

Nº 35 WALL STREET.
NEW YORK.

PRECEDENCE OFFICE,
U. S. S. S.
File No. 3196 ✓

September 11th, 1897.

JAMES J. HILL, ESQ.,

St. Paul, Minn.

PRESIDENTS OFFICE,
RECEIVED
SEP 14 1897
GREAT NORTHERN RY.

My dear Mr. HILL:

Herewith I send you some memorandum calculations that may interest you regarding

1. The present and future fixed charges of the Northern Pacific Railway Company;
2. The net revenues of the Northern Pacific system for the past fiscal year.

Permit me to call your particular attention to the provision in the Purchase Agreement of February 15, 1897, providing for the formation of a Voting Trust and the further division of stock purchases.

As the main purposes of the Agreement have been accomplished, namely, the acquisition of the stock, the exercise of the control in the election of a new Board of Directors and the adoption of the agreement that I negotiated when last in Portland, it occurs to me, in a perusal of the agreement, that possibly it might be for the best interest of our two Companies that the agreement should be cancelled by the consent of the four parties thereto.

Do you understand from the terms of the agreement that our respective Companies could be called upon to surrender any portion of our present holdings of Oregon R.R. & Navigation Preferred Stock at its cost price to us, even though the market price might be as now 72 3/4%?

I am inclined to believe that Messrs. J. P. Morgan & Co. would consent to the cancellation of the agreement. Of course, such a cancellation would in no wise affect the understanding between us as to our cooperation to the fullest extent in the joint exercise of rights accruing to our Companies by reason of the holding of these shares.

If desirable, a memorandum of agreement could be drawn upon this part of the original agreement.

Sincerely yours,

Edward G. Adams

NET REVENUE OF THE NORTHERN PACIFIC SYSTEM
FOR THE PAST FISCAL YEAR.

The statement presented by the Comptroller for publication in the Annual Report will show as follows for the ten months from September 1st, 1896 to June 30th, 1897:-

Net Revenue	\$5,640,175
Interest	<u>5,110,248</u>
Surplus	\$529,927

Under the Receivership the net revenue for July and August, 1896, were

July	\$641,483
August	<u>489,728</u>
	\$1,131,208

Less 1/5 of \$5,110,248,
fixed charges for 10 mos. 1,022,049

Surplus revenue for July and August under Receivership	<u>109,159</u>
	\$639,066

As the Receivers had no Capital Account all their Betterments were charged to their Operating Expenses, which included for,

July	151,341.25
August	<u>276,145.64</u>
	427,487

principally for steel bridges and changes of grade and alignment, that under the Railway administration would, to a large amount, have been charged to its Capital Account.

Under these latter conditions the Surplus Revenue applicable to Dividends, for the Fiscal Year (12 months) July 1, 1896 to June 30, 1897, would have been

\$1,066,573

equivalent to 1.41% on the \$70,913,700 Preferred Stock now outstanding in the hands of the public.

FIXED CHARGES.

Under the Plan of Reorganization of March 16, 1896, when fully carried out, the total fixed charges of the reorganized Company per annum are calculated to be \$6,052,660

As per Official Statement of December 1, 1896, 6,217,320

Actually paid during the ten months from

September 1, 1896, to June 30, 1897, \$5,110,246

Add 1/5 for two months, 1,022,049

At the annual rate of \$6,132,297

The Annual Report will show details of

Fixed Charges from July 1, 1897 of 6,113,580

By the Conversions of

\$690,000 General Firsts August 30, 1897
into \$697,000 Prior Liens, there was
and interest saving of 5,520

and by the issue of 2,005,000
Prior Liens in lieu of 1,755,000
Missouri Division Bonds cancelled
by land sales, an interest saving of 25,072

thus reducing Fixed Charges by 30,592

to the rate per annum of \$6,082,988

equivalent to \$506,915.66 per month.

When the \$14,702,000 General Firsts are retired through the operation of the Sinking Fund or by conversions into \$19,112,600 Prior Liens, say at 130%, there will be a further interest saving of 117,616

still further reducing the rate of
annual fixed charges to \$5,965,372

No account is taken of the saving in contributions to the Sinking Fund of the old Company, as the Railway Company is reimbursed in Prior Lien Bonds for all such payments.

These fixed charges will be increased to the extent of the interest on such new bonds as may be issued from time to time for new property and betterments.