The Great Northern Paper Company, Chapter 12: Yesterday III

John E. McLeod

Follow this and additional works at: https://digitalcommons.library.umaine.edu/great_northern

Part of the United States History Commons

Repository Citation
https://digitalcommons.library.umaine.edu/great_northern/150

This Book Chapter is brought to you for free and open access by DigitalCommons@UMaine. It has been accepted for inclusion in Great Northern Paper Company Records by an authorized administrator of DigitalCommons@UMaine. For more information, please contact um.library.technical.services@maine.edu.
We have said that by 1917 the Company had reached a turning-point, and we have discussed some of the things that led up to it. We have made two statements about this date; first that Great Northern had "arrived", and second that it then turned conservative. The first might be argued on the basis of the financial situation of that year and the next year or two. The second is a fact. It is not likely that the first was a revelation, or the second a conscious decision of the time. This was a confusing time, and this may be a confusing chapter, but we will do the best we can with it.

Let us start with a letter printed in the EDITOR AND PUBLISHER:

"Fitchburg, Mass.
February 13, 1917

THE EDITOR AND PUBLISHER

Have you noticed the almost entire absence of any representative of the Great Northern Paper Company, one of the largest manufacturers, at the paper conferences? Have you noticed that little has been said, if anything, indicating that its customers are being overcharged on new contracts, or have been held up in any manner? A contract with a concern like that is worth a great deal to any publisher these days and we regret that we're not one of the lucky ones. The management of Great Northern apparently conducts its business on the basis of "there's another day coming."

FITCBURG DAILY NFWS
F.A. Robertson, Manager."
The "paper conferences" were the proceedings of the Federal Trade Commission mentioned in the preceding chapter, and to which the Company's position has been related. So far had it come since 1913, when Garret Schenck had said that it had no friends. Now let us continue with the discussion of the things that made Great Northern what it was and what it is, taking up in this chapter the decade between 1917 and 1927.

The following tabulation shows the results of the Company's operations for the period we are about to consider:

<table>
<thead>
<tr>
<th>YEAR</th>
<th>PRODUCTION</th>
<th>EARNINGS</th>
<th>EARNINGS</th>
<th>DIVIDENDS</th>
<th>NO. SHARES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>TONS</td>
<td>$</td>
<td>PER SHARE</td>
<td>PER SHARE</td>
<td></td>
</tr>
<tr>
<td>1917</td>
<td>220,382</td>
<td>2,739,407</td>
<td>45.65</td>
<td>16.00</td>
<td>60,000</td>
</tr>
<tr>
<td>1918</td>
<td>216,572</td>
<td>1,927,740</td>
<td>24.10</td>
<td>12.00</td>
<td>80,000</td>
</tr>
<tr>
<td>1919</td>
<td>241,431</td>
<td>2,621,620</td>
<td>32.77</td>
<td>12.00</td>
<td>80,000</td>
</tr>
<tr>
<td>1920</td>
<td>247,961</td>
<td>6,191,742</td>
<td>77.40</td>
<td>24.00</td>
<td>80,000</td>
</tr>
<tr>
<td>1921</td>
<td>257,563</td>
<td>7,788,631</td>
<td>94.04</td>
<td>24.00</td>
<td>82,720</td>
</tr>
<tr>
<td>1922</td>
<td>257,547</td>
<td>5,414,182</td>
<td>21.74</td>
<td>24.00</td>
<td>249,000</td>
</tr>
<tr>
<td>1923</td>
<td>247,273</td>
<td>4,911,788</td>
<td>19.72</td>
<td>10.00</td>
<td>249,000</td>
</tr>
<tr>
<td>1924</td>
<td>273,835</td>
<td>5,639,947</td>
<td>22.65</td>
<td>10.00</td>
<td>249,000</td>
</tr>
<tr>
<td>1925</td>
<td>275,664</td>
<td>5,576,472</td>
<td>22.40</td>
<td>10.00</td>
<td>249,000</td>
</tr>
<tr>
<td>1926</td>
<td>289,044</td>
<td>5,300,556</td>
<td>21.26</td>
<td>12.00</td>
<td>249,250</td>
</tr>
<tr>
<td>1927</td>
<td>295,465</td>
<td>5,817,479</td>
<td>5.83</td>
<td>3.25</td>
<td>997,200</td>
</tr>
</tbody>
</table>

Earnings are after Federal Income Taxes of 6% in 1917; 12% in 1918; 10% in 1919, 1920 and 1921; 12.5% in 1922, 1923 and 1924; 13% in 1925 and 13.5% in 1926 and 1927.
We probably should anticipate at this point and attempt to explain the increase in the number of shares of stock shown for this period, the figures being as of the year-end. The change in the number of shares in 1922 did not occur until December, so that the dividend per share shown would have been on the same number of shares as in the previous year. There were a number of reasons for the increases, and we will explain them as best we can.

The increase of 1918 was a straight issue of additional stock for cash. The odd 2,720 shares shown in 1921 were issued to employees, as will be explained later. The new Federal Income Tax law effective on March 1, 1913, required that the Company set up its own valuation for its lands, including the townsites; its mill properties and inventories, and establish its own depreciation and depletion schedules for the approval of the Treasury Department. Apparently no exception was taken to the Company's figures until 1919, when Treasury Department auditors questioned the valuations and procedures, and a complete re-audit was ordered. This is not surprising, in view of comment in a letter written by Garret Schenck to one of the Directors on April 13, 1917:

"We haven't set up any Depreciation Account, and none of our quarterly or annual exhibits show any such. We do use an item of depreciation in our weekly cost sheet, for mill purposes only, and this is improperly named, as it is an Appreciation Account instead of Depreciation Account".

The exhibits which he mentions were internal records, not public. The negotiations with the Treasury Department extended into the year
1974, and were carried out for the Company by Bryan Seelye and Sheldon Wardwell. They were very involved, and no attempt has been made to follow them. They seem to have boiled down quite soon to an argument over the value of the timberlands, complicated by the question of the damage done by the spruce budworm infestation between 1910 and 1919, and the improvements on the West Branch to facilitate driving, which had the effect of increasing timberland value, at least in the view of the Company. Sheldon Wardwell has not previously been mentioned. He was a Boston attorney, later a Director of the Company, and very active in its affairs. He will appear from time to time in our story, and will be discussed at more length later.

Garret Schenck set his own value on timberlands. In February, 1920, Sheldon Wardwell, in a letter to the Auditor of the Spruce Wood Department, said:

"Mr. Schenck instructed me this morning that the lands and timber should be set up at $15 an acre for both. He considers that in talking about a stumpage figure...(and) separate land values that he was only using tests...and that these tests confirmed his previous opinion....

While I expect to go to Washington next week to see Major Mason, nothing that he could say is likely to alter Mr. Schenck's opinion...."

At times, relations seem to have been a little strained. On July 1, 1920, in another letter, Sheldon Wardwell wrote:

"Apparently the Company is being singled out for special attention because it is conspicuous in size and success. I say this because, as far as I can find out, other companies have not been
asked to furnish any such information, although they have claimed as high valuations on lands which are not as good."

In the end, the Treasury Department accepted the Company's valuation of its mill plants; agreement was reached on the budworm loss, and Garret Schenck had to change his opinion and accept the Government's figures on the value of the timberlands, a reduction of $2,500,000. The Company also had to change its depreciation and depletion allowances, after agreement on the life of various properties. This, when refigured back over the years, resulted in unrealized appreciation of some $6,500,000, and this, together with $10,000,000 of earned surplus on the books, was covered by a stock dividend of 200 percent. An interim step, not shown in the table, was the sale of another 280 shares of employees in 1922, rounding out a figure of 83,000 shares, and the stock dividend, 166,000 additional shares, $100 par, which we will speak of again a little later, was issued to stockholders as of December 4, 1922, making the total of 249,000 shares shown for that year. Another 250 shares were sold to employees in 1926, after which the 249,250 shares outstanding were split four for one, resulting in 997,000 shares of new stock, $25 par. This, with a further sale of 200 shares to employees in 1927 resulted in the final figure shown in the table. The $2,500,000 drop in timberland valuation, although accepted for the purposes of the tax settlement, was left floating in the Timberland Account on the books until 1936, when to dispose of it, this amount was transferred to the Mill Sites and Water Powers account.
In 1917, the Company was still short of working capital, and borrowing money, although it paid out nearly $1,000,000 in dividends, and this led to an interesting episode. Col. O.H. Payne, who had not been on the Board of Directors for some time, died in June, 1917. The bulk of his enormous estate, largely held by his Northern Finance Corporation, was divided between a sister, Mrs. Charles W. Bingham, of Philadelphia, and Payne Whitney. Commodore Ledyard was President of Northern Finance, from which Great Northern had been borrowing regularly. While the Colonel was alive, there seems to have been a sort of open-ended arrangement with Northern Finance, but with his death, things appear to have tightened up.

Some time during the summer of 1917, Great Northern had borrowed $500,000 from Northern Finance for its woods operations. On September 17th, Garret Schenck wrote to Commodore Ledyard, stating that he would need another $400,000, due to the cut being the largest ever made, because of increased production of both paper and market sulphite, and because of the material increase in the cost of getting out wood. In his letter he said:

"This increased cost does not affect the earnings of 1917, but will, to a considerable extent, change the cost of producing paper in 1918 and very greatly in 1919. But the income from tonnage to be renewed in 1918... will largely offset the increased cost of manufacturing. In other words, we will maintain our standard of profits, and still be more than conservative in the selling price of our paper."
Not fully realizing the demand that would be made on the Treasurer for spruce wood funds, we, early in the year, were too liberal in using our money to pay off our indebtedness, when we should have left it for working capital.

The conversion back into money, of the spruce wood, as soon as the payments are completed, will be at the rate of more than $300,000 per month, and this, plus the monthly profit on the business, will permit us to take care of winter spruce requirements and rapidly repay your Company the advances, and take care of our dividends and other payments."

This was probably considered to be a routine request, in view of past relationship, but Commodore Ledyard's answer, dated September 19th, was negative:

"Dear Mr. Schenck:

I have your letter of September 12th, and I must confess that it is with a great deal of surprise that I learn of the unusual demand that the Paper Company will have for money.

I had no idea that they had been going into such a tremendous investment in the cutting and purchase of spruce wood, and I confess that it makes me hesitate a little as to the wisdom of our incurring such an expense at this time. Had I known that this demand for working capital was coming, I certainly should not have been in favor of increasing the dividend as we did some time ago.

One thing that troubles me a good deal is what bearing the
proposed excess profits, or war profits tax -- whichever is
adopted -- will have upon the Company's power to finance it-
self. While all these things are uncertain, it seems to me
the part of wisdom to pursue a conservative course....

I think, before we determine the question of further
advances to the Paper Company, we ought to have a conference
with you...... I don't see how we can intelligently pass upon
such a question, or indeed on the general policy of the Company,
without having the facts pretty completely before us.

If this course is agreeable to you, I would be glad to
take up the matter at the next meeting of the Great Northern
Paper Company .... and I assume that in view of the large ad-
vance we have so recently made you, the Company cannot be in a
condition where it will need further help before that time.

I may add that not only does the present condition, as I
understand it, render the wisdom of our action in raising the
dividend doubtful, but I confess it also raises a doubt in my
mind whether, if the situation is as I understand it from your
letter, we are justified in continuing the large rate of dividend
we are paying."

The Commodore was a powerful man, but he did not change Garret
Schenck's mind or his policy. Production was up nearly ten percent
over the previous year, earnings were at the highest level yet reached,
the price of newsprint was going up, and the Company was in a splendid
market position. By reference to the preceding tables, it will be
noted that the dividend rate had been increased from $10 a share in
1916 to $16 in 1917. It was cut back to $12 in each of the next two
years, but this did not represent any reduction in the number of dollars paid out as dividends, because there was more stock, as we have seen.

The Commodore was right, long-range, but Garret Schenck wanted to make money, and his policy was continued long after his time. However, at this particular point, the Commodore's argument was on the short-range position, and as it developed, both production and earnings were down during the following year, because of wartime conditions, but that was temporary. As far as the big cut of wood was concerned, it was necessary in those days to keep well ahead of mill production. Fred Gilbert carried this to extremes, and even if the drop in consumption of wood in 1918 could have been foreseen, which it apparently was not, his methods did not allow of turning off wood production on short notice.

The Northern Finance Corporation did not advance the additional funds that Garret Schenck had asked for, and while this has to be a guess, the evidence is that he was burned up, and that his reaction was that if that was the way they wanted to play he would pick up his marbles. At any rate, it is hard to find any other explanation for what followed. At the October meeting of the Board of Directors, it was voted to borrow in the open market "an amount or amounts not exceeding in the aggregate the sum of $1,000,000.... and (from) the moneys borrowed under this authority the Company shall pay to the Northern Finance Corporation all sums of money owing them by this Company except the sum of $342,044.31 owed by this Company to the

Yesterday III - 9
Northern Finance Corporation for the purchase of lands." The amount left unpaid was secured by a mortgage on the timberlands; the other money which had been borrowed was covered only by the Company's notes. Garret Schenck's displeasure at having his judgment questioned is read into this action. It might be asked how it could have been effected for the reason suggested, with the Commodore representing the controlling Payne stock, but actually at this point Garret Schenck had five men on the Board. No real ill-feeling seems to have developed between Garret Schenck and Commodore Ledyard over this, but there are signs of slight coolness which we will point out shortly. The $1,000,000 authorized was obviously not enough to pay off Northern Finance and at the same time provide the required working capital, and by November a total of $1,500,000 had been borrowed from banks and other sources. This development, but not the cause of it, was noted earlier. That the Company could so easily raise this kind of money under the conditions is evidence of its "arrival" in the financial world.

The point that this was the time when Great Northern turned conservative is best made by the production figures. Conditions which we will examine led to very high earnings after 1919, and afforded wide-open opportunities of which the Company failed to take advantage, while others were doing so. The vision that had produced the Millinocket development and the rapid expansion of the earlier years seems to have turned inward. No. 10 machine at Millinocket was the last additional production unit installed for nearly forty years. The Company chose to sit on its assets, get out of debt and stay out, and maintain its dividend policy; and while it did grow, as we will see, it did not really think in terms of "there's another day coming", 
in the broad sense of the phrase. This is not to say that Great Northern was not successful. It was highly successful, and the day that was coming was long in arriving, but the period just ahead was crucial. By the time it ended, the things that had been done and not done had changed the picture; other forces had come into play; the Great Depression was just around the corner, and the opportunity was lost for many years.

The chapter covering the Madison mill mentions the war between private interests in the State of Maine and the advocates of State control or protection of water powers and natural resources which raged from about 1913 up into the 1920's. One of the battles of this war, an easy win for Great Northern, took place early in 1917.

The original issue in the controversy was the development of the water power on Maine's rivers by private industry, and its subsequent increasing hold on the storage and use of water. The forces on the side of public control were led by the late and now revered Percival P. Baxter (1876-1969), who dragged in the land resources issue as ammunition in his fight against private exploitation of water power, and to further his own plans for the development of a system of State parks. We will not attempt to go into this subject in any great depth, but certain events of this period are of considerable interest as they bear on the relationship between this man and the management of the Company at that time, in view of later developments.

Percy Baxter was a lawyer who never practiced law, most of his life being devoted to the management of real estate holdings left by
his father. He never married. As a land manager and a student of history, he was distressed by the frenetic disposal of public lands which had occurred in the early days of Maine's statehood, and particularly disturbed by the great give-away to the European & North American Railroad, which events have been previously covered. He was strongly opinionated, and was obsessed with the concept of public power or State regulation of private power development and control of the rivers, and by the idea of returning to the public as State parks some of the land so recklessly sold off in the past. With this background of thought, he went into politics at an early age; was elected to the Maine House of Representatives in 1905, and later to the Senate, where he was serving in 1917 and where he continued to serve until 1921. A man of stubborn preserverence, an untiring fighter for the causes he believed in, a fanatic lover of his state, and a philanthropist, he was one of Maine's great citizens. At the time of which we speak, however, he was no friend to the Great Northern Paper Company.

To indicate some of the thinking of the times, a far-reaching bill had been introduced in 1913 which would have preserved in the hands of the State, in perpetuity, the title to all water power sites and riparian rights in a strip of land one chain (66 feet) wide, from high water mark on all rivers. The State was to purchase the dams then in use, and was to build any new dams required from time to time, and sell the power from them. Leases and cutting rights on the reserved lands could be granted only by a two-thirds vote of both houses. This went to the Committee on Inland Waters, where it died quickly.
In 1917, a number of bills, all intended to protect the rights of the public in the use of water power, and all calling for some form of Water Power Commission, were presented to the Legislature, and were sent to the same committee. One of these, the so-called Tracy Bill, was real far-out. It would have established a body with the contemporary-sounding name "People's Rights and Water Power Commission", with a mixed-up socialist-capitalist function -- to take over all undeveloped water powers in the State, and to ensure that those already developed were used "for the benefit of all". It was to sell bonds, build dams and generating plants, and sell power. The profits were to be used to build roads, and if there was any money left over, it was to be distributed to the public on a per capita basis. This body was also to be empowered to control pollution, and to promote the establishment of municipal forests. There was real pressure behind these public control bills, one of which was sponsored by Senator Baxter himself, but there was powerful and effective opposition too, and all failed to pass. (2)

At this time, an important private power bill was introduced by the Great Northern Paper Company. This called for an amendment of the charter of the West Branch Driving & Reservoir Dam Company to allow it to sell or lease to the Great Northern Paper Company the right to take and use water stored by the Ripogenus and North Twin dams for the development of power, and to allow the Great Northern Paper Company to install power generating facilities at these dams, provided that this would not interfere with the duties imposed upon the W.B. & R.D. Co. by its original charter. In consideration, Great Northern was to
relinquish its rights to carry on a public utility business and to transmit power to be sold to the public, as granted in the original charter to the Northern Development Company and transferred to Great Northern. In addition, it provided that if in the future the State should decide, by proper legislation, to develop a system of water storage on the headwaters of the West Branch, and should take over the properties of the West Branch Driving & Reservoir Dam Company, it could do so without the latter receiving any compensation for the loss of the rights and franchises granted to it under this amendment.

The reason for the Company's presenting this bill was clearly to obtain the right to develop the heads at the Ripogenus and North Twin storage dams for power. The condition that certain rights were to be relinquished was in an amendment after it had gone into hearing. No effort has been made to determine exactly how the original bill was worded. However, it is perhaps reasonable to assume that one of the articles of the amendment was the provision that the Company would give up its utility rights, preserving the West Branch power for the use of industry on the West Branch and nowhere else; and this of course meant for the use of the Company, which already had control of the river through prior legislation and the acquisition of other chartered log driving companies. Anyway, if this was not the intention it produced this effect, as with the exception of the Rockabema station built by Charles Mullen, and this is just a few rods above the mouth of the stream, no power except Great Northern power has ever been developed on the West Branch. Another possible part of the amendment was the clause waiving compensation, as it had to do with possible future public control.
Senator Baxter, the champion of public power, at first vigorously opposed this measure, moving that it be referred to the Judicial Committee rather than to the Committee on Inland Waters. In his remarks he said, in part:

"The Senator from Penobscot....told of the long and costly fight that was made in 1903 to secure the charter of the West Branch Log (sic) Driving and Reservoir Dam Company. He said that there were millions involved in it; that private interests came down and fought throughout that session. I have been told privately, and it is not gossip, that the lobby at that time cost these interests $150,000. Now, what were they working for? They surely were not working for the interest of the State of Maine. Those men did not spend that large sum of money having in mind the protection of the water powers and reservoirs that belong to the State of Maine; and through that large expenditure they took from the State of Maine what is perhaps the most valuable reservoir system in our State." (3)

His motion lost, and, probably after the amendment, he suddenly turned completely around and supported the bill. In a speech made on March 15th he mentions that an amendment had been accepted, and the following is from that speech; fascinating in view of the foregoing:

"This amendment, having been accepted by those who advocate the passage of the bill....seems to me to cover the situation.
The West Branch Company is a part of the Great Northern Paper Company, one of the largest, most prosperous, and one of the most liberally managed companies in the State of Maine. I have heard it said that there is no company in the State of Maine that adopts such a liberal policy, that treats its employees so well, or that had done any more for the development of the State of Maine than the Great Northern Paper Company, and I am very glad to have the opportunity of standing here and expressing my appreciation of all that the Great Northern Paper Company has done for the State of Maine. There is one thing we should not overlook. During the recent period of high prices, especially in regard to newspaper stock, the Great Northern Paper Company did not take advantage of the temptation to raise its prices far beyond those which some other companies raised them to. It believes in doing business on a liberal basis, of making a fair profit, but not in taking advantage of the necessities of its customers.

I want to express my appreciation also of the thought and the care which the committee on interior waters have given this question... and I am glad it was referred to the committee on interior waters, because, of course, it is a matter which comes right within their province, and I should never have asked that it be sent to the judiciary committee.... Consequently, Mr. Speaker, if it is in order, I move that Senate Document No. 265 be given its first reading."
The bill (Chapter 94, Private and Special Laws of Maine, 1917) passed, and was approved by the Governor on March 23, 1917.

Garret Schenck was not impressed. Some time between the Senator's two speeches from which we have quoted, he had received a letter from a Boston Herald reporter covering the legislative proceedings in Augusta, which read in part as follows:

"There's a most interesting situation here over water powers. It makes a good story but I do not know what your policy might be with regard to it. Confidentially I have been muzzled because all the banking houses are loaded up to the guards with hydro-electric bonds and securities, and tremble at the mere suggestion of any legislation relating to water powers. Perhaps the Herald may be in the same position. If it is I can treat the subject impartially and fairly with a good news and personal slant, and I think without giving offense if I understand in the beginning how far we may go. It's a story worth telling, if the whole is told, even something of a sensational story too. No Maine paper dares touch it. If you will take me into your confidence sufficiently to give me an idea as to what had best be done about it I will govern myself accordingly. Beneath the surface this water power business has the whole state by the ears and some day, perhaps not in this legislature, but soon, it will overturn the political apple carts of some gentlemen unless they secure front seats on the band wagon."

Yesterday III - 17
What Garret Schenck told him he could say we do not know, but on April 13th he wrote to F.S. Rollins, saying:

"My dear Mr. Rollins"

I have yours of the 11th.
The speech which I am enclosing copy of was made by Baxter," (this was the speech of March 15th)
"and Baxter is the chap who started in to knock us out. He is quite a prominent young man from Portland, but the enclosed quotation from one of the reporters of the Boston Herald will give a pretty good idea why Baxter made the flip-flop and got onto the band wagon......"

Percy Baxter had other fish to fry, and was not about to have his political apple cart upset. However, he had not changed his mind, and in the election year 1918 he apparently continued his criticism of the situation, prompting Garret Schenck to write on March 25, 1918, to Charles O. Small, the Company's attorney at Madison:

"Referring to yours of March 22d.
Baxter, the alleged philanthropist, started out with propaganda of State Ownership for water powers. Recently he has changed his program.

If you are acquainted with his record, you will quite appreciate what kind of philanthropist he is, and that it is generally believed he is trying to boost himself into prominence by making an attack on the water power owners of our State."
I understand that he would undertake at the convention to get a resolution through having the convention endorse State ownership or State control of water powers.

In regard to the proposition of taking power out of the limits of the State. We believe that it would be unwise to do this, and not for the interests of the people of the State of Maine to have it done. In our opinion, the water powers of Maine should be developed by industries located within the State of Maine, to the end that increased population and increased investment would create new taxable property, and very greatly assist in preventing, if not decreasing, the taxes that the people and corporations of Maine now have to pay.

It appeals to us that broad, liberal laws should be enacted by the Legislature of Maine, inviting capital to enter and invest within the State, and protect them, as well as those who have already invested large sums in the development of the resources of the State.

No one who really has the interests of the State of Maine at heart wishes to see it become a power house for other States.

You are at liberty to quote this statement as coming from us.

Very truly yours,

GARRET SCHENCK"
This shows what he thought of Percy Baxter, which is no surprise, but it also put him, in one respect at least, on the other side of the fence from the utility people, notably the Central Maine Power Company, with whom he was unavoidably associated, in the interest of the Company, in the development of storage on the Kennebec River, and who later, if not at this time, worked assiduously for repeal of the Fernald Act, prohibiting the export of power from the State of Maine, which had been passed in 1909, and which Garret Schenck obviously supported. The Fernald Law, incidentally, was eventually repealed, without a word of opposition, but this was not until 1955.

At the 1919 session of the Legislature, another spate of water control bills resulted in the passage of a compromise measure, strongly supported by Senator Baxter. This called for a Water Power Commission of ten members, which would have the right to pass on the development of water power on state-owned land, and to act as a sort of long-range planning and investigative body in the area of water power. (Ch132, Public Laws, Maine, 1919). Along with the water power bills, Senator Baxter introduced one calling for the purchase of land and the establishment of a State Park and preserve on Mt. Katahdin. This came out of committee "ought not to pass", but a compromise bill, which provided that the State could accept land given for such purposes, and that once accepted it could not be sold and must remain in natural state, was passed. At the same time, the Legislature submitted to the Supreme Judicial Court certain questions about public water powers and public ownership of land. The answers, as they affected water powers, were to the effect that little could
be done in the direction of public control of water power without repealing the ancient "Mill Act" held over from the Massachusetts laws. (4)

In 1921, Percy Baxter was elected President of the Senate. He had succeeded in keeping his "political apple cart" upright, had been re-elected for two successive terms following his "flip-flop", and had now reached new prominence. From this position, he proposed an amendment to the Water Power Commission Act of 1919, changing the make-up of the membership to a rather curious mixture—one past or present Senator; two past or present members of the House of Representatives; one member of the Maine State Board of Trade; one member of the State Grange; one member of the Maine State Federation of Labor; one member of the Maine Savings Bank Association, and three members appointed by the Governor and Council. This was acted upon favorably. (Ch. 203, Public Laws, Maine, 1921).

A month after assuming office, Governor Frederick Parkhurst died suddenly, and President of the Senate Baxter became Governor of the State of Maine. From this new eminence he continued his efforts to get State control of water power, proposing in his inaugural speech an amendment to the State constitution which would have provided that the storage and use of water, the generation of power from water, and the distribution of power generated from water would constitute "paramount public uses". This amendment was hotly debated, but was finally killed. His Mt. Katahdin park bill, which had been re-introduced, was also defeated, the feeling being that it would antagonize the Great Northern Paper Company, which had become so important to the economy of the State.
In 1923, Percy Baxter was elected Governor in his own right, and immediately resumed his campaign for the control of water powers and the re-capture of land by the State, offering both the previously defeated constitutional amendment and Katahdin Park measures in his inaugural address. However, the 1923 legislature was just not with him.

In February, 1923, the Directors of the Great Northern Paper Company had voted to subscribe to $100,000 worth of stock in a corporation, to be formed under a bill expected to be passed by the Maine lawmakers during the current session, for the purpose of constructing a large storage dam on the Kennebec River, at a cost of some $1,200,000. This corporation was the Kennebec Reservoir Company, mentioned previously in connection with the Madison mill and elsewhere. This bill was passed, over Governor Baxter's veto. The account of what followed, as it relates to this act, is covered in the chapter on the Madison mill. The Great Northern Paper Company had also introduced at this session a bill asking for an amendment to the charter of the West Branch Driving & Reservoir Dam Company to permit it to raise the head behind the Ripogenus Dam another four feet, to its present elevation. This passed easily. Governor Baxter vetoed this also, and called for a referendum on it, stating that it concerned all the people of the State. The Legislature promptly passed it, as it had the Kennebec Reservoir bill, over his veto, in spite of the fact that the Company had recently placed some restrictions on the use of its roads and lands by the public. His Katahdin Park bill was also defeated again.
None of this cooled Percy Baxter down. During the rest of his term in office he returned again and again to these themes, with which he seemed obsessed, but got nowhere. It does not seem necessary to our story to go into this further, except to quote from that part of his rather embittered farewell speech, delivered on January 7, 1925, which dealt with his Katahdin Park proposal; most interesting in view of his effulgent praise of the Company in 1917:

"Due to the opposition of the large timberland companies, especially the Great Northern Paper Company, no progress has been made other than to create considerable public sentiment in favor of the project. The timberland companies have repeatedly defeated the law under which the State would be empowered to condemn land after paying a fair price for it .... If, however, the orders recently promulgated by the above mentioned company restricting the use of their lands to registered persons accompanied by licensed guides are held valid, Mt. Katahdin before long will be closed to hunters, fishermen and campers. The order referred to is the entering wedge of "regulation" that later will develop into "prohibition". The time never must come when the forest areas of Maine are made great private hunting preserves to be enjoyed only by the friends and sycophants of powerful interests. Such things savor of feudal times, when the lords and barons of England claimed the sole right to the fish and game on their great estates. Before our woods are closed to us, the people will be heard from...... It is interesting to remember that the Great Northern Paper Company in 1921 intimated that it might
donate to the State its undivided interest in some of the land in question. Whatever it wanted as concessions in other directions evidently was not forthcoming. It is well in the future to bear this thought in mind....

All of this is fascinating in view of later events. Leaving aside all the political implications, and reducing the matter to its simplest terms as far as the Great Northern Paper Company's part in the controversy was concerned, it was a personal struggle between Garret Schenck, determined to protect the interest of the Company as he saw it, and Percy Baxter, who resorted to overkill in his determination to protect the interest of the State as he saw it. The Company never had any intention of making a feudal preserve out of Northern Maine. Its action in closing certain areas at that time was basically part of a fire prevention program, but probably was also intended to eliminate a certain amount of nuisance, and just possibly contained an element of pressure, although if so, this was not smart. There was public reaction, and almost all the restrictions were lifted within a couple of years.

In 1926 Percy Baxter ran for the U.S. Senate against A. R. Gould, backed by Senator Ralph O. Brewster, and was defeated. There is evidence that the Company contributed toward that result, and Senator Brewster was very attentive to some of the Company's problems later on, as we shall see. We are now through with Percy Baxter for the time being. He comes back into our story again, but while his object as regards the establishment of a State Park is then again the same, the relationship is entirely different.
Now let us go back and pick up the Government's investigation of the newsprint industry which had been launched in the spring of 1916, and which we left as of the end of that year.

By the fall of 1916, this had developed into a major confrontation, in spite of its amicable start, between the manufacturers, represented by the News Print Manufacturers Association, a very loose organization covering some 86 percent of newsprint production in the United States and Canada, and the publishers, represented not only by their strongly organized American Newspaper Publishers Association, but by regional and State publishers' organizations and by individual publishers.

While we have mentioned various mills from time to time, there is available a quite complete list of the newsprint companies in operation at the beginning of 1917, and this may be of some interest in view of later events. This list is taken from the Federal Trade Commission's report of June 13, 1917, and production figures include only newsprint.

<table>
<thead>
<tr>
<th>UNITED STATES COMPANIES</th>
<th>1916 PRODUCTION TONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>International Paper Company</td>
<td>383,448</td>
</tr>
<tr>
<td>Great Northern Paper Company</td>
<td>193,667</td>
</tr>
<tr>
<td>Crown Willamette Paper Company</td>
<td>103,977</td>
</tr>
<tr>
<td>Minnesota &amp; Ontario Power Company</td>
<td>87,441</td>
</tr>
<tr>
<td>Remington Paper &amp; Power Company</td>
<td>49,550</td>
</tr>
<tr>
<td>De Grasse Paper Company</td>
<td>43,909</td>
</tr>
<tr>
<td>Berlin Mills Company</td>
<td>42,047</td>
</tr>
<tr>
<td>Company Name</td>
<td>Tons</td>
</tr>
<tr>
<td>--------------------------------------------------</td>
<td>--------</td>
</tr>
<tr>
<td>St. Croix Paper Company</td>
<td>39,268</td>
</tr>
<tr>
<td>Pejepscot Paper Company</td>
<td>38,649</td>
</tr>
<tr>
<td>Consolidated Water Power &amp; Paper Company</td>
<td>37,155</td>
</tr>
<tr>
<td>Finch Pruyn &amp; Company</td>
<td>32,705</td>
</tr>
<tr>
<td>St. Regis Paper Company</td>
<td>31,493</td>
</tr>
<tr>
<td>Tidewater Paper Mills Company</td>
<td>26,726</td>
</tr>
<tr>
<td>Gould Paper Company</td>
<td>25,253</td>
</tr>
<tr>
<td>All others (31 companies)</td>
<td>238,923</td>
</tr>
<tr>
<td><strong>CANADIAN COMPANIES</strong></td>
<td></td>
</tr>
<tr>
<td>Spanish River Pulp &amp; Paper Mills</td>
<td>132,932</td>
</tr>
<tr>
<td>Powell River Company</td>
<td>65,307</td>
</tr>
<tr>
<td>Laurentide Company</td>
<td>62,808</td>
</tr>
<tr>
<td>Abitibi Power &amp; Paper Company</td>
<td>62,053</td>
</tr>
<tr>
<td>Price Bros. &amp; Company</td>
<td>55,893</td>
</tr>
<tr>
<td>Belgo-Canadian Pulp &amp; Paper Company</td>
<td>51,166</td>
</tr>
<tr>
<td>Fort Frances Pulp &amp; Paper Company</td>
<td>39,497</td>
</tr>
<tr>
<td>J.R. Booth, Ltd.</td>
<td>38,658</td>
</tr>
<tr>
<td>Donnaconna Paper Company</td>
<td>17,733</td>
</tr>
<tr>
<td>All others (6 companies)</td>
<td>38,179</td>
</tr>
<tr>
<td><strong>TOTAL U.S. AND CANADA</strong></td>
<td>1,988,477</td>
</tr>
</tbody>
</table>

This list indicates a total of 55 United States companies and 15 Canadian companies making newsprint at that time. The total of 37 "all others", with the exception of Donnaconna, were each making less than 25,000 tons a year. A new machine just installed at Donnaconna was not included, nor was the substantial Anglo-Newfoundland mill at Grand Falls, owned by the Price interests.
The investigation which we started to discuss was too complex to cover except sketchily and we refer again to L. Ethan Ellis "Print Paper Pendulum". It should be kept in mind at this point that the newsprint manufacturers under investigation included Canadian producers, who by this time had about 30 percent of the U.S. market.

It will be recalled that this investigation stemmed originally from the complaints of the smaller publishers, but the price increase of the fall of 1916 had aroused the larger publishers as well, and brought on a demand from the U.S. Senate for more effective action. The Secretary of the News Print Manufacturers Association reported in October that he had within the previous two weeks received more than 1,500 "radical and abusive" articles, complaining of the oppression of the publishers by the manufacturers, and the sharp criticism of the Federal Trade Commission resulted in its disclosures as noted in the preceding chapter. Meantime, it had seized the confidential files of the International Paper Company, and the A.N.P.A. was urging its members to enlist the support of their advertisers against the manufacturers.

At a hearing starting on December 12, 1916, the F.T.C. issued further figures on newsprint contract and spot prices, costs and profits, obtained by its investigators. The manufacturers did not know this was coming, and stating that they had been prejudged, declared further discussion useless. Here the split between the larger publishers, who had become more or less reconciled to a contract price increase, and the small publishers, became more apparent. Although
both were agreed that there was some kind of conspiracy to control production and prices, and price remained very much in the limelight, the focus was on a supply of paper for the small publishers at what they could consider an acceptable cost.

The F.T.C. asked the manufacturers to justify their prices. They refused to argue the point. On their part, they suggested that the large consumers turn over some of their tonnage to the smaller ones at contract price. This suggestion met with no wild enthusiasm on the part of the metropolitan newspapers. Next, the North Carolina Publishers Association brought the Justice Department into the act by going to it with evidence of collusion to raise prices. The F.T.C. agreed to make available to the Justice Department its findings in as far as they pertained to violations of the anti-trust laws, and did so, but the manufacturers again refused to discuss the F.T.C.'s figures, and the hearings terminated sourly on December 29, 1916. However, in the meantime some of the large newspapers had decided to turn a little of their tonnage over to the small publishers; the uncertainty arising out of the possibility of the involvement of the U.S. in the war in Europe; and most of all, the adverse publicity, had caused prices to soften a little, and by the end of 1916 things had begun to quiet down some, but not for long.

During the proceedings, the F.T.C. had suggested arbitration of the price question. The Justice Department, however, made it known early in 1917 that it had decided to prosecute the manufacturers under the Sherman Act. While this left the F.T.C. with little chance of successful arbitration, it proceeded to make such a deal anyway, and
several of the manufacturers, together with some of the publishers, signed an arbitration agreement. The F.T.C. thereupon issued a statement to the effect that it had found that higher prices were in part due to the restriction of free competition, and announced that it considered that a price of $50.00 per ton, f.o.b. mill, would allow the mills to make adequate profits, ruling at the same time that the publishers must restrict their use of paper as much as possible, and that if this did not effect the desired result, they must make an arbitrary cut of 5% in their use of paper for the benefit of the small newspapers. They also suggested that there be no action by the Justice Department against the signers as long as they lived up to the agreement.

This satisfied nobody, the mills feeling that the price should be $60.00 and the larger newspapers objecting to the possible mandatory 5% reduction in consumption. The two sides, or at least the parties to the arbitration agreement, struggled along under it for a while, but with added demand for newsprint generated by the entry of the United States into the war, it became obvious that it would not hold up. The Justice Department promptly proceeded against seven individuals representing International, Spanish River, Abitibi, Laurentide, Gould, Donnacona, Minnesota & Ontario and Kimberly-Clark, and the arbitration agreement collapsed. It will be noted that four of the eight companies involved were Canadian. International at this time had no Canadian operation. The F.T.C. issued its final report on June 13, 1917, admitting failure to solve the problem, and recommending that steps be taken to establish a program under which all newsprint would be produced for the account of the Federal Government,
which would control price, and pool and distribute the product. Canada was to be asked to take similar measures, and cooperate with the United States Government in the scheme.

The suggestion resulted in a rash of legislative proposals, including one which would have had the Government actually take over the operation of the U.S. newsprint industry, and this was left hanging over the heads of the manufacturers while Congress recessed. Meanwhile, another scheme had been worked out, largely through the efforts of Roy Howard, of the Scripps-Howard organization, to obtain paper for the relief of some of the smaller newspapers from a British-owned mill in Newfoundland, and the A.N.P.A. announced through its bulletin that contract prices for 1918 were turning out to be more reasonable than had been anticipated. Some time in the fall, Great Northern made noises like $50.00 f.o.b. mill, plus certain increased production costs, which influenced the situation to some degree. The trial of the indicted manufacturers on criminal conspiracy charges had been postponed several times, and late in 1917 a compromise was reached, the court accepting a plea of "nolo contendere", in effect that they had done wrong; they agreed to dissolve the N.P.M.A., were enjoined against further violations, and were assessed nominal fines totalling $11,000. At the same time, the Justice Department and the manufacturers agreed that the price of newsprint would be not more than $60.00 a ton, f.o.b. mill, until April 1, 1918, after which the Federal Trade Commission was to fix prices and contract terms, subject to appeal to the Second District Court. This agreement was not signed by all the manufacturers. Nevertheless, the year-end again showed some easing of the situation, and it marked the end
of the "delivered" price basis for a number of years.

We have a copy of the decision by the U.S. Circuit Court, and a summary of the foregoing is given in a letter written by Royal S. Kellogg of the Newsprint Service Bureau to Sheldon Wardwell on July 11, 1938, but Mr. Ellis's account is more complete and more interesting. We apologize if our paraphrasing distorts in any way the picture which he presents.

The Great Northern Paper Company did not come under fire in this investigation. It was heavy in small customers, which it had taken care of pretty well anyway. Indeed, the F.T.C., in its earlier recommendation of a $50.00 price, went out of its way to point out that Great Northern had been selling most of its product at less than this figure.

It will be noted that not much has been said about the difficulties of operation during World War I. There is actually not much information on this. There were shortages of labor -- women worked in the finishing rooms and even on the pulp piles for a short period -- and certain materials were tight, of course. Limits were placed on production, largely because of railroad car shortages, resulting in embargoes. From what the writer has been told, the greatest problem was coal supply and transportation. On this account, with the SS "Millinocket" and another vessel which had been in the same service unavailable, and the schooner "America" sold, the President was authorized in May, 1917, to buy a tug and three barges, at a cost of $130,000, for the transportation of coal cargoes. About the only other development of this year, 1917, was the purchase from the
Millinocket Land Company of eighty acres lying within the bounds of the Millinocket townsite, for $15,000. It is believed that this was the so-called "Syndicate" land, in the eastern part of the townsite, a remainder of the property bought by Charles Mullen and his early associates, but not included in the original sale to the Company, and acquired by this local group as a speculation. The bonus of 5 percent on June 30th and 5 percent on December 31st to salaried employees was continued.

The year 1918 opened with an increase in capitalization from $6,000,000 to $8,000,000 through the sale of 20,000 shares of new $100 par stock, as approved at a special meeting held in Portland on February 21st. The notice stated:

"The proceeds of such an issue will enable the Company to retire its existing floating debt and will assist materially in making the Company independent of outside financing of its business."

It pointed out that costs had gone up due to the war, and that the increase in the Company's production since the last issue of new stock called for maintaining greater inventories and for a large increase in working capital. It also noted that earnings in 1917 were the highest in the Company's history; and that "it has been the policy of the Company from the beginning to invest a large part of the earnings in plant and pay only moderate dividends to the stockholders". It closed by noting that it was expected that dividends of 12 percent would be paid on the stock after the new issue -- the same dollar amount that had been being paid. This meant 12 percent on
the par value of $100 at which, rather strangely, it seems to us, the new stock was to be sold to stockholders -- a pretty juicy return, and the stock was worth far more than $100 at that time, as we will see shortly.

The stock of the Company had by this time begun to get a little distribution. In 1902 there had been only 57 names on the list of stockholders; in 1905 only 65, and in 1910 and 1912 there were 78. By 1914, the number had grown to 142, but some of these were trustees, so there may have been a few more individual shareholders. The January, 1918 list shows 177 names. Of these exactly one-third held less than ten shares, and this was nearly twenty years after Great Northern had been founded. Warrants, to be issued about March 7th to existing stockholders, and good until April 2d, entitled them to subscribe to one share of the new stock for each three shares of the old stock held. Payne Whitney and the Northern Finance Corporation, representing Col. O.H. Payne's interest, together holding about 31,000 shares of the 60,000 then outstanding, agreed in advance to exercise their rights, leaving some 10,000 of the new shares for other stockholders, and F.S. Moseley & Co. agreed to underwrite any stock not subscribed, at no cost to the stockholders. The subscription rights could be sold, but only through brokerage houses.

On February 6th, two weeks before the special meeting at which the new issue was to be authorized, Garret Schenck wrote to Commodore Ledyard, and his letter is quoted in full for the information it contains:

Yesterday III - 33
"Dear Commodore Ledyard:

As a business proposition, will your Northern Finance Corporation loan me $200,000 on the 2000 shares I have a right to take of the Paper Company's proposed increased capital?

I will pay you 6 percent on the loan for the use of the money, and to take the 2000 shares, I must borrow.

I should prefer being in debt to your company rather than to banks, even if I could arrange it, as I am sure, in case of my death, Mrs. Schenck would receive more consideration from you than from the banks. By consideration, I mean, I do not believe you would sacrifice the securities, but would get for her all that was possible at the period.

If more normal conditions return before the close of 1919 I shall sell the 2000 shares, and should be able to get for them $200 or more per share, which would retire my entire indebtedness to your company.

The stock has, within the last week, sold for $280 per share.

For reasons I am quite willing to explain, I shall have to use my borrowing capacity here to its limit.

If you will be kind enough to advise me of your decision, I shall be greatly obliged."

Very truly yours,

GARRET SCHENCK"

This letter gives us the price at this time for Great Northern stock. The rather unnecessary beginning "as a business proposition"
is what we feel indicates a little strain, especially since it is repeated in Commodore Ledyard's reply to February 18th:

"Dear Mr. Schenck:

We have had under consideration your letter of February 6th in which you ask whether, as a business proposition, the Northern Finance would loan you $200,000 on the 2000 shares of Great Northern Paper Company which you have a right to take.

Your letter, together with information which has come directly or otherwise to our attention concerning the position of other stockholders of Great Northern Paper Company, has led us to appreciate that in the present condition of financial affairs the proposed issue of new stock may impose upon the stockholders of Great Northern Paper Company a burden which it may not be easy for them to sustain. Of course they can sell their rights, but sales of rights in any considerable quantity would very much depress the price and the sellers would realize a distinct loss in the value of their investment.

We also realize that the burden in respect to which large stockholders find it difficult to bear their proportions may weigh more heavily, in fact, upon the small stockholders."

He then went on to suggest that a notice be put out that the large and majority stockholders, meaning Northern Finance Corporation and Payne Whitney, had worked out a plan whereby any warrant holder, except those holding warrants which they had purchased, could obtain a one-year loan against the new stock to which they were entitled, from a trust company in New York, at 6 percent interest, dividends
to be applied first against the interest and then toward the loan; stating that this should strengthen the market for rights, which already had been established at about $35, by reducing the probable volume of sales, and that it would probably make it unnecessary for the underwriter to take any of the stock, adding:

"We assume that such a plan, if carried out, would adequately meet the necessities of your own case."

This was a well-intended gesture, and the plan was put into effect, and explanation of it being sent to the stockholders on February 26th. As far as Garret Schenck was concerned, however, it was a turn-down of his personal request, and it looks as though he might have seen it coming, as on February 19th he wrote, a little stiffly, to Commodore Ledyard:

"Referring to yours of the fifteenth.

Wring to arrangements I have completed, it will not be necessary for me to borrow any money.

I should imagine the arrangement you suggest for borrowing money on the shares would be very acceptable to stockholders who are obliged to borrow in order to take advantage of the stock they are entitled to...."

The "fifteenth" in the first line of his letter should have read the "eighteenth". This exchange does not conflict with his earlier quoted letter in which he mentions paying off a loan from Northern Finance, which he said had amounted to about a quarter of a million dollars, and in which he gave credit to Col. O.H. Payne for
helping him financially. We have noted that he had borrowed from it in 1913, the amount of that loan being approximately $78,000 -- which is fairly close to what he owed the Company at that time. However, Col. O.H. Payne had lent him about $170,000 on four notes in 1900, and these had no doubt been transferred to Northern Finance, these figures adding up to just about $250,000. It seems therefore that he meant what he said, and that he obtained no more money from Northern Finance. We know, though, that regardless of Commodore Ledyard's plan, Col. E.H. Haskell, J. Otis Wardwell, Sheldon Wardwell, W.C. Powers, H. Merton Joyce and Fred Gilbert all borrowed from this source in 1918 and 1919 to buy stock in the Company.

Since out of the 20,000 shares of new stock issued at this time we can account for more than 12,000 shares taken by people who would almost surely have held on to it, most of it probably stayed in the stockholder family, but some must have come on the market. After all, a price of more than twice its cost to existing stockholders was quite a temptation. There is in existence a printed copy of a little flyer put out by a Boston broker on May 9, 1918, which is quoted, as much for its delightful peculiarities in phrasing as for the information -- and misinformation -- it contains, although this is valuable too:

"GREAT NORTHERN PAPER COMPANY
THE GREAT NORTHERN PAPER COMPANY WAS ORGANIZED IN 1868 (sic)

CAPITALIZATION
Authorized $6,000,000 bonds Outstanding $3,700,000
Authorized $8,000,000 Capital stock Outstanding $8,000,000"
There have been retired $2,300,000 in Bonds by Sinking Fund operations. Bonds held in the Sinking Fund are kept alive to retire additional Bonds. The moneys used to retire these bonds has been available from earnings.

The capital stock previous to 1918 was $6,000,000. The stockholders voted Feb. 21, 1918, to increase the capital stock to $8,000,000 by issuing 20,000 additional shares, par value $100 to stockholders at $100 per share, giving them the right to secure one new share for each three shares then held. The "Right" attached to each share of Great Northern Paper stock could be sold readily at prices varying from $35 to $45 per "Right".

**PLANTS.** The Great Northern Paper Company started operations in the Madison mill in 1889, (sic) producing about 60 tons of paper per day.

The Millinocket Mill started operating in 1901 and produced about 225 tons per day.

The East Millinocket Mill was built in 1907, producing about 140 tons per day.

Their present production is 750 tons per day.

In the Millinocket plant, which is the largest plant in the world producing newsprint, there are ten news print machines, the largest one of which is producing 765 feet per minute of 152-inch wide newsprint. This plant is now producing about 450 tons of news print per day.

The mills are kept in a very high state of efficiency. The Company have made very valuable improvements to their paper-making machines of all nature, own many patents, and maintain a Research
Laboratory which has been of great value to them.

TIMBER LANDS. In 1900 the Company owned timber lands totaling 250,000 acres. Since this time they have been gradually acquiring lands, after careful inspection, etc. and at the present time they now own in excess of 950,000 acres. This land is carried by the Company at a very nominal figure. The land is worth today more than double the present capitalization of $8,000,000. In fact, the land could not be duplicated in this country. One must consider when talking of timber lands for paper industry the water sheds and storage capacity which is essential.

The Great Northern Paper Company have developed their storage waters to a capacity of one year and one-half's total production. There is quite a saving in the paper-making business by having such a large storage capacity. Logs do not depreciate if kept in water. They only deteriorate if kept in the air. During the logging season the Company employs in the woods from 4500 to 6000 men and owns in excess of 1400 horses. Some 400 miles of macadam road has been laid and a fleet of five-ton trucks are used to bring logs to the rivers.

WATER POWER. If the power developments of the Great Northern Paper Company were all developed they could not be duplicated short of Niagara Falls. They are now developing and have in use, approximately 57,000 horse power. There is undeveloped horse power in excess of this amount which, ultimately, will be developed as the demand and users appear.

These assets are carried at a very nominal figure: at cost.
We have been advised by one of the traffic superintendents of the Bangor & Aroostook R.R. that one-third of the total tonnage hauled by this road is derived from the Great Northern Paper Company.

Few people realize the magnitude and enormous earning power of the Great Northern Paper Co. The stock was subscribed to when the Company was originally formed in 1899 by a comparatively small group of friends of the management. There has been no public offering of the Company's securities.

This enormous development has been due to the President, Mr. Garret Schenck, and the efficient organization he has secured.

In mentioning the timber lands we overlooked one quite essential point. The Company's timber lands assure them of a perpetual supply of pulp wood at the present capacity of the mills. Further, this Company is the only large producer of newsprint which the Government has not called to account in the recent investigation as to the excessive prices which prevailed last summer and fall.

The Company's new contracts for newsprint were all made on a cost plus basis which is a guaranty to all stockholders that ample revenue will be received for them.

We specialize in Great Northern Paper stock and will gladly quote you an actual market should you desire either to buy or sell.

L. SHERMAN ADAMS
Member Boston Stock Exchange
Specialist in High Grade Unlisted Securities
50 Congress Street, Boston

Yesterday III - 40
The statements contained herein are not guaranteed, but are based on information and advice which we believe to be accurate and reliable, and upon which we have acted in acquiring these securities."

This little masterpiece projects in its own peculiar way the image of something not quite believable, which the Company had become, and it is our evidence that the news was offered to shareholders at par.

At this time, plans were being made to abandon the old milk-of-lime acid making process in the sulphite mills at Millinocket and Madison, in favor of Jenssen systems, using raw limestone. In June, Garret Schenck reported that the findings of an engineer who had been investigating a limestone deposit near Rockland, available for purchase, was favorable, and that it was proposed to form a new corporation, capitalized at $100,000, to work this deposit and ship the rock to the mills. The St. Croix Paper Company was involved in this proposition also, and they and Great Northern together agreed to subscribe to 52 percent of the stock. The President was authorized to expend $32,500 to pay for the Company's share of the initial issue.

Great Northern acquired in one way or another quite a number of subsidiary companies, in part or wholly owned, and had a financial interest in some operations carried on the books as investments, some of which became subsidiaries. Some of them were very active and some just lay there. Some made a lot of money and some a lot of trouble. They are a part of the story, and we will tell as much as we can about as many as we can, interpreting the information available, some
of which is very confusing, to the best of our ability.

Each year, certain officials of the Company were authorized to vote its interest in a list of these concerns, but these lists are not reliable indicators of the subsidiaries existing at any particular time, as for some reason they do not always include the names of some in which the Company is known to have been involved.

At the end of the year 1918, a few, like the Northern Maine Power Packet Company, had already come and gone, but at that time the list was as follows:

West Branch Driving and Reservoir Dam Co.
Millinocket Water Co.
Northern Water Co.
Millinocket Light Co.
Penobscot Log Driving Co.
Wood Stream Improvement Co.
Carabassett Dam Co.
Kennebec Log Driving Co.
Moose River Log Driving Co.
Dead River Log Driving Co.
Sourdnahunk Dam and Improvement Co.
Moxie Dam Co.

Some of these, and some others which were added later, have already received more or less attention, and some which appear later had either not yet come into existence, or the Company had not at this time an interest in them. On the other hand, this list does not include, for one reason or another, all the companies in which Great
Northern is known to have had some involvement. The Fibel Process stock, for instance, was in the name of Garret Schenck as Trustee. The Canada Falls Dam Company and the Seboomook Dam Company do not show, although the Company had built their new dams in 1912. It also owned 56 shares of the stock of the Moosehead Telephone and Telegraph Company. There is mention before this time of a Northern Supply Company, to be formed to furnish supplies to Great Northern woods operations. Perhaps this never materialized, as we have learned nothing whatever about it. There may have been some others which we have missed. Then there was the Mattawamkeag and Northern Railway, a sort of non-company. We will dispose of this one at this time.

Mention has been made of the formation of this company in 1906. It was organized to operate a "street railway", to run between Mattawamkeag and Millinocket, and was authorized to transport "persons and property". The promoters were apparently unable to raise funds to construct it, and some time before 1915, it came into the hands of Charles Mullen, who perhaps had it in mind that it might provide an outlet for some of the power which he planned to produce at one of the sites he had been buying up along the river below Millinocket, one of these being the Mattaceunk power which he sold to Great Northern in that year. While no mention of it was found in connection with this purchase, the stock of the Mattawamkeag & Northern and that of another company owned by Charles Mullen was included.

In June, 1917, H. Merton Joyce wrote to Bryan Seelye:
"Will you not try to ascertain from Mr. Gilbert where the stock now is of the Mattawamkeag & Northern Railway Co. and the Mattagamon Manufacturing Co., all of which we acquired with the purchase of the Mattaceunk Water Power.

I think it would be well to look into the corporate organization of both these companies and perhaps ask our counsel whether any meeting should be held or new organization effected, to comply with the laws of the State of Maine."

The Company must have been actively interested in the possibilities of this railroad, as immediately following the purchase of the Mattaceunk power it engaged Stone & Webster to make a survey for a right-of-way, at a cost of some $12,000, and this amount had been set up as a liability of the Mattawamkeag & Northern, which had no assets. The story has always been that the Company had it in mind to take advantage of this possibly adventitious acquisition by holding over the head of the Bangor & Aroostook the possibility of building its own connection to the Maine Central. This is borne out by a letter written by one of the Company's attorneys in 1952, in which he says:

"..... I do not agree with (the) statement that Mattawamkeag is an insolvent subsidiary. I was informed many years ago that it was chartered at the time when the Company was having some difficulty with the Bangor & Aroostook, with the intention of possible use if satisfactory freight adjustments were not obtained. While, so far as I know, relations with the Bangor & Aroostook are now harmonious, conditions might change."
Harking back to the origins of this company, it is true that at the time it was organized Great Northern was "having some difficulty with the Bangor & Aroostook", as we have seen, but unless Garret Schenck was pulling a fast one, the correspondence of that time does not indicate that the Company had anything to do with it. Be that as it may, Great Northern owned the franchise in 1915, and kept it alive a long time. Many residents of Millinocket will remember that up until some time in the early 1950's most of the land between Aroostook Avenue and Congress Street, right in the middle of the town, was "reserved" for the terminus of this non-existent railroad, and no building was allowed upon it.

The stock of the Mattagamon Manufacturing Co., whatever that may have been, was never found. The 64 shares of Mattawamkeag & Northern were put into the hands of four Trustees, Garret Schenck holding 61 shares, and Artemus Weatherbee, George Stearns and F.J.D. Barnjum one share each. Garret Schenck was President, and Weatherbee remained in his capacity as Treasurer, at a salary of $50.00 per year.

Passing mention has previously been made of George Stearns, who succeeded Charles Mullen as Townsite Manager at Millinocket. He was one of the town's most highly respected citizens, of great importance to the Company and in the affairs of the community. There will be more about him. There will be a little more about Frank Barnjum later, too, but he had no connection with the Company, and how he got into this deal is a complete mystery.

The Trustees and officers changed over the years, but it has
not seemed worth while to try to follow them. In 1922, the rail-
road gave its note to the Company for the $11,780 spent on the
survey, bearing interest at 5%, and in 1930 a second note for
some $3,500 was given to cover the accrued interest, as the railroad
never had any money. Some time after 1930, the stock was trans-
ferred to Great Northern, and was set up on the books at no value.

The franchise was renewable for three years at a time. Great
Northern duly applied for renewal every three years for thirty-nine
years, and for thirty-nine years the Bangor & Aroostook intervened,
filing a protest against extension. However, it continued to be
renewed, and was in force in 1954, when it was decided that it
would never be exercised. Some of the subsidiary companies were
being washed out at that time; no application was made; the franchise
lapsed, and the company was dissolved. The debt of $11,780 for the
original survey was written off. Any notes for interest seem to
have been forgiven somewhere along the way, as they do not appear in
1954.

As far as is known, there was no real intention to develop the
small head at North Twin for power at the time of the legislation
in 1917, but Ripogenus came under immediate consideration. With
all Hardy Ferguson's forethought, it is a little hard to understand
why the dam built there only a year or two before had not been de-
signed with power development in mind. Possibly there was a political
consideration, in view of the events we have described, but there
would have been ways around that. Anyway, the dam had been built
without any provision for tapping it directly for power.
In 1918, Hardy Ferguson was engaged to make plans for a hydro-electric generating station at that place. Study of available drawings made in that year, and of a review and re-estimate made in 1929 gives us a very good idea of the several schemes which were considered.

One of these, which he called No.2, selected as the best design in 1918, was really the basis of the existing development, although there is considerable difference in detail. This called for an octagonal intake tower to be built in the lake, near the south end of the dam, not too far from where the present intake is located, and 40 feet or so above it. From this an 18-foot diameter shaft dropped straight down to a point well below the foundations of the dam, where it turned at an angle of a little over 90 degrees from the vertical into a tunnel in the solid rock, 16 ft. 6 in. diameter and 10,500 ft. long, which crossed under the river bed diagonally at a point about 600 feet below the dam, and down the north side to a power house on the north bank at The Arches. Here it ran into a short steel penstock which divided into four 10 ft. 6 in. steel risers, leading to four 17,500 h.p. generator units. From the power house a tail-race canal about 1000 ft. long ran to the Big Eddy. The surge tank was at the power house end of the tunnel and each of the short risers was provided with a Dow or Johnson valve. The intake tower was connected to the dam by a bridge, and had gates at different levels, rather than at the bottom only, because the pressure would have made low gates of any design of the time very hard to operate at full pond.

In Scheme No. 1, a rather strange one, the power house was to be located in the gorge on the south side of the river about 1500
feet below the dam. Four wheel pits were excavated under it to El. 664.0, and four rock tunnels ran from the intake tower to the turbines located at the bottom of these pits and connected by vertical shafts about 180 feet long to the generators on a floor at El. 850.0. From the wheel pits a single 16 ft. 6 in. tailrace tunnel about 9,000 ft. long crossed under the river bed to the north side and followed the line of the supply tunnel proposed in Scheme No. 2, discharging at The Arches into a tailrace canal to the Big Eddy.

Scheme No. 3 called for the power house to be built on the south side of the lake, about 100 feet above the dam. This was to have only three generating units, which were supplied by three short tunnels or penstocks from the intake tower, with a tailrace tunnel to The Arches and the same tailrace canal to the Big Eddy as in the other schemes. This was given up as impractical, and the study was never completed.

Scheme No. 4 was perhaps the strangest in some ways. The power house was to be at the same location as called for in Scheme No. 1, with the same intake and tailrace tunnel arrangement as in that design, with the bottom of the latter, where it left the wheel pits, at El. 664.0. However, the power house was to be in effect a huge cave dug out of the solid rock over the four wheel pits, with its ceiling at El. 736.0, about 42 feet above the horizontal center line of the turbines. The intent of this was of course to eliminate the long drive shafts of Scheme 1. The transformers were to be in a building at El. 846.0, which was grade above the power house. Access
to the latter was by a long flight of switch-back stairs; there was no elevator. This scheme presented difficult ventilating problems, and was also abandoned.

All of these schemes except No. 3 called for four generator units, and all utilized the entire head from the dam to the Big Eddy, about 262 feet gross at the wheels, and an average of around 248 feet. It will be noted that all the plans were intended to avoid cutting through the dam structure, as was done later. All the tunnels were to be far below the foundations of the dam, and in all cases the main tunnel, whether intake or tailrace, crossed from south to north under the river bed and ran down the north side of it. All four schemes also provided for a log sluice 10,500 feet long, from the dam to the Big Eddy, and 33 miles of transmission line to Millinocket.

The original estimated cost of the entire job is not known, but in 1929, when this development was being re-considered as part of a possible expansion program, the figure, based on Study No. 2, was $6,119,420. By 1950, the cost of the development as in Study No. 2 was $11,248,000, almost double the earlier figure, and this one of the principal reasons for the total head not being developed.

Several informants have confidently stated that there was a fifth plan, involving a system of canals and dykes on the north side of the river, but no such scheme is mentioned in Hardy Ferguson's 1929 review of the project, and no other documentation of development in this manner has been found. There were some discussions of overland penstocks much later, but these never got into the planning stage.
The money situation in 1918 and 1919, as we have discussed it, would seem to explain why the development was not carried out at that time, but there is no information at all as to why it was not undertaken in the good years that followed. There was talk of it from time to time, but it always seemed too big a financial bite to swallow, in view of the Company's fiscal policy. Smaller powers, which will be discussed later, were developed instead, and it was more than thirty years after the plans which we have described were made before action was taken to make the Ripogenus power available.

The question of control of newsprint price and production had by no means been settled by the proceedings of 1917, and even before the end of that year both the small newspapers and the Federal Trade Commission, fearing those manufacturers who had not signed the agreement, were trying to put more muscle into the F.T.C.'s powers by pushing for passage of the Smith bill -- the one which had been left hanging, and which would have had the Government, represented by the F.T.C., take over the newsprint industry. This bill was hotly debated in the Senate, evolved into an attack on the Administration, and raised the issues of Socialism, censorship and freedom of the press. It was not really supported by the metropolitan newspaper publishers, who, although they were perfectly willing to have the Government control the manufacturers, wanted no part of anything that meant interference with free enterprise as represented by their own businesses. After several amendments had been offered, it died, as did a similar resolution offered in the House.

The hearings which the F.T.C. opened in February, 1918, to con-
sider prices to be charged after April 1st, in accordance with the Justice Department's agreement with the manufacturers, or some of them at least, dragged along into June, with the manufacturers presenting figures to show that they should have a price of $80.00 and the publishers insisting that $50.00 was plenty. In June, the F.T.C. set a price of $62.00. The manufacturers appealed to the courts, as they had the right to do under the agreement, and in September, 1918, the court set a price of $70.00. In the meantime, the manufacturers had been twisting the F.T.C.'s arm for allowances back to April 1st for increased costs of wood, labor and freight, and in October they were allowed to add $5.00 to the court-established figure, making it $75.00. Any increase in wood cost was not allowed.

None of this bothered the Great Northern Paper Company in the least. According to the record, its price for the first half of 1918, on a cost plus basis, presumably the announced $46.00 f.o.b. mill figure, plus increased cost allowances, averaged $56.00, delivered in New York. In May, 1918, it had made a number of large contracts for the year 1919 at $48.00, f.o.b. mill, plus the increased cost of coal, wood and labor since June, 1916. This kept Great Northern smelling like a rose.

It must be said that making statements about newsprint prices, at least at this point, and at some other places in our story, might be classed as a hazardous occupation. Some of the data available, both from the Company and from outside sources, is over-simplified, and some so complicated as to be incapable of interpretation. Over-
lapping contract dates, changing contract clauses, roll-backs, rebates, special conditions, effective dates, points of delivery, freight allowances, the question as to whether any price figure was f.o.b. mill or delivered, lack of information on the reasons, concrete, fortuitous or incidental, for price changes, and the differences in the nature of the price structure in different periods confuse the facts. For instance, we find within the Company's own records that in May, 1919, contracts were being offered to some of the large papers for the year 1919 only at $48.00, plus the increased cost of certain items since June 1916, as noted above. In April, 1919, we find one of the larger contracts being extended for five years on the same basis, while at the same time efforts were being made to place a new contract at $65.00 f.o.b. mill plus the increased cost of wood, labor and coal over that of the year 1918. However, this was a particularly confusing period, and the price figures as we use them in this story are believed to be in the ball park.

The increases in cost which were added to the 1918 base price of $48.00 must have been substantial. From a statistical table, kept in the Boston office from figures furnished by the Auditor, and confirmed by later check, Great Northern's price for newsprint, delivered New York, was $56.00 for the first half of 1918, and averaged $65.58 for the second half. For 1919, it was $76.00. A tabulation in "Newsprint", by Royal S. Kellogg of the Newsprint Service Bureau, giving prices by quarters, states that Great Northern's price for the year 1919 was $70.00 per ton, f.o.b. mill. This, if it included the cost additives, would confirm the $76.00 figure above, as the freight from Millinocket to New York at that time was just about $6.00. Incidentally,
this $70.00 figure is the lowest given by the Newsprint Service Bureau for any period of that year by between $3.00 and $10.00 a ton, the comparison being between Canadian import prices and those of the four leading U.S. manufacturers, which included Great Northern, and just goes to show how difficult it is to be confident about the exact price comparison at any time. However, we will use the best information available, and hope that it will be within the range of probability.

If there seems to be an unusual amount of emphasis on the price of newsprint and the events which changes in it brought about, this is because in the days of the old Company, the effect of price changes on the relationship between the publishing business and the newsprint industry, and its cyclical influence on competitive production, could be catastrophic. There are present-day parallels, but in those days, when Great Northern was almost entirely a newsprint manufacturer, price changes had almost automatic and predictable reactions. An increase could bring cries of anguish from every newspaper in the country, and blasts from the halls of Congress, leading to imposing governmental investigations with international ramifications. Any change either way might result in the decision to build a new mill, or half a dozen new mills, or it might halt even the installation of some minor piece of production equipment. It was the pivot around which everything in the industry turned, and while Great Northern price policy of itself could not shape events, it could and did, as we have already seen, have some effect on their course.

A few events of local interest marked the year 1918. In spite of good earnings, the Company was still borrowing to pay "accounts
payable", listed at $1,200,000 at this time. This is the year in which for some unfathomable reason the Company borrowed $25,000 each from Garret Schenck and William A. Whitcomb, at 6 percent interest. Maybe they just figured that this was a good safe place to put some money at a good return. The Company in this year built the Cooperative Store building, a one-story brick structure on Lot 6, Block 40, at the railroad crossing on Spruce Street in Millinocket.

The President reported that he was having trouble getting the coal barges which had been bought the year before loaded and discharged, because of Federal regulations, and was granted permission to sell them, along with the tug, for $225,000. This turned out to be easier said than done.

There was another foul-up with the Federal Government in this year. We will write about it, not because it was of any great importance, but because it is amusing now, although not funny at the time, and because it tells us a little more about Garret Schenck. The story is longer than we would like, but the interest is in the detail.

The airframes of World War I aircraft were largely made of wood. Sitka spruce from the west coast was the preferred material, but eastern spruce was used also, and in September, 1918, A.P. Lane negotiated a contract with the U.S. Navy for all the specification airplane spruce lumber that the Company could produce in a period of six months. The contract, dated October 16th, was prepared by the Navy's Bureau of Supplies and Accounts, and was sent to him for signature on October 26th. Garret Schenck immediately signed the document and sent it to Bryan Seelye at Millinocket to have the seal
of the Company affixed. Bryan Seelye did not have the seal. It was in the care of the Treasurer, H. Merton Joyce, in New York, and Bryan Seelye sent the contract to him. H. Merton Joyce thereupon discovered the curious fact that during the nearly twenty years that the Company had been in existence, the Board of Directors had never voted the President any general authority to sign contracts. However, he thought that perhaps Article 6 of the By-Laws might be construed as granting such authority, and as Article 6 also mentioned the Treasurer, he added his own signature, and the seal, and sent the contract back to Garret Schenck in Boston, and it was mailed to the Navy Department in Washington on November 4th. On November 13th, it came back to Bryan Seelye at Millinocket -- this was because there was officially no Great Northern Paper Company office in Boston, as we will explain later -- with a request for evidence that those who had signed it were empowered to do so, and Bryan Seelye mailed it back once more to H. Merton Joyce.

Meanwhile, the Armistice had been signed, and the Navy, through its office in Boston with which A.P. Lane had been dealing, had notified him verbally that it wished to cancel the contract, and he had agreed. A formal notice of desire to cancel was mailed to him from Washington on November 21st, with the request that the contract drawn by the Navy be returned unexecuted.

Back in September, in anticipation of a formal agreement, the Company had bought, we believe from Charles Gilbert, although his name does not appear on any record we have, a sawmill on the west side of the Schoodic flowage, just above Gilbert's Crossing on the

Yesterday III - 55
road between Millinocket and East Millinocket, along with its inventory of pine logs, for $24,000, and while all the above was going on, had moved down to Schoodic the machinery from the sawmill used during the construction of the Ripogenus Dam, repaired the buildings, sorted some good spruce logs out of Dolby Pond -- there were still long logs in the drive at this time, as we will see later -- hauled these to the mill, and taken out insurance on the new property. All this, with the probable future cost of undoing some of the things that had been done, ran to some $44,000.

This was not hay, even in those days, and what followed shows the Garret Schenck who, as Arthur Staples said, would "go the limit" to protect what he believed to be the Company's interests.

Immediately upon receipt of the formal request for cancellation, he instructed H. Merton Joyce to fudge into the minutes of the October meeting of the Board of Directors a non-existent vote giving him authority to sign, and to send him a certified copy of this vote, along with the contract, saying that while the latter had been cancelled, he wanted it on file in Washington, as he believed that some part of the cost incurred could be recovered from the Government. On November 26th he wrote to the Navy Department this and no more:

"Gentlemen:

We herewith return contract No. 42825, as requested, and note that you wish to cancel this contract, which is perfectly agreeable to us."

This says quite clearly that the contract was sent with the letter, but was it?
On December 12th the Navy Department acknowledged as follows:
"Sirs:

This will acknowledge receipt of your letter of 26 November 1918 accepting cancellation without liability of Contract 42825."

This letter did not say anything about receipt of the contract but they considered that it closed the book.

However, the key words were "without liability". Garret Schenck replied in effect that he had not said any such thing, and was in process of preparing a claim for expenses incurred. The Navy tried to head this off by a letter written on January 6, 1919, in which they characterized the contract as being unexecuted, and stated that A.P. Lane had agreed to cancellation without obligation on the part of the Government. Ten days later, Garret Schenck countered with a letter saying that A.P. Lane had not made any such agreement, and had no connection with the deal anyway, which is curious in view of the fact that the contract had been sent to him in the first place.

There was no more correspondence until June 12, 1919, when Garret Schenck submitted a claim for $44,328.89, plus interest at an unspecified rate to whatever date the transaction should be completed. On June 18th, in a very brief letter, the Navy rejected any claim, stating that the contract had not been executed at the time of cancellation, and in fact had never been executed. Garret Schenck did not reply until August 20th, at which time he informed
the Navy that the contract had been executed and returned before notice of cancellation, which was true in one way and not in another, and that "further, I never consented to return the contract for cancellation"; a strange position in view of his letter of November 26, 1918, which we have quoted. He then said that he was turning the matter over to the Company's attorney.

This did not scare the Navy at all. On September 24, 1919, in a letter to Garret Schenck, it listed under headings (A) to (L) every piece of correspondence on the subject, beginning in October 1918, stating tartly that it appeared that the Company's records were not complete, and offered to furnish copies of any of this material. It went on to say that the contract had not been enclosed with the letter of November 26, 1918, but that it had finally been returned, properly executed, on December 12th of that year, making things curiouser and curiouser, since (a) they did not list any correspondence from the President on December 12th, and (b) they had previously stated that the contract had never been executed at all. This letter said flatly that A.P. Lane had called at the Navy's Boston office personally, the day after receipt of notice of cancellation, and had stated that "while his Company had been at some expense in getting ready to manufacture airplane stock, it was nevertheless willing to stop work and accept cancellation of the contract with no obligation whatever to the Government"; that Mr. Lane was the man with whom the office of Spruce Production had had all dealings in regard to the acceptance of the contract; and that under these circumstances no claim could be considered, period.
Unfortunately, the end of this tale is an anticlimax, as this is the end of the record, and we do not know what, if anything, transpired beyond this point. However, comments that the writer heard some years later in Boston were to the effect that the airplane spruce episode was a disaster, so we have to guess that Garret Schenck did not get away with this one.

In October, 1918, Lewis Cass Ledyard, Jr. resigned from the Board of Directors, no specific reason being given, and H. Merton Joyce was elected in his place. Payne Whitney was in this same month given leave of absence from the Board to enter military service. He resigned from the Executive Committee, and W.C. Powers was appointed to this body in his place.

Since these were the first changes in the Board and the Executive Committee since 1914, we will bring things up to date. After the Annual Meeting in 1919, the Board of Directors was made up of Garret Schenck, William A. Whitcomb, Col. F.H. Haskell, F.S. Rollins, Commodore Ledyard, Eugene Hale, William C. Powers and H. Merton Joyce, with Payne Whitney on leave of absence. The Executive Committee included Garret Schenck, William A. Whitcomb, Commodore Ledyard; Payne Whitney according to the minutes of the February 19, 1919 meeting, but actually W.C. Powers; and F.S. Rollins.

For 1919, Garret Schenck was again elected President, William A. Whitcomb Vice-President and General Manager; Bryan L. Seelye was Clerk; H. Merton Joyce Treasurer and Assistant Clerk. B.C. Ward, irreverently and probably without his knowledge nicknamed "Before
Christ", was Assistant Treasurer, at a yearly salary of $4,000. Attorneys for the Company at this time were Charles B. Carter of Lewiston, Hugh Chaplin and Louis C. Stearns of Bangor, C.O. Small of Madison, and Sheldon E. Wardwell of Boston.

In June, 1919, W.C. Powers (1871 - 1951) resigned from the Board of Directors. He had done a good job for Great Northern, and left of his own accord. The Directors gave him a vote of thanks, and resolved that "it is the wish of the members of the Board that in his European venture he may meet with a very large measure of well-deserved success." It is unfortunate that more is not known about Bill Powers. He had entered the paper industry in the old Glen mill at Berlin, N.H., at the age of seventeen. This mill went into the International Paper Company, and ten years later he had become their sales representative in England, which position he held until 1910, two years before coming with Great Northern. Shortly after his resignation from the Board, he returned to England, and for the next twenty years was associated with Peter Dixon & Sons, Ltd., British newsprint manufacturers. During this period he visited the Boston office a number of times, but the writer remembers him only as a rather tall, good-looking man, with a rapid-fire manner of speech, and at that time a slight British accent.

Lewis Cass Ledyard, Jr. came back to fill the vacancy on the Board. While it is not noted in the minutes, W.C. Powers must at this time or very soon thereafter given up his duties as Manager of Sales. There is no mention of the appointment of a successor to this position in the official minutes of that time either, the sales duties being taken over by the Treasurer, H. Merton Joyce.
Early in the year, the now customary 10 percent salary bonus, in two installments, was voted. In September, over $1,000,000 in bank loans were paid off, leaving something less than $500,000 in loans outstanding, and these were retired before the end of the year. In October, the President was authorized for some reason to buy a one-half interest in the Coburn Steamship Company, which had operated on Moosehead Lake for many years. An investment in this company shows on the books, but it never appeared in the list of subsidiaries. The stock purchased at this time was sold in February, 1929, one of the results of the changes which took place at that time. The new corporation to furnish limerock to the mills, named the Knox Lime Company, was formed, and another $20,000 was voted for the purchase of stock. There are some things about this company that made it an interesting little side-show, and we will tell what we know about it here.

It has been said that an engineer's favorable report on a limestone deposit was the preliminary to the formation of this company. It is believed that this engineer was Elmer Prouty, mentioned previously in connection with the Ripogenus Dam job, and the construction of the Anson power station. The rock deposits acquired were in two locations; some old quarries and some woodlots with underlying rock in the town of Warren, and a previously unworked deposit underlying a number of farm lots about half a mile outside the village of Union. The initial vote that 52 percent of the stock was to be bought indicates at least one other owner, unnamed at that time. In 1928, nine years later, 137-1/2 shares were bought from a Mrs. Rosa Littlefield, of Rockland. By rough calculation, based on the
known Company ownership at that time, this gave Great Northern and St. Croix total ownership, with the Company holding something over 70 percent of the stock. Arthur Hobson, President of St. Croix, was President, and this position was held later by his son, John Hobson. E.R. Lacouture, of the St. Croix Boston office, was Clerk, and handled the accounting. Robert McKinley was the Manager throughout the life of the company. St. Croix kept the records, and Great Northern sort of looked after the operation.

The Knox Lime Company, like the Madison mill, was a sort of poor relation. It was provided with minimal equipment; an air compressor plant, rock drills, hand tools, and as a pit was developed, pumps, hoists and a derrick or two. A few cheaply constructed buildings housed the equipment and provided an office. Operations were begun late in 1919. As far as is recalled, only the Union deposit was worked. The stone was simply blasted loose, broken with sledge-hammers into "one-man" pieces, loaded into sling boxes by hand, and hoisted up for loading on the cars, again by hand, a rather primitive operation. Quarrying was not conducted the year round, but intermittently, and was always discontinued during the winter, after shipping a supply of rock to be stockpiled at the mills. The help consisted almost entirely of local farm people.

Prices were set so as to show a small profit, and the quarry produced all the limerock for the Millinocket, Madison and Woodland mills for over thirty years. In June, 1939, it had bought up 206 shares of its own stock, Great Northern turning in 150 shares at that time, at $100 per share. About 1952, when better quality control de-
manded a higher grade of limestone, Great Northern began to buy some of its supply from other sources. However, operation was continued until 1956 or 1957, after the Millinocket mill, which was the big customer, converted to ammonia base acid, and at this point the quarry was closed down. The Knox Lime Company then lay dormant until about 1960, when the quarrying was resumed by a local man, on the basis of payment of a royalty on each ton of rock removed. This operation proving successful, he organized a company, Lime Products Corporation, producing largely high-magnesium agricultural lime, which bought the Knox Lime Company in 1962, making partial payment and leaving the stock on deposit as security. Additional payments were made, and to the best of our knowledge the transaction has been completed.

One of the interesting features of the old operation was the Knox Railroad, which at the time the company was formed was the only means of getting the rock out to the mills. This little road, not much over eight miles long, running between Union and Warren, was a separate corporation, originally the George's Valley Railroad, built in 1892-1893 by a group of local people, renamed when it was acquired in 1919 by the newly-formed Knox Lime Company. It was, when purchased, a full-fledged common carrier, subject to I.C.C. and Maine Public Utility Commission regulations, involving a lot of paper work. The forms filed, over the years, if laid end to end, would have been longer than the tracks. There was quite a lot of activity in the area when it was originally built, but this gradually decreased; very little money was spent on maintenance of roadbed or equipment, and in 1919 it was in a pretty bad way.
When it became the Knox Railroad, the tracks were repaired, a new bridge was built across the George's River, and a spur was laid to the quarry. A "new" second-hand engine was bought from the Maine Central, but it apparently did not add to its rolling stock, Maine Central gondola cars being used to carry the rock. The road continued to operate as a common carrier, handling passengers, mail, freight and express. Two round trips a day were made, and with the shipments from the new quarry, and improved service, business from other sources picked up a little. In 1924, a brand-new locomotive was bought. This was supposed to be designed specially for the job, and was quite different from the engines usually seen on Maine railroads -- a coal-burning saddle-tank type, with an integral tender and very small driving wheels. It was not very satisfactory. Other than this new piece of equipment, the new owners seem to have done little more in the way of capital improvements, after the initial expenditure, than had the old ones, and even with the train crew doubling as mechanics and track repair men, running a railroad was becoming an expensive way to get the rock out. Repairs were held to an absolute minimum, and the whole operation deteriorated to extinction. While the exact dates are not known, the sequence of events leading up to the demise of the Knox Railroad are fairly well established. First, mail and express were discontinued, just when is not known, but perhaps in 1927, when one of the two daily round trips was abolished. This practically ruined the passenger business, such as it was. It did not help freight traffic either, but most of this was being lost to trucks anyway. About this time, the flanges of the front driving wheels of the locomotive had become so badly worn from negotiating the sharp
curves with heavy loads that it had to be run backward so that it would stay on the track. In 1932, permission was obtained to abandon passenger service, the figures submitted to the Maine Public Utilities Commission showing only about 400 passengers carried in a year's operation. At this same time, or very shortly thereafter, the line was allowed to discontinue service as a common carrier. The Maine Public Utilities Commission says that common carrier service was discontinued on September 9, 1932, another source says it was November 30th, but no matter. For a number of years thereafter, the road was operated as a private side-track, the train being run very carefully, on no schedule, carrying only limerock, over the overgrown and now rotting ties. During this period, efforts were made to get the Maine Central to take over the operation, the right-of-way being offered to them for free, but they were not that stupid. Late in 1938, the railroad was shut down entirely, and thereafter the rock was trucked to railhead at Warren. The rails were torn up and sold for scrap in 1939, and that was the end of the Knox Railroad, or the old "G.V." as most local people had continued to call it.

Reference was made in the preceding chapter to the inventions of Elmer Pope. While he had not succeeded in reaching the objective of running a paper machine at 1,000 feet per minute, his devices had produced substantial speed increases, and were being adopted by other mills. His patents, it will be recalled, had been made over to Great Northern, and the situation had reached a point where it appeared that the Company could cash in on them. In November, 1919, Garret Schenck proposed that a new corporation be formed to hold and administer these patents, which were to be turned over to the new company for
stock. This was agreed to by the Directors, and in December he reported that such a corporation, unnamed at that time in the records, had been formed. The story of it will be told a little later.

With the end of the war, the Government's power to influence the price of newsprint waned, and the law of supply and demand took over, with what later were dire consequences. While domestic consumption remained nearly static in 1919, the mills, geared up to produce more paper, began to export in large amounts. This shot the spot market, which had dropped below contract figures, all to pieces, and spot prices went as high as $140 a ton. By late in the year, another boom had developed, bringing on another contract price boost. According to the Newsprint Service Bureau, the average contract price for 1920, delivered New York, was $112.60. Great Northern, however, remained cautious, remembering the gallimaufry of the past few years, and set its price at $80.00 per ton, net, f.o.b. mill, but not in excess of any price which might be fixed by the Federal Trade Commission or any other Government agency. This worked out to $86.00, delivered New York, for the greater part of the year 1920. This policy, which the Company was careful to cultivate over the next few years of wild gyrations in price, enhanced its already favorable reputation for price moderation, and stood it in good stead in the as yet unforeseen depression period which lay ahead.

At the November, 1919 meeting, Garret Schenck asked that a special meeting of the stockholders be called to revise the by-laws to provide for two Vice-Presidencies, one of which he proposed to give to Fred Gilbert "in recognition of his long and faithful service". He was granted permission to call such a meeting at his discretion.
There is no way of knowing exactly why he felt that this move was necessary or desirable, although there was of course nothing wrong with it, but the writer's theory is that it was done in an attempt to change the relationship between William A. Whitcomb and Fred Gilbert. Since the very early days of the Company, the latter had been given a free hand in running the Spruce Wood Department. He answered only to Garret Schenck, who always allowed him to do pretty much as he pleased. The title "General Manager" which William A. Whitcomb held, did not as far as we know, entitle him to exercise any control over the Spruce Wood organization, although he did apparently effect some changes, as we will see later, and he had nothing to do with the procurement of wood. Nevertheless, he was the recipient of the results of Fred Gilbert's policies and management, in the cost and quality of the wood he received at the mills; he was a Director and the only Vice-President, working side by side with Garret Schenck in the latter's office; was intimately involved in the Company's financial affairs, and he disagreed with Fred Gilbert on almost everything. This may have been Garret Schenck's way of trying to even up the odds by giving the latter more status, and a chance to put forward his ideas from a stronger base. Be that as it may, the special meeting was held on January 2, 1920, in Bangor, and the by-laws were changed to meet his wishes.

At this point, in addition to making an excursion into an interesting episode in the Company's story, we can give an excellent example of the difficulty which has been encountered in putting together reasonably authenticated material for this history. The minutes of a meeting of the Board of Directors meticulously report the contribu-
tion in 1919 of $1,000 toward the cost of a library to be built in Millinocket. This was probably technically necessary, since the stockholders' money was being given away, but it is sort of frustrating to find absolutely no mention whatever of the expenditure of over $600,000 for the building of the SS "RIPOGENUS", whose bronze-green hull, christened by Miss Priscilla Schenck, daughter of Garret Schenck, Jr., slid down the ways of the Francis Cobb Company shipyard in Rockland, Maine, late in May of that year, with a band playing and flags flying and all the fanfare of the launching of a big vessel.

While the operation of the "RIP", as she was affectionately called, was serious business, and was the source of most of the legend about the Great Northern Navy, it is in keeping to treat her story with a certain amount of what may pass for humor, because, from all accounts, she was one of the marine oddities of the time, providing material for more salty jokes than Cleopatra's barge, although let it be understood that they had nothing to do with any social activity. Most of the information following is fact, and any that is scuttlebutt comes from unusually reliable sources.

The "RIPOGENUS" was laid down on April 22, 1918, as a flush-decked, four masted schooner, the intent being for her to carry paper from Searsport to New York and Philadelphia, and coal from Norfolk on her return voyages. A large number of these wooden vessels were built along the coast of Maine and the Maritimes, late in World War I, to offset losses of shipping from submarine warfare, and this one would probably have been no different from the rest had
she not been built for the Great Northern Paper Company. Her con-
struction was started in plenty of time for her to have been in ser-
vice before the end of the war, but this yard had a lot of Government
business, and with one thing after another, she was not launched until
more than a year after her keel had been laid, and was not in use until
some months after that.

An unidentified newspaper account says:
".....It is hardly necessary to add that the steamship
"(we will explain that "steamship" later)" was designed
by John J. Wardwell, whose brain has conceived some of
the finest steam and sail craft afloat."

Lester Smith said; and this is probably nearer the truth:
"....When questions were asked about plans, old man
Wardwell, who was their Superintendent, said he didn't
need any plans to build a vessel, and he had the timbers
all cut and on the ground anyway..."

The "RIPOGENUS" was registered in Belfast, Maine, in the name of
the Great Northern Paper Company, documented No. 218623, but her home
port was Searsport. For those interested in such things, she was
293, 269 or 267 feet long overall, depending upon the source of the
information; 257 feet on the keel; 42.1 ft. beam; two decks, total
depth of hold 25.8 feet, grossing 2278 tons. She had a hardwood
bottom and spruce top, all Maine or New Brunswick wood. Her three
garboard strakes (the heavy planking next to the keel) were 10",
9" and 8" thick, with 5" planking over these; 6" planking on the
bilges; 5" to the lower deck and 7" from there up. She was partly
bronze and partly iron fastened. The bronze-green paint was supposed to be especially durable in southern waters, where she was to spend much of her time. In line with the old custom, she was "pickled" with 132 tons of Turk's Island salt packed between the planking and the ceiling (lining) of her hull, as a preservative.

So far, so good. She was a normal, well-built sailing vessel, but what made her different was that somewhere along the line, before she was completed, it had been decided to convert her from a sailing ship into a steamer. She was modified, mostly above decks, for this purpose, before launching, and after launching was fitted with boilers and two 300 h.p. steam engines, each driving a 9'6" propeller. A Hyde steam steering mechanism and a heavy steam driven capstan aft were put in at the same time. All the machinery was installed by the Portland Company.

Her appointments were most elaborate, as befitted a Great Northern vessel. She had a big, low afterhouse, located further from the stern than normal, extending from one side of the deck to the other, leaving no gangways, and nearly one-third the length of the ship. Two sets of davits were mounted on top of this house, well aft, one on each side, for two boats. A so-called "midships" deckhouse was placed well forward, almost up to the forecastle deck. We will call this the forward deckhouse. It had three levels above the main deck, the upper two surrounded by promenades. The wheelhouse was on top of this superstructure. At the time of launching, rails and trim were painted white, but the deckhouses were of some darker tint.
All interior finish in the deckhouses was of cypress, sycamore and bird's-eye maple. There were eighteen rooms in the afterhouse, including the galley, refrigerators and storehouses; two bathrooms, and quarters for four engineers, four oilers, two cooks and two mess boys. In the forward deckhouse were the dining room, a first aid room, three guest rooms and cabins for the captain, Charles H. Saunders, and the three mates; the saloon, the chart room, and several bathrooms. In the forecastle were berths for six deckhands, in two rooms. Under the main deck aft were the lamp room, the paint room, quarters for six firemen and another bathroom. All told, there were seven bathrooms -- none of them were called 'heads'. The normal complement of the ship was 27 to 30 men, but ran as high as 36. The master was paid $300 a month when she first sailed, and the crew averaged $107 per month each.

In an effort to make her look more like a steamship, her sheer line was broken at the bow by raising the sides of the forecastle, but in those days of straight-stemmed steamships, her sailing-ship's cutwater, curving outward at the top and ending in a stubby, decorated beakhead, could not be disguised, giving her a sort of yacht bow. Two short masts, one just ahead of the forward deckhouse, and one just forward of the after deckhouse, nearly midships, were stepped before she was launched, serving no particular purpose except to carry lights and flags. In the well between the deckhouses were four short derrick posts, in pairs, each with a single boom. Two more of these derricks were located forward, one on each side of the foremast, and the taff-rail was finished off with a tall flagstaff.
While it may have been intended originally to install auxiliary power, as in the "NORTHLAND", the RIPOGENUS was not designed for steam propulsion. Her engines and boilers were located aft. A big funnel and a flock of ventilators rose starkly from the low deckhouse just behind the mainmast. With the holds empty, and her power plant in the stern section, she was light forward, and steered badly. She was supposed to carry 2,500 tons of coal, but when so loaded, it is said, this put most of the weight forward, as there was no hold space aft; she was down by the head, and steered worse. To offset this condition, a bunker was built over or at the rear of the afterhouse, to allow of carrying 250 tons of coal aft as deckload, which improved her trim, but with all of these features which we have described, she had a most unusual profile, and was recognizable as far as she could be seen.

The "Rip" went into service in the summer of 1919. She was unlucky, and did not last long as ships go -- thirteen years. With the deckload, she did carry 2,500 tons of coal. She was in a number of minor collisions, on which there is no detail. At her halftime inspection, some of her frames were found to be badly rotted because the boilers had had to be placed too close to them. Her last full year of operation for the Company was 1926. In that year she made 33 voyages, carrying 82,388 gross tons of coal. There is no record of her carrying paper, but this is not conclusive, as any such records are long gone. In 1927, she made four trips with coal, the last in February, when the Auditor discovered that it was costing $1.94 per ton to carry coal in her, against a bid of $.94 from a contract carrier, to whom the business was promptly transferred, and she carried no more cargo for the Company. At this time, while lying at a drydock in Norfolk,
Virginia, she was sold to the Wood Towing Company of that place for $7,000, but the deal fell through. The writer has the bill of sale, dated April 7, 1927, executed by Garret Schenck and notarized, but marked "Cancelled" in big red letters. After that, she must have been chartered to Wood or someone else, as she was still registered to the Great Northern Paper Company on November 8, 1932, when she was so badly damaged in a collision with the SS "EVANSVILLE" off Cape Henry, Virginia, that she had to be towed into port, was sold to the insurance company and broken up for junk. The amount of the insurance claim is unavailable, but Frank Keenan says that this was one of the best breaks the Company ever got.

The President had been authorized to sell the tug and barges, which had been taken out of service, for $225,000. In March, 1920, he reported that he had not been able to interest anybody in the tug, but that he had a buyer who had offered $60,000 for the barges "Plymouth", "Northern No. 3" and "Northern No. 4", and he was told to get rid of them at this figure. In November of the same year, the tug "John T. Donahue" was sold for $20,000, half cash and the balance secured by a mortgage. While there was no previous mention of it, a profit-sharing arrangement similar to that on the SS "Millinocket" must have been in effect with A.H. Bull & Co. on another steamer, the "Ruth", as in 1920 the Treasurer reported that a final settlement of $147,124 had been received on the operation of this vessel for the past year.

The loss of the "Ripogenus" marked the end of the Great Northern Paper Company's salt-water navy, as after 1927, and until the use of coal was discontinued, A.H. Bull & Co. transported all the Company's

Yesterday III - 73
coal, mostly in this same "Ruth" and two other steamers, "Absecon" and "Machen".

Incidentally, the building of the "Ripogenus" paints out a rather interesting and long-standing business relationship between Garret Schenck and the Cobbs and Littlefields of Rockland, who must have been related in some way. W.T. Cobb and A.S. Littlefield were associated with the Northern Maine Power Packet Company and the building of the "Northland" in 1906, by Cobb & Butler. The same shipyard, in 1918 the Francis Cobb Company, had been given the contract for the "Ripogenus". A Cobb who hailed from Rockland was Manager of the St. Croix Paper Company's subsidiary Eastern Pulpwood Company. St. Croix was a stockholder with Great Northern in the Knox Line Company, in which a Mrs. Littlefield was also a stockholder. Maybe the fact that W.T. Cobb was Governor of Maine from 1904 to 1908 had something to do with all this -- or maybe it was mere coincidence.

At the stockholders' meeting in January, 1920, the incumbent Board of Directors was re-elected, with Payne Whitney, back from the service, now an active member. Garret Schenck was again President, and in accordance with the new by-laws, William A. Whitcomb was elected First Vice-President and General Manager, and Fred A. Gilbert Second Vice-President and Manager Spruce Wood Department. The other officers remained the same as for the previous year, as did the Executive Committee, Payne Whitney also resuming his place on that body. Counsel for the Company was the same as for the previous year, except that the firm of Carter, Ledyard & Milburn, which had been representing Col. O.H. Payne's interests primarily, was added officially to the list of the Company's legal advisors.
The earnings of the Company, and the dividends it had paid over the years have been noted as our story has progressed. It was still putting out no financial information to the public, there were no market quotations on the stock, and apparently no stock on the market, as will be seen a little later. At this time, however, it issued the following candid and somewhat unusual, if technically uninformative statement, in the form of a letter to the stockholders:

"Your Directors are of the opinion that unless unforseen conditions arise, the earnings and prospects are such as to justify the continuance of dividends amounting to $12.00 per share per annum. This sum has been paid on the Company's stock for the past two years.

It is the intention of the Board of Directors, after receiving a statement of the Company's earnings from time to time, to determine what, if any, further distribution of earnings may prudently be made. Such further distribution, if made, will be in the form of extra dividends. A notice of such distribution will be sent to each stockholder of record.

The Directors believe that this method establishes a better basis for distribution of earnings and will cause less dissatisfaction and disappointment than would be the case if a higher rate was fixed and changed conditions compelled the Board of Directors to reduce such higher rate, the payment of which the stockholders had come to regard as a matter of course."

Perhaps as an indirect result of this letter, the first sub-
stantial piece of financial reporting about Great Northern was published by the Boston News Bureau on or about June 8, 1920. This amounted to about what could be printed in one column of a present-day newspaper, and contained the statement "Only a limited amount of financial detail concerning Great Northern Paper has ever previously been available". After pointing out that the Company's newsprint production was more than two-thirds that of the International Paper Company, it presented a paragraph of mostly accurate general information, and a correct tabulation of the amounts of authorized capital stock; earnings and dividends, stated as percentages of the par value of the capital stock, and the surplus figures, for the years 1904 through 1919. It stated that the Company's biggest year was 1917, when it earned 45 percent on its stock and paid out 16 percent, and added up a surplus of $15,000,000, making the book value of the stock $287.50 per share. It also stated that the Company had 104 customers as at that time. Not very informative, but something.

Its comment on the price structure is interesting in view of our own earlier observations:

"...$80.00 a ton is the highest price charged by Great Northern Paper on any of its contracts this year. From this figure the contracts range down to $49 a ton, which compares with spot quotations in the newsprint market of several times this figure."

At this time, contracts were being made by other mills at prices increasing quarterly during 1920, going as high as $130.00 for the fourth quarter. As early as April, the spot price had reached $300.00. In the face of this, in October, the Company put
out a one-year contract price of $100.00, f.o.b. mill, for 1921, or $100.00 plus increases in the cost of coal, wood and labor over the first half of 1920 for new two or three year contracts. At the same time, prices in some of the existing contracts were revised to $95.00 for 1921 and 1922, plus any increased costs as above. At the time when these prices were set, it had been reported to the Board that several large publishers were anxious to buy all the paper they could from Great Northern during 1921, but that no extra tonnage was available.

Strong business activity and increasing interest in newspaper advertising was creating another unprecedented demand for newsprint, which the mills could not meet. The price and supply situation had of course brought on the usual demands for Government action, and an inquiry headed by Senator Reed, of Missouri, starting in August, 1919. This again did not get much support from the larger publishers, one of them making about the first sensible comment that has been found in study of these things, to the effect that these continuing investigations and harrassment of the newsprint industry were stifling possible plant expansion. The smaller papers, however, continued to press for Government control. The report of the committee, which came out in June, 1920, over the name of Senator Walsh of Massachusetts, Senator Reed not signing, arrived at about the same conclusion as that of the 1917 investigation, namely that there was in effect a virtual monopoly in the newsprint industry, and that a Government board should be appointed to supervise production and distribution. (6)

The Great Northern Paper Company came out of this latest round
not only unscathed, but with favorable publicity and an enhanced reputation. On May 23d, shortly before issuing the report of his committee, Senator Walsh made a speech on profiteering in industry, in which he paid his respects to newsprint. A clipping from an unidentified newspaper, covering that part of the speech dealing with the newsprint industry is in existence. Portions of this are quoted, from the top:

"Newsprint Profiteers

Another instance of the extent to which profiteering is being carried on is the evidence which has recently been presented before the Senate committee investigating the shortage of newsprint paper. This evidence tends to show that there are manufacturers producing newsprint paper at a reasonable profit for about three cents per pound, yet the lowest price that large publishers can contract for newsprint paper today is approximately six cents..... and the smaller publishers of country papers .... have to deal through brokers and jobbers who are charging anywhere from 15 to 20 cents per pound..... Even the largest publishers .... are compelled to pay some manufacturers .... about 200 percent profit over and above all costs of production....

In the face of uncontradicted testimony that 50 percent of the publishers of small daily and weekly newspapers will be driven out of business if present prices continue, how can we longer remain indifferent? The imminent success of the profiteers in destroying one of the safeguards of liberty -- the means of enlightening and educating our
masses -- should arouse us to action."

Then follows, at what from the wording would seem to be the end of the speech, in bold-face type, heavily leaded, the following:

"GREAT NORTHERN EXCEPTION

"IT IS FORTUNATE, INDEED, TO POINT OUT THAT DURING THIS MAD RUSH FOR EXCESSIVE PROFITS THAT THERE STILL EXIST BUSINESSES WHOSE INTEGRITY AND FAIR DEALING CANNOT BE QUESTIONED. I REFER TO CONCERNS OF THE TYPE OF THE GREAT NORTHERN PAPER CO. THIS CONCERN, AS IT WAS SHOWN BEFORE THE SENATE COMMITTEE, HAS FULLY MAINTAINED THE TRADITIONAL REPUTATION OF AMERICAN BUSINESS FOR FAIR DEALING. I FIRMLY BELIEVE - AND WE MAY CONGRATULATE OURSELVES UPON THE FACT - THAT THERE STILL ARE MANY CONCERNS OF THIS KIND IN THE COUNTRY WHO WOULD GLADLY COOPERATE WITH THE GOVERNMENT IN ITS EFFORTS TO CLEANSE BUSINESS OF THE STIGMA OF PROFITERING."

In the meantime, some of the larger publishers, and the A.N.P.A. itself, acting for its members, had gone to Europe, a hitherto neglected source, for newsprint, and by late 1920, it was estimated that contracts for over 100,000 tons of paper had been made with European mills for 1921. Some agreements were also worked out between a few large publishers and large manufacturers under which a certain amount of contract tonnage was released to supply small consumers. (7)

More important to eventual developments was the resolution of Senator Oscar Underwood, of Alabama, in February, 1920, calling for the appointment of a commission to negotiate with the Canadian provinces for relief on the restrictions which they had placed on
the export of pulpwood, to provide a larger source of this material to United States mills. It will be recalled that years earlier, the export of wood from Crown lands had been prohibited by the wood-producing provinces, although some United States companies held leases on huge Crown limits. His measure passed the House, but was pocket-vetoed by President Wilson, because of opposition from Canada, which claimed that any such negotiation with individual provinces would be an intrusion into its affairs. This same issue, by the way, was fifty years later, in 1970, subject of controversy in Canada because of some provinces conducting negotiations individually with certain European nations in the areas of trade and cultural exchange.

Underwood's bill was re-introduced in 1921, and passed both houses again, but President Harding refused to appoint a commission to deal with the provinces, stating that the Canadian government would not permit it, but that it had agreed to direct discussion of individual hardship cases. About this time, the Premier of the Province of Quebec proclaimed that as long as he was in office he would never allow the export of wood, and in 1923 the Canadian Parliament passed a law which empowered the Dominion Government to ban the export of any kind of pulpwood at any time at its discretion. (8)

The politics and economics of the question of the export of pulpwood from Canada at this point is far too complicated to go into, while not entirely irrelevant to our story. It might be noted, though, that right in the middle of the controversy was F.J.D. Barn-jum, mentioned in connection with the Mattawamkeag & Northern Railway.
He was a substantial landowner, and a conservationist, and at this time he was spending his own money travelling around the country, firing off speeches predicting that in twenty years' time there would be no pulpwood left in Eastern Canada, and promoting the legislation of a ban on the export of Canadian wood by such gimmicks as issuing pamphlets and offering prizes for essays backing up his point of view, and the noise he made was quite effective.

World War I had not entirely halted the budding expansion of the newsprint industry in Canada. The Brompton Paper Company mill and the mill of the St. Maurice Paper Company -- this was the Cap de la Madeleine mill referred to earlier -- were built in 1917, and two machines were added to the Price Brothers Kenogami mill in that year. All of this expansion was in Quebec. Other machines all over the country were speeded up, and their product was pouring into the United States market. The domestic newsprint manufacturers, smarting from Government interference and threats of interference, already shifting to other grades and perhaps as importantly mostly short of the necessary water power sites and large wood supplies, did not or could not meet the challenge of increasing demand. The rise of the newsprint industry in Canada, and its fall in the United States, had begun in earnest.

This building and expansion spree in Canada, with additional mills being constructed right up to the time of the depression in the 1930's, was perhaps the greatest, relatively, in the history of the industry, and produced a classic repetition of the old cycle of boom and bust. The movement of the industry into Canada was inescapable, and nothing which the Company could have done could have pre-
vented it, but in the writer's opinion, this is when the Greater Great Northern could have been born, instead of thirty years later. The Company had everything going for it -- customer goodwill, unlimited credit, and wood and water power to no end, right on the West Branch and in Aroostook County. The time factor, and its favorable competitive position could have had it out of any debt it might have had to incur before the industry got into trouble, and with a larger operation it could have come through this better than it did. This is all hindsight. Why it did not take advantage of this opportunity will never be known. There was a lot of griping later about the over-expansion in Canada, but the writer has never seen or heard anything to indicate that another mill, or additional machines at the existing mills, which might have headed off some Canadian development, were ever considered at this time. The Company did much better than the rest of the U.S. industry in increasing production, but it chose to sit on what it could squeeze out of its sixteen machines, for reasons which the management no doubt considered good and sufficient. However, the fact is that while consumption of newsprint in the United States in the ten years between 1917 and 1927 almost exactly doubled, domestic production went up only about 11 percent, and half of this was accounted for by Great Northern's 34 percent increase in output in this period just by higher machine speeds. Meanwhile, Canadian production had jumped by 300 percent, and by 1926 had not only surpassed that of all the United States mills combined, but its exports to the United States alone were greater than the entire production of the U.S. industry. For a few more statistics, Great Northern, which in 1917 was producing 15.4 percent of the newsprint made in the United States, and supplying about 12 percent of the domestic
market, was in 1927 making 19.5 percent of all the newsprint turned out by U.S. mills, but supplying only 8.5 percent of the market.

Initially high prices, heavy demand and the other conditions which we have discussed were not the only factors in the move of the industry to Canada. It was encouraged by the attitude of the Canadian wood-producing provinces, and of the Dominion Government itself, fiercely determined to develop their resources at home, and not at all averse to an influx of foreign capital -- there was no serious talk of foreign domination of Canadian industry in those days -- and by the stock promoters of the highly optimistic and highly speculative 1920's, along with the board room thinking of many United States manufacturers. All this is largely forgotten now, but it happened, and what came of it will be discussed later. At this point, however, it may be of interest to note what we know of the Canadian mills built or expanded in the decade we are now considering, before returning to other events of this period.

No new mills started up in Canada in 1918 or 1919, but in 1920 the "A" mill of International Paper Company went into operation at Three Rivers, P.Q.; in 1921 the Fort William Paper Company started up its mill at Fort William, Ontario; in 1922 the St. Lawrence Paper Company mill at Three Rivers, P.Q. and the Thunder Bay Paper Company mill at Thunder Bay, Ontario, were built. The Bathurst Power & Paper Company mill at Bathurst, N.B. was built in 1923; the Kenora, Ontario mill of the Ontario-Minnesota Paper Company went into production in 1924, and two more machines were added to the Price Brothers plant at Kenogami, P.Q. in the same year. 1925 saw the big Riverbend, P.Q. mill of Price Brothers, the Lake St. John Paper Company mill at Dolbeau, P.Q., the Bowaters mill at Corner Brook, Newfoundland and the Wayagamack
Pulp & Paper Company mill at Three Rivers, P.Q. start up. In 1926, new mills were built by the Manitoba Paper Company at Pine Falls, Manitoba, by the Ste. Anne Paper Company at Ste. Anne de Beaupre, P.Q., by the Spruce Falls Power & Paper Company at Kapuskasing, Ontario; the "B" mill of the International Paper Company was added to the "A" mill at Three Rivers, P.Q., and two more machines were installed by Anglo-Newfoundland at Grand Falls. In 1927, the Great Lakes Paper Company built its mill at Fort William, Ontario; the Anglo-Canadian mill was built at Limoilou, P.Q., the Port Alfred Pulp & Paper Company mill at Port Alfred, P.Q. and the Gatineau mill of the International Paper Company at Hull, P.Q. It is possible that some of these mills, on account of the nature of the information the writer has on them did not begin to produce paper until the year after the date given, and there were some other machines installed in existing mills, and possibly another mill or two built, which we have not recorded.

The effect of all the foregoing is evident in the following table:

<table>
<thead>
<tr>
<th>YEAR</th>
<th>U.S. CONSUMPTION</th>
<th>U.S. PRODUCTION</th>
<th>CANADIAN PRODUCTION</th>
<th>CANADIAN EXPORTS TO U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1917</td>
<td>1,778,300</td>
<td>1,359,000</td>
<td>726,000</td>
<td>491,000</td>
</tr>
<tr>
<td>1918</td>
<td>1,759,800</td>
<td>1,260,000</td>
<td>770,000</td>
<td>602,000</td>
</tr>
<tr>
<td>1919</td>
<td>1,841,300</td>
<td>1,323,000</td>
<td>841,000</td>
<td>628,000</td>
</tr>
<tr>
<td>1920</td>
<td>2,195,900</td>
<td>1,512,000</td>
<td>928,000</td>
<td>680,000</td>
</tr>
<tr>
<td>1921</td>
<td>2,013,100</td>
<td>1,237,400</td>
<td>849,000</td>
<td>657,000</td>
</tr>
<tr>
<td>1922</td>
<td>2,451,000</td>
<td>1,447,700</td>
<td>1,142,000</td>
<td>396,000</td>
</tr>
<tr>
<td>1923</td>
<td>2,813,600</td>
<td>1,521,100</td>
<td>1,316,000</td>
<td>1,108,000</td>
</tr>
<tr>
<td>1924</td>
<td>2,821,500</td>
<td>1,481,400</td>
<td>1,453,000</td>
<td>1,201,000</td>
</tr>
<tr>
<td>1925</td>
<td>2,989,000</td>
<td>1,563,300</td>
<td>1,534,000</td>
<td>1,315,000</td>
</tr>
</tbody>
</table>
These figures are from Great Northern statistical records, and may not agree exactly with all other records, but they should not be far out of line.

As long as we have been anticipating a little, this might not be a bad place to show the trend of newsprint prices during this decade, since they relate closely to consumption and production. We have used the best sources available for this information.

**NEWSPRINT PRICE PER TON - DELIVERED NEW YORK**

<table>
<thead>
<tr>
<th>YEAR</th>
<th>NEWSPRINT SERVICE BUREAU AVERAGE CONTRACT PRICE FOR YEAR</th>
<th>GREAT NORTHERN WEIGHTED AVERAGE PRICE FOR YEAR</th>
<th>LOW</th>
<th>HIGH</th>
</tr>
</thead>
<tbody>
<tr>
<td>1917</td>
<td>$63.78</td>
<td>$49.00</td>
<td>$46.00</td>
<td>$55.00</td>
</tr>
<tr>
<td>1918</td>
<td>64.30</td>
<td>60.00</td>
<td>56.00</td>
<td>65.58</td>
</tr>
<tr>
<td>1919</td>
<td>79.40</td>
<td>76.00</td>
<td></td>
<td>N.C.</td>
</tr>
<tr>
<td>1920</td>
<td>112.60</td>
<td>86.80</td>
<td>86.00</td>
<td>88.40</td>
</tr>
<tr>
<td>1921</td>
<td>111.35</td>
<td>102.15</td>
<td>88.40</td>
<td>108.40</td>
</tr>
<tr>
<td>1922</td>
<td>76.80</td>
<td>79.12</td>
<td>77.60</td>
<td>83.40</td>
</tr>
<tr>
<td>1923</td>
<td>81.80</td>
<td>81.95</td>
<td>80.80</td>
<td>82.60</td>
</tr>
<tr>
<td>1924</td>
<td>80.80</td>
<td>75.80</td>
<td></td>
<td>N.C.</td>
</tr>
<tr>
<td>1925</td>
<td>76.80</td>
<td>75.80</td>
<td></td>
<td>N.C.</td>
</tr>
<tr>
<td>1926</td>
<td>71.80</td>
<td>70.80</td>
<td></td>
<td>N.C.</td>
</tr>
<tr>
<td>1927</td>
<td>71.80</td>
<td>70.80</td>
<td></td>
<td>N.C.</td>
</tr>
</tbody>
</table>

All these figures are adjusted for the F.O.B. mill basis adopted in 1917 and in effect during the years covered, and for the add-on cost factor over some base period or date, which we have mentioned.
In a number of these years, particularly from 1919 through 1923, many contracts were made with the price established on a quarterly basis, or made for only part of a year. In 1922, for instance, Great Northern changed price four times, and in 1923, three times, and it is impossible, from this point in time, to relate the sequence of price changes between one company and another. It must be kept in mind also that these are delivered New York prices only, and do not represent the return to the mills. So far as we can determine, they represent a reasonable comparison, New York prices being considered the indicator of the general situation, but they are not definitive. Some prices early in 1921, for instance, were as high as $130.00. Great Northern's high of $108.40 for that year was only for the first six months, and its $88.40 figure was established on October 1st. By and large, even the highest prices set by the Company during this period were below the average for the industry, and that average included these lower Great Northern figures. By some quirk of timing during the rapid changes of 1922 and 1923, Great Northern is shown as statistically high, but a statement found in the Company's records says: "Prior to 1925, the Great Northern price for many years was considerably under the regular established price for newsprint..."; and the figures broadly confirm the statements we have made about the Company's price policy.

From these tables, it will be seen that after all the hullabaloo about newsprint shortages and high prices, and in spite of the fact that everything was contracted to the limit in October, 1920, the situation had begun to change by the end of that year. Both consumption and production dropped off in 1921, and while prices in general withstood this assault in that year they plummeted in 1922, came back a little
the following year, and then went into the long slide that lasted through the rest of the decade we are considering, and beyond.

We are now of course away ahead of the story, so let us go back to the year 1920 and the immediate affairs of the Great Northern Paper Company.

There are a few details of the early part of that year which we have not mentioned. It was decided, for instance, to speed up the retirement of the second mortgage by buying $50,000 worth of three-year Victory Loan bonds each month, to be held for this purpose, and to establish a reserve for payment of Federal income taxes by investing another $85,000 per month in the same type of bonds. By this time, it must have become apparent that we have been avoiding generally details having to do with the purchase of timberlands, the production of pulpwood, labor relations, and perhaps some other subjects which it is intended to cover separately. However, it might be noted that in this year the spring negotiations with the unions resulted in a 20 percent wage increase across the board. The two-installment 10 percent salary bonus was voted following the labor settlement, and in December, another 5 percent was voted, payable at the end of the year, making a total of 15 percent. Garret Schenck's salary was raised to $24,000; William A. Whitcomb's to the same figure, and H. Merton Joyce was raised to $14,000. For the first two, these seem to have been the first salary increases they had had for quite a number of years.

It is possible that upcoming developments were foreseen by the management of the Company as early as May, 1920, and this might be
either confirmed or contradicted by the January letter to the stockholders, depending upon what one reads into it, but in May there was considerable discussion of the desirability of constructing storehouses for newsprint at both Millinocket and East Millinocket. Although at that time there may have been other reasons, perhaps associated with shipping, this same suggestion was made a number of times in later years, once getting to the point of actual design, with the idea of being able to maintain production at a steady level for some period of low consumption, in anticipation of the historical rebound. No action was taken on the storehouse proposition in 1920, nor was any taken on later proposals, the decision always being against the accumulation of inventories of newsprint as a policy. It must be said, though, that over the years there were many, many times when paper was run in anticipation of orders, and when every dry corner of the mills, and every freight car that could be scraped up, was loaded and sidetracked on demurrage. This, we suppose, would have to be called the result of policy, but it was in most instances the policy of keeping the people working, on a calculated risk, rather than the deliberate provision of storage space for inventory.

In April, 1920, a request was received for a contribution of $1,000 per year for ten years to maintain a bed at the Massachusetts General Hospital. There is no record of action on this, and it is doubtful whether there was any, as a little later a request from the University of Maine for $1,000 toward setting up a course in chemistry was referred to counsel for advice as to whether it was legal. It must have been, although there is no record that that this particular contribution was made, as about this time the Company did begin to give money, not in large amounts, to causes not directly connected with its operations.
This request for the donation to the Massachusetts General was made by Dr. E.B. Sanger, the Company's Medical Director. Eugene B. Sanger (1871-1945) was a native of Bangor, the son of a doctor. Educated at Phillips Exeter, Yale and Columbia, he interned at Bellevue Hospital in New York, where he became closely associated, professionally and socially, with Theodore Roosevelt, then Police Commissioner of New York City. Returning to Bangor, he became one of the most able and best-known physicians and surgeons in Maine. On top of that, he was engaged in a multitude of civic and social activities. He was at one time or another a member of the governing board of the American College of Physicians and Surgeons; President of Exchange Associates, Inc., and of the Hancock Land Company; a director of the Merrill Trust Company; a Trustee of the University of Maine; President of the Penobscot County Medical Association; Vice-President of the Maine Automobile Association; President of the Bangor Opera House Associates; Chairman of the Penobscot County Republican Committee, and in 1904 and 1905 Surgeon-General of the State of Maine; and he was a long-time and influential member of the staff of the Eastern Maine General Hospital (Eastern Maine Medical Center).

He had been engaged as Medical Director of Great Northern in July, 1917. The Company had then, as it has now, doctors serving part time and nurses in the first aid rooms, except at Madison, and his duties involved general oversight of their activities and consultation on the handling of accident cases in the mills and in the woods, and he had direct charge of patients who had to be sent to Bangor for treatment. It will be recalled that the Company's original arrangement was with the Old Town Hospital, but this had been changed somewhere along the
line to the Eastern Maine General. He also dealt with cases coming before the Industrial Accident Commission.

The writer knew Dr. Sanger quite well. A newspaper article described him as "tireless and energetic". He was also a peppy, autocratic little man, leading some of the Company's management to refer to him as the "bantam rooster". He had little use for the opinion of any layman about any matter related in any way to his field, Company officials not excepted, and he gave some of them a hard time. While active almost up to the end of his life, he was a controversial figure in the Company as long as the writer can remember, and in his later years his relationship with the management became so abrasive that they began to by-pass him; the position of Medical Director became meaningless, and was abolished upon his death. This is not to put Dr. Sanger down. He did much good, and performed a great service, but his personality just did not allow him to accept the status of what was really a subordinate corporation position.

In November, 1919, Garret Schenck had been given authority to form a corporation to "hold and administer" the Pope patents, which were to be turned over to this new company for stock, and in December he reported that such a corporation, unnamed in the record at that time, had been formed, under the general laws of Maine. However, for some reason, perhaps because it was too narrow in scope, the November vote was rescinded in February, 1920, and a new vote authorized the organization of the Pope Appliance Corporation "to sell, license or otherwise deal with inventions covered by patents". The officers were given $124,900 to invest in its stock, of which 2,500 shares, $100 par value, were to be issued. The vote was after the fact, as the date of in-
corporation of the Company was December 24, 1919.

We will tell the story of this company here. It was set up first, on the above date, as a dummy corporation, the Directors being Charles B. Carter of Auburn, one of Great Northern's Maine attorneys, Wm. B. Skelton of Lewiston, another attorney, and C.A. Litchfield of Auburn, also probably a lawyer. Wm. B. Skelton was elected President, C.A. Litchfield was Vice-President, and Charles B. Carter Treasurer and Clerk.

For some reason which we do not know, several other paper companies were involved in the Pope Appliance Corporation, Great Northern retaining only a one-half interest. This seems to have been in the program as far back as when Elmer Pope was hired -- and incidentally, the agreement that he was to have stock in the new company seems to have been washed out, as he never held any of it. It is quite certain that he had no arrangement with any of the other companies that would have required that they be brought in, and it may have been that this was done simply to add weight and prestige to the new company.

The first available list of stockholders is for the year 1923, but we are sure that this is the same as the original list:

Laurentide Company   250 shares
Price Bros., Ltd.    250 "
St. Croix Paper Company 250 "
Crown-Willamette Paper Company 500 "
Great Northern Paper Company 1,250 2,500"

At a meeting of the stockholders held on January 13, 1920, the original directors and officers resigned, and the real Pope Appliance
Corporation stood up. The directors were Garret Schenck, Garret Schenck, Jr. and William A. Whitcomb of Great Northern; Sir William Price of Price Bros.; George Chahoon, Jr. of Laurentide; Louis Bloch of Crown Willamette and Arthur L. Hobson of St. Croix. Garret Schenck was elected President, Wm. A. Whitcomb Vice-President, Garret Schenck, Jr. Secretary, and Elliott F. Aldrich Treasurer. Philip G. Lovell was appointed Sales Manager.

While we have been able to make only a guess as to why Great Northern cut other companies in on the Pope Appliance Corporation, we might say that St. Croix and Crown Willamette might have been natural associates, because of past connections; Jock Chahoon was a close personal friend of Wm. A. Whitcomb's; and for some reason there was then and for many years afterwards a sort of neighborly relationship between Great Northern and Price Bros.

There were a number of deaths between 1920 and 1928. After the latter year, the Board of Directors consisted of George Chahoon, Jr., John Price, Arthur Hobson, Louis Bloch, and, for Great Northern, William A. Whitcomb, Sheldon Wardwell and William O. McKay. Wm. A. Whitcomb was President, Wm. O. McKay Vice-President, Bryan L. Seelye was Clerk, and Elliott Aldrich Treasurer. Very much later, there were more changes, but this was the line-up through the really active years of Pope Appliance. F.R. Lacouture, of the St. Croix organization, took care of the accounting, along with that for the Knox Lime Company, and Guy Cunningham, of the Boston firm of Fish, Richardson & Neave, handled the patent law work.
The sales effort was started immediately following the organization of the company. License No. 1 under a Pope Appliance agreement was issued in April, 1920, to Pacific Mills, of Ocean Falls, B.C. Nothing is known about Philip G. Lovell, the first Sales Manager, except that he was a young man, was hired by Wm. A. Whitcomb, and did not come from any of the associated companies. He left, for unknown reasons, early in 1923, and "El" Aldrich, the Treasurer, who had been named "General Manager" in 1922, but was generally known as simply "Agent", took over the sales function. Elliott F. Aldrich, (1870-1954) is known to have come with the Eibel Process Company, but little of his background is available, except that at one time he was a draftsman for Thomas A. Edison. He was one of the finest people with whom the writer has ever worked; an untidy, mustached man of limitless energy, with a slight stammer which did not impede his efficiency as a salesman in the least. Working out of an office at 45 Milk Street, Boston, which he shared with E.R. Lacouture, he was always in a hurry, charging all over the United States and Canada, putting the arm on those mills already using the Pope inventions, sometimes running into some very sticky situations -- nobody enjoyed being charged with infringement -- selling the advantages of the equipment to those mills not using it, and collecting overdue payments under agreements made.

Besides the Pope Reel and the press stripping and calender threading devices which have been described, there were patents in Pope's name on air devices for handling paper on reversing presses and through the dryers, and a system for cutting the lead strip at the last dryer and blowing it into the stack, which we will tell about in another place. In addition to the Pope patents, which were taken out in both the United States and Canada, the Pope Appliance Corporation had from
some early date the Van de Carr slice, probably the first improvement on the old straight front slice, having an extended bottom lip which did away with the use of an apron, and a curved spring brass upper lip, adjustable every few inches all across the wire. It had the Masson-McCarthy patent for improvements to English (upright) reels, purchased from International Paper Company under a license-trading agreement, a few obscure patents which it bought up mainly to protect the Pope devices, and several patents covering Great Northern inventions.

The licensing arrangements were quite complicated. To begin with, some foreign machinery builders were licensed to use the Pope principles in their reels. The Vickers reel, for example, made by Walmsley's, in England, and by the Dominion Iron Works in Canada, were licensed under the Pope patents. Domestic machinery builders do not seem to have been so licensed, but each individual paper machine, whether or not the supplier of the equipment had been licensed, was licensed to use the Pope reel, the air devices on any or all parts of the machine, or both. Fees were on a cents per ton basis for the life of the patents, varying from five cents to fifteen cents per ton, on a scale based on the width and speed of the machine. If only the reel, or only the air were used, the royalty was one-half the figure for both, except that there was a minimum of five cents per ton for machines running under 600 feet per minute if any of the equipment covered by the patents was used on them. Payment of the royalty was retroactive to the first use of the equipment, and this caused some arguments. There was also provision for a lump sum payment, after any back royalties had been taken care of, which covered the machine as long as its speed or width classification was not changed, in which case it became a new ball game, calling for additional royalty or a further lump sum payment. Licensing was of course not confined to newsprint machines.
Most of the United States mills already using the equipment seem to have come into line without too much trouble, but some of the Canadian companies balked on payment for the air devices, citing the old calender patents which we have mentioned, and invoking other legalities. This challenge had to be met, as the air on the calender stack was the real selling point of the Pope air system, and Pope Appliance went to law against Spanish River and Abitibi, in a joint suit, the issue being the validity of the patent covering the threading of the stack. Suit was brought in the Exchequer Court of Canada, apparently late in 1926, as this is when the first substantial expenditure on account of litigation occurs. The Exchequer Court found against Pope, and the company appealed to the Supreme Court of Canada. This body also ruled adversely, but in 1928 it consented to a final appeal to the Privy Council in England -- technically an appeal to the King. The Privy Council was reluctant to accept the case, but stated:

"The present appeal is brought by special leave.... (and) it must have been conveyed to their Lordships who granted the leave, that the case raised an important and general question... In such cases where there have been concurrent judgments of the judge of the first instance and the Court of Appeal, their Lordships would deprecate the idea that leave should be given to appeal to the King in Council.

Leave, however, having been given, it is their Lordships' duty to deal with the case...."

On November 23, 1928, in an historic decision, they reversed all previous findings, and ruled in favor of Pope Appliance; declared the patents good; referred the case back to Canadian courts to deal with damages, and gave Pope Appliance all court costs.
There is in existence a list of 144 licenses, which is considered to be authentic as far as it goes, but no dates were entered after 1927. Practically all the fees after that year were paid as lump sums, and many of the licenses were paid up in lump sums as the patents neared expiration. Also, as all the patents did not expire at the same time, some concessions were made on some of the fees. The list does not include licenses for Great Northern machines, although all the other stockholders are listed as licensees, and not just for machines added after the corporation was formed. Why Great Northern is not included is not explained. It seems to have been necessary to bring or threaten suit in a number of other cases, but there is no specific information other than that there were expenses for litigation.

The price for the Masson-McCarthy patents purchased from International Paper Company was a whopping $100,000. This was to be paid by a 33-1/3 percent rebate on lump sum payments made by I.P. on Pope licenses, and as I.P. expanded, Pope came out a little ahead, final settlement being covered by a formal agreement. While there were a surprisingly large number of the old upright type reels installed on new machines after the introduction of the Pope equipment, because of their much lower cost, few of the mills using them seem to have been interested in the Masson-McCarthy device, and very little revenue was received from this patent or from any of the other less important ones held by the company, except the Van de Carr slice. This was licensed separately, on a per inch of width basis, and produced a small amount of revenue.

The Pope Appliance Corporation represents a remarkable example of good timing. It was formed at just the right point to take advantage of the great expansion in Canada. It was hurt considerably by the
depression, when so many machines were shut down, but this happened when the patents had but a few years to run anyway. It was highly profitable. Starting in 1921, it paid dividends every year, as a percentage of the $100 par value of the stock, until 1937, when all the Pope patents but one had expired. No stock except the original 2500 shares were ever issued. Its dividend record, as a matter of interest follows:

<table>
<thead>
<tr>
<th>YEAR</th>
<th>DIVIDEND PER SHARE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1921</td>
<td>$ 3.00</td>
</tr>
<tr>
<td>1922</td>
<td>18.00</td>
</tr>
<tr>
<td>1923</td>
<td>24.00</td>
</tr>
<tr>
<td>1924</td>
<td>50.00</td>
</tr>
<tr>
<td>1925</td>
<td>12.50</td>
</tr>
<tr>
<td>1926</td>
<td>75.00</td>
</tr>
<tr>
<td>1927</td>
<td>60.00</td>
</tr>
<tr>
<td>1928</td>
<td>60.00</td>
</tr>
<tr>
<td>1929</td>
<td>100.00</td>
</tr>
<tr>
<td>1930</td>
<td>80.00</td>
</tr>
<tr>
<td>1931</td>
<td>50.00</td>
</tr>
<tr>
<td>1932</td>
<td>35.00</td>
</tr>
<tr>
<td>1933</td>
<td>15.00</td>
</tr>
<tr>
<td>1934</td>
<td>10.00</td>
</tr>
<tr>
<td>1935</td>
<td>60.00</td>
</tr>
<tr>
<td>1936</td>
<td>15.00</td>
</tr>
<tr>
<td>1937</td>
<td>20.00</td>
</tr>
</tbody>
</table>

This represented a total return of $1,718,000 on an investment of $250,000; not bad at all, particularly as there was very little risk. Very little of the money subscribed for stock was ever spent,
and for most of the life of the company it had at least this amount on hand as cash or securities, with practically no obligations, as it did not build or purchase any of the equipment, dealing only in licenses and expertise.

Elliott Aldrich, in a report dated May 5, 1938, wrote:

"If the Pope Appliance Corporation must expire, it was fortunate to live at a time of maximum expansion in the newsprint industry. Besides, some of the Pope patents, like the Eibel patent, now that they can be used freely without cost, may not be wanted at all soon.

I believe that Pope licensees, generally speaking, feel that they have had value received for their money, only one person having told me that location on 'Milk' Street was very appropriate."

The reference to Milk Street is to the location of his office in Boston.

In 1938, at the age of sixty-eight, still full of enthusiasm, Elliott Aldrich was put on the Great Northern payroll as a salesman, assigned to the Metropolitan Boston district. He was a good salesman, outdoing some of the younger people of that time. He was never formally retired, due to his special status, remaining on the active payroll right up to the time of his death.

At the end of 1937, Pope Appliance had liquid assets of about $250,000, practically all in cash and securities, and liabilities of less than $2,000. In 1938, these assets were distributed, in payment for the stock, which was turned in to the Treasury. Great Northern re-
linquished 1,000 shares at this time, the others turned in all their stock. In 1939, capitalization was reduced from $250,000 to $25,000, by retiring and cancelling 90 percent of the stock, and as the result of whatever arrangement may have been made, the remaining 250 shares were owned 100% by the Great Northern Paper Company. Pope Appliance remained alive, inactive, until 1953. At that time the Company was in process of doing a housecleaning job on subsidiaries, and this one seeming to be of no further value, a special meeting was held on February 3, 1953, at which it was voted to liquidate a small residue of assets in Government bonds, and on April 7, 1953, the famous Pope Appliance Corporation, upon petition signed by its then President, William O. McKay, was dissolved by court order.

Getting back now to the thread of our story, there was little other action in 1920, and not much in 1921, that requires comment here. The President reported in June, 1921 on the experimental machine at Madison which it was hoped would run at 1,000 feet, but which we have already seen did not. There must have been much unrecorded discussion of the newsprint supply and price situation, and the first move on price reduction, a cut of $5.00 a ton, was made in August, retroactive to July 1st. This only applied to contracts which had been let at $100.00 a ton. Actually, this was the highest F.O.B. mill price which had been set by the Company, the $108.40 figure noted for that year in the tables of prices being the delivered price in New York. In this connection, it is interesting to note that in September, the Company was still negotiating, and did eventually negotiate contracts with a few large customers of long standing, for several years ahead, on the basis of the old price of $48.00 a ton, F.O.B. mill, plus the increase in the cost of wood, coal and labor since June, 1916.
H. Merton Joyce resigned as Treasurer in June, 1921, and he must have been officially appointed Manager of Sales at that time, although there is no vote or record to this effect, except that he was authorized to handle the "plus cost" negotiations. B.C. Ward was appointed Treasurer, at a salary of $7,500 per year. A 15 percent salary dividend -- 5 percent in June and 10 percent in December was voted again for 1921, and the Company matched approximately $2,000 raised in East Millinocket for the construction of a playground.

Meaningful financial information was still not being given out to the public. The Board was advised that one of the stockholders, unnamed, had been asking questions by mail, and it was decided that he should be given full information, but only if he came into the office for it in person!

The most interesting development of the year, for the purposes of this part of our story, apart from the changes which were beginning to take place in the newsprint market situation, was the beginning of an employee stock purchase plan. In March, Garret Schenck reported that a number of employees "in positions of importance" had expressed a desire to obtain stock in the Company, and recommended that some plan be worked out to make it available to them "at a reasonable price". We have said that there was no stock available in the market, and in order to provide a few thousand shares for sale to employees, it was actually necessary to call a special meeting of the stockholders, to be held on April 18, 1921, for the purpose of ratifying the vote of the Directors to increase the capitalization of the Company from $8,000,000 to $8,300,000, by issuing an additional 3,000 shares of $100 par stock. The notice of the meeting stated that while existing
stockholders could subscribe to three shares of the new stock for each eighty shares which they held of the old, it was hoped that they would not exercise this privilege, and leave this stock available for sale to employees, a majority of the owners of the stock, who of course were the Directors and their principals, having already agreed to waive their rights. The plan, as described in the notice, was to offer the new stock to employees at $300.00 per share, under an "Employee Stock Purchase Plan", allowing acquisition of the stock by the employee without personal liability; although in effect by signing the agreement to purchase he signed a note; the Company holding the stock as collateral, and crediting to the employee dividends in excess of a "modest" interest rate on his note. The Company was to hold for a reasonable time, and make available to employees, any of the stock not immediately taken up. The Directors and officers, except H. Merton Joyce, Bryan Seelye, and B.C. Ward, all waived their rights. The stockholders cooperated very well, taking only 56 of the 3,000 new shares. Of the balance, 2,614 shares were bought by employees, mostly management people, and H. Merton Joyce took an additional 50 shares on his personal note, leaving 280 shares in the Treasury. This was all sold to employees the following year, as previously mentioned. While the original agreement has been found only in draft form, it is believed to be substantially as used, providing for the employee to pay 10 percent of the purchase price down, and 6 percent interest on the unpaid balance.

The incumbent Directors and officers were all re-elected for the year 1922, and the make-up of the Executive Committee remained the same. With the newsprint market deteriorating, and the labor contract coming up, William A. Whitcomb, who had conducted the negotiations with the
unions for many years, was for the first recorded time given full authority to make a settlement, and while it is intended to cover labor relations as a separate subject, we might say here that he negotiated a 16-1/2 percent wage cut in the new one-year contract, effective May 1st. However, the 15 percent salary dividend was continued.

On January 31, 1922, the lease on the office space at 60 Congress Street, a copy of which is in existence, expired, and on that day Garret Schenck moved his headquarters to the Boston Safe Deposit & Trust Company building at 201 Devonshire Street. This date is confirmed by an entry in a diary kept by William A. Whitcomb. This new location was the home of the famous Boston Office for the next thirty years.

In October, the second mortgage taken out in 1910, held by the United States Trust Company, was discharged, and the bonds were cremated. Immediately after this event came the 200 percent stock dividend of this year, which was previously explained. As far as the records go, there seems to have been some debate about this development. Not only was the management faced with the situation described earlier, but with the decline in the newsprint market there may have been some of the heavy stockholders on the Board who wanted to get the stock into a more marketable area than the $300 or so per share at which it stood. At any rate, the first discussions were of the desirability of a split, and in October the Executive Committee recommended to the Board that capitalization be increased from $8,300,000 to $25,000,000, indicating that the thinking was in this direction. However, when this recommendation went to the full Board, it devel-
oped into discussion of a stock dividend, which would take care of both situations. As a result, a special meeting of the stockholders on November 1st voted the issuance of 166,000 additional shares of $100 par stock, and on November 9th the Directors voted to put out this new stock as a dividend.

One other item worthy of mention as an event of this year was the start of the reconstruction of the Canada Falls dam, which became a long-drawn-out project. A.G. Hempstead, in "The Penobscot Boom", says that the Canada Falls Dam Company, chartered in 1870 (Ch. 434 Private and Special Laws of Maine, 1870) was acquired soon after the Great Northern Paper Company was formed, but it does not appear that this was the case. The early history of this company has been told in another place, and there is record that in 1906 Great Northern agreed to do all the maintenance, but there is no record of stock ownership until 1910, when 54 shares were purchased, which must have been control, and as we have noted, a new dam was built in 1912 by the Company. However, as best we can determine, and for some reason which it has not seemed important to explore, it did not appear on the list of subsidiaries until 1928. Another 12 shares of the stock were bought from the estate of Mrs. Robert Sawyer in 1942 for $60.00. The last 12 shares were owned by the John Cassidy Estate and under the terms of his curious will could not be sold, nor could anything else that he had owned, except stumpage from his lands, until the last of his children had died. This did not come about, as we recall, until the early 1950's. In 1954 this stock was acquired, and the Canada Falls Dam Company, now wholly-owned, was merged with the Great Northern Paper Company. At any rate, in 1922 two concrete wings, one
291 feet and the other 267 feet long, were built out from the banks, parallel to the old dam and some 100 feet below it. Work was stopped at this point, leaving a gap of 174 feet between the new wings. The old dam was left intact, it being the idea to add a concrete gate section at some time in the future, joining the two new wings, and at that time to do away with the old dam. This construction was done by Company crews, under the direction of Jim Sargent.

As a last comment on the year 1922, the Directors noted the death of Elmer Pope, which occurred on August 29th, sending a copy of their vote of sympathy to his family, reading in part:

"The Company has lost a devoted and faithful member of its organization, whose presence and service will be missed, and whose place it would be difficult to fill."

In spite of Elmer Pope's personal failings, this was nicely said, and sincerely deserved, in view of his outstanding accomplishments.

This seems to have been a time for changing quarters, as in January, 1923, the New York office, where the Manager of Sales and the Treasurer were located, was moved from 30 Fast 42d Street to 342 Madison Avenue, where it remained for the next thirty years. The Directors and other officers, committee members and counsel, remained the same as for the previous year.

Almost everything of consequence that happened in 1923 was in connection with the Madison mill, where most of the money being made available for capital work was being spent on the Anson power development and on No. 1 paper machine. Negotiations were started
with Hollingsworth & Whitney and others, leading to the construction of the Brassua storage dam, and the Directors responded to a plea from the Town of Anson for help in building a new school. All these matters have already been covered in the chapter on the Madison mill. About the only other things to note were the establishment, late in the year, of a price of $75.00 per ton, F.O.B. mill for sales of "smaller business", and the fact that unless the writer has missed something, the salary bonus for 1923 was reduced to two 5 percent installments, instead of the 15 percent total which had been paid for a number of years.

On January 8, 1924, Col. E.H. Haskell died. He had, as we have seen, been instrumental in the formation of the Great Northern Paper Company, and had been a valuable member of its Board of Directors since its earliest days. What his associates thought of him, and this has to be genuine, is expressed in their memorial vote:

"He was a man of high character, of sterling integrity and of sound judgment, and possessed the respect and esteem of all who knew him. While modest and unassuming, he nevertheless did not hesitate to express his opinions with frankness and firmness, but with uniform courtesy."

His place on the Board was taken by Sheldon F. Wardwell (1883-1961), whom we have mentioned several times previously. He was a member of the Boston law firm of Burdett, Wardwell & Ranney, as it was then, and the son of J. Otis Wardwell who was a corporation lawyer, lobbyist, one of the most prominent and influential Republican politicians in the history of Massachusetts, and a friend of Garret Schenck's. Sheldon Wardwell was born in Haverhill, Massachusetts, graduated from
Yale in 1904 and gained his degree in law from Harvard in 1907. He had at one time served as Secretary to one of the justices of the United States Supreme Court; was a member of the Massachusetts Bar Association and the American Bar Association, and was a Director of Champion International Paper Company of Lawrence, Massachusetts. He was an able lawyer, highly versed in corporate law, and was involved in almost every legal problem encountered by Great Northern in his time. He was particularly effective in the interminable freight rate cases in which the Company always seemed to be involved, in the Government investigations of the newsprint industry, and in the difficult days of the National Industrial Recovery Administration and the later war-time controls. His fault, if one has to pick a fault, was that he was ultra-conservative, and cautious sometimes to the point of being exasperating. There was no other change in the Directors, officers or executive committee in 1924.

Early in the year, it was decided to engage Price, Waterhouse & Co. to overhaul the Company's accounting system and methods. This disturbed Bryan Seelye a little, but he went along. A report was submitted in September, which contained some criticisms of the existing situation, but they were technical, and resulted in no great upheaval as far as it comes within the scope of the writer's knowledge.

Under the pressure of the increasing competition from Canada, newsprint price was weakening. The outstanding contracts were still being negotiated on some base figure plus the increase in the cost of wood, labor and fuel over some previous period, but new contracts and some renewals were being offered at an F.O.B. mill price, which in June, 1924, was cut again, to $70.00. However, the two-installment
salary bonus of 10 percent was voted, and in December another 5 percent was added, restoring the 15 percent figure which had been in effect for a number of years, and by the end of the year the bank loans of $1,500,000 outstanding on January 1st had been reduced to $350,000. The Town of Millinocket for some reason had financial problems in the spring of the year, and borrowed $50,000 from the Company, at 6 percent. The Seboomook House property at Northeast Carry, which will come into our story again later, was purchased in this year for $19,000, and apparently just as an accommodation to him, was put in the name of J. Otis Wardwell. As a last note on 1924, early in June a young Canadian professional musician, not yet 20 years old, a typist by recent training, drew his first pay as the "sample boy" at the East Millinocket mill. His name was John Eric McLeod.

The year 1925 started off with the same Directors, executive committee, officers and counsel as for the previous year. The President's first act was to announce that the $1,500,000 bank loan had, in his own words, been "wiped out". Nevertheless, this year was over-hung by an uneasy sense of impending difficulty. With newsprint price still weakening, the newspaper publishers were maintaining a low silhouette, and activity in the area of involvement with the Government, about which we have had to say so much, was pretty much confined to the manufacturers. Harking back a couple of years, it will be recalled that efforts had been made to get the restrictions on the export of wood from Canadian crown lands lifted, without success. The action of the Dominion Government in 1923 had brought an uproar from Canadian farm wood producers, who depended upon this source of income between crops, since, while the newsprint industry in Canada was grow-
ing rapidly, it could not yet absorb this production. As a result, the law which allowed discretionary prohibition of the export of any kind of pulpwood was hedged by a verbal commitment from the Prime Minister that this would not be enforced on farmers' wood, and by a secret Order in Council that such regulation would not apply to contracts made before June 1, 1923, and a Royal Commission was appointed, to look into the whole matter, with the provision that no action would be taken until after its report had been made.

On the United States side, the law had established a threat to mills dependent upon Canadian wood, and the manufacturers formed a "Committee for the Perpetuation of the Paper Industry in the United States", which went after the problem through the State Department, urging it to point out to the Canadian Government the seriousness of the reaction which could be aroused in the American public by anything that would injure the United States publishing industry, of which, regardless of their differences, the manufacturers were an extension. Great Northern, not a member of the American Pulp & Paper Association, took no part.

The Royal Commission report, issued in July, 1924, did not answer any questions, making no recommendations in regard to the discretionary embargo, but stressing conservation. In the meantime, the small producers continued to protest, and turned up with the argument that conservation would not really be served by forcing United States capital to build mills in Canada and export the wood as pulp or paper anyway. The argument was still going on in 1926, but the embargo established by the individual provinces had already had its effect, and the industry was moving into Canada regardless, as we have seen. This move was
spearheaded by the International Paper Company, headed by Archibald R. Graustein, a Boston lawyer who had become its President in 1924. International's move had already been started by his predecessor, Philip T. Dodge, with the construction of the "A" mill at Three Rivers, but Archie Graustein set out deliberately to build a power and paper empire in Canada, spurring other companies, both United States and Canadian, into action, with the resulting building spree which we have described. The year 1925 was when the Canadian industry overtook that of the United States. Forebodings of what this meant was heavy on the minds of the Company's management, in spite of its apparent exterior unconcern. In September, it cut the price of newsprint to $65.00, F.O.B. mill through the year 1927, and began to take notice of the situation otherwise by voting to start replacing its now nearly thirty-year old paper machines at Millinocket with more modern equipment, beginning with No. 8.

All this seems to have depressed the price of the Company's stock, too, and brought some shares into the market. It will be recalled that we established a tentative price in 1921 by the fact that stock was sold to employees at $300, but in April, 1925, F.S. Moseley & Co. put out a little circular, giving a brief description of the Company, listing its dividend record and estimating earnings for the current year. This does not seem to have been broadcast, but was sent to selected individuals with a letter offering specific amounts of stock at $250. At this time we might note that there was $2,667,000 in the sinking fund set up to retire the $3,000,000 first mortgage bond issue of 1902, which was due July 1, 1927; practically enough to pay this off, as the interest during the next couple of years on the money invested in the sinking fund would almost make up the difference.
A small event of this year is of interest in view of what has been happening in the area of woods labor supply over the past decade. This was a vote to participate to the extent of a contribution of $75,000 to a project initiated by a number of unnamed business firms in Maine to "colonize" abandoned farms with immigrants from European countries, the concept, approved by the U.S. Government, being to buy the properties, and settle and finance the immigrants, with the object of obtaining additional labor for woods operations. No particular effort has been made to find out, but to the best of the writer's knowledge nothing came of this.

The usual action on paying the salary dividend seems to have been either neglected or passed over until December, when William A. Whitcomb reminded the Directors of it, and 15 percent, payable December 23d so that the people would have it for Christmas, was voted.

Events coming up make it necessary to refer to the list of subsidiary companies as of 1918, given earlier in this chapter. Rather than repeat this list, we will just say that it was not greatly changed in 1925. The Dead River Log Driving Company had been taken off the list. This company is not important to our story, and no attempt has been made to establish its history. While inactive since that time, it is still alive, to the best of our knowledge, and the last time we looked, was being carried on the books at $1.00.

Three new names had been added:

Seboomook Dam Company
North Branch Dam Company
Fast Millinocket Light Company
It is the addition of the last which presents an opportunity to examine and dispose of several more of the subsidiaries, and add a little side-interest.

To begin, we have to go away back to February, 1901, when the Directors of the Great Northern Paper Company voted to "make a contract with the Gas Company and Moore & Co., similar to that with the Water Company". Moore & Company was essentially one John J. Moore, a utility systems constructor and operator, of Hingham, Massachusetts. He had a partner, named Gowan, who remained entirely in the background, and does not seem to have had anything to do with the events of this story. The contract was for Moore & Co. to build and operate light and water systems for the Town of Millinocket. Later, a similar arrangement was made with them for the water system at East Millinocket. We will talk about John Moore, rather than Moore & Co., because he was the key figure. He also turned out to be an unsavory character.

Although the "Water Company" came first, let us start with the "Gas Company". This was really the Millinocket Light Company. The 50-year Anniversary booklet of the Town of Millinocket states that this company was organized in 1903, but obviously it was in existence, or in formation, before that time, as there is a note in the minutes of the Board of Directors of Great Northern in October, 1902, that "the President reports agreement with Moore & Co. that the Great Northern Paper Company is 1/2 owner of the Millinocket Light Company and takes 1/2 the shares". The legislation under which it was organized, if there was any, has not been found, and the original incorporators are not known, although they undoubtedly included representatives of Great Northern. John Moore was President. The agree-
ment of October, 1902, could have meant either that Great Northern bought half the stock, or that it took half the shares in payment for money advanced, the latter being the more likely, in view of the wording. The other half of the stock remained in John Moore's name, and presumably he had put up enough, in money or services, to be entitled to it. Anyway, an acetylene generating plant was built, pipes were laid, and service was initiated probably in 1903.

John Moore would seem to have had adequate technical knowledge of the construction and operation of both power and water utilities, and for some years conducted his affairs with propriety, as would seem clear from the events, but as time went on, he became, let us say, somewhat less than trustworthy.

It is our understanding that under the original arrangement, Great Northern loaned money, as it might be required, to extend the system as the town grew, taking the Light Company's notes. Whether or not any of the income was misappropriated, payment on the notes and other indebtedness got further and further behind, with the result that by 1916 the Millinocket Light Company was in trouble. At this point, Garret Schenck recommended to the Directors that Great Northern "take over John Moore's stock without payment and operate the company for the benefit of the people of Millinocket". As the result of this recommendation, the Company simply foreclosed on John Moore, and took his stock away from him. This development was reported in the preceding chapter. Garret Schenck, Jr. became President, and after February, 1916, the Millinocket Light Company was 100 percent owned by Great Northern. The gas system served until 1920, when a diesel-electric plant was constructed, poles and wiring were put up, and service was shifted to electricity. The old power house, originally
the gas plant, near the railroad track a little north of the old Cooperative Store building, is still there; as this is written, in use as a garage and storehouse.

For a long time after the establishment of the Town of East Millinocket in 1907, there was no public lighting utility in that town at all. We have no explanation for this, but as late as 1920, people were installing little gasoline-powered lighting units, and the homes of a few of the mill management had been connected into the 40-cycle line which the Company had run to the pumping station for the town's water supply. At some date which it has not been possible to establish, but perhaps in 1923, a corporation called the East Millinocket Light Company was organized, apparently for the purpose of providing a distribution system for purchased power. As far as is known, it never had any generating equipment. Very little is known about it, but it would appear that it was owned 100 percent by Great Northern, and that John Moore had nothing to do with it. It appears on the subsidiary company list for the first time in December, 1924, and the President reported that in that year Great Northern had bought additional stock which it had issued for the purpose of making improvements.

The writer is quite sure that both the Millinocket and East Millinocket Light Companies were connected into the Bangor Hydro Electric system before 1924, and in December, 1925, it was voted to sell them both to Bangor Hydro, since they came under the jurisdiction of the Public Utilities Commission, and somebody remembered that the Great Northern Paper Company was not supposed to be in the electrical utility business. This deal was completed in September,
1974, the price being $240,000, part of which had been paid in 1925. So much for the Light Companies.

The Millinocket Water Company was organized in 1900, before the town was incorporated. Again, no legislation has been found, and the original incorporators and financing are unknown, but John Moore was a stockholder and President of the company. West Branch water to supply the original system was taken from the same source as it has ever since, the canal just above the penstock head-gates, although the intake has been moved a short distance. The filter house has been enlarged, but was just where it is as this is written, on a piece of land really in the mill yard near Oak Street deeded to the Water Company. The system operated by gravity, and there were no pumps except to backwash the sand filters. Incidentally, it was not necessary to chlorinate this water until 1931, and there was no standpipe at this location until 1932, when a 440,000 gallon tank, 34 ft. diameter and 65 ft. high was erected, and the necessary pumps installed. The 1901 agreement, like that with the Light Company, provided that Great Northern advanced money as it might be needed to expand the system, on the Water Company's notes.

In 1907, when the Town of East Millinocket was built, the Northern Water Company was chartered (Ch. 177, Private and Special Laws of Maine, 1907) to provide a water system for that town. The incorporators were Garret Schenck, A. Ledyard Smith and Hardy Ferguson. The company was capitalized at $50,000. At this time John Moore was still in good standing, as a contract was made with Moore & Co. in September, 1907, to construct and operate the system, under the same kind of arrangement as that at Millinocket. John Moore
had stock in and was President of this company too, but Great Northern owned half, or nearly half, of the original shares, as there is a record that it received $21,000 in stock in 1908 for land sold to the Northern Water Company. The original supply was from three drilled wells "in the western part of the town" -- about where the Hamlet Motel was built -- and a pumping station was located there, with electrically-driven equipment to which power was supplied by a 40-cycle line run up from the mill, power being traded for a supply of water for the plant. The standpipe on the high ground on North Street near where the High School built in the 1950's was probably part of the original system. We might mention that another well, not connected with the system, was drilled by the Northern Water Company at the foot of the hill where the Northeast Bank building is located. This was for the use of the general public, and was fitted with a hand pump, hence the name "Pump Hill" for this end of Maple Street.

The financial courses of the Millinocket Water Company and the Northern Water Company paralleled that of the Millinocket Light Company; they only took a little longer to get to the same place. John Moore ran them deeper and deeper into debt to Great Northern, and in 1928 and 1929 respectively, as was explained politely in a press article later on, "owing to financial difficulties of the Moore firm, control passed to Great Northern, which has been the sole owner since that time." This was not correct, at least as far as the Northern Water Company was concerned. In 1933, there were 450 shares of stock outstanding, of which 210 were owned by the company, 229 by the Fred Peluso estate, 10 by Hardy Ferguson and one, probably a qualifying share, by someone unknown. The Company had options on the Peluso
and Ferguson stock, and in June of that year it was voted to try to buy this at a price of $25.00 per share. This price was evidently considered by the owners to be too low, and it was not until February 1938 that this stock was acquired, at a price of about $31.00 a share. More stock was issued by both water companies to pay for capital improvements, but this was all taken by Great Northern.

Meanwhile, by 1915 the town had outgrown the original wells, and in that year a pipe line was run to the Hathaway Farm on the East Branch, an intake and pumping station were built there, and a new 40-cycle line was run from the mill to this station. East Branch water was used by the Northern Water Company until 1940. Some time before this, somebody raised the question as to whether supplying power to the pumping station constituted doing a electrical utility business, and while this was pretty far-fetched, Sheldon Wardwell conceded that it might; the electrical equipment was changed over to 60 cycles, and the station was connected to the Bangor Hydro system. By 1940, the quality of the East Branch water had deteriorated to a point where, after considerable exploration, a new well was drilled not far from the pumping station at the Hathaway Farm, and some years later a second well was put down close by.

The Great Northern Paper Company operated the Millinocket and Northern Water Companies, their affairs being administered by local managers reporting to Bryan Seelye and his successor, until 1956, when both companies were sold to the General Water Works Corporation of Philadelphia, it being the feeling that the management should devote itself to more productive efforts, and that the Company should not be in any kind of utility business anyway.
While it has nothing to do with the subsidiary list, another matter of considerable importance, involving this same John Moore, should be covered here. To start, we have to go back again to the year 1903, when Garret Schenck, A. Ledyard Smith, George Parks, George W. Stearns, James F. Kimball and J.S. Gonya obtained from the legislature a charter for the Millinocket Trust Company (Ch. 161, Private and Special Laws of Maine, 1903). Stock was sold locally. John Moore took a block of it, and being at that time considered to have financial expertise, and not being connected with the Great Northern Paper Company, he was elected President. We do not intend to write a history of the bank, and have not gone into its records, so that the information given here is entirely from the writer's recollection of what he has been told, and from his own knowledge. It is almost needless to say that the bank got into difficulty, and in 1927 the Company had to intervene once again to protect the depositors and investors. The bank's troubles were due to the usual mismanagement by John Moore, who had made a lot of bad loans, some of them to himself. At any rate, early in 1927, he was removed, Great Northern buying the stock he then owned, 251 shares, for $56,498. It also put into the hands of George Stearns, as Trustee, the sum of $250,000 to actually purchase from the bank the loans "made by the bank to Moore and others", and to collect what he could on them. This was reported at a special meeting of the Board of Directors of Great Northern on May 17, 1927, the minutes giving no other detail. At the regular September meeting, Garret Schenck suggested selling the Company's interest in the bank to the Eastern Trust & Banking Company of Bangor, provided that a fair price could be arrived at, and in November he reported that the 251 shares of stock had been sold to them for $350 a share, which would have been about $88,000, stating that
upon liquidation of certain assets the Company might get $10,000 or $12,000 more. George Stearns collected something on the notes; in February 1929 the Eastern Trust & Banking Company paid another $50.00 a share for the stock, and the Company came out with a profit of about $44,000.

William A. Whitcomb was a man who formed very strong opinions about people who did not meet his standards of morality, and he abominated John Moore. Let us illustrate.

In the action of 1927, the Company had acquired from the bank, through the trust fund set up with George Stearns, twenty-two notes of the Millinocket Water Company, signed by John Moore, totalling $22,463. Various efforts were made to collect from him, which got nowhere until 1939, when he offered to settle for $7,500. This offer was accepted on advice of counsel, and he gave a short-term note, which he did not pay when due.

William A. Whitcomb immediately sent the writer to Moore's office in the Pemberton Building to collect, with instructions not to come back without payment. Obviously, he collected. The President would not touch the check, nor allow it to be laid on his desk, but told the writer to put it in the mail for the Treasurer at once, and producing a bottle of the alcohol he kept for cleaning his pipes, ordered him then to come back and wash his hands with it. He was not fooling, either.

John Moore was not broke. His Moore & Co., through subsidiaries, owned several apartment buildings in the Boston area, a hotel in
Fast Boston, and interests in several water companies, notably the Scituate Water Company. Just to show that we are not being unduly hard on John Moore, and perhaps to help explain the story we have just told, let us explore him just a little more. He was married, but had been involved since 1918 with a Mrs. Watson, of Boston and New York, who had one husband in 1918 and another in 1924, whose name she never used, and whom she divorced in 1925. Some part of this period she worked for Moore in the Maverick House in Fast Boston, where she described the conditions as being "horrible". In November, 1929, he was in court in Boston defending himself against two suits by Mrs. Watson for a total amount of $75,000. These grew out of her claim that in February, 1923, while in an inebriated condition, he had thrown over her some burning alcohol, which he had ignited after she had put out the lights in a private dining room at the Boston Tavern in an effort to escape from him; that he had called and paid for a doctor to treat the burns, but would not allow her to go to a hospital, and that he then promised that he would furnish her with a rent-free apartment for life, pay her $30 a week, and give her $10,000 worth of stock in one of his companies if she did not make any trouble; that this was all put into a written agreement, which she produced in court, and that he had not lived up to this agreement.

She was suing for $25,000 on two counts on the flame-throwing incident, and for $50,000 for breach of contract. As usual, the newspaper accounts are confusing, but we will do the best we can with them. Mrs. Watson testified that she was furnished with an apartment, and was employed at $30 a week until June, 1926, when she was ejected from the apartment and discharged from her job because she would not allow the intoxicated John Moore and "a party of drunken friends" into the
apartment. She did not mention the $10,000. At this time, she said, she moved to New York, where she was "pursued" by Moore, who wrote her letters addressing her as "Dear Duckey", urging her to return to Boston, and promising that he would keep his agreement. She said that she told him "that she did not believe any of his promises and that he had tried to kill her three times and that he was going to pay for it".

Moore claimed that the burns were accidental and were caused by her own carelessness, but admitted that he had paid the doctor. He also admitted providing the apartment, but said that this was incentive to keep her working for his firm. He said the $30 a week was salary, denied either throwing her out of the apartment or firing her, and stated that he had given her 21 shares of Scituate Water Company stock in connection with her services at the Maverick House. He admitted the "Dear Duckey" letter, however, and in reference to the fire-throwing counts, a newspaper article contains the following peculiar statement:

"In his answer to this suit, Moore denies the affair and also says that if these things happened, then he delivered to her property of great value, which she accepted in full satisfaction."

What do you make of that, Watson? Or should we say Mrs. Watson? The writer does not remember the outcome of this suit. The details are put in here just to emphasize that John Moore in the Great Northern story is like a cigar butt in a wedding cake. Now to go back to the thread of our tale.
There were again no changes in the Directors, Executive Committee, officers or counsel in 1926, and none at the beginning of 1927, and nothing of great importance happened in 1926 except the beginning of construction of a new dam, one of the minor wonders of the time, at Seboomook.

This dam was of course to replace the structure built in 1912, which has been described, and there is a little mystery surrounding the start of the project. Very early in 1926, the President recommended that a new dam be built, over a period of two or three years, at a cost of $350,000 to $400,000, and the sum of $200,000 was appropriated for work in that year. It may have been intended to build it of concrete in the first place, with an estimate far too low, or it may be that estimates of concrete construction were discussed following this vote, although none are officially mentioned. However, it was, Garret Schenck suggested at the June meeting that a wooden dam be built instead of a concrete one, at a saving of $350,000 -- as much money as had been estimated for the whole job originally. Anyway, the decision to rebuild in wood, whatever the reason may have been, resulted in the construction of what is said to have been the biggest timber crib dam ever built anywhere.

Construction of this colossus was started by Jim Sargent late in October. Two bunk houses, a cookroom, office, filer's camp, tool house, garage, blacksmith shop, a hovel, hay storage and a dynamite house were built on the north side of the river to accommodate the 150 men and 20 horses used on the job, and to house the necessary facilities.
Loose ledge to the amount of 2,500 cubic yards was blasted from the river bed below the old dam, to provide a sound foundation for the new one. The material excavated was used for ballast, additional rock being quarried nearby. Two big steel guy derricks were set up to handle and place material, and an overhead cable system was used to move timber from one derrick to the other. The timber used was peeled hemlock and pine, cut on Nigger Brook and hauled by tractor. Most of this stuff was very large, some sticks scaling 800 f.b.m. or more. The dam was built to hold water at the same elevation as the old one, and the same height over the gate sills, 28 feet, was maintained. We do not have its total length, but it was 20 feet through at the widest point of the base, had six 10-foot deep gates, 8 feet wide; a 14 ft. by 14 ft. log sluice, a dri-ki sluice with a gate 20 feet wide and 8 feet deep, and a 200 foot planked spillway. A deck with a roadway capable of carrying tractors was built across the top, making a bridge. Estimates indicate that over 1,000,000 f.b.m. of timber, about 14,000 cubic yards of stone and 25 tons of iron were used in the construction. It has been said that the stone was supposed to be all lowered carefully into place, but it developed later that some of it had been dropped, breaking the floors in places, and contributing to the premature deterioration of the structure, which was completed in time for the 1927 drive. A concrete dam was built here later, but we will take this up in another place.

While the work we have described was going on at Seboomook, the gate section of the old Canada Falls dam, and part of the dam itself, were removed, and the rock salvaged. A new wooden gate section was built on the old location, and from each end of this a
section of cribwork, 100 feet long, with vertical plank facing, was built down to connect with the ends of the new concrete wings built four years before. The remains of the old dam were left in place, useless, of course. This job was done under the direction of C.M. (Max) Hilton.

This might be the place to dispose of the Seboomook Dam Company. At an earlier point, we noted that for some reason it was not included in the list of subsidiaries in 1918. It was added later. Actually, it may have been the first subsidiary. All the stock of this company, which had been chartered in 1893 (Ch. 381, Private and Special Laws of Maine, 1893) had been bought from the Bradstreet interests in 1899, with the original purchases of land, and like the Canada Falls Dam Company, the Seboomook Dam Company remained in existence as a separate corporation until February, 1953, when it was merged with the Great Northern Paper Company.

Late in the year, the President reported that "an important employee" had asked to be allowed to buy more stock under the employee purchase plan. Of the 250,000 shares of stock authorized at this time, 249,000 shares were outstanding, and it was agreed that the odd 1,000 shares would be made available to employees under a new plan based on that set up in 1921. This stock had of course to be offered to the existing stockholders, but in the notice of this offering, put out on November 24, 1926, it was requested that they waive their rights, in order that all the shares might be available to employees. Some few did not go along with this, and only 250 shares were left for employees. The President was authorized to sell these to them for $250 a share, on an agreement "substantially similar" to the earlier one, with discretion as to down
payment and interest rate. As the last note in this year, William A. Whitcomb recommended that the 15 percent salary bonus be continued for the year, but that it be paid 7-1/2 percent on June 30th and 7-1/2 percent on December 31st, instead of the usual three installments, and this suggestion was adopted.

The price of Great Northern stock was getting to be a little unwieldy. Early in January 1927, it sold at auction at $306-1/4, and following approval of the stockholders at the Annual Meeting on January 24th, it was split four for one, for the usual reason, making a total of 997,000 shares, $25 par, outstanding. By March, 1927, there were 785 stockholders.

The salaries of the top people were moved up at this time, Garret Schenck going to $30,000; Wm. A. Whitcomb to the same figure. He had been receiving the same salary as the President, and he told the writer at one time that the Directors had intended to establish a differential at this point, but that he had demanded $30,000. Fred Gilbert was raised to $20,000, H. Merton Joyce to the same figure, and the Treasurer, B.C. Ward, to $10,000. It will be recalled that at this time William A. Whitcomb was First Vice-President and General Manager; Fred Gilbert Second Vice-President and Manager of Spruce Wood. H. Merton Joyce, the Manager of Sales, was not an officer. The 15 percent salary bonus, in two 7-1/2 percent installments was paid again in 1927.

It will be remembered too that in 1925 a program of replacing the original paper machines had been initiated, starting with No. 3 at Millinocket. This new machine had started up on June 11, 1926. There had been troubles with it, but it had finally straightened out, and in April, 1927, it was voted to go ahead with the replacement
of No. 7, which went into operation in November. At this time, the Company still had some money borrowed; loans totalled as much as $1,000,000 in this year, but these were almost entirely short-term borrowings to finance pulpwood operations, and were turned over rather quickly. As we have noted, money had also been borrowed to take advantage of opportunities to buy timberland, and by 1927 the Company's holdings had reached approximately 1,350,000 acres.

Payne Whitney died of what was called "acute indigestion", probably a heart attack, in May, 1927, at the age of 51. He was a good man, inclined to be retiring, but kindly, democratic and generous. He identified with the Great Northern Paper Company, and was a good Director. Our previous inadequate discussion of this man is made more meaningful by the Directors' memorial:

"We, the members of the Board of Directors of Great Northern Paper Company, profoundly sensible of our loss in the death of Mr. Payne Whitney, who was associated with us as a member of the Board of Directors and also the Executive Committee for over twenty-four years, hereby desire to have inscribed upon our records this tribute of our appreciation and respect for his character, industry and unfailing loyalty to friends, and the real philanthropy and charity which led him to give without thought of reward other than those received from the personal satisfaction of doing good. Possessed of a great ability, with a high standard of honor and continued devotion to duty, he won for himself a high place in the business affairs of our Country and we,
his associates on the Board of Directors of the Company, wish to record ourselves as being doubly sensible of the loss which the Company and we individually have sustained by his untimely death."

Payne Whitney's place on the Executive Committee was filled by Lewis Cass Ledyard, Jr., but a vacancy was left on the Board of Directors until the next regular election.

As it bears somewhat on the affairs of the Company, we should mention briefly the disposal of Payne Whitney's estate, which was of course a complicated matter. Without going into many of the details which are available, in a broad way one-third of his great fortune he left to charitable causes and in individual bequests to friends; one-third was divided between his two children, John Hay (Jock) Whitney, of whom more later, and Mrs. Joan Payson, to be held in trust until they had reached the age of forty years; and one-third to his widow, Helen Hay Whitney, with the provision that upon her death her residue also be divided between the children. The value of his estate was given at an earlier point in our story.

Garret Schenck, now in his 73rd year and in failing health, had spent most of the summer of 1927 at his summer home in Falmouth, visiting the office occasionally. During the fall he came into the office for a few hours several days a week, and attended the November meeting of the Board of Directors in New York. In December he did not go to the meeting, and on January 3, 1928, he passed away quietly at his home in Weston. We quote from the minutes of the meeting of the Board of January 28th:
"Mr. Garret Schenck was the founder of the Great Northern Paper Company and throughout his life its leader. He had unflatering courage in trying times and modesty and self-restraint in the days of success. He pioneered in an art, and built an industry so that his Company might succeed. No man could do this without force and tact and sympathy or without the capacity to select and the personality which stimulated others to endeavor.

If an industry may be a monument to a man, this Company is a monument to him. Some of the members of this Board have been associated with Mr. Schenck from the early years of the corporation. Others are indebted to him for their opportunity. For themselves and for every member of the organization they record their appreciation for his services, their gratitude to him and their sorrow in his loss."

Garret Schenck had finished his job. He had done what he set out to do. He had established the Great Northern Paper Company, moulded it into an institution which reflected his own image, and it had made him worth over $4,000,000. Above all, he had built an organization. It was not perfect, being made up of human beings, but of these, every one, each in his own way, and in his own place in the scheme of things, was completely devoted to the welfare of the Company, and utterly determined to produce what was asked of him. It was unique, and with all due respect to any present or future management there will never be another such. Things have changed. Perhaps we have just answered
the question we asked about the Company's attitude during the great expansion period. Garret Schenck did not want the biggest newsprint company in the world, but the best, and he got it.

We have not ourselves said before that Garret Schenck loved the Maine woods. He had a camp on Little W, at the head of Moosehead Lake, where he went when he needed to relax and meditate, and he was an ardent fisherman. In the "FIFTY YEARS AGO" column of the Bangor Daily News of April 23, 1964, there is the following item.

"The biggest salmon of the season was on show Monday at Lynch's market. It weighed 20-1/2 pounds and was landed at the pool by MERRITT and MCCOSKER, veteran anglers. It was shipped to GARRET SCHENCK, president of the Great Northern Paper Company."

This is indicative of the way the ordinary citizen of Maine, with whom he never lost touch, felt about Garret Schenck in 1914. It was no different in 1928. William A. Whitcomb was elected President within the month, and so came to an end an era within an era in the story of the Great Northern Paper Company.
APPENDIX I

Notes - Chapter XII

(1) Smith
(2) Ibid
(3) Ibid
(4) Ibid
(5) Ellis
(6) Ibid
(7) Ibid
(8) Ibid
(9) Ibid
APPENDIX II

Reference Bibliography - Chapter XII


Author's Note: Information in this and other chapters was taken from the typescript of this work, several years before publication, and while the writer has tried to make sure that it appears in the published edition, there may be some discrepancy.