

June 27th [189]8.

My dear Mr. Coster:-

Your valued communication of the 24th inst., enclosing copy of opinion from Mr. Stetson, concerning the agreement covering the Oregon Railway & Navigation Preferred Stock purchased in 1897 by the Great Northern and Northern Pacific Railway Companies, has been received, and I have read Mr. Stetson's conclusions with much interest.

Were this a matter to be disposed of on its legal merits, Mr. Stetson's always valuable opinion might prevail, without even, as you suggest, submitting the matter to other counsel. But until now, I, at least, have been under the impression that it was the desire of all the parties to the February 1897 agreement, that the same be construed by the spirit which governed its making, in fact I believe (I have not the agreement in my possession at this writing) one of its provisions distinctly stipulates that it is not to be construed in a technical manner.

I assume you will go at one with me in the statement, that the purchase of the majority holdings of O. R. & N. Preferred Stock was made for the sole and well understood purpose, to assure, as far as possible permanently, harmonious relations between the Railways connecting with the O. R. & N. Co., viz.: the Northern Pacific, the Great Northern, and the Union Pacific-Oregon Short Line system, and more especially to assure the operation of the O. R. & N. lines as an independent terminal property, to serve all

C.H.C.
6-27-98.

of its above-named connections, without discrimination against either. To accomplish this purpose, it was proposed, either by Mr. Adams or you, that every effort should be made to bring the Union Pacific-Oregon Short Line system into the agreement, and to this end one half of the purchased O. R. & N. Preferred Stock was specially set aside in the hands of your own and my firm for the benefit of the Union Pacific and Oregon Short Line Companies for either or both. There was certainly no thought at the time, and my recollection is very clear as to this, that the Union Pacific and Oregon Short Line Companies should pay any advanced price for the shares so reserved, except such commission, if any, which your own and my firm, as Bankers, might deem it proper to charge to these eventual purchasers. I have been endeavoring, thus far informally, to secure the assent of the Union Pacific Co., which latter is now in possession of a controlling interest in the Oregon Short Line Company, to the February 1897 agreement, but I have as yet not received any positive assurance that this can be brought about. The time is now not very distant when the Union Pacific Co. will be, through its ownership of the Oregon Short Line, in sole control of the Oregon Railway & Navigation Co., and it will be a matter of much regret, to me at least, if, in anticipation of such control of the Oregon Railway & Navigation Co., it should not have been possible, through the inducing of the Union Pacific Co. to join in the February 1897 agreement, to permanently assure the purposes for which the majority of the Preferred Stock was obtained and the February 1897 agreement was entered into.

C.H.C.

6-27-98.

As I have already stated, I am not at all certain, whether this can be done, but I am very certain that it will be utterly impracticable to accomplish this if it be now expected that the Union Pacific Co. pay an advance over the original cost of the Oregon Railway & Navigation Co. Preferred Stock, except such reasonable commission, if any, which the Bankers may deem it proper to charge.

I have, as yet, had no opportunity to discuss this subject in all its bearings with Mr. Hill, who has just arrived in town, but I believe the latter will be very anxious that nothing be done which hereafter might again disturb the situation and the arrangements now existing in Washington and Oregon. It will be Mr. Hill's views and wishes which should determine my firm's and my own further attitude, and as soon as I can ascertain these, I shall again communicate with you.

Faithfully yours,

James J. Hill

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