

Personal.

June 4th 1898.

C.H.Coster Esq.

Messrs J.P.Morgan & Co.,

New York City.

Dear Mr.Coster:-

I have this morning returned from the Pacific Coast. Your telegram in regard to a dividend on Northern Pacific Common was received and answered from Buford, Montana, as follows:-

Message received. To commence paying dividend on Northern Pacific Common in view of testimony given in North Dakota rate case that lines in North Dakota cost less than Thirty thousand dollars a mile might open an attack on re-organization that certainly should be avoided. I further believe Northern Pacific common stock must be practically retired to establish Company on sound basis for dividends. This I believe can be done through conversion of Land Grant and cancellation by Trustees of Fifteen million new Fours. While I am a very large holder of common stock, I should greatly regret payment of dividend at present. So many adverse conditions might arise, any one of which would reduce income, that I sincerely urge that no dividend be considered for present. No such important action should be taken solely on Adams' opinion. His knowledge of situation on line insufficient to judge matters of so much importance.

I am very sorry that there seems to be so much lack of appreciation among many friends of the Northern Pacific as to the actual situation of that Company in regard to its present heavy capitalization. The pending North Dakota law suit developed in the testimony offered by the Company that its lines in that State cost less than \$30,000. per mile. I have no doubt as to the Company's success in the pending law suit, but a case brought under the Interstate Commerce Law or another

case brought in North Dakota, placing the complaint on the ground of over capitalization, would be very difficult to defend, even without paying any dividend on the Common, and this situation would be vastly aggravated by attempting to pay dividends on stock that so far no one connected with the Company has been able to find a basis of valuation that will meet the conditions of the decision of the Supreme Court in the Nebraska case. As I intimated in the above message, I believe a plan can be worked out without much difficulty to retire nearly if not quite the whole of the common stock through the Land Grant. This of course will necessitate satisfying the Trustees of the Mortgages.

This portion of the North-West has for the last year had an immense boom. The increase in gross earnings on the Northern Pacific can be attributed to this, and to no other cause. The increase in net earnings, or rather the relative decrease in Operating Expenses, can be traced to better management. The improved conditions in the management should continue; but there is no certainty that with a prolonged war, with low prices for grain, or many other conditions that might return, the Northern Pacific could readily be placed where its net earnings above its preferred stock would be very small indeed. Surely, in view of what has been done since the re-organization, the shareholders have no right to complain and have every reason to be satisfied.

Mr. Gwinner spoke to me in Berlin, and I understood the suggestion came from New York. If I am correctly informed, neither the

Deutsche Bank nor those it represents have any interest in the Northern Pacific common stock, and their only object in urging payment of dividends would be that such payment would increase the financial strength of the Company and reflect some benefit in the bonds and preferred stock. I do not think it is at all good policy to rush the Company's finances in this way. While I have the fullest appreciation of Mr. Adams' ability and desire to carry out the wishes of those he represents I must repeat that unless the Directors of the Northern Pacific have more and better knowledge than they can get sitting in the upper story of a New York office, their advice in such matters should have but little weight. The Northern Pacific was run from New York for the first year after its re-organization, and you well know the results.

Speaking for myself and friends who hold independent of any foreign interest nearly forty per cent of the shares of the Company, I beg leave to protest against ill-considered action in such important matters.

The Spring in the North-West has been a favorable one, with plenty of rain for growing crops, although in some portions of the Dakotas and farther West the ground is becoming too dry for the best conditions, while the Eastern districts during the last week have been deluged with very heavy rains.

In closing, I beg to thank you for your telegram, and feel that it is due you that I should give you a clear understanding of the

C.H.C. - 4 -

situation from the standpoint of those whom I represent.

Yours very truly,