GENERAL CORRESPONDENCE 1877 SEPT. 17, CONT. FOLDER NO. 8-29

JAMES J. HILL PAPERS

PLEASE RETAIN
ORIGINAL ORDER

Milwaukee Sept 17 1877

E H Saunders Esqr
Supt St Paul Minn

Dear Sir-

Shipped on 15th a/c Griggs & Johnson One Car to Rose Creek Prepaid at 11 tons 49.50 - we had rain Saturday and were unable to load but 4 cars, I scattered Coal over what vacant space I had & this am it is in much better condition, although when ~~expect~~ get outside off expect to find some wet Coal, I am very anxious that Coal shall go forward in good shape, & avoid any cause of grievance as before, Elmore loaded none Saturday & probably Just as well as he couldn't have got Cars, it is just going to be - to get them from now on, but if any-body can get them we can - Weather splendid this am -

Truly Yours

Wm H Simpson

Montreal Sept 17th 1877

George Stephen Esq
Dear Sir

Herewith I beg to hand you a memorandum statement of the Bonded Indebtedness of the St Paul & Pacific RR property with statements showing amounts in the hands of the Dutch Committee, and estimates for purchase of said Committee holding, and the completion of such parts of the system as will be to the immediate advantage of the property.

The amount of net earnings for the past two years have been lower than they would again be under the same circumstances, inasmuch as, the Roadbed, bridges &c, were allowed to get out of repair by the former Management, and the present Management has spent in repairs on the Road bed, rolling stock &c, outside of the amount, $188.250.00 for new work during year ending July 1/77, nearly $200.000 since April 1st 1876.

The Roadbed and rolling stock are now in perfect order, and no new rails or other expensive outlay will be necessary for several years.

The valuation I have made of the whole property, is based upon its being completed as far as stated.

While the amount required to purchase the bonds held by Dutch Committee ($4.330.180.) is very large, and the security unusual, still I am

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fully satisfied that if the bonds were all of the same class, and there were not such jealousies among the Dutch Bondholders themselves, as to prevent their agreeing upon a plan to adjust their respective interests, we could never get the bonds at the prices named. The different classes of bonds were sold to the Dutch public at about the same price, and it is very difficult for the holders of any class to agree that his bonds are not worth as much as his neighbors of another class, and so far, they have been unable to agree upon any definite plan of organization.

You will observe I have said nothing of revenues to be derived from the sale of lands. Heretofore a large portion of the lands sold have been paid for in bonds, but the foreclosure suits will prevent this, and the proceeds of lands will hereafter be available for the payment of interest on bonds.

The amount of bonds held by the Dutch Committee give us 73% of the net revenue from traffic, and land sales pending the time of foreclosure, and if during that time interest on the temporary loan became due, this proportion would be more than sufficient to pay the interest.

The settlement of the Red River Valley, both in Minnesota and Manitoba, has been very rapid during the past two years, and the early developement of that section, together with the increase of traffic from the Black Hills and the upper Missouri, will make this railway one of the very best paying roads in

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this Country.

I have the greatest confidence in the enterprise, and am willing, with those associated with me, to assume personal liability for the amount, and depend upon the revenues of the property to repay myself and friends, after paying all interest charges

I am of the opinion, as I have expressed to you verbally, that enough lands can be sold during the next ten years to pay off all indebtedness against the Company, by purchasing its own bonds, and to that extent stop the payment of interest.

I hope the statements contain all information you will require about the condition of the property &c, and trust you will be able to secure a loan sufficient to carry the matter to a successful issue.

I have the honor to be
Your obedient servant
(Signed) N W Kittson

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Statement of Bonded Indebtedness

		Original amt of Mortgage	Amt outstdg Dec 1/76
Branch Line Mortgage	St Paul to St Anthony - Railway	120.000.	120.000
"	" " " Sauk Rapids "	700.000.	366.000
"	" " " " " Realestate	1.200.000. ×	1058.250
"	" " " " " Consolidated	2800.000 ×	1.112.000
Main Line Mortgage	St Anthony to Morris (150 miles)	# 1.500.000 #	
"	Real Estate " " "	3.000.000. ×	1.749.500
"	" " Breckenridge	6.000.000. ×	5.336.000
"	Extension Lines	15.000.000	15.000.000

The 1.500.000 mortgage is held by the Trustees as Collateral Security to the 6.000.000. Bonds

There is a subsequent mortgage of 1.000.000 St Paul to Breckenridge on record, but the Bonds are in the hands of the Company having never been sold and consequently the amount is no claim against the property; if however they had been sold the 6.000.000. and 3.000.000. Loans are both prior Mortgages and would have to be paid in full principal and interest before anything would be due to the 1.000.000 mortgage

The respective amounts of outstanding Bonds are held as follows

120.000 outstanding all held in U.S.
366.000 " " " " "

oj

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625.000	*	1.058.250.	outstdg +	1200 000 697.250.	in hands of Dutch Com-
708.000	*	1.112.000.	"	1500 000 813.000.	- - - -
907.000	*	1.749.000.	" +	3.000.000 1.280.000.	- - - -
3.400 000	*	5.336.000.	" +	6.000 000 4.162.000.	- - - -
11 200 000	*	15.000.000.	"	15.000.000 12.663.000.	- - - -

* Of the five classes of Bonds partly held by the Dutch Committee the balance of the Bonds are scattered through France Belgium Holland Germany & Austria. Except about $ 200.000.00 of the 1.200.000. issue which are held in St Paul

The amount of outstanding bonds is given of date December 1st 1876 since which time a considerable amount of the 3.000.000. and 6.000.000. bonds have been retired for lands

The 120.000. issue is a first Mortgage on the Railroad from St Paul to St Anthony. the 366.000 outstanding is a second Mortgage on Railroad from St Paul to St Anthony and first Mortgage St Anthony to Sauk Rapids on railroad only

The 1.058.250. outstanding covers the railroad and lands to a distance of six miles each side of track St Paul to Sauk Rapids subject to the 120.000. and 366.000. on the railroad - the 1.112.000 outstanding is a first Mortgage on the Lands outside of the six mile limit on each side of the railroad and subsequent to the three foregoing Mortgages on the property covered by them

The 5.336.000. outstanding is by virtue of its

owning the 1.500.000. mortgage a first Mortgage on the railroad to the amount of $10.000 per mile for the first 150 miles west from St. Anthony, and second on the lands, and the only mortgage on both lands and railroad west of the 150 mile post to Breckenridge
The 1.749.500. outstanding is a first mortgage on the lands west of St Anthony to 150 mile post and subject to the $10.000. per mile on the road

Amount required to purchase bonds in the hands of Dutch Committee.

Class			
1.200.000.	697.250.	@ 80¢	557.800.
2.800.000.	813.000.	@ 20¢	162.600.
3.000.000.	1.280.000	@ 35¢	448.000.
6.000.000.	4.162.000	@ 42½	1768.850.
15.000.000.	12.663.000	@ 11	1392.930.
			$4.330.180.

Amount required to foreclose Mortgages and pay balance of outstanding bonds not held by Dutch Com. Estimate of our Attorney — $300.000.
Amt required to complete and Equip portions of railroad from Breckenridge to Glyndon and End of track to Saint Vincent — $910.000

1.210.000.
Add above amt — 4.330.180.
Total amt required to buy the property as it now stands, and complete the system as far as at present desirable — $5.540.180.

After the purchase is made on the foregoing basis, and the Breckenridge to Glyndon and End of track to St Vincent portions are completed and equipped, all in good condition for business the property will consist of

570 Miles track worth say 20/m		$11400.000.
Present equipment	410.544.45	
added for new "	100.000.00	
Shops & Tools	61.022.04	
Material Supplies &c	228.152.48	
Old Rails	17.000.00	816.718–
		$12.216.718–
Surplus property St Paul & St Anthony Junction not required for use of Company	400.000.	
Townsites Main Line Estimate	200.000.	600.000.
Land Grant 2.634 482. acres of land lying for the most part in well settled counties and of a quality much above the average of Western Lands worth at least the U.S. Government Minimum price for lands within the limit of railroad grant $2.50 p acre		6.586.205
Total valuation		$19.402.923.00

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In addition to the foregoing the Trustees for the Bonds have in their hands Cash $210.000.00 and we are informed by the present Manager of the property that of the above lands there are sold about 68.000. Acres, upon which there is due secured by Mortgage on the Lands, and bearing interest at 7% per Annum $750.000.00

The mortgages of the 1.200.000. 2.800.000. 3.000.000. and 6.000.000 issues have by reason of their failure to pay interest, been declared due, principal and interest, and the Trustees are now in possession.

Suits have been commenced and an order of Court for the sale of property may be had during the present fall; while on the other hand it may be delayed for a year longer; in the meantime the Trustees will hold the property as at present for the benefit of the Bondholders

A majority of the outstanding bonds can at their pleasure change the Trustees, and it is the duty of the Trustees to use the revenues of the property solely for the benefit of the bondholders in accordance with the priority of the respective mortgages (see Trust Deed &c)

The net earnings of the property for the year ending July 1/77, as per statement, should read $452.392.42 for the reason that the sum $188,250. was paid on account of new rails, rolling stock &c and added to the value of the property that amount

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those portions of Minnesota and Manitoba which would be solely tributary to the parts of the line it is proposed to complete, it is difficult to Estimate the increase of Earnings from that source, however we believe that $600.000.00 per year would be a low Estimate and with fair average Crops the net Earnings would undoubtedly reach $700.000 or $800.000. which amount will increase from year to year as the Country is settled up — Mr Farley the present Manager of the property Estimates the future Earnings much higher than we do. but we have endeavored to make all of our figures on the safe side

In making the Calculations for amount necessary to finish and Equip the unfinished portions as above we have intended to make use of all the rails fish plates spikes ties and other suitable material on hand, the property of the Company

We have estimated the cost of cancelling outstanding bonds other than those held by the Dutch Committee in case of foreclosure upon the advice of our attorney based upon similar foreclosures of other roads. with a liberal allowance for contingencies.