

THE CHICAGO - ROGUE RIVER COMPANY

Grants Pass, Oregon.
May 29th, 1911.

Mr. J. G. Riggs, Secretary,
Josephine County Irrigation and Power Company,
Grants Pass, Ore.

Dear Sir—

I am in receipt of your favor of May 26th, which to me, appears to be substantially the same as your offer made and published in The Courier under date of May 17th. As there is no material difference in your two offers, I respectfully decline your offer again, and refer you to my letter of the 23d, and particularly to the statement that we would much prefer to have you put the ditches in shape, and take water from the Golden Drift plant, as you did prior to the flood which disabled the dam, on which repairs are now being completed.

The most important public question at this time is whether or no the farmers are going to be supplied with water and how. This is far more important than who owns the ditches. The ditches have no value unless in use carrying water to the land, so that it may become productive and warrant improvements.

The three factors to the irrigation question, are the public; your company and the Golden Drift stockholders. The public good must be considered first, and it is now clear that it is your duty to make good, or give a specific reason why you should not. The water is available; the power is available; the new pumps are ready for the purpose of pumping water and a few ditches can be made available within two weeks.

A recognition of the rights of the public in irrigation matters was one of the reasons put forth to induce the Court to issue Receivers' certificates, so that the Golden Drift plant could be repaired and the water rights preserved.

The Chicago-Rogue River company is a large Golden Drift stockholder, and as such have recently and are now advancing the plaintiffs large sums of money to spend on the property for the same reason. The preservation of these water rights to practically all of the water in Rogue River thus making the water available for use in North Rogue Valley and is the most important factor to the future growth of Grants Pass.

Now that we have nearly done all we undertook to do at the Golden Drift dam, we want you to go ahead with the distribution to the farmers, of the water we have made available. Prior to the time you made the offer embodied in your letter of the 17th, we did not feel called upon to make additional cash expenditure except the reconstruction of the power house before winter.

The alternate proposition was made for a business reason, as we do not want our property to remain idle, but would rather have it a source of revenue to the Receiver and accordingly expressed a willingness to do the best we could with the ditches available this year and make a large system available next year while there is time, instead of waiting until there is no time available, as you have done this year.

As you have not done any work on the ditches or made any arrangements to use the ditches to supply the farmers with water, I felt we must do the necessary work and thus prevent any more delay, which will be a disaster to our community, and it involves directly or indirectly every resident of Grants Pass and vicinity. It is because the irrigation question involves every one of us, either as property owners or citizens, I am replying to your last letter at greater length, than our interests as Golden Drift stockholders call for, and as such will insist that this irrigation business be put into some practical and business like shape, and it is my opinion that the public is entitled to know just why and all about it.

In your letter of the 26th, you refer to the different parts as First, Second, Third, Fourth and Fifth. For a clearer understanding I will reply in the same order.

To your First "statement of facts" will say that we would like to have you add to your expenditure of \$20,000, so that the ditches will carry water this season. By the first day of July the Golden Drift property will have cost its stockholders approximately \$240,000. Irrigation was one of the inducements to make this investment. We are perfectly willing you should be given all the credit your investment entitles you to. We ask the public not to overlook the credit due the \$240,000 without counting the several years' interest that should be added.

To your Second "statement of facts" I will say that I do not know what your investment is worth to you, but do know the property you offer does not warrant a \$20,000 cash investment by us at this time. We have no objection to any price you may ask for it and trust you may find a buyer.

To your Third "statement of facts," will say that we realize your investment was made on the Golden Drift contract and that the investment is of little value unless the contract is carried out. It is actually the life of your project and also what induced many land and realty purchases. Under that contract you were to procure all the water users you could and dig all the ditches you could. Since July, 1909, you have done neither to the best of my knowledge.

You say the contract has failed to furnish water because of the inefficiency of the plant. The year 1909 showed that the plant could furnish many times the amount of water required of it. We do not pretend to have any control over the flood of 1909, and are in no way responsible for it or the damage done by it. The loss was a public calamity, as well as a private one. What helping hand did your company extend to us in our hour of need? None. You certainly know that every effort was put forth by us to put the property in repair and that these repairs are good and permanent. We extend an invitation to every one of your stockholders to visit the dam and see for themselves.

As to the Golden Drift litigation, will say that it did not involve your company as a party. It was not over any water right or ques-

tion that could affect the water users. The Receiver can do all the company's officers can do. In fact the Receivership was the best thing for the property in the financial condition it was in. You knew of the financial condition of the Golden Drift Mining company when the contract was made, and the flood came afterwards.

To your Fourth "statement of facts," will say that it is my opinion that there is more irrigation sentiment in Grants Pass today than there ever was. In fact many people are positively anxious for it. I have personally been here about two years and know of no public offering of your securities; nor do I know of any plans your company has put forth except the Williams deal and your present attempt to force an experiment on the public, in the shape of an irrigation district.

My experience with corporations is that, if Directors will not put up the big end of the money required, it is no use to appeal to stockholders, and stockholders are right in such an attitude. You say you do not feel like taking the leadership and bringing success to your company by raising and investing more money. You have about 200 stockholders—why not let the other 293 try their hand at it? They could not do less business than your company has done since July, 1909, or injure the ditches by working and spending money on them.

You say you do not want to sell without assurance that irrigation will be accomplished. I would add to that, and say not sell unless the buyers can furnish water. It has never been clear to the community what assurance the Williams crowd gave you of a water supply, or where an irrigation district would get water.

In answer to your Fifth "statement of facts" you say you do not want to defeat our efforts, and in reply will say that you will never see the day when you will defeat our efforts, as we actually work and spend money along judicious lines that increases the value of our property. The Golden Drift part of the irrigation business, as it was lined up in 1909, was to pump water in the ditches. The plant is now in a condition to pump water into the ditches just as soon as the ditches can be made ready to receive the water.

We have no particular desire to acquire your property except that it is advisable to have the Golden Drift plant used, and good business methods compel us to find a way to have the ditches used, if you are not going ahead with the irrigation of the lands. The use of the plant would give the Receiver an income and thus be a benefit to our underlying investment.

Referring to my company—you say—"whenever it has shown itself to be on a sound financial basis," which compels me to call the public's attention to the following facts: The Golden Drift stockholders have made the largest single investment of money in the community. They are at this time increasing that investment. They have the largest monthly payroll of any concern in or around Grants Pass. They are the largest users today of cement, iron and lumber. They are the largest buyers of hardware. They have the largest grocery and butcher accounts in town. They have for sale at reasonable rates what the public needs—water and power.

The investment of \$50,000 more by them in the construction of ditches will give the public a better water system and better service than any new concern can give except with an investment of \$500,000. You have us ("minority stockholders") with you and with our money already invested in your county, against the possibility of looking for and finding a new crowd that will invest \$500,000 to furnish the people water from some unknown source, while the waters of Rogue River with a productive value of \$1,000,000, yearly are flowing under the Sixth Street bridge and going to waste, and which you apparently do not want to use because of our ownership and personal prejudice. Your attitude injures the land owners, not us, as the loss of income to us from now on will be easily offset by the increase in value of the water, water rights, and power rights owned by the Golden Drift.

Replying to your first paragraph of your proposition, will say, that the ditches in their present condition are of no use to us. To be used money must be spent on them. I would not expend my stockholders' money on anything unless it can be safely done. The income from such a system of ditches is a matter of the future and under no circumstances would I advise the investment of money in property where the investment and property is beyond control. I would require an actual sale to us of the property or the option of buying at such reasonable terms as could be carried out.

As to showing our financial soundness, will say that we have been able to meet every requirement of our own property under the most unfavorable conditions, and it is right to presume that we could do as much under more favorable conditions, especially with a good working unit such as we now have, to begin with. As to the real value of your property, or any other, it is a matter of convenience or necessity. We have attempted to buy your ditches at a price equal to the actual cash investment of your stockholders. It is policy with us, as a number of them would be our future water customers, and they invested their money to get the benefits of irrigation and have always been ready and willing to pay a fair price for it.

Our offer has never materially changed from the offer made to you before you made the Williams deal. You had the right to make such a deal, and it had no opposition from us. We do criticize the requirements you want to force on us, (with a large amount of invested capital) after you were a party to such a deal. I know of no investment by Mr. Williams except money furnished for expenses by local people. The people want actual construction, not maps and pictures.

You told the people the irrigation district business would be organized in three weeks, and four months of the best part of the year have elapsed. Has it been shown that anybody is able to sell \$1,000,000 of irrigation district bonds when the best irrigation district bonds are going begging for buyers around 80 cents on the dollar, and in the meanwhile the land is being parched by the sun, because of the failure to use available water. An irrigation district in Eastern Oregon, embracing over 250,000 acres, which was organized without opposition has been unable to sell its bonds. This project has now consumed fully three years' time. Do the people here have to wait to have you try out the same experiment?

Why not vote on the district at once and have done with it and not retard the investment of private capital and also the loss of crops in the meantime. If it is bothering your board to raise \$10,000 for ditch construction, that \$1,000,000 for a district must look as big as old Greyback, unless it is so far away. The further a mountain is away the easier it looks to climb. It is these unsettled conditions that stops investment of money and makes business stagnant.

I would like to have you tell the local public and my people who appointed your board the guardian of the public on irrigation matters. Your company is a private public service corporation. Ours is the same, though larger. As to the value of franchises, I apprehend no difficulty in getting a franchise if the occasion for doing so arises. The franchises were not given to you by the city and county to sell, but to use. Your claim to be the guardians of the people does not entitle you to set up as a value, what the people gave gratis, for the purpose of getting certain results. We offer to give such results and are expected to have to pay you for the privileges.

In answer to paragraph three of "proposition" will say that the suggestion of a board of arbitration is not in point at all. You have made an offer to sell us your ditches for \$35,000, practically cash, which was refused. There is no business arrangement existing between your company and my company, and I do not propose to make any unless the terms are such that it is clear that it can be carried out by my company. The ditches require the immediate investment of money, which we cannot afford to invest except on definite terms. What we want is to have the ditches fixed up and extended. If you will not do so we are willing and will try to find a way to do it where our money will be secure.

In answer to your paragraph Fourth of "proposition" will say that it should be made clear to the public that I have not asked for or wanted your ditches for nothing nor have I asked you to give the property away. I contend that we can give the public a better irrigation service by next year than the people could get in any other way. Your people thought so when you made the contract to use the Golden Drift plant. I invite the public to visit the Golden Drift plant to inspect the water supply, the reconstructed dam, the pumps and power plant and the ditch connections and decide for themselves whether or not it is so and actually available now in 1911, and not in the prospective.

I do not claim to represent large financial interests. I do represent good substantial people who have ample money for requirements of the contemplated system of irrigation. These people need no introduction to Grants Pass. They have been Grants Pass' best customers in a business way, and without actual figures I have reason to believe, we are today.

As to your statement about my getting Josephine stock from the stockholders for nothing, and reorganizing the directory, etc., will say that it is not my purpose or to my liking. I have been voluntarily offered about 10,000 shares of your stock gratis to provide water. All such offers have been refused, although I appreciate them very much. These people have a right to their money back and we are able to repay every dollar invested in it.

Your statements about wanting your property without security, etc., are misleading. My offers all carried with them a statement of fact that you would have all the ditches constructed, and to be constructed as security. You are given as good as you give us and would thus actually make a water supply available for this year, that would be reliable and certain. The ditches are of no value to us except for use, and it is a certainty the ditches cannot be used without expending money on them. Such security cannot under such circumstances depreciate, but would be better and much more valuable from year to year.

I have repeatedly suggested that you sell us your ditches and take in payment therefor an issue of first mortgage notes, drawing interest and secured by a first mortgage on the ditches constructed and to be constructed, running to your company or trustee, for a period of 3 or 5 years. After having made such a deal you could have the notes made negotiable in small and convenient denominations and distribute them to your stockholders pro rata, according to their holdings. As these notes would be accepted for 50 per cent of any water charge, the notes would be equivalent to ready money to those using water, and where the notes were in the hands of merchants, they would be equally valuable and convenient, as the merchants all do business with some of the water users. The notes would easily pass at par and would actually pay back every dollar invested in your company. The issue would decrease yearly and the security increase in value.

I would not attempt to do more than this, and if you are still unwilling to do business on these lines I would advise you to stop the negotiations, as far as we are concerned. It is not a question of price with us, or what the ditches are actually worth, so much as it is to get down to actual irrigation. If we were to take up your system, now that the hot season is upon us, it will be very hard to give good service and please all the people, except those actually under the ditches now constructed, as it takes time to dig ditches in virgin territory. This condition makes it primarily important that your stockholders are provided for according to their investment and not on an appraised value of the property. If our only desire was to get the ditches as cheaply as possible, there are two ways open, one is to go in the market and buy up your stock—the other to encourage your present inactivity.

I do not want the ditches unless I can get them on a basis that would encourage our stockholders to invest money enough to build up a big system, and we don't want to benefit by a loss on the part of your stockholders. Worked out there is enough for all. We are all—Your stockholders and ours are interested in having irrigation—and we can all afford to wait for the return of our initial and respective investments and let every dollar that can be raised go into ditch construction—that and only that will build up our valley. It will not be an experiment, but a certainty. I trust you see your way clear to meet my requirements, so that a deal can be made. If you do not want to take the responsibility, I suggest you call a stockholders' meeting. You will have a good attendance.

Whatever you do please act quickly, so as to give me time to fully inform my people, and the funds will be forth coming.

Very respectfully,

Geo. E. Sanders, Agent