

New York , October 9th 1898.

My dear Lord Mount-Stephen:-

Your cable of yesterday received. All of our friends are quietly holding their Northern Pacific shares, and I think will continue to do so unless something occurs whereby it will not be prudent to do so. My letter to Messrs Morgan & Co. of the 27th ultimo is a quiet and plain statement of the Northern Pacific situation. There has been a strong effort for the past month or more to inflate prices of the Common upon the prospect of a dividend at an early day. It is generally understood that Morgan's house bought 20 or 20,000 shares or more of the Common Stock, with the expectation of this dividend, and it is quietly given out as tips that the stock will go to 60. Messrs Morgan & Co. can then sell out with a large profit and the question of the legality of the stock, or rather its value for the purpose of an investment, may be destroyed or not by a decision of the Court in the present rate case or in any other that may arise, and only ourselves and others who hold the shares will suffer. I do not really think that any one of Morgan's people or even our Berlin friends realize the real danger which constantly threatens the Northern Pacific by reason of its over-capitalization. What has occurred during the past few days, and the development on the part of the public of their attitude in case of any disagreement, should admonish those who direct the policy of the Northern Pacific as to what would occur in case of any serious friction. Mr. Baker, who has gone into the Board and has been placed on the Executive Committee, is a very active and capable business man, accustomed to large affairs, and is withal a fair and reasonable man. He is a firm believer in our methods

and policy, and is very anxious to see the plan of unification carried out. He holds about 5,000 shares Great Northern and the same amount of Northern Pacific Preferred. He is a close friend and associate of Mr. Morgan, and can do much good. He knows our position and wishes, and fully approves of both.

Northern Pacific matters have been a heavy care to me personally, and have taken much of my time, and I assure you I will be glad when it is all settled one way or the other. Kindly bear in mind that our present outlook is that we will have, if we could show it, about \$15,000,000. net income from the year ending June 30th 1899. Our total interest and dividends will be about \$5,500,000., leaving a surplus of say \$5,500,000. which can hardly be reduced, as our increase from better conditions in operation and increased traffic will offset any reduction in rates, unless we were in a contest; and the latter would in case of the Northern Pacific, if their rates were on a parity with our own, reduce their income \$6,000,000. and still leave us a surplus of nearly \$2,000,000. annually above our interest and dividends. So you see we are in a very strong position.

I am sure that Adams is doing what he can, in a way not to be traced, to delay or obstruct the policy of unification. Whatever comes to him from Berlin is given to Morgan, acarefully magnified so as to carry out his idea as above. For that reason we must be careful what we say to Berlin.

Adams has taken up a plan for building a line from Chicago to St Louis in connection with the old Chicago and Northern Pacific prop-

erty which was a Terminal Company in which Jno. Rockefeller had an interest. Berlin has been induced to go into the enterprise, and Mr. Rockefeller will put in a small amount with the idea of making the Terminal property more valuable. The St Louis scheme is in direct opposition to the Alton, the C.B. & Q., and the Illinois Central, all of which are greatly disturbed, and the Chicago lines generally express themselves as much surprised that the Deutsche Bank would go into an enterprise to destroy other peoples property, &c. The Illinois Central and one of the other lines are already planning to take away the business of the Terminal Company. The Bank should know this, but it is their matter and any information or advice coming from us would be returned to Mr. Adams and he would explain it as an effort against him. So I think we had better let them "skin their own skunks" their own way.

As you have already learned, I have joined a party to take control of the Baltimore and Ohio. The party is largely Chicago. Field, Armour, Ream, and other leading Chicago men, with the Re-organization Committee of New York. The re-organization has reduced the fixed charges to about \$6,500,000. The Gross Earnings are say \$28,000,000., and can easily be made \$30,000,000., of which with proper operation over \$13,000,000. should be net. The capitalization will be about \$72,000. per mile, or not over \$5,000. above that of the Northern Pacific as at present. The property should be made to carry its fixed charges and pay 6% on \$100,000,000. of stock. Our party bought \$17,000,000. Preferred from the Committee at 60%. I will see its Operating Department and accounts placed on a good footing, and thus secure what none of the Trunk Lines now have, i.e., close economy.

I give it none of my time beyond securing an Operating and Accounting staff. I have secured for yourself and Gaspard 3 or 4,000 shares of the Preferred if you so desire, and will wait your advice by cable. The demand for participation is very strong from Vanderbilts, and in fact from every one.

I hope to return by Montreal to consider with Van Horne a general plan covering all Canadian Pacific and American matters in the West, or rather West of Lake Superior and the Sault. It may result in changes of ownership of the "Soo" and "South Shore", and remove the Northern Pacific from Manitoba. I could readily arrange this, which I am sure Van Horne would like to do, if we were in a position to direct Northern Pacific matters. The "Soo" Line West of St Paul would go to Northern Pacific and ourselves; the South Shore and the Soo Line East of St Paul to the Chicago and North Western and St Paul Companies, which would make a permanent and safe settlement on territorial lines, and would remove all cause for friction in the future. I have sounded the Chicago lines and think they will co-operate, but the Northern Pacific is not so easily handled as they are inclined to add to their Manitoba property. I have not developed any plan to any one except Van Horne, and I must ask you and Farrer to keep everything absolutely confidential. My idea is to first come to a sound and perfect understanding with Van Horne, and then move on the other parties as if we were getting up a plan to offer the Canadian Pacific, or in other words to secure the co-operation of the American lines before it is known we have agreed with the Canadian Pacific on the general plan. This will save time and lots of trouble.

Business in the North-West and the far West is very good. The currency and silver questions are gradually and I think surely dying out, as fast as the general prosperity of the country grows. Our trade with China and Japan would be very large if we had only steamer facilities. During the past month we have been compelled to refuse 30,000 tons of raw cotton because all our steamer room is engaged up to March 1st next. I have no doubt we could without great effort secure 50,000 tons of steel and cotton between now and January if we had the ships to carry them.

There is a strong feeling growing up in the country and in Congress to take vigorous measures to put American steamers on the Pacific, and I look for this being done very soon. This should have a marked effect on the traffic of the Great Northern. Schiff, Thorne, Cannon, Geo. Clarke, and Geo. Baker in their recent trip on the Great Northern were greatly impressed with the property in its present condition and its future prospects. Schiff, who is very cautious in all he says and does, told me that notwithstanding what the property had done since the Great Northern organization, he would rather have it today than ever before, and that he considered its future would be greater than its past; that it was relatively stronger than any railway he had knowledge of, &c. The entire party was more than pleased.

In order to give you full information as to Wall Street matters, I have ordered Mr. Nichols to send you and Farrer the Daily Commercial Advertiser (Woodcock's paper) and hope it will interest you. He has occupied a field heretofore unoccupied, and his articles are very highly thought of here.

I forgot to say that James, Thorne, Kennedy, Clarke, Sterling, Baker, Stillman, Wm. Rockefeller, Schiff, Speyers, &c., are the N.Y. people interested in the B. & O. enterprise. The capital to reduce the grades so as to make it the lowest grade line from Chicago to the Atlantic Terminals (21 feet to the mile) has been provided in the re-organization. It reaches New York, Philadelphia, Baltimore and Washington on the East; Pittsburg, Wheeling, and the iron and coal regions in the middle; Cincinnati, Louisville, St Louis, and Chicago in the West; Sandusky, Cleveland, and Fairport on the Lakes, and reaches the greatest tonnage producing districts in the country, so that its future must in my judgment be prosperous.

I have tried to give you a full statement of everything, as the newspapers say "up to the hour of our going to press".

I expect to get out our circular in regard to Manitoba at once after our Annual Meeting, and hope to have most if not all the shares in the Great Northern treasury by January 1st. We declare the Great Northern dividend on Tuesday next at the rate of 1 3/4% quarterly.

Kindly present my best wishes to Lady M.S. and remember me to Farrer and all other friends. Believe me always,

Faithfully y ours,