

New York, July 22nd, 1904.

Gaspard Farrer, Esquire,

8 Bishopsgate-within,

London, E. C., England.

My dear Mr. Farrer,-

I have your letter of the eleventh instant and have read it with the greatest interest, and wish to express my obligations to you for the fulness of your account of what has occurred in London.

Mr. Harriman is very sensitive as to the idea of Mr. Rockefeller or the Milwaukee or North-Western Roads having anything to do with influencing him. His vanity has no bounds. As I told you before, Mr. Harriman was the first Director of the Northern Securities Company with whom I discussed the method to be followed in dissolving the Securities Company, and he said without hesitation that a ratable distribution was the only course that could be pursued. Anything else was not practicable and would not be fair, and that we would have the full co-operation of their Company.

The day before Mr. Schiff left for Europe he called at the office to assure me of their firm's support, and sug-

gested that the Burlington and Great Northern should get together on account of the ease with which additional stock could be issued to take care of the large surplus earnings both Companies were making. To this I made no reply further than to say I would be glad to consider his suggestion.

When the matter of dissolving the Northern Securities Company came to be considered by counsel, Mr. Harriman asked if he might send his own lawyer to be present during the deliberation and I told him that we would be glad to have him do so, and his lawyer, Judge Leavitt, was present during the entire day with six others going over the whole subject. Mr. Stetson, Morgan's counsel, suggested a different plan and Judge Leavitt following Mr. Johnson said that it was the only legal and moral course that could be followed, that any other course would invite numberless law-suits from various stockholders. After four or five days, during which Mr. Harriman continued his assurances, he called to say that he had changed his mind and then sent me a personal letter to the same effect, which I have, and it has been made a part of the minutes of the meeting. When the Directors met to give effect to the plan suggested by counsel, and to do this they ~~d e s i r e d~~ to make the distribution in time to pay the usual dividend not later than the fourth or fifth of May, Mr. Harriman at first asked to be excused from voting. (This occurred on Tuesday when everything was being hurried to try and get off the necessary notices on Wednesday's steamer). He also asked that the whole thing be postponed until the following Saturday to give him an opportunity to consult with

his Executive Committee, but his Executive Committee was in the city and he could have consulted them in an hour, and doubtless had done so, and to delay until the following Saturday would postpone our sending the notices, etc, until the steamer the following Wednesday, making a full delay of a week, which would make it impossible to get through in time to pay the dividend as desired. Later on the law-suit was commenced in Saint Paul before the court having jurisdiction of the case in which they were defeated. Exactly the same case and copy of their complaint was brought up in the State Court in New Jersey and was there defeated. Then they moved for an injunction which Judge Bradford has finally decided to grant without as he states "considering any of the merits of the case." When the case was to be argued before Judge Bradford, Johnson, Clough and Grover advised that we only make a nominal opposition to the injunction with the view that the judge would grant it and that on appeal to the full bench of the Court of Appeals their case would be thrown out as having no business in a Court of Equity, which would practically determine the case on its merits and save time in taking testimony and avoiding a lawsuit through the courts. Johnson is particularly well satisfied with Judge Bradford's decision the appeal is being taken and for that reason and ~~xxx~~ record prepared so that it will come up in the October term, which should give us a decision the last half of October. The usual custom is for counsel to agree on the form of order filed by the court, and in case of any disagreement the court makes its own order. Our counsel took the form granted by Judge Kirkpatrick in the

preliminary order on their petition with the conditions named by them in their argument that any distribution of assets might be made which did not impair their claim. This form has been submitted to them and tonight I learned that they will object, but the judge has fixed next Tuesday for the hearing and our counsel are unable to see upon what ground they could maintain a different order than the one originally asked for and the submissions they made in their printed argument.

I note what you say in regard to Mr. Harriman having been denied the full consideration due him for exchanging Northern Pacific shares for those of the Northern Securities Company. His sale to Morgan & Company of their Northern Pacific shares was as Mr. Harriman, Mr. Steele and Mr. Perkins have all testified, made upon Mr. Harriman's request that they Morgan & Company would get the Securities Company to take their stock on the terms named, which they claimed was something less than it cost them. We paid them one hundred and fifteen for their stock and a cash bonus of about nine million dollars. At the time of that sale for the purpose of covering all issues which might arise between the Companies and to secure the greatest harmony and avoid the necessity of building unnecessary lines, it was agreed that the Northern Pacific and Great Northern would use O. R. & N. Lines from Wallula to Portland, that the extensions in the valley of the Snake River (in which the Northern Pacific had the piece at the east end and the Navigation Company the piece at the west end) should be made a joint line and

that the respective pieces should be joined and both Companies should use this joint line wherever it could be used to advantage. The Union Pacific was to have access over the Northern Pacific line to Tacoma and Seattle, on Puget Sound, and a provision that if a line was built from Kalama to the mouth of the Columbia River, on the north side, that the Union Pacific was to have the right to join in such line if they so desired. The Northern Pacific at that time had engineers in the field to build a line from Portland west to the Coast. No reference was made in regard to this latter line in the Memo., which was not signed but initialled. A short time after Mr. Harriman came to me and said that he thought the Northern Pacific should not go on with this work and that it should have been covered in the Memo. but he had forgotten it. While nothing was said, in the interest of harmony, I got the Northern Pacific people to withdraw their engineers and stop the work. Inasmuch as most of the subject covered by the Memo. was between the Northern Pacific and the Harriman Lines, Mr. Mellen had more to do with the work than I had, and Mellen and Harriman made no progress. A short time after the Memo. was made and after he had discussed^{it} with Mr. Mellen he took it up with me, and at his request the traffic matter was handed over to Mr. Miller, who has charge of traffic matters for our side, and Mr. Stubbs, for Mr. Harriman. After going over the subject carefully together they agreed on a rate from Wallula to Portland, covering the simple service of the Northern Pacific hauling the cars of the Northern Lines two hundred and twenty-eight

miles to Portland and delivering them to our Companies there. The Harriman people did nothing towards soliciting the freight, maintaining the organization or furnishing any terminal service. Their work was simply the train service to haul it from Wallula to Portland, and on their own report their average cost for train service on the Navigation Company was about fifty cents a train mile, which would amount to one hundred and fourteen dollars for hauling a train. The business of the Northern Pacific and Great Northern going to Portland would furnish a large additional business to the Union Pacific and most of the time full trains. That part of their line is a water grade and a modern freight engine would haul two thousand or twenty-five hundred tons easily, which would give them sixteen hundred to two thousand dollars for the full train of the capacity of the locomotive. But assume that they only hauled an average of one thousand tons, they would have an income of eight hundred dollars for what cost them one hundred and fourteen, or far in excess of their average income per freight train mile where they had to furnish the organization, solicitation of freight, loss and damage, maintenance of equipment, machinery and terminals. I thought the rate was high. It was just twice what the Saint Paul Company pays the Northern Pacific from the Twin Cities to Duluth for a distance but little shorter, and, in the latter case, the Northern Pacific has to haul back any empties while the Navigation Company would be relieved of this service as the Northern Pacific wants the empty cars for lumber and shingles to go east over its own line from

points between Portland and Puget Sound so that the Navigation Company would practically have no dead haul. After Mr. Stubbs and Mr. Miller made their report Mr. Harriman took a long time to haggle over it and finally refused to accept the rate they had agreed upon and then ^{last Feb'y.} took the ground that a reasonable rate as mentioned in the Memo. should not be considered under usual conditions but that he should have a larger rate as part of the price of the railway shares. I told him that that was nonsense; that when he made the price of the railway shares to Morgan & Company and they brought them to us, there was nothing whatever said beyond that we would adopt a general plan which would tend to harmonize all interests on a fair and reasonable conditions. This is only one of many cases where Mr. Harriman has gone squarely back on his agreements, and he has even gone farther. He tried to ring in on the Northern Pacific contracts for equipment through Mr. Mollen, and if it had not been that L. W. found that the Northern Pacific was about closing a contract for eleven hundred and twelve hundred dollars a car for cars that we were at the same time buying for nine hundred dollars, the Pressed Steel Car Company, in which Mr. Mollen said Mr. Harriman was interested and wanted the business for the Company, would have had a contract for two thousand cars at more than four hundred thousand dollars more than we were paying at the same time.

Among the main reasons for our buying the Burlington was to secure for the Northern Roads a permanent supply of

coal, and soon after the Burlington was bought we purchased the Jacksonville Southeastern Railroad, which runs from Concord, on the Burlington, to the Big Muddy Coal Field, in Southern Illinois, east of Saint Louis. This line is entirely in the best of the Illinois coal field and will furnish for a long time a permanent supply of good coal, practically equal in quality to the West Virginia coals and worth from fifty to seventy-five cents a ton more than the coals from Northern Illinois. As soon as Mr. Harriman knew the Burlington had bought this road he wanted to break up the trade and wanted the road for the Alton and also wanted to have the Burlington bound to get coal from the Alton Road, in which himself and Schiff were interested. Bearing in mind that the Northern Pacific and Great Northern have to use eastern coal on all lines east of the Missouri River and of Williston, and that the people of the three States, - Minnesota, North and South Dakota, - have to be supplied with coal and that the Illinois coal is the best available source of such supply, you will readily see the importance of our controlling on our own lines a fuel supply amounting to in all over five thousand tons a day. The first winter after buying the Burlington we attempted, in order to please Mr. Harriman, to get coal off the Alton Road, furnishing our own cars (Northern Pacific and Great Northern) and delivering them to the Alton within forty miles of the mines and paying them a high price for that short haul. In place of using our cars for that purpose they loaded them in their own service, and sent them all over the country utterly regardless of our coal

supply and of the supply of the people of the Northwest. It would take too much of your time and mine for me to go on and enumerate all these unreasonable things attempted by Mr. Harriman.

Now, in regard to a voting trust deposit with Morgan, securing him a firm voice in the future management of the Burlington, there was no such voting trust made. Mr. Harriman was to have a certain representation on the Board. Such a voting trust would be illegal. It was only when Mr. Morgan returned in 1901 from Europe and put Harriman and others on the Northern Pacific Board that such representation was considered. When the Northern Securities Company was formed and they were given five out of fifteen directors there was nothing further to be done in the Burlington matter; and, moreover, that was only to apply if the Burlington was leased, as was proposed, by another Company, but this has never been made and the Burlington has been operated under the old Company. I am sorry to have to be compelled to say it, but it is no news to those who have known Mr. Harriman most intimately here. His word is not accepted. Even Mr. George Clark, whom I think you know, and than whom no one stands higher as a business man, and from whose house Mr. Harriman married his wife, has told me repeatedly that while for family reasons he will always treat Mr. Harriman well, to look out for him, that he is not to be trusted and that even in the matter of family estates he is not to be trusted. Last spring when you were going West with J. N., Mr. Clark was going with you until he found that Mr. Harriman and Mr. Stillman were going, and he would not go with them as he said to

me that he would hear no end of Harriman's unfounded claims and he, especially, would be very unpleasant to him, and I may say further that J. N. at the last moment, when I was going West, came to the train and for the same reason told me that he felt he ~~ought~~ not to go, and it was only at my urgent request that he did go.

The Burlington in our hands is certainly not as dangerous to Mr. Harriman's interests as it was before we bought it. The Burlington had two lines extended half way from the Missouri River to the Pacific Coast and had made surveys for completing its line to San Francisco. After having two transcontinental lines and an interest in building up the business at Puget Sound as against San Francisco, we had no interest in extending the Burlington in that direction in competition with Mr. Harriman. Mr. Gould has lines in Kansas, Nebraska, in Colorado and Utah, and is now building his lines into San Francisco. Mr. Harriman finds no fault with him, nor does he with the Rock Island, or the Atchison, which are strong competitors. The North-Western and Saint Paul Roads will probably build a joint line south of the Black Hills and the Yellowstone Park, half way between the Northern Pacific and Union Pacific, practically a hundred miles from either of these lines, where there is an opening for a railway and where one will certainly be built by some one. Mr. Harriman does not raise any voice against that, but after agreeing that a ratable distribution was the only thing we could make, he then told my friends, and even J. N.,

that he was going to get the Northern Pacific if he could; that I would keep it if I could, but if he could get it through this lawsuit, he would be so much ahead, and, if he did not, their shares in it would be as well treated by me as other shares. That they had everything to gain and nothing to lose. In all our dealings with Mr. Harriman I have always tried to give him no reasonable ground for complaint. Whatever we have agreed to I have always stood ready to carry it out, and heap his measures. Even Mr. Schiff before he sailed for Europe last spring told me that I had gotten on with Mr. Harriman better than anyone else in the world, and that Mr. Gould, whom he had asked to have put on the Northern Pacific Board, as his friend, was now opposing him and Mr. Schiff went further and said that I need not give way to Mr. Harriman too much; that he knew I would be fair and to stand on that and that he would see that nothing more was demanded from us.

Now, in view of what has occurred in the past and the present lawsuit, conducted for the purpose of annoyance and delay, - for every disinterested lawyer, including the judges of the court in Saint Paul, had said repeatedly that our case was so strong that no court in Christendom would ever give them what they asked, - I am forced to the position that we must protect ourselves fairly and honorably and diligently.

I note his statement that he had two hundred and fifty million dollars in his treasury and available securi-

ties. This sounds strange when it is but a few months since he made for the Union Pacific a loan of ten million dollars for a year, distributed around in small notes, and some of the banks in which I am interested hold the notes. They are doing well on the Union Pacific. The Manila war gave them a great deal of military supplies from San Francisco, but a new post is being built at Seattle and a military depot has been established which will at least divide that business. Their estimate for rebuilding the Union Pacific is about seventy million dollars, and they are now raising money for that purpose.

You ask is there any way of settling Mr. Harri-
man's fears. I do not think it is a question of fear any-
where. It is a question of trying to grasp something and
get away with it. When we win the suit, which our counsel
are confident of doing, it is very easy for us to put a
majority of the Northern Pacific stock where it will be per-
manently held without in any way burdening ourselves as in-
dividuals. It will take no new money and to do so will en-
hance the value of our holding from the fact that it will
be a permanent holding. In this, of course, we must be
very careful and proceed with the utmost caution. When that
is done I have no doubt whatever but the Union Pacific holding
in the Northern Securities Company or Northern Lines will be
sold and all troubles will end, - a consummation devoutly to
be wished for. Our lawyers have prepared an order for
Judge Bradford to file making the injunction permanent from

which we take an appeal to the full bench of the Court of Appeals for the District of Pennsylvania on the third of October. This order is the same as that asked for in their petition and contains a condition submitted in their printed argument before the court that any distribution of assets might be made which did not impair their claim. This would enable us to distribute as surplus assets and not as a dividend the cash income of both the railways without further delay. I learned tonight that they even object to the tender they made to the court in their printed argument, and that the Judge has fixed next Tuesday as the time when he will settle the matter. Our lawyers feel that our request is in exact line with what the others had offered and that their opposition will avail nothing. I am particularly anxious to get the matter in shape where we can make this distribution, and I see no reason why, with a decision by the first of November, we could not immediately make the entire and final distribution in three days.

I go West tomorrow to see how things are working there, although my reports show everything in good shape. All our Companies are running strong in cash. I enclosed to the "Boss" today a note giving the result of a days work in the iron ore business at Lake Superior, which will interest you and I am sure he will show it to you.

The Burlington's winter wheat crop bid fair a month ago to be the heaviest they ever harvested but rains have reduced the grade ^{price} and in some places estimated at from ten to fifteen per cent. Their corn and other grain

crops are all that could be desired. Mr. Miller is here to-day and tells me that indications are for the heaviest corn crop the Burlington ever had. Louis advises me that he has just returned from a trip over Minnesota and Dakota and he has never seen crops looking so well. Estimates are for from ten to fifty per cent. larger yield than last year. The winter wheat in Ohio, Indiana, Illinois, Missouri, Indian Territory and Texas is about half a crop, and the latest and best estimates show that the entire wheat crop of the United States will be a hundred million less than last year. Wheat being about a dollar a bushel will make the farmers of the Northwest rich, and the purchasing power of their crop will be very much more than it was last year.

The permanent work we have done in the past few years is showing well in our operation and our construction of new lines is limited to a few branches and the station and tunnel in Seattle. The tunnel is about finished and paid for and the passenger station well under way.

Sometimes I feel that I would give a great deal for three days in London where I could go over these things with yourself and the "Boss" carefully and at length, but my place is here ~~until~~ we get through with this lawsuit and get other matters settled. Possibly, I may run over in the fall for a week, if only for the rest.

Before closing, I hope you will not feel that I am going out of my way to malign the gentlemen who have been with you in London, but when I returned from the St. John River two weeks ago I found Mr. James, Mr. Thorne and a number of

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our friends in trouble here because Mr. Harriman before leaving had boasted that he was going to London and that before he came back he would have Mr. Hill's friends in his pocket, and they would no longer be his friends, and that he had been invited to come over by yourself. It did not take me long to satisfy them that Mr. Hill's friends in London were not that kind of people. Our position is strong, our counsel are absolutely confident of winning the lawsuit, and, as I said, even the judges in Saint Paul have privately told us that they meant to give us "a clean bill of health," and "that no court in Christendom would ever defeat us in this suit when considered on its merits." When the suit is ended we want to put ourselves in a position that cannot be assailed and then, and not until then, will we, in my judgment, have the peaceful opportunity of developing our own property.

I have written to the "Boss," and you can also show him my letter to you, and I have no doubt he will show you his if you so desire.

Yours truly,