YEAR ENDING JUNE 30th, 1894.

	N. P.	G.N. System
Miles of Road Operated	4,631.19	4,488.16
Number of tons carried one mile	1,027,149,848	1,074,802,718
" " " " " " per mile of road	228,517	247,085
Freight Revenue	$11,402,249.02	$11,471,700.28
Revenue per ton per mile	1.112 cts	1.067/¢
Freight Earnings per mile of road	$2,544.96	$2,637.22
" " " train mile	$ 1.6146	$ 2.70
Train Mileage, Freight and Mixed	7,360,848	4,404,855
Average number of tons hauled in trains (Freight and Mixed)	139.54	244.00

Trains run by N.P. (Freight and Mixed)	7,360,848
Number of trains one mile that would be required to move the tonnage hauled by them if same number of tons moved per train as moved per train by G.N.	4,209,630
Unnecessary trains one mile	3,151,218
Distance around the earth	24,000 m

Equivalent to 131 trips around the earth or 2-1/2 trips each week during the year.
Distance to the moon - 240,000 miles. The N.P. are running 13 trips to the moon each year, and apparently for advertising purposes as there is no corresponding increase in revenue.

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	N. P.	G.N. System
Gross Earnings all sources	$16,764,308.56	$14,529,715.61
Operating Expenses	11,971,188.93	8,080,501.35
Net Earnings	$ 4,793,119.63	$ 6,449,214.26
Taxes	465,825.06	495,220.73
Balance, applicable to payment of Interest, etc.	$ 4,327,294.57	$ 5,953,993.53

If the Great Northern had received the same revenue per ton per mile as the Northern Pacific, its Balance or amount applicable to payment of Interest and Dividends would have been increased $483,661.22 or to - - - - - - - - - - $ 6,437,654.75

The above figures are for the entire Northern Pacific System, including Main Line, Branches Owned and Branches Leased, and including in the latter the St.Paul & Northern Pacific R.R. The reorganization would only cover the Main Line and such Branch Lines as are owned. The result of operating that portion of the system during the year ending June 30th,1894, was -

Gross Earnings from Operation - -	$13,631,654.00
Operating Expenses - - - -	9,749,867.00
Net Earnings - - - - - - -	$ 3,881,787.00
Taxes - - - - - - - - - -	342,583.00
Balance to pay Interest, etc. - - - -	$ 3,539,204.00

The report for the year ending June 30th,1894, showed the following bonds which are a first lien on the road as outstanding on which interest had ~~secured~~ accrued during the year to the amount shown -

	Amt.of bonds	Interest accrued
Gen'l. First Mortgage	$43,393,000.00	$2,603,580.00
Missouri Division	1,904,000.00	114,240.00
Pend d'Orielle Division	455,000.00	29,160.00
Total	$45,752,000.00	$2,746,980.00

The Sinking Fund requirements on the above bonds are 1 %, so there should be added to the Interest charge	$457,520.00
making the total payment which has to be made on first lien bonds before the Sedond, Third or Consolidated Mortgage bondsholders can get anything -	$3,204,500.00
This left	$ 334,704.00
but the holders of the junior bonds don't get it for there were outstanding June 30th,1894 -	
Collateral Trust Notes to the amount of $9,384,000.00 upon which 6% interest accrued during the year to the amount of -	$ 529,280.05
Equipment Trust Notes for $3,000,000. at 7% per annum	210,000.00
And other Miscellaneous Obligations to the amount of $5,906,200.00, upon which the interest was	319,280.05
So it would appear that instead of being anything left for the Second, Third and Consolidated Mortgage Bond-holders the road as a matter of fact did not earn anough to pay the Interest and Sinking Fund charges upon its first lien bonds by	$ 723,856.10

It should be borne in mind that these Miscellaneous Obligations cover Receiver's Certificates and other indebtedness incurred by the Receivers which have to be paid out of the Earnings or from proceeds of sale of road before even the First and D Divisional Mortgage Bond-holders get anything. That if interest should be defaulted upon Equipment Trust Notes a large amount of new and valuable equipment necessary for the proper operation of the road would be lost while if the interest on the Collateral Trust Notes should be defaulted and the collateral underlying the notes sold the Northern Pacific would lose such items as the
Stock of the Northern Pacific Express Co., the controling interest in the stock of the St.Paul & Northern Pacific Ry.Co., a large slice of the stock of the Northern Pacific Coal Co., the stocks that give them a right to use the Union Depots at St.Paul and Duluth and Freight Terminals at Minnesota Transfer, besides a lot of other items, some of which are worthless. It might be thought that if the interest on these notes was defaulted and the collateral put up for sale that the proceeds of only a small portion of it would be necessary to pay off the notes but there is so much paper with only a nominal value, such as N.P. Consolidated Mortgage Bonds, Stocks and bonds of the Chicago and Calumet Terminal Ry. and Chicago & Northern Pacific Ry. that it is very doubtful if the entire lot of collateral at a forced sale would bring in the amount of the Collateral Trust Notes.

It may be thought that as the year ending June 30th,1894, was a particularly bad one for Railways the above showing is unfair and that the showing for the year ending June 30th,1895, will show much better results. Sundry newspaper articles published throughout the country have given that impression.

The Receivers file monthly in the U.S. Court at Milwaukee a statemen of the results of the operation of the road.. The showing made for the term August 16th,1893, to May 31st,1895, a period of 21-1/2 months, is that after paying Interest on Receiver's Certificates, first lien bonds, Collateral Trust Notes and certain divisional bonds there was a surplus of $297,846.74. It should be borne in mind that to make this showing, the same as to make the showing for the year ending June 30th,1894, the earnings and expenses of all branches have been included while interest has only been paid on certain branch line bonds. But aside from that there is one other item which will dispose of this surplus. The interest on Receiver's Certificates is shown to be $266,558.84. The interest on these certificates which accrued during the month of May 1895 was $24,500. Had these certificates been outstanding and drawing interest for the full term of the Receivership the amount would have been $526,750.00 which will at once reduce the surplus to $37,654.88. That this showing is perfectly fair will be seen by considering that when any reorganization is effected the Receivers' Certificates must be paid off in cash and that the money obtained for that purpose must of necessity draw interest.

This s ame statement shows that during the month of May the Receivers went <u>into debt</u> to the amount of $194,321.95 which cannot be very encouraging to the holders of the junior bonds.

From the best figures obtainable the Net Earnings of the entire system for the 11 months ending May 31st, 1895, will be $5,311,921.

including <u>all</u> branch lines owned and leased.

Deducting from this Rentals, Interest on Receivers' Certificates, First Lien Bonds, Collateral Trust Notes and Miscellaneous items -		5,115,679.
Leaves		$ 196,242.
but the junior bond-holders did not get that for as above stated it includes earnings of some leased branch lines and the interest on the bonds of only a portion of those branch lines amounts to		$ 592,698.
leaving a deficit of		$ 396,456.
Miscallaneous income amounts to		372,366..
What it consists of is not shown but supposing it is all properly applicable to purposes shown above, there is still a deficit of $24,09o. for 11 months. June wont help it any, and it is safe to say that there will be a deficit for the year of about - - - - - - - - -		$ 30,000.

We believe if the net results of operating leased lines was omitted the results for the 11 months would be -

Net Earnings after deducting taxes -		$ 4,100,000.
Adding 1/11 for June (it will hardly be that)		372,556.
We have a total of		4,472,556.
Against which there are charges for 11 months of - -	$5,115,679.	
plus 1/11 for June	465,062.	5,580,741.
Deficit		$1,108,185.

It is ~~im~~possible that it may be cut down somewhat by miscellaneous income, dividends received, etc. that came in during the year but hardly to that extent.

The property has probably been as well managed during the past year as it ever can be by the present officials. They have been striving to make a record and have been helped by the unusually low prices of labor and materials. But even with that it seems as if $4,500,000. - or at the extreme outside $5,000,000 - was as much as the Company could earn or ~~as~~, discarding all rentals, from $500,000. to $1,000,000. more than enough to pay interest on Receivers' Certificates, First Lien bonds, Collateral Trust and Equipment Notes, etc. It is very evident that this will not got far towards paying the interest upon the other securities amounting to $80,063,500. which were outstanding June 30th,1894.

The proposed guarantee of the Great Northern Ry. has been stated at various figures, the one most commonly mentioned being $6,200,000. per annum or about $1,700,000. per annum more than the N.P. is capable of earning under its own management. This amount will pay a fair return upon ~~the~~ a funded debt of proper amount and would seem to be for the better interest of the bond-holders than any other plan yet mentioned.

The G.N. we believe expect to be able to fulfill their guarantee by the enforcement of the same rigid economy as obtains upon that system.

Take the matter of apparently unnecessary train service before mentioned. At the low figure of 50¢ per train mile there would be a saving of $1,575,609. and there are many other directions in which a rigid economy would result in increasing this amount.

From the reports of the G.N., and N.P. Co's. for the year ending June 30th,1894, the percentage of Operating Expenses to Gross Earnings was 56.99 while on the N.P. the percentage was 71.41.

This difference of 14.42% is equal to $2,417,413.79 based upon Gross Earnings for year ending June 30th 1894