

H.W.Cannon,
PRESIDENT

A.B.Hepburn,
VICE PRESIDENT

J.T.Mills Jr.,
CASHIER

The Chase National Bank

PRESIDENT'S OFFICE,

RECEIVED
FEB 19 1899
GREAT NORTHERN RY.

New York

February 16, 1899.

James J. Hill, Esq.,

St. Paul, Minn.

Dear Mr. Hill:

As indicated in my telegram of today, I leave for Palm Beach, Fla. tomorrow evening to get a much needed rest.

As indicated in my other communications I have completed the Seattle & Northern transaction, and we believe that we have prevented the C. J. Smith trade, although that, of course, is uncertain. We believe that it is postponed at least for sometime to come. If you come to New York the latter part of March, we can then take up the whole Pacific Coast Co. situation. I am at present so situated that the Directors will I believe follow any suggestions I have to make concerning the property.

There is no particular news in New York. The great storm has affected business considerably, and as I have no large transactions on hand at present, I shall, as stated, go away for a short time. As you know the only rest or change of air that I have had for over a year was the trip to the Pacific Coast last year, and I need a few weeks of rest from the turmoils here.

From present indications money will be a drug in New York and throughout the country for the next year to come, and large amounts of gold will come to this country from Europe, unless they borrow money from us to retain their coin.

Yours faithfully,

H.W. Cannon

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St. Paul, Minn.

Dear Mr. Hill:

Referring to your telegram of the 10th. inst., authorizing me to purchase Seattle & Northern R'y. Co. from the Pacific Coast Co., I have today closed the transaction, and at a meeting of the Board of Directors of the Pacific Coast Co., resolutions authorizing the officers of the Company to execute the necessary papers were unanimously passed, and the sale is consummated. The name of the purchaser was not disclosed, but it is generally understood that a person in the employ of the Manhattan Trust Co., by the name of John Halloran was the purchaser on behalf of other persons, or Company unknown. The price which the Great Northern R'y. Co. will pay for the property is \$450,000 for 50,000 shares of S. & N. R'y. Co. stock. This stock represents the entire property, rolling stock, certain undivided interest in lots in Anacortes, as well as real estate in other places. The said 50,000 shares of stock are now on deposit with the Manhattan Trust Co. as a portion of the security for the bonded debt of the Pacific Coast Co.

As soon as certain papers which were forwarded yesterday afternoon to J. D. Farrell, President, Pacific Coast Co. at Seattle, are signed and returned to our attorneys, and as soon as certain resolutions are passed by the Board of Directors of the Seattle & Northern R'y. Co., adjusting the accounts between the two Companies, and copies of said resolutions, together with other papers are received by our attorneys, the necessary certificates will be presented to the Manhattan Trust Co., and upon the receipt of \$450,000 the latter will deliver the entire capital stock (being all the securities issued against the said S. & N. R'y. Co.) to Mr. E. T. Nichols, or his representative, and the Pacific Coast Co. has undertaken by resolution to turn the S. & N. R'y. Co. over to the purchaser free from all debt and incumbrances.

The S. & N. R'y. Co. on its part will release to the Pacific Coast Co. any and all book accounts or claims which may appear on their books; in other words, a settlement of accounts between the Companies has been arranged for, and, as stated, as soon as the papers are received here, the money will be paid, the transaction closed, and the stock can be transferred by Mr. E. T. Nichols to any person or persons that you may direct. Kindly instruct him in the matter.

The G. N. R'y. Co. will be to no expense in this matter, except one per cent to be paid to Jno. I. Waterbury, or John Halloran.

I have arranged with Mr. E. T. Nichols that this

2nd. J. J. Hill:

amount (\$4500) shall be paid after completion and delivery of the stock.

I have made an arrangement between Mr. E. T. Nichols and the Chase National Bank to have the latter institution furnish Mr. N. with \$450,000 to make payment for this purchase, on the same terms as the money advanced on the Wright & Davis transaction; to-wit we will take over a proper amount of four per cent sterling bonds lying here, subject to Mr. Nichols' order, charging four per cent interest while the money is used, and one-half of one per cent commission on the transaction.

I am very pleased to put this matter through for our Company. The property has been bought as cheaply as possible. No person, firm, or corporation, has made any profit from it, except the commission of one per cent, which it was necessary to pay under the circumstances.

I have telegraphed you as follows, which is hereby confirmed:

"Have closed Seattle & Northern trade and arranged with Nichols to pay for same in same manner and upon same terms as Wright and Davis transaction. Entire 50,000 shares Seattle & Northern will be released from Trust Co. and forwarded on or about March first. This represents all the property of the Company, and we have made agreement that all debts will be paid. Transaction need not be disclosed for sometime. Farrell as President and others will remain in charge, keeping accounts separate."

Our attorneys have advised Mr. J. D. Farrell to forward his resignation together with those of other officers and directors connected with the S. & N. property to this City, and same will be turned over to Mr. E. T. Nichols with other securities. Up to this time no disclosure has been made concerning the purchase. I am informed that Mr. Mellen has obtained some information concerning the proposed sale, but, up to this time, none of the members of our Board are acquainted with the real parties in interest.

In order that the real parties may not be disclosed I have written Mr. Farrell to retain charge of the property until he hears from the real owner of the Company, keeping separate accounts on and after March first, provided he receives a telegram that the money has been paid on or before that date, and I see no reason why it should not be paid at that time. Unless some of our friends have informed Mr. Farrell, he is as yet unaware of the real purchaser. *but I will give him some information privately*

Yours faithfully,

W. B. Cannon

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REGISTERS
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New York

February 16, 1899.

James J. Hill, Esq.,

St. Paul, Minn.

Dear Mr. Hill:

About noon today I telegraphed you as follows:

"Coster and Mellen will close trade tomorrow with
"C.J.Smith to parallel Columbia & Puget Sound RR, and
"build cut-off through to Palmer, unless Pacific Coast
"Co. can offer some inducements. Understand Coster and
"Mellen will buy all-rail lines of the Pacific Coast Co.,
"viz: Columbia & Puget Sound and Port Townsend & Southern
"if we will sell. We have suggested selling one-half
"interest in Columbia & Puget Sound to protect our
"coal mines and may possibly reach a point where
"some members of our Board may desire to sell entire
"road and retain trackage agreement for our coal
"business. Have you any suggestions? Answer quick."

The following is a copy of a message sent by me to
Mr. T. Jefferson Coolidge, Jr. Boston, today:

"Message received. I am satisfied Coster and Mellen
"are preparing to close trade with other people tomorrow.
"Simpson will see Mellen but your influence is greater
"with Morgan's people and Mellen than any one in our
"Company. We should sell Northern Pacific from my
"standpoint one-half interest in fee of the railroad
"property they need. Everything possible should be
"done to prevent paralleling this line. Please call
"up Coster at once and ask him not to make agreement to
"parallel our property, and tell him, if you think best,
"that we are prepared to sell one-half of that particular
"railway that Northern Pacific could use, and would
"sell it all except for our coal interests, which we
"must protect; also please talk with or telegraph
"Mellen at once. Matter requires immediate attention.
"Meantime we will have Simpson work from this end."

2nd. J. J. Hill:

These telegrams explain themselves. Col. Lamont is looking after the matter very closely, and agrees with me that the best plan to pursue is to have Mr. Coolidge handle the situation at present, and enter into negotiations which we hope may last for some weeks. In other words, we hope to delay the closing of a transaction between the Northern Pacific and Messrs. Smith and Guerin, until we can determine upon the best course to pursue. Col. Lamont informed me that Mr. Mellen was ready to purchase all of the railways owned by the Pacific Coast Co. For obvious reasons Col. Lamont did not know who had purchased the Seattle & Northern RR, and as it happened that he did not attend the last meeting of our Board, he was not aware that the transaction had been closed until this afternoon. He, however, has made no comment on the matter. As I understand the situation, Mr. Mellen is prepared to take the Port Townsend property as well as the Columbia & Puget Sound property. As you are doubtless aware, the C. & P. S. Co. gave the Pacific Coast Co. upwards of \$132,000 in earnings last year, and I assume that it has a very considerable value on account of its terminals, etc. I write you this in order that you may be informed of the situation, which I think is in better shape tonight than it was this morning.

Yours faithfully,

P-S-

Tel. of today is received. I concur in what you say but Mellen will not buy Port T. property unless he gets the C. & P. S. property and I doubt if he will agree to take a half interest. My only hope is that the matter has been hung up for a time but of this I am not certain.

W. B. Cannon