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*New York* October 8th, 1898. *189*

Jas. J. Hill, Esq.,

New York.

Dear Sir:-

We are in receipt of your favor of September 27th addressed to us, and also your favor of October 1st to our Senior. Both of these letters have had our very careful consideration.

Since your conversation with our Senior some months ago when you pointed out the desirability of reducing the capitalization of the Northern Pacific, we have awaited with anxiety the detailed plan which you promised to submit for such reduction, and regret to see that you have not yet worked it out to a point which you consider free from serious difficulties. Nevertheless, we thank you very much for your valued suggestions on this subject contained in your favor above acknowledged and we are giving same our careful attention. While fully agreeing with you as to the desirability of reducing the capital, we are as yet no more successful than your good self in discovering a solution of the difficulties inherent to such a course in the present instance, but, as desired by you, we will give the subject full consideration.

We notice that you speak of the debt of the Northern Pacific as amounting to \$67,000 per mile, but you evidently mean to include the entire capitalization (debt and stock) in this figure. We make the debt about \$32,000 per mile, viz:

Mileage.

	Miles.
Northern Pacific proper,	4,345.65
Central of Washington,	108.
Montana Union,	72.23
Seattle & International,	164.86
Washington & Columbia River,	163.73
Spokane & Seattle,	40.
New Lines,	<u>111.</u>
Total	5,004 miles.

on which the Debt is:

Northern Pacific and St. Paul & Northern Pacific Ry. bonds,	\$155,163,800 at 3.86% average	\$6,048,672
Central of Washington bonds,	1,538,000 )	
Washington & Columbia River bonds,	2,500,000 )	
	<u>\$159,201,800</u>	<u>\$6,210,192</u>

The stocks and bonds together amount to about \$63,000 per mile.

You will notice in this connection that the average rate of interest on the Northern Pacific bonds is very low, and that the average interest charge is less than \$1,250 per mile. Of course, while the capitalization itself is large, the fact that the rate of interest payable on its bonds, as also the rate of dividends on its stock, is moderate, should not be entirely overlooked in considering the relations of the Northern Pacific Railway Company to the public.

Will you not some time let us have a memorandum showing how you make up the debt and stock of the Great Northern so that we may compare same with the Northern Pacific Railway Company's position. We cannot quite reconcile your figures with any in our possession and it is, of course, important that we should be able to make an accurate comparison.



While on this subject, we notice the statement in your letter of August 2nd to our Senior that the present equipment of the Northern Pacific stands on its books at \$11,000,000, and that "the equipment of the Great Northern, which is fully equal to that of the Northern Pacific, stands on its books at \$4,000,000." Is there not some mistake in this?

As well as we can make out from Interstate Commerce Reports, the equipment of the Great Northern and St. Paul, Minneapolis & Manitoba roads stands on the books of the two Companies at about \$12,000,000, and the total of such combined equipment is less in number of engines and cars than that of the Northern Pacific. The Northern Pacific equipment stands at \$13,000,000 - not \$11,000,000 as you say.

The comparison seems to be as follows:

	Northern Pacific	Great Northern and St. P. M. & M.
Locomotives,	582	443
Passenger Equipment,	414	332
Freight "	18,216	14,223
Caboose & Work Cars,	494	1,201
Valued on books at	\$13,000,000	\$12,000,000

Passing now to the third page of your letter of September 27th, we would ask you, have you not confused the Agreement made in London on June 5, 1895 with the Memorandum of Conference held in the same City on the 2nd of April, 1896? The Agreement of June 5, 1895 was made on the theory that the Northern Pacific Railway should be reorganized and that a controlling interest in the stock of the reorganized Company should pass to the Great Northern Railway Company or to interests related with it, in consideration of the guarantee by the Great Northern of Northern Pacific bonds. This plan was found impracticable and was abandoned. As a result, a plan for the independent reorganization of the Northern Pacific was prepared under date of March 16, 1896, and was presented to the

security holders in a circular of the same date signed by ourselves, Messrs. Drexel & Co. of Philadelphia and the Deutsche Bank of Berlin. Said circular began:

"Pursuant to the announcement of the Committees - - - - a plan has been prepared for an independent reorganization of the Northern Pacific Railroad System - - - - and - - - - we have undertaken to act in carrying it into effect."

The plan itself (on page 10) said:

"In furtherance of this independent reorganization and the administration of the property and of the securities, both classes of stock of the New Company - - - - are to be vested in - - - - Voting Trustees," &c.

Following this, the first article of the above mentioned Memorandum of Conference held on April 2, 1896, begins with the following words:-

"The so-called London Agreement having been found impracticable has been abrogated and it has been decided that the Northern Pacific shall be reorganized independently of the Great Northern Railway or any other company or interest."

This Memorandum is signed by our Senior, Lord Mount-Stephen, your good self and Mr. Arthur Gwinner. The Northern Pacific was so reorganized, and we must take exception to your statement that there was any understanding with us, or with our Senior, express or implied, at any time, to the effect that the control of the property could or should be given to you during the period of the Voting Trust. On the contrary, our Senior stated to you on several occasions on which Mr. Coster was present, that such control could not and would not be given to you during the period stated, as we were pledged to an independent reorganization and that the pledge must be kept. He has, however, at all times expressed the strongest desire that the Northern Pacific and the Great Northern shall work in harmony and has assured you that he will do everything that



he consistently can to bring about that result.

The desire which you expressed at the time of your purchase of the Northern Pacific shares from the Syndicate, was that there should be a change in the Presidency of the Northern Pacific, and that the new President should be somebody having your approval. Our Senior told you at that time (Mr. Coster being present) that Mr. Winter still possessed his confidence and that he was unwilling to bring about Mr. Winter's resignation, but that if Mr. Winter should voluntarily resign on account of the condition of his health (as you seemed to think probable at an early date), he would do his utmost to select a successor who would meet your approval and work in harmony with you.

We feel confident that if you will reflect a little further you will perceive that some misapprehension has grown up in your mind as to what was expressed by you and as to the statements made by our Senior at the interviews you refer to, and in this connection, we cannot do better than to refer you to your letter of June 21, 1897 to him. This letter was subsequent to your purchase of the shares and subsequent to the interviews you refer to, but prior to the selection of Mr. Mellen as President. In said letter under the heading IV you say:

"When the purchase of the Syndicate's shares was made, I stated that the finances of the New Company having been carefully provided for in the plan of reorganization, the greatest good we could do the property was in the direction of the local management in the West, so as to place the operation of the Northern Pacific as regards economy, on the same basis as the Great Northern. To enable us to do this without friction, while at the same time fully preserving the independence of the Company, it was absolutely necessary that the President and executive head of the Northern Pacific, in charge of its operation, should be in intimate and cordial relations with me personally, as without this I could do nothing. No doubt you recall how explicitly and repeatedly I urged this at the time, and your own statement that my views were correct; but that you could not at once make so radical a change in the position of President,



but that it was right, and what was right should and would be done as soon as you could bring it about with due regard to the conditions of the reorganization. I need only refer to what occurred in London in April last, and what subsequently occurred in this country so far as to say that I have endeavored to bear in mind all the views expressed, to work patiently to that end, relying fully on your carrying into effect the conditions named, and my reliance that you still desire to co-operate with myself and friends to secure for the Northern Pacific the most economical management, and mutually protective relations with the Great Northern Railway. - - -

I can assist in bringing this about only through a sympathetic and friendly management, through which I shall be able to exercise an influence on the physical operation of the property."

We at all times invited and encouraged your assistance and advice in all that concerned the operation of the property. In due time, for reasons quite apart from those set out by you, Mr. Winter saw fit to resign from the Presidency. Mr. Mellen was then chosen, with your full concurrence and with assurance of your hearty support. Your suggestion of Col. Lamont for the Vice-Presidency was one that struck us favorably and was carried into effect. The subsequent result of the physical operations of the property is perhaps best expressed in your letter of September 17th, 1898 to Mr. Mellen, from which we quote the following:

"I write to say that I have carefully gone over your Annual Report with the greatest satisfaction.

"The operation of the road as shown in the Report, is itself a monument of which all concerned should be very proud, and I desire to extend to you my full and hearty compliments."

It would therefore seem as if what you had in mind on the date of your letter of June 21, 1897 and prior thereto had been accomplished.

The results of the business have justified regular dividends on the preferred stock, and now, after providing liberally for contingencies, the time is near when a moderate dividend on the common stock must also be paid.

Referring now to the second paragraph on page 4 of your letter of September 27th, viz:

"We have tried to be patient and reasonable in all things, but I must say we are not satisfied with the course which appears to control the Company's policy. There appears to be constant disposition to buy or build lines which cannot be operated advantageously as a part of that System, or which may bring on reprisals in the way of building other lines which would greatly injure the Northern Pacific."

We would say that if your impression is well founded, your criticism and complaint, of course, are just; but we do not know of, nor can we discover, any ground for apprehension or criticism in this respect. Perhaps the best way to reach a determination of this point is to consider:

First. What lines the Northern Pacific, since the reorganization, has built or has in course of construction.

Second. What lines it has acquired since the reorganization, by stock purchase or other form of indirect ownership or control.

Third. What lines it contemplates building or acquiring.

Fourth. The business results from new acquisitions.

#### FIRST.

The lines which it has built or has under construction are stated on page 10 of the Second Annual Report. They are:

	Miles.
1. Belmont to Hartney, Manitoba (known as Souris River Branch,	51
2. Rockvale to Gebo, Montana (known as Clark's Fork Branch),	13
3. Whitehall to Twin Bridges, Montana (known as Gaylord & Ruby Valley Branch),	22.2
4. Juliaetta to Lewiston, Idaho (known as Lewiston Extension),	20.6
5. Aberdeen to Hoquiam, Washington,	4.2
	<u>111</u>



or an average of about 50 miles per annum.

To take them up in detail:

(1) Souris River Branch.

This is an extension of the Company's line in Canada into a wide region naturally tributary to its existing lines in that country. You have no lines in Canada and there are no other lines in that part of Canada, except those of the Canadian Pacific. We have not heard any complaint of the Canadian Pacific regarding this line, nor can we discover that the Canadian Pacific could fairly make any complaint against it.

The purpose of the line was to collect business naturally tributary to the Northern Pacific Railway Company's existing Manitoba lines.

(2) Clark's Fork Branch.

This is a short line (13 miles) absolutely local to the Northern Pacific, built to reach some very valuable coal mines.

(3) Gaylord & Ruby Valley Branch.

This is an extension (22 miles) on an old grade, for the purpose of developing business adjacent to the Parrot Smelter which is local to the Northern Pacific Railway. The acquisition of the old grade, in Northern Pacific territory, also removed what was more or less of a menace to the preservation of territory strictly local to the Northern Pacific Railway and not occupied by any other line.

(4) Lewiston Extension.

This extension, (20 1/2 miles) was undertaken, but not finished, before the collapse of the old Northern Pacific Company in 1893. So much work had been done on this extension that the Northern Pacific Rail-



way Company certainly had the right to finish it. The only Company that could possibly suffer from the extension was the present Oregon Railway & Navigation Company, and that Company, by written agreement, consented that the Northern Pacific should make the extension.

(5) Extension to Hoquiam.

This is a short lumber switch (4 miles) on the extreme Pacific Coast, a hundred miles or so from any railroad except the lines of the Northern Pacific.

SECOND.

The properties acquired or of which ownership or control has been acquired by the Northern Pacific through stock purchase or otherwise are as stated on page 11 of the Second Annual Report.

They are the properties of:

1. Seattle, Lake Shore & Eastern Railway Company,
2. Central of Washington Railway Company,
3. Washington & Columbia River Railway Company,
4. Montana Union and Montana Railway Company,
5. One-half interest in the Certificate of Indebtedness of the  
Portland & Puget Sound Railway Company,
6. Spokane & Northern.

(1 & 2). The Seattle, Lake Shore & Eastern and the Central of Washington were parts of the original Northern Pacific System and were specifically included in its plan of reorganization, but were not sooner brought into the new Company simply because satisfactory terms could not be made with the old bondholders.

The right of the new Northern Pacific to acquire all its former branches was recognized in the Memorandum of Conference April 2, 1896

heretofore referred to, in the following terms (Article I):

Mr. Hill and Lord Mount-Stephen will discourage any Northern Pacific Branch Line Bondholders who might approach him with a desire to create competition, thereby forcing the Northern Pacific to allow higher prices or better conditions to these branch roads."

Furthermore, the acquisition of the property of the Seattle, Lake Shore & Eastern was partially due to your earnest solicitation expressed to Mr. Coster in your telegram of January last through Mr. Moore.

(3) The purchase of the Washington & Columbia River Railway or its securities was authorized by the old Northern Pacific Company in or about 1892, and Mr. C. B. Wright proceeded at that time, as we understand, to the Pacific Coast in order to consummate such purchase. He purchased the securities <sup>on the property</sup> in question, with a view of turning them over to the Northern Pacific, but about the time of such purchase the Directors of the Northern Pacific Railroad Company became alarmed as to the financial condition of the Company and rescinded the order to purchase. In this way the securities were held by Mr. Wright and he at repeated intervals insisted that the Northern Pacific should take them off his hands.

The line in question had always been worked in harmony with the Northern Pacific.

We have heard some complaint as to the manner in which the Oregon Railway & Navigation Company was notified by the Northern Pacific of the intention to make this purchase, but we cannot speak knowingly on this point, because we are not personally cognizant of the detail of such notification. It was, we believe, in the hands of the Associate Counsel of the Northern Pacific. We understood, however, that such notification had been given in conformity with the agreement between the



two Companies, and it was so reported to the Northern Pacific Board prior to authority being given by that Board for the purchase of the securities in question. Even assuming, however, that the notice as given was defective, we do not think that any substantial injury resulted thereby to the Navigation Company, because, as stated by the President of the Navigation Company to the Chairman of his Board of Directors under date of February 26, 1898 (i.e. subsequent to the acquisition in question) "the operation of the Washington & Columbia River Railroad, under the statutes of Washington and the general laws, could not, so I am informed by counsel, safely be undertaken by the Oregon Railway & Navigation Company." We assume, therefore, that the Oregon Railway & Navigation Company could not have competed with the Northern Pacific in the purchase even if it had so desired, - a contingency which seems unlikely in view of said President's further statement under same date, that "the Columbia and Snake Rivers will ultimately be made navigable, and when completed they will surround the territory of the Washington & Columbia River Railway, materially reducing rates in that district."

We will venture to remind you, furthermore, that on at least two occasions you called the attention of our Mr. Coster to the importance of acquiring control of the Washington & Columbia River Railway for the Northern Pacific.

(4) The acquisition of the outstanding stocks of the Montana Railway and Montana Union Railway did not let the Northern Pacific into a foot of new territory, for long prior thereto and at the time thereof leases and other agreements existed between it and the old Oregon Short Line Company, by which the Montana Railway and Montana Union Railway were

to be worked for joint account. Various disputes had arisen under these leases, and it was claimed by the Northern Pacific officials that the operations under them had embarrassed the Northern Pacific in various ways. A vast amount of litigation was pending regarding them. The purchase of these stocks was simply a readjustment of internal relations between the Northern Pacific, its lessor and its co-lessees. The Northern Pacific had owned for several years one-half of the stock of the Montana Union Railway, the Union Pacific owning the other half of the stock of that Company and all the stock of the Montana Railway. The only parties concerned in the ownership of the stock and in the questions in dispute were the Northern Pacific, the Union Pacific and the Short Line.

The purchases in question were made with the written concurrence of Messrs. Kuhn, Loeb & Co., who undertook to represent the Union Pacific and the Short Line Companies; in fact, Messrs. Kuhn, Loeb & Co. purchased the stocks and turned them over to the Northern Pacific.

The Montana Union Railway and the Montana Railway are the means by which the Northern Pacific secures Anaconda business, which, under Article III of the Memorandum of Conference before mentioned "shall be divided on equitable terms between the two Companies," i. e. the Northern Pacific and Great Northern. It is only recently that the Northern Pacific has been able to secure a share of this business.

(5) The purchase of the Portland & Puget Sound Certificate of Indebtedness was made with like concurrence of Messrs. Kuhn, Loeb & Co. and to avoid the construction of another line side by side with the Northern Pacific line into territory local to the Northern Pacific. If we remember correctly, you have stated that the Union Pacific should not be given



any rights into said territory.

(6) The purchase of the Spokane & Northern was made in an emergency in order to avail of an expiring option which we found was held by Mr. Louis V. Bell, who represented to us that other parties inimical to your interests as well as those of the Northern Pacific were seeking to purchase the stock in question, and would purchase it if the option were allowed to expire without being exercised. Immediately upon the purchase being made, we notified you offering either to give you trackage over the System, or to sell you the stock, reserving to the Northern Pacific the right to take trackage over the System. Your correspondence on this subject indicated that you looked upon the territory covered by the Spokane & Northern as belonging more to the Great Northern than to the Northern Pacific, although as it seemed to us then and as it seems to us now, the territory in question was not covered by either Company and was fairly open to both. Nevertheless, the matter was worked out to your satisfaction, as we understood, by selling you the stock, the Northern Pacific reserving the right to take the trackage. You may remember that, prior to the Spokane & Northern purchase, you had stated to Mr. Mellen, in substance, that the Spokane & Northern might be like a rabbit and no one could tell whether it would land on your side of the fence or ours, but that either one should purchase as opportunity offered, thereafter making suitable arrangement with the other.

We believe we have now considered all the lines actually constructed or in course of construction and all of the acquisitions of any kind actually made.

It may not be amiss to summarize the mileage of all the new lines built or in any way acquired by the Northern Pacific since the reorganization. We exclude the Seattle, Lake Shore & Eastern and the Central of Washington which, although actually acquired since the reorganization, *as already stated,* were a part of the old Northern Pacific and were specifically included in its plan reorganization, the delay in acquisition being due solely to difficulties in negotiating with the old bondholders. The total is, therefore:

Constructed or in course of construction	111 miles
Acquired (Washington & Columbia River)	<u>163 "</u>
	274 miles.

To this must be added an investment of \$100,000 in the Portland & Puget Sound, and also about 60 miles for the Montana Union and Montana Railway if you treat these as new mileage, which they are not.

For purpose of comparison, we may point out that in the same period the Great Northern appears to have built or acquired:

Fosston Extension,	230 miles
Line through Lawrence (about)	50 "
Spokane & Northern	217 "
Hope, North, (about)	<u>25 "</u>
about	522 miles.



## THIRD.

Let us now pass to those lines of which construction or acquisition in any way is, or has been, contemplated. We do not mean that all of these are likely to be built or acquired, but simply that such matters are, or have been, in course of investigation.

I. Line from Missoula to Ainsworth, for the purpose of shortening the present main line of the Northern Pacific.

In your letter of October 1st, 1898 to Mr. Coster you have said:

"The Northern Pacific should have a right to extend its lines as may be necessary for the development of its business and the protection of its property and the extension from Missoula West would come under this head."

We infer, therefore, that you take no exception to this extension, and, after an explanation of its necessity and of the reasons which led to its construction, a satisfactory basis for making it has been reached with the representatives of the Oregon Railway & Navigation Company, and we think everybody will admit that there is nothing in this matter which should cause friction. Possibly at first it was not fully understood (as may happen about any matter), but as soon as this became reasonably apparent, Mr. Coster brought about a conference of all parties interested with the result above stated.

II. The contemplated lease of the line of the Chicago, Milwaukee & St. Paul from Fargo to Ortonville.

When this matter was brought to our notice, Mr. Coster, under date of August 16th, 1898, (i.e. on the second business day after his return from Europe) wrote to you asking for an expression of your views. In due course he received your reply objecting to its acquisition by the

Northern Pacific. Since then no steps have been taken, the subject being still under consideration, a deterring factor being your objections which are having very full consideration by the entire Executive Committee of the Northern Pacific.

III. It is quite possible that from time to time in the future the Northern Pacific may think it expedient to build short feeders to secure business tributary to its existing lines in Canada. Neighborly regard for the Great Northern deters the Northern Pacific from considerable construction in the Red River Valley, and the only alternative in the way of strengthening the existing long, thin Northern Pacific line running up the Red River and into Canada seems to be to develop business beyond the border where the Great Northern has no lines.

IV. A possible extension of the Cooperstown Branch for about 20 miles.

This has been contemplated, as we understand, for many years. We know it was under discussion before the Great Northern extended its Hope Branch northwestwardly in 1896.

We refer you to the various telegrams exchanged between you, our Mr. Coster and Mr. Adams in August, 1896. We are informed by the Northern Pacific officials that notwithstanding the view expressed by your good self to the effect that your extension from Hope northwestwardly would not interfere with the Cooperstown Branch of the Northern Pacific and notwithstanding the "deep narrow valley" which was assumed to exist as a natural dividing line, the fact of such extension by the Great Northern has been to reduce the traffic on the Cooperstown Branch by some



35% if we recollect the figures correctly. The officials of the Northern Pacific are naturally looking around to recover this business, but of course as there is a "deep narrow valley" which should be a natural dividing line between the Northern Pacific and the Great Northern, we will take care, so far as in our power, that any extension by the Northern Pacific does not go beyond the boundary fixed by such valley.

V. Contemplated extension of the Central of Washington to Lake Chelan, regarding which Mr. Coster wrote you on the 4th instant asking an expression of your views.

This extension seems to be nothing more than completing the line of the Central of Washington as planned when its construction was undertaken. It is indicated by dotted lines on the map in the Northern Pacific Report as far back as 1890 which antedates even your extension to the Pacific. The bondholders of that Company informed us prior to coming to terms with us that if they could not come to terms, they would make the extension themselves so as to complete the original enterprise. The territory to be covered by the proposed extension is totally devoid of railroad facilities. As now existing, the Central of Washington may be said to end nowhere and it is necessary, of course, to carry it to such point as will enable it to secure the business for which the enterprise was started.

In regard to the Central of Washington, we may further say, as pointed out by you to Mr. Coster on the 1st instant, the disturbance in wheat rates in Washington would seem to require that the Central of Washington shall ultimately get a western outlet, but this is a separate matter about which we believe Mr. Mellen has written you. It would seem

as if in any event it were one that could be worked out without any friction.

#### FOURTH.

It still remains for us to consider the wisdom, from the point of view of financial results, of the short extensions so far made and of the properties so far acquired by the Northern Pacific as above enumerated. Prior to any authorization of construction or acquisition, the prospects in this respect have been carefully considered in each instance. The outcome to June 30, 1898, of all the properties (except the Central of Washington, which was acquired later, and the few short spurs then under construction) is shown on page 12 of the Second Annual Report of the Northern Pacific, viz: 4.42% annual direct return on the capital invested (i.e. on \$5,422,175.64), and \$1,645,670.09 of business contributed to the main line of the Northern Pacific. As the entire Northern Pacific (including branches expensive to operate) was operated for less than 50%, it should seem at least 50% of this sum, or over \$800,000, was profit to the Northern Pacific. A very large part of this business would have been lost had not the properties mentioned been owned or controlled as above set forth. The indications for the present year point to a very much larger rate of direct return and to a very heavy increase in the amount of contributed business.

We will not dwell upon such complaints as we have received from the Northern Pacific officials regarding extensions by the Great Northern. We will simply say that in addition to the matter of your Hope extension, the Northern Pacific officials regret very deeply the Fosston extension, and also the line from Park Rapids by way of Lawrence to Bemidji which



connects with the Northern Minnesota - a local connection of the Northern Pacific. This situation would be further disturbed were you at any time to undertake the extension from Milaca and Brainerd as indicated on the dotted lines on your map.

As to the Fosston extension, we must further say that in addition to draining a territory theretofore tributary to the Northern Pacific (and regarding such territory the Memorandum of Conference says, "Neither party shall in future ingress into the other's territory by new construction or by purchase or acquiring control of existing lines."), it also gives the Great Northern the shortest line from Grand Forks to Duluth, although the Northern Pacific had theretofore had the shortest line between those points. Concurrently with the opening of this new short line, rates were reduced by you (without conference as we are informed) and the Northern Pacific is obliged to meet these lower rates over its longer haul. The Northern Pacific is thus placed at a decided disadvantage in financial results and it must reserve to itself full right to overcome the new condition by shortening or modifying its own lines in such way as it can protect its interests or its territory.

We trust that this letter will show you that we have at all times sought carefully to consider the relations between the Great Northern and the Northern Pacific, and to encourage a policy which should be scrupulously exact in not interfering with the rights of the Great Northern or of any other neighbors. We have purposely refrained from any allusion to many complaints coming from the Traffic Department of the Northern Pacific, but which so far as well founded must be very disturbing. Furthermore, this letter is written without conference with any

of the officials of the Northern Pacific, although quite possibly they possess valuable information on some of the questions involved.

Referring to your letter of October 1st to our Senior, we would say that he has taken pleasure in bringing about such a change in the Northern Pacific Board as to permit the election of Mr. George F. Baker. Mr. John S. Kennedy would also be in every way a most acceptable director as would Mr. Sterling also, though with the latter gentleman we are not so well acquainted except by reputation. Other interests besides those of yourself and your friends must, however, be considered, and we do not see on the Board any existing names that can well be spared unless perhaps among some of the gentlemen heretofore elected at your suggestion there be one or more who think they could make way for either or both of the other gentlemen suggested by you in your letter of the 1st inst. Looking at the list of Directors who have been elected at your suggestion, it seems to us that even now you may "assure your associates that they are represented in the Board and in the councils of the Company" far beyond any other interest, and this notwithstanding the fact that the Memorandum of Conference held in London on April 2nd, 1896, does not make any provision whatever for your representation on the Board during the period covered by the Voting Trust. It does contemplate your representation under certain conditions after the Voting Trust expires, and the fact that no provision for representation is made for the period covered by the Voting Trust, would seem to imply that any especial right to representation during that period was not then in contemplation.

We trust that you will appreciate that this letter is written in the most friendly spirit and with the warmest desire to cultivate



good relations between the Great Northern and the Northern Pacific Systems. If the Northern Pacific has done anything to which you think you can properly take exception, we hope you will so state, frankly and specifically, in order that it may be fully considered and, if necessary, corrected, - and we promise you our best efforts to that end. We feel that a frank discussion of matters of interest between the two corporations will be conducive to a continuance of harmonious relations.

Yours very truly,

A handwritten signature in dark ink, appearing to read "J. M. Morgan". The signature is written in a cursive style with a large, prominent initial "J".

James J. Hill Papers  
Minnesota Historical Society