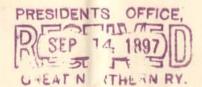
File No. 3196

September 11th, 1897.

in Jan

JAMES J.HILL, ESQ.,

S t. P a u l, Minn.



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 forthe 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,

MET REVENUE OF THE NORTHERN PACIFIC SYSTEM

FOR THE PAST PISCAL 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 Interest \$5,640,175

Surplus

\$529,927

Under the Receivership the net revenue for July and August, 1996, were

July

\$641,483

, 151,20B

Less 1/5 of \$5,110,248 1,022,049

Surplus revenue for July and August upder Receiver thip

109,159

\$639,086

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

July

251,341.25

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 36,052,660 6,217,320 As per Official Statement of December 1, 1896, Actually paid during the ten months from September 1, 1896, to June 30, 1897, 35,220,248 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, into \$697,000 Prior Liens, there was and interest seving of 5,520 and by the issue of 2,005,000 Prior Liens in Lie of 30755,000 Missouri Division Bonda Cancelled by land sales, on incopest saving of 25,072 time reducing Fixed Charges by 30,592 to the raw per annum of 36,082,988 equivalent to 9506,915.66 per month. When the \$14,702,000 General Firsts are retired through the operation of the Sinking Fund or by conversions into 919,112,600 Prior Lions , pay at 130%, there will be a further interest 117,616 saving of

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.

\$5,965,372

still further reducing the rate of

annual fixed charges to

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