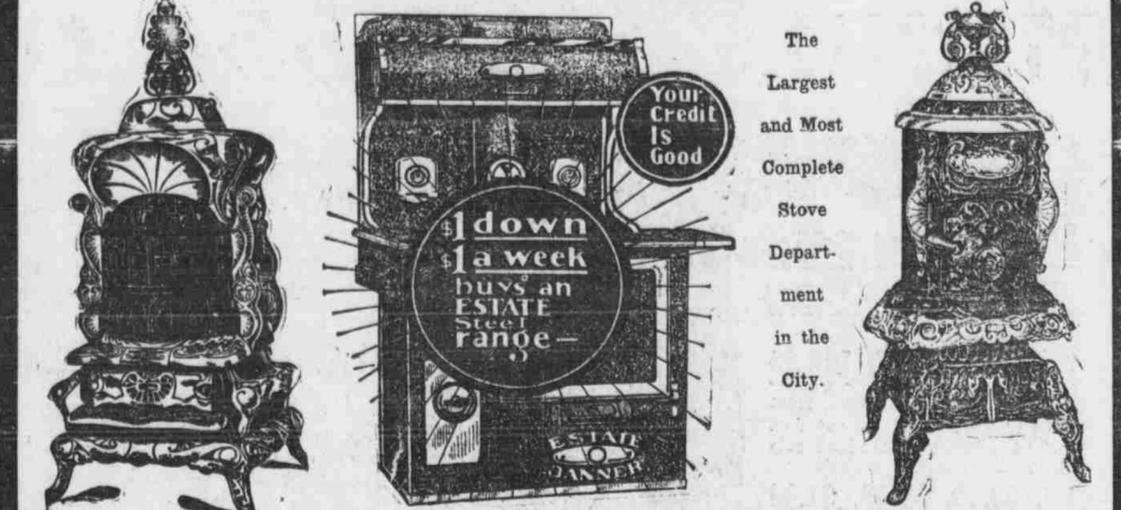
#### TWO BOYS ARE CHARGED WITH STEALING A HORSE

Red Lyons, aged 11 years, living at Twelfth and Reosa streets, and Oscar Scavio, aged 12 years, who resides at Fifteenth and Grace, were arrested Saturday morning by Officer Carney and charged by the officers as being "horse thieves." The two boys had succeeded in making away with a bunch of "hids and hons" belonging to Sam Weiner, Seventeenth and Dorcas streets, and were on their way to the Auditorium to join the Irwin Bros. show when the question arose as to who should ride the horse. While quarreling over the difference Officer Carney, who was passing, overheard enough of the conversation to satisfy himself that the animal belonged to some one else, and brought both lads to the station. They were turned over to the juvenile authorities.

# The UNION offers Plenty of Credit to You and Your Family

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## GOLD COIN BASEBURNER AMERICA'S GREATEST RANGE THE ESTATE STEEL RANGE Modern and Howard Overdraft Heaters



One Dollar Down and One Dollar a Week Secures for You an Estate Steel Range. Absolutely the highest grade of range made—the most durable range. It is the range by which all other good ranges are judged. It absolutely protects the housewife in point of perfect satisfaction and life-time service. We will place one of these excellent ranges in your home on Thirty Days Free Trial.

**SPECIAL HOME OUTFITS**

3 ROOMS Furnished Complete \$69.00 Terms, \$4.00 Monthly.

4 ROOMS Furnished Complete \$99.00 Terms, \$5.00 Monthly.

**\$10.95 For This Massive Turkish Rocker**  
Large and comfortable and upholstered in fabricoid leather.

**\$12.90 For This \$20.00 China Closet**  
Made of quarter sawed oak with bent glass ends.

**\$24.50 For Our Regular \$35 Steel Range**

This range is complete with upper warming closet, has six large eight-inch lids, has guaranteed non-warping bakin'g oven, duplex grates, full steel body and is nickel trimmed.

**CLOTHING FOR MEN and WOMEN ON CREDIT**

**Union Outfitting Co. OMAHA**  
S.E. COR. 16th & JACKSON STS. CONSOLIDATED WITH THE PEOPLES STORE.

**YOUR credit is good**

**CLOTHING FOR MEN and WOMEN ON CREDIT**

#### ECHOES FROM THE ANTEROOM

**Benson Woodmen Dedicate New Water Works Building Today.**

**CLAN GORDON MOVES ITS HOME**

**Ivy Rebekah Lodge Will Give Card Party Benefit Thursday Evening at Independent Order of Odd Fellows' Hall.**

Benson camp No. 128 will celebrate quite an event in the history of the camp today, when they will officially take the consecration of the new water works building of the city of Benson, having been asked to do so by the city officials. The parade will form at the Woodmen of the World hall at 2:30 p. m. and march in a body to the new building, where the exercises will take place at 3 p. m. sharp. All of the city officials will be present as well as the sovereign camp officers. All Woodmen camps have been invited to participate in these exercises, which is the first honor of its kind that has been extended to this progressive order in Dour-las county.

Benson camp will give another of its dancing parties at Independent Order of Odd Fellows' hall Friday evening, and have secured a good orchestra, for the festive refreshments in the way of temperate punch will be served.

John Kennedy, city manager, will be the speaker at the dedication ceremonies at Fremont, Neb., today.

Sovereign E. F. Dahlman, city manager of St. Paul, and Sovereign N. Inman, city manager of Minneapolis, were guests of City Manager John Kennedy at Ak-Sar-Ben week.

John McGraw of the New York Giants is one of State Manager Lowry's boasters in New York City.

The Woodmen of the World officials entertained 4,872 visitors during Ak-Sar-Ben week.

Koelousoo camp 352 meets this afternoon at Twenty-seventh and L streets, South Omaha.

Lithuanian camp 44 will have a degree team and brass band to initiate candidates.

#### Brotherhood of American Yeomen.

On account of the Ak-Sar-Ben officials Omaha Homestead No. 101, Brotherhood of American Yeomen, dispensed with its meeting last week.

Wednesday night will be devoted to the interest of the degree staff and all members are urged to be present at this meeting.

Clan Gordon No. 63, Order of Scottish Clans, has moved its meeting place to the Swedish building, 608 Chicago street and will hold its first meeting there Tuesday evening at 8 o'clock, upon which occasion it is hoped a full attendance of members may be had. Burns' celebration will be held in a large hall of the same building Friday evening, January 23, 1914.

Independent Order of Odd Fellows. The Ivy club will give a card party for the benefit of Ivy Rebekah lodge at Independent Order of Odd Fellows' hall Thursday evening. There will be refreshments and prizes will be awarded.

I. O. R. M. Fontenelle Tribe No. 78, Independent Order of Red Men, met Monday evening in their new wigwam in the Continental block in open court. There were a great many chiefs present who have not been at the council fires during the last season and the tribe was very glad to have them present and only wish that they would continue to come out to the meetings every Monday night.

The next regular meeting will consist of important business for the tribe and all the chiefs should make it a point to be present and take part in the powwow.

Key to the Situation—Bee Advertising.

#### New Tariff Law Will Affect Lots of Goods in Local Warehouses

A telegram has been received by Customs Collector Taylor, informing him officially that the tariff law is in effect. The old rates will be collected, however, until the copies containing the new rates are received. The telegram follows: Tariff act effective October 4. Copies mailed.

C. S. HAMLIN, Assistant Secretary.

Goods will be received under the old tariff rates, but the department will release them from the warehouses at the new rates some time next week. Goods stored in the government warehouses are not paid for, of course, until taken out, whatever tariff law in effect at the time of the withdrawal of the goods is applied to the rate.

The government warehouse at Tenth and Jones streets is packed to the ceiling with goods of all descriptions, the owners having left them there waiting for the new tariff law.

It is impossible at the present date to list authentic differences in the rates of all goods. The complete list of changes in tariff rates is expected to be in Omaha the first part of the week.

#### IMPORTANT CHANGE IN TIME ON THE NORTHWESTERN LINE.

Effective Sunday, October 5, the Los Angeles Limited will leave Omaha at 9:55 p. m. instead of 11:15 p. m., arriving Chicago at 11:30 a. m. instead of 12:30 p. m. The Denver Special will leave Omaha at 2:45 a. m. instead of 1 a. m., arriving Chicago at 4 p. m. instead of 3:15 a. m. The Sioux City-Minneapolis train, which has been leaving Omaha at 7 p. m. has been changed to leave Omaha at 6:45 p. m.

#### OFFICER CUNNINGHAM, MUCH BETTER, IS TAKEN HOME

Officer H. A. Cunningham, who was shot by Louis Wesley, the negro robber, in the basement of Ed Mauer's restaurant, was taken home yesterday from St. Joseph's hospital. He is considerably improved and the attending physicians now look for his speedy recovery from the effects of the wound.

**"77"**

A hard stubborn Cold that hangs on, is broken up by Humphreys' "Seventy-seven" COLDS

"While on my vacation on a farm I suffered from an old fashioned Cold. Everyone had a different suggestion; finally three agreed on 'Seventy-seven' and it helped me," a girl writes.

Mention any ailment from Sprue to Gout, and everyone has a pet remedy to suggest.

Mention a Cold and nearly everyone recommends "Seventy-seven" as their own particular remedy.

"Seventy-seven" is a small vial of pleasant pellets, fits the vest pocket. All Drug Stores, 25c to \$1.00, or mailed on receipt of price.

Humphreys' Homeo. Medicine Co., 157 William Street, New York—Advertising agent.