

October 12nd 1895.

J. Kennedy Tod Esq.

#45 Wall Street,

New York City.

My dear Mr. Tod,

I have your letter of the 10th instant, and replying beg to say that I know nothing of any effort to buy Northern Pacific Consols. They are a first lien on something over 1200 miles of railway, and are probably worth, without reference to Northern Pacific, from 30 to 35¢. The seconds are selling at over par. If the property is left in the hands of any independent management I do not think they are worth over 30¢ on the dollar, and I do not know how they can earn interest on that amount. In the past year, which has been a reasonably good one, the Northern Pacific has earned barely enough money to pay the interest on Receivers' obligations and the First Mortgage Bonds, leaving nothing whatever (except a deficiency of about \$100,000.) to apply on the Seconds. In any re-organization of the Northern Pacific property the preferred claims now being paid by the Receivers will have to be paid, and this amount will have to be increased to the extent of ten or fifteen million dollars to provide for expenses of re-organization, payment of equipment trusts, and necessary renewals and improvements of the property. I should say the amount would exceed fifteen millions rather than be under that sum.

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With the earnings of the Company showing an absolute deficit as regards anything for the Seconds and Thirds, the proportion of net earnings due the Branch Lines which are covered by the Consols only is about \$275,000. to \$300,000. a year. All this Branch Line money has heretofore been raked into the common pot and applied to the general purposes of the Company. The Branch Lines, I think, would not be chargeable with any ^{general} expense for foreclosure; and when the Receivers, under a proper accounting, return the money belonging to the Branch Lines there should be collected ^{quite} a sum available for the past due interest on the Consols.

I hope to be in New York before long.

Yours very truly,