

# CHAS. F. STERN COMPANY

BUSINESS SERVICE BUREAU

816 Broadway Arcade  
Los Angeles, California  
Mutual 5647

CHAS. F. STERN  
PRESIDENT  
WALTER C. OREM  
VICE-PRESIDENT AND MANAGER

REORGANIZATIONS  
RECEIVERSHIPS  
CONSOLIDATIONS  
LIQUIDATIONS  
PROPERTY AND INDUSTRIAL  
MANAGEMENT

August 2, 1932

Colonel Ed Fletcher,  
1020 Ninth Street,  
San Diego, California.

Dear Sir:-

Thank you for your letter of the 30th inst. in re changes in your local official roster; I hope they react to our advantage.

With reference to the desire you express that we arbitrate the matter of the Murray notes, I have already written you my point of view - probably my letter crossed yours in the mails.

I think that the matter of the disposition of cash belonging to Cuyamaca Water Company is entirely clear and calls for no further comment.

With reference to the Murray notes, you state: "No one can question my sincerity when I say the return of the Murray notes represents a pledge of both Mr. and Mrs. Murray and eleven years of faithful service, as well as \$2,000.00 or \$3,000.00 I spent individually paying my expenses of investigation under instructions of Mrs. Murray and her attorneys." Pardon me, but this is exactly what I do question.

From time to time over a period of nine years you have made statements tending to build up a case showing that my contribution to the work-out of Cuyamaca affairs has been negligible; that you have been in effect my benefactor and I the recipient of your bounty; that I 'made no investment'; that I received this and that 'without putting up a cent'; and now, 'that I have had the best of it all the way through', etc. For some years I merely smiled at what appealed to me as a harmless vanity. Later I made some mild protests which didn't appear to register. I wrote you a couple of letters, as a matter of record, which relieved my mind a little and didn't disturb yours because I thought too much of you to send them. Now I realize that I have let you build up a fiction that is misleading you.

I don't intend to make my speech about it at this time, or get at all excited. I just want to say that some pretty

Colonel Ed Fletcher

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August 2, 1932

well informed people who have followed this matter - and I concur - are of the opinion that but for me and the credit and backing I was able to command, your interest and my hope of profit in Cuyamaca would have disappeared about eight or nine years ago. In other words, you handled the details at that end, and did it well considering the local antagonisms to which you seem curiously blind, but that my contributions were the 'sine qua non'. The evidence is quite convincing.

It's just as well to keep a balanced mind.

Yours truly,

*Chas. F. Stern*

*(without which none)*

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August 2, 1932

Colonel Ed Fletcher,  
1020 Ninth Street,  
San Diego, California.

Dear Sir:-

I have given careful consideration to your desire to adjust our differences by arbitration. I am somewhat in sympathy with your wishes, partly because you want to do it that way, partly because we could avoid washing some dirty linen in public, and partly because we might, through arbitration, preserve at least a semblance of amity after these many years. At the same time I have not the cogent reasons for arbitration which you have, and I can't and won't consider arbitration if it clouds the issue or does not insure prompt and certain conformity with the awards at its conclusion.

With these things in mind I am willing to arbitrate the issue between us on the following conditions, and not otherwise:

- (a) You to select an arbitrator, I to do likewise, and the two to select a third prior to hearing any evidence; the third member to be a lawyer not employed by either of us, directly or indirectly, and not a resident of San Diego or immediate vicinity.
- (b) The rules of our courts in reference to evidence to apply.
- (c) Both you and Brown, if desired, to give such testimony as you would be called upon to give in a regular court of law, and to produce any records or documents desired.
- (d) The field for arbitration to be restricted to a single issue, namely, did Fletcher receive a profit, or commission, when Fletcher and Stern as partners purchased the Murray Estate interest in Cuyamaca Water Company for \$700,000.00; if so, what, if anything, does Fletcher owe Stern.
- (e) Both parties shall agree to be bound by the result of the arbitration and to accept the verdict without further litigation. Fletcher to deposit with the arbitrators such security as may be agreed upon, with instructions that if the award is to Stern,

Colonel Ed Fletcher

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August 2, 1932

the security or such part thereof as may be awarded, shall be forthwith given to Stern, or if the award is to Fletcher, it shall be immediately returned to him; Fletcher to agree to meet any additional award promptly.

(f) Each party to pay the compensation and expenses of his own arbitrator, and the loser to pay the compensation and expenses of the third arbitrator.

I am aware that you have in mind to cloud the issue with a plausible mess of extraneous matters, going back over the years and rehearsing the fancied value of your services, real or otherwise. All of these matters have been settled on your own terms years ago; the statutes have run, and they are not legally or morally offsets; in a court of law I can and will limit the field to the one paramount issue, which is still alive and enforceable. If we arbitrate, we will do it within this limitation.

I do not condone or in any way agree to the irregularities in your handling of the cash of the Cuyamaca Water Company, or misrepresenting the facts to me. If we proceed to arbitration on the terms I have stipulated, I am willing, however, that you should take a 10% commission for the El Capitan sale. While you are stressing your claim to have performed a financial miracle in this sale, I think you should bear in mind that what we received was less than you have always told me you would receive from the City for our legal costs, without reference to the value of what we sold.

In the event that you do not care to arbitrate this matter as stipulated, you must abide by the consequences of what you have done as an officer and director of the Cuyamaca Water Company.

One further thing. As a part of our agreement to arbitrate, I shall require a formal contract with reference to my participation in Cuyamaca Rancho and in the proceeds of any sale in Mission Gorge No. 3, in accordance with our present agreement; also your assurance that there will be no further juggling of Cuyamaca funds or assets on any theory whatever.

If you are sincere in your expressed willingness to arbitrate the matter of the Murray notes, I will meet you on this issue, on the exact basis of limitation which a court will afford me.

I shall expect to hear from you within ten days.

Yours truly,

Chas. F. Stern

August 10, 1932

Mr. Charles F. Stern,  
816 Broadway Arcade,  
Los Angeles, California.

Dear Sir:

Answering yours of August 2d, regarding my claim of ownership to the Murray notes, what I have stated as to eleven or twelve years work without compensation are facts, to say nothing about Mrs. Murray's pledge, the money I expended in her behalf, and the agreement with Mr. Brown to return the notes; the low price at which I purchased the property, the risk of \$5,000 that I put up for an option, and later on my final settlement with you. Your answer is that I am clouding the issue, the statutes have run and they are not legal nor moral offsets in a court of law, and you propose to take advantage of it, if that is true.

I am sorry to hear that you have sold a portion or all of your La Mesa District bonds at a ridiculously low figure. If this controversy had not arisen I would have been glad to have followed your advice and put the Cuyamaca money into the purchase of the bonds. The Cuyamaca money has been lent with the authority of the Board of Directors.

Your offer to arbitrate only a portion of our misunderstandings is unfair. You would arbitrate one phase which is in your favor wherein you lose nothing if you lose and everything to gain. How about the \$2194.95 that was overpaid you when we sent up the check for \$25,000.00? My final statement and letter show this. How about your interest in Mission Gorge No. 3, which was never owned by the Cuyamaca Water Company, which was never sold to you, altho I offered to sell it to you and you refused, and in which you have never put a cent. This also applies to your one-fourth interest in the returns from the sale of the lands in Lot D Cuyamaca Rancho. These things must be taken into consideration in any arbitration.

I think you are misinformed when you state that if it comes to an issue between us our other relationships cannot be shown and adjusted in whatever way justice would require. It is true that we have had settlements from time to time. They were just as binding on you as they were on me and if you now propose to go back of this one I am advised that all of the others will be upset and we will have an adjustment which will take into consideration everything.

Page two  
Charles F. Stern  
August 10, 1932

I do not object to depositing with the arbitrators such securities as may be agreed upon with instructions that if the award is to you the securities or such part thereof as may be awarded may be forthwith given to Stern, and vice versa. I hope something along these lines can be worked out.

I appreciate your conceding the fact that I am entitled to ten percent commission for the El Capitan sale.

I never have belittled your ability or the valuable assistance you rendered and attempted to render so far as you could, in the sale of the Cuyamaca Water System, while we were associated together. I risked my own \$5,000 to handle this option, and for six or seven months thereafter you never put a nickel into the proposition nor made your final determination to come in. It is true you got a \$200,000 loan, which was badly needed, but I had to furnish a financial statement as well as you. We both signed the note and my assets were more than 5 to 1 when the note was signed, so I had just as much at stake and risk as you did.

You and Senator Flint certainly helped with John D. Spreckels in the attitude toward the city buying the Cuyamaca Water Company, but a circumstance arose which you nor I had any idea of, an attempt to blackmail on the part of Weitzel, which on your own volition as well as mine called off the sale to the city.

I handled all of the negotiations, worked up the deal and wrote the option to the district, every word of it. Put in clauses that protected us and sent it up for your approval, with never a change, so I did my share in helping close this sale to the District. You certainly assisted when the time came to buy the bonds. I want to repeat that in no way am I belittling your assistance in the matter, but I do not agree with you that all would have been lost if you had not come into the picture. I am sure that the Murray Estate and I would have sold the property to the La Mesa District, taken their bonds for it if they could not have been sold on the outside.

The set-up was never better than at the present time for us. With a friendly commission, a friendly city manager and our former engineer about to go into the city in charge of water development, the situation is splendid for early consummation of Mission No. 3 sale.

Supervisor Hastings and I, in San Francisco a few weeks ago, got priority for the flood control development on the San Diego River by the state approved by our state engineer and Vandegrift, Director of Finance.

C. F. Stern  
Page 3  
August 10, 1932

The money will soon be appropriated for a report by the state, and I am sure it will be favorable to us, and means a sale of Mission No. 3 to the city.

You keep talking about our not getting a refund for our attorneys fees in the El Capitan matter, altho your own attorneys and ours felt that was possible if the project was abandoned, but instead the city went ahead and built it. The suit has never been dismissed and now never will be on account of a compromise between the district and the city. Under those conditions everything remaining in statu quo we have not a chance for our white alley.

I am not responsible, legally nor morelly, for any opinion I had joined in with your own attorney and mine, in the matter of expecting to get back our attorneys fees.

The fact remains that with what you have received, with what is coming to you from the city on the city contract, with what you will get out of Mission No. 3 and the Cuyamaca lands, you are absolutely assured of a larger amount of money than I ever told you was possible.

I hope you will think these matters over very seriously before you take any drastic action, for as ~~soon~~<sup>sure</sup> as the sun rises and sets you will regret it. I never felt I had a closer personal friend. I am heartsick over the whole matter. I have urged you verbally and in writing, time and again, to come down and check over everything from beginning to end. I am not shamed of a thing I have done and I have given you the benefit of a doubt, time and again. I welcomed an investigation, and yet you have never made it. I do not call that fair. Some how, some way, I hope the clouds will roll by.

In closing I refer you again to the last paragraph of my letter of July 30th and ask that you give this serious consideration and see if something cannot be worked out of it.

Yours truly,

EF:KLM

August 11, 1932

Mr. Charles F. Stern,  
816 Broadway Arcade,  
Los Angeles, California.

Dear Sir:

Since writing you yesterday I wish to amplify my letter. It goes without saying that I am ready to arbitrate all of our difficulties. I cannot see why one portion of them should be arbitrated and not the rest. If you went into court there is no question but what every phase of our misunderstandings would be permissible in court, and just so they should be in arbitration.

I had no intention of charging anything for my services in the sale of El Capitan, but if you force me into court or to arbitrate I shall certainly ask for it.

You might be interested in accepting one or the other of the two following propositions, in which case you are to abandon any claim that you make to an interest in the Murray notes, and in return I will waive all claims for past services for which I have not been paid:

First: I will abandon any claim for compensation in the sale of El Capitan lands, or any future sale of Mission No. 3 or any of the Cuyamaca Water Company properties now unsold; or

Second: I am willing to stipulate that you will get the first \$40,000 coming from any sale of Mission No. 3 water project when sold, said water project includes the damsite and reservoir lands which we control. I paid for this property with my own money. Neither Mr. Murray, Mr. Henshaw nor the Cuyamaca Water Company ever had an interest in this property. In writing, both Mr. Murray and Mr. Henshaw refused to invest. You never put a dollar in Mission No. 3, you refused to buy an interest when I offered it to you, and with this guarantee it means you will get as much or more than I ever told you you would get out of your participating in the Cuyamaca Water Company.

If you prefer that we arbitrate the value of the balance of the Cuyamaca Water Company holdings and work out a give or take proposition so as to entirely segregate our interests I will appreciate some suggestion from you along these lines, either that or a division of the properties.

I have given you the best that is in me and you will go a long way before you will ever make on any deal in your life time the money made on this deal. Under present conditions I am desirous of entirely segregating our interests if it can be done mutually satisfactory.

Yours truly,

EF:KLM

Mailed 11:55 AM at 99c

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CHAS. F. STERN  
PRESIDENT  
WALTER C. OREM  
VICE PRESIDENT AND MANAGER

August 19, 1932

Colonel Ed Fletcher,  
1020 Ninth Street,  
San Diego, California.

My dear Colonel:-

Maybe you like endless correspondence which leads nowhere - I don't.

I have today reviewed everything that has passed between us during the past two years. In that correspondence I raised some very pertinent questions on matters wherein your position and our settlements seemed at variance with the facts as I now have them. I asked first for your explanation and then for settlement based on the facts as they now appear.

Your end of the correspondence has at least the virtue of consistency: in the face of the facts you are still occupying the same position and making the same statements as of two years ago. You are still basing your position upon alleged facts which have no bearing on the issue between us even if I accepted them at their face, which I do not. In other matters I have found you very reluctant to face cold facts if they were to your disadvantage, but heretofore I have been able to make my points if I hammered hard and long enough.

Perhaps a bald statement of what we are fussing about may help.

As of April, 1923, you and I entered into a joint venture, at your invitation, in the purchase of the Murray Estate interest in Cuyamaca Water Company, namely, a five-sixths interest. You exhibited an option dated October, 1922, giving you the right to buy this interest for \$700,000.00 net. You represented that because of your connection with the Murrays, etc., you could buy this interest cheaper than anyone else. We were partners in this venture; as such we made the purchase at the price stated, under contract, and finally consummated that purchase at that price, less some cash discounts in which we participated equally.

Coincident with your option, you took a side agreement giving you a commission of what finally amounted to \$110,000.00

Colonel Ed Fletcher

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August 19, 1932

in the form of the so-called Murray notes. This was not disclosed when the option was exhibited, nor for some years thereafter. You will note that the question of whether I did or did not know you owed money to Murray or the Murray Estate is beside the issue; the point is that you contracted to get the notes back, and did get them back, as a commission, which fact is clearly established by the record.

In other words, my half of the Murray interest cost me \$350,000.00, less cash discounts, and yours cost you \$240,000.00, less the same discounts.

When I first bumped into the idea that there was a commission involved, which was the day we met with the income tax people in San Diego in March, 1930, I started an investigation and asked you to tell me about the Murray notes.

You claimed they came to you for services rendered Murray, the Murray Estate and Mrs. Murray, in accordance with a promise from Murray, reiterated by his widow. The record does not support that point of view.

You claimed that nobody else could have bought the Murray interest in Cuyamaca for \$700,000.00 which was 'rock bottom'. I believed that for some years; I cannot now believe it in the face of the record.

Now saying things are so doesn't make them so if the facts are otherwise.

In 1930, when I began to investigate this matter, Brown was reluctant to answer my inquiries. I raised the point and you agreed I was entitled to all the records either you or he had. You let me believe that you then gave them to me. As a matter of fact, you suppressed important documentary evidence which is self-explanatory.

Now, Colonel, if you did get your half of the Murray interest in Cuyamaca for less than I got mine - and you did - that constitutes fraud, to give it its proper name.

Fraud is clearly defined in the statutes, and the remedies therefor. The statutes of limitation run only from date of discovery.

Obviously the fraud, if there was any, was committed in April, 1923. It cannot be affected by anything that happened thereafter. That is, no mythical claim you may set up against me for services rendered thereafter, or for anything else, has anything to do with what I am talking about. Will you please let that fact sink in?

By the way, you have several times mentioned your "claims" against me. I owe you nothing - never have. I have not promised to perform anything that I didn't perform. You have made no claims or demands of any kind, ever, so far as I know.

You ran Cuyamaca Water Company to suit yourself, on your own terms; I was happy about it and never sought to know any of the details.

August 19, 1932

You can quarrel with yourself if you want to, but certainly not with me.

I have made this last attempt to get you to face the facts. I don't expect to succeed, but I owe it to our former friendship to try.

If we go into court - that is for you to say - I shall sue you for fraud based on the contract we entered into in April, 1923; you will find no ground for including anything that happened thereafter, and you are fooling yourself if you think otherwise.

I have spent a good many months on this matter. I have had the best legal advice I can get in Los Angeles, including the opinion of three competent attorneys; and I have discussed the matter in detail with one of your most prominent San Diego attorneys who will handle the case down there.

I know that this sounds like a series of threats. I hope you will believe me when I say that it is not so intended. I can't easily forget our pleasant relations for many years; and there still is no venom in my feeling toward you in spite of what has happened. I am merely trying, sincerely as I know how, to get you to face a situation in its true light. If what is involved were a matter of a few thousand dollars or a matter of give and take, I would waive it as I have waived other things with you; but what has happened is too flagrant and the amount involved is much too large for me to be able to afford any more 'magnificent gestures' such as I made when I declined to take a half interest in what you had on the San Diego River, as an inducement to come into your Cuyamaca deal.

I am saying to you, therefore, that I am prepared to go through with this thing aggressively and to the end if you persist in forcing it on me. It isn't going to be pleasant for me; but I think you'd better take somebody's judgment other than your own as to what it will mean to you.

You have no claims against me. You can sue Cuyamaca if you want to, because you don't like the compensation you paid yourself, whatever it was. See if I care. Or you can sue Cuyamaca for a commission for its President for selling corporation assets - that will be good too. Please remember, by the way, that I have not allowed you any commission - I have agreed so to do as an incident in a complete settlement, not otherwise.

One other thing: You suggest that you buy me out. I am willing.

Taking your valuations placed on my several interests with you and expressed in writing, they are:

August 19, 1932

Cuyamaca Water Company \$50,000.00, of which I have received \$15,000.00, leaving \$35,000.00. Mission Gorge #3, \$50,000.00. Cuyamaca Ranch \$75,000.00. Add my claim of half the commission, \$55,000.00, waiving six years' interest.

This totals \$215,000.00, exclusive of my interest in the City contract, which can work itself out.

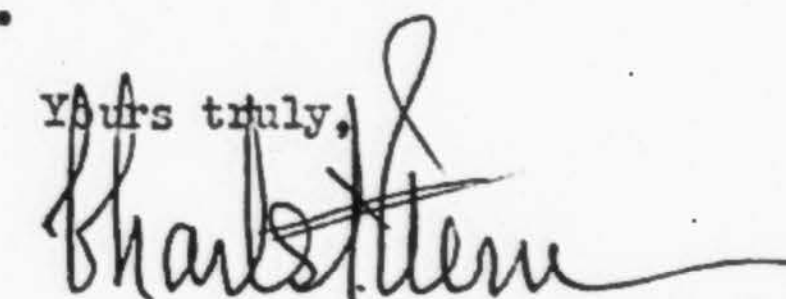
I will sell you this for \$100,000.00 in cash or its equivalent. I will take your six-elevenths of the City contract for its present net worth in part payment and I will take your note secured by what I am selling you, for the balance, payable out of the proceeds of any sale, or in equal installments, over a ten year period, no interest for a year and five per cent annually thereafter.

If you want to buy me out, you can.

If you want to arbitrate I've told you on what basis I will do it, and I have explained in detail why.

It's up to you.

Yours truly,



August 23, 1932

Mr. Charles F. Stern,  
816 Broadway Arcade,  
Los Angeles, California.

My dear Mr. Stern:

Your letter of August 19th received. Colonel Fletcher is suffering from a bad cold and has gone to Eagles Nest with Mrs. Fletcher for a few days. I expect him back Saturday or Sunday and will give him your letter immediately on his return.

Yours very truly,

Secretary

KLM

August 31, 1932

Mr. Charles F. Stern,  
816 Broadway Arcade,  
Los Angeles, California.

My dear Mr. Stern:

Your letter of the 19th at hand. You started this disagreeable correspondence. Heavens knows it has made my heart ache.

You give me credit for being consistent, and I repeat with all sincerity as the Almighty is my judge, there was a settlement coming to me from Mr. Murray when we sold the Cuyamaca System to cover my ten or more years work and my extra service to him. Mrs. Murray knew it. My sister and my wife knew it. I rendered an additional service to Mrs. Murray under her promise, after Mr. Murray's death. I did not pay out over \$2000 in expense of my own money for nothing to help her out, when the fight was on between her and the heirs. I believed Mrs. Murray's statement that the notes were hers to do with as she saw fit. Her first attorney, not Mr. Brown, knew the facts. I followed his instructions and later on Mr. Brown's.

You knew the existence of those notes and my worries before you ever came to Los Angeles. I told Brown everything. When he found out the notes had not been properly endorsed to Mrs. Murray, as executor of the estate he did his duty. I told you about it the day after Brown told me the true situation.

You have a copy of the option and the separate agreement. My different letters to you on the subject, as heretofore outlined, dwell on the particular point of these Murray notes and my claim of ownership. My income tax statement and settlement sheet, which I instructed to be sent you and which was sent by registered mail, and for which we have your receipt, covers the question fully.

later  
When you/complained about my getting the benefit of all the Murray notes I satisfied you, having overpaid you \$2100 and some odd dollars in cash, as shown on the Wansley statement and giving you the interest in Mission No. 3 and the Cuyamaca lands, in which you never invested a cent.

You knew those notes existed and that Mrs. Murray had promised their return to me. If my recollection serves me right, I have letters both from Brown and from you that no one could have bought the property as cheap as I did; that the Murray Estate sold to me for less

than the actual money invested, losing about \$400,000 interest. I told you in 1925 about the Murray notes and wrote several letters in relation thereto. In 1927 you were dissatisfied with my getting some and to make you perfectly satisfied I waived the \$2100 which you had been overpaid and in addition gave you the interest in the profits of Mission Gorge No. 3 and one-fourth interest in the Cuyamaca lands. Mrs. Murray, under oath, will never deny that she promised the return of those notes. I have witnesses to her own words that the notes were hers, but when the executor found that the notes had not been endorsed by James A. Murray and that they were in her possession only, she was forced to take the attitude she did on the advice of Brown. My correspondence with Mrs. Murray will show this.

I considered it all a closed incident when Mr. Brown asked me, for the sake of the Murray Estate, to sign the statement that I did. My original agreement with Mr. Brown in the matter of returning the notes did not call for the signing of any statement.

I have kept no documentary evidence from you that I know of, and at all times agreed that you were entitled to all the records. I have not intentionally kept anything from you. At no time did I run the Cuyamaca Water Company to suit myself. You were kept thoroly posted on every detail as records will show, excepting the operation of the water company itself, which was under Mr. Harritt's supervision.

If you ever bring the suit you will regret it as long as you live, but you will find that I delivered the goods in every particular, and then some. My attorney is just as positive if you file suit for this claim that you cannot do so without bringing into the controversy the settlements that I made with you to satisfy you.

As between friends, and the closest friend I ever had, I cannot even understand your position, or recognize your claims. You now offer to settle for \$100,000 in cash, or its equivalent. This means that without any cash investment on your part, out of the Cuyamaca deal you would receive as follows:

Cash . . . . .	\$27,000.00
City Contract	Collected to date \$48,197.35
	Still due 43,012.90 . . . . .
	96,210.15
Sale of El Capitan lands . . . . .	15,000.00
	<u>138,210.15</u>

Plus \$100,000.00 would give you \$238,210.00, as much or more than I ever said you could expect to get, all clear profit with no initial investment.

You know that the value of the dollar has shrunk within the last three years 90 percent. Today you can buy any one of the 100 best

stocks for around 10 cents on the dollar of three years ago, and at one time it was down to seven. I have been working months, and spending my personal money to create a value and sell Mission No. 3, that you might share in the benefits. I have been to Sacramento and San Francisco four times without thought of charging the Cuyamaca Water Company a dollar for my service, to get the State Engineer to make the investigations on the San Diego River.

I am just as sure as a man can be that in time we will get \$150,000 for Mission No. 3, but a dollar will go so far today that I am willing to recommend and approve the sale to you of Mission No. 3 damsite and the lands that will be flooded, and the six-elevenths of the stock of the Cuyamaca Water Company for \$75,000, and you turn over your interest in the City of San Diego contract at its face value in part payment, the balance to be paid as and when Mission No. 3 is sold, without interest. We can make some arrangement to divide up the Cuyamaca property and deed you your share. Under this proposition you can make the profit and promote the future sale of these properties.

The only reason that I make you this offer is that financial conditions are so critical and ready money is what I need, altho I have absolute faith in the future of Mission No. 3. On a pinch if I have to I can raise some money on my life insurance quickly, but otherwise I am in as bad shape for ready money as the average person.

When almost everyone else backed Mission No. 2 I fought and won, and we got our money out of El Capitan lands that you figured were worthless. I am ready to fight on and give my time and energy to Mission No. 3 for the both of us, if only this controversy would be forgotten. We need the revenue from the city contract to keep things going, as you do.

I again make an offer to arbitrate our troubles, and as between friends there must be a fair basis of arbitration. You cannot expect in an arbitration to retain an interest in the returns from the sale of Mission No. 3, when you never had any money in it and refused to buy, or to the one-fourth interest in the Cuyamaca lands.

If you are not interested in arbitrating or buying me out by taking over all of the assets of the Cuyamaca Water Company, also Mission No. 3, along the lines suggested, I will submit you a final offer for your consideration, taking over everything.

Yours very truly,

EF:KLM



arbitrate

Dear Franks  
my dear Mr. Stevens

Your letter of the 19th at hand. You started this disagreeable correspondence. Heavens knows it has made my heart ache.

You give me credit for being consistent, and I repeat with all sincerity as the Almighty is my judge, there was a settlement coming to me from Mr. Murray when we sold the Cuyamaca System to cover my 10 or more years work and my extra service to him. Mrs. Murray knew it. My sister and my wife knew it. I rendered an additional service to Mrs. Murray under her promise, after Mr. Murray's death. I did not pay out over \$2000 in expense of my own money for nothing to help her out, when the fight was on between her and the heirs. I believed Mrs. Murray's statement that the notes were hers to do with as she saw fit. Her first attorney, not Mr. Brown, knew the facts. I followed his instructions and later on Mr. Brown's.

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You have a copy of the option and the separate agreement. My different letters to you on the subject, as heretofore outlined, dwell on the particular point of these Murray notes and my claim of ownership. My income tax statement, which I instructed be sent to you and which was sent by registered mail and for which we have your receipt, covers the question fully.

When you complained about my getting the benefit of all the Murray notes I satisfied you, having overpaid you \$2100 and some odd dollars in cash, as shown on the Wansley statement and giving you the interest in Mission No. 3 and the Cuyamaca lands, in which you never invested a cent.

You knew those notes existed and that Mrs. Murray had promised their return to me. If my recollection serves me right, I have letters both from Brown and from you that no one could have bought the property as cheap as I did; that the Murray Estate sold to me for less than the actual money invested, losing about \$400,000 interest.

X X Mrs. Murray under oath will never deny that she promised the return of those notes.

I told you in 1923 about the notes & wrote letters in 1927 you dissatisfied my guilty notes & to make you

1/2 million  
Cuyamaca  
Partnership  
perfectly satisfied

This means that without any cash investment on your part, out of the Cuyamaca deal you would receive as follows:

Cash . . . . .	\$ 27,000	
City contract . . . . .		Collected = 48,197.35
		Due = 48,012.80
Sale of El Capitan lands . . . . .	\$ 15,000	96,210.15
		27
		15
		<hr/>
		138,210.15

Plus \$100,000 would give you \$ 238,210.00 as much or more than I ever ~~dreamed or hoped~~ said you could expect to get

1921-26

27,000.00
96,210.15
15,000.00
<hr/>
138,210.15
100
<hr/>
238,210.15

I have witnesses from her own lips that the notes were hers, but when the executor found that the notes had not been endorsed by James A. Murray and that they in her possession only, she was forced to take attitude. My correspondence with Mrs. Murray will show this. *she did on the advice of Brown*

I considered it all a closed incident when Mr. Brown asked me, for the sake of the Murray Estate, to sign the statement that I did. My original agreement with Mr. Brown in the matter of returning the notes did not call for the signing of any statement.

I have kept no documentary evidence from you that I know of, and at all times agreed that you were entitled to all the records. I have not intentionally kept anything from you. At no time did I run the Cuyamaca Water Company to suit myself. You were kept thoroly posted on every detail as records will show, excepting the operation of the water company itself, which was under Mr. Harritt's supervision.

If you ever bring the suit you will regret it as long as you live, but you will find that I delivered the goods in every particular, and then some. My attorney is just as positive if you file suit for this claim that you cannot do so without bringing into the controversy the settlements that I made with you to satisfy you.

~~As I see it, after having secured \$2194.95 (?) more than you were entitled to; after having secured without the payment of a dollar an interest in the profits ~~stock~~ on Mission No. 3 on which you now place a value of \$50,000, and after receiving a one-fourth interest in the profits on "D" Cuyamaca Rancho, in which you never put a dollar and which you now value at \$75,000, you demand in addition \$75,000 1/2 the Murray notes, plus interest.~~

As between friends, and the closest friend I ever had, I cannot even understand your position. *or recognize your claims* You now offer to settle for \$100,000 in cash, or its equivalent. # You know that the value of the dollar has shrunk within the last three years 90 percent. Today you can buy any one of the 100 best stocks for around 10 cents on the dollar of 3 years ago, and at one time it was down to 7. I have been working months and spending my personal money to create a value and sell Mission No. 3, that you might share in the benefits. I have been to Sacramento and San Francisco four times *without thought of* ~~four months~~ without charging the Cuyamaca Water Company a dollar *for my service* to get the state engineer to make the investigations on the San Diego River.

I am just as sure as a man can be that in time we will get \$150,000 for Mission No. 3 sometime, but a dollar will go so far today that I am willing to recommend and approve the sale to you of Mission No. 3 damsite and the lands that will be flooded, and the 6/11ths of the stock of the Cuyamaca Water Company for \$75,000, and you turn over your interest in the City of San Diego contract at its face value in part payment, the balance to be paid as and when Mission No. 3 is sold, with 5 percent interest. We can make some arrangements to divide up the Cuyamaca property and deed you your share. Under this proposition you can make the profit and promote the future sale of these properties.

The only reason that I make you this offer is that financial conditions are so critical and ready money is what I need, altho I have absolute faith in the future of Mission No. 3. On a pinch if I have to I can raise some money on my life insurance quickly, but otherwise I am in as bad shape for ready money as the average person.

When almost everyone else backed Mission No. 2 I fought and won, and we got our money out of El Capitan lands that you figured were worthless. I am ready to fight on and give my time and energy to Mission No. 3 for the both of us if only this controversy would be forgotten. We need the revenue from the city contract to keep things going, as you do.

X If you are not interested in buying me out by taking over all of the assets of the Cuyamaca Water Company, including Mission No. 3, along the lines suggested, I will submit you a final offer for your consideration, taking over everything. /

Yours truly,

*Arbuckle*

approximately 50 cents on the dollar, or \$85,000, which cost you nothing, plus Mission Gorge No. 3, which you value at \$50,000 in your letter of August 19, 1932 and offer to compromise for \$25,000. This makes a total of \$198,210.15, with \$40,000 more for your other equities and claims, and you demand an immediate settlement, all as per your letter of Aug. 19th.

To put it another way, if this unfortunate matter had not arisen, I want you to clearly see what you are assured of, if normal conditions come back: \$158,210.15 you already have, in cash or its equivalent. On top of that you have received several thousand dollars more in various amounts, such as the Carteri note of \$1,000.00, and other payments that were made from time to time; your interest in Lot "D" Cuyamaca Rancho, which you figure is worth \$75,000, Mission Gorge No. 3 which, if you will drop this Murray note claim I am willing to guarantee you will get the first \$40,000, plus your interest in the Cuyamaca Water Company corporation stock, which you value at \$15,000, and which I would be willing to guarantee, — all of this totals \$269,210.15, which is more than you or I ever dreamed you would get. Your only danger would be in taking a risk as to how much you got out of Lot "D". The above for your consideration.

Proposition No. 2: I will pay you \$100,000.00 that you ask for in your letter of Aug. 19th, 1932 on the following terms: In your letter of August 19th, 1932 you have placed a value on your quarter interest in Lot "D" Cuyamaca Rancho lands at \$75,000.00 and offered to settle with me on the basis of \$75,000 less about 55 percent discount, which as per your offer would only net you about \$25,000. I will deed to you one-half of the unsold Lot "D" Cuyamaca lands, which will represent your one-fourth interest and one-fourth of mine, for \$50,000, which is a reduction of \$10,000 on each quarter from the amount you are asking me to pay, a board of arbitrators to immediately divide the property if we cannot come to an agreement in relation thereto, and a grant deed to the property will be given to you immediately with a policy of title insurance showing same is free and clear of any encumbrances, excepting easements for rights of way, if any, and subject to any easements that came with the property to me. In this way our interests will be entirely segregated as regards Lot "D" Cuyamaca Rancho.

The other \$50,000 to be paid as follows: One-half of the 6/11ths of the monthly payments coming from the City of San Diego under the Cuyamaca Water Company contract (this does not in any way affect your 5/11ths), the balance to be paid from the sale of Mission Gorge No. 3 damsite and reservoir site, or from the sale of any holdings of the Cuyamaca Water Company, a corporation, until the \$50,000 is paid, with some mutually satisfactory guarantee protecting all parties in interest.

The above would eliminate you entirely from any further interest either in the Cuyamaca Water Company or any interests we may jointly have, all of which would revert to me.

We certainly need the money that is coming in monthly from the City of San Diego contract and hate to part with any portion of it, but it is in line with your suggested offer of \$100,000 in full settlement, with this modification, that you will get \$50,000 in cash and one-half of Lot "D" Cuyamaca Rancho property at \$20,000 less than you asked me for your quarter interest in your letter of August 19th.

Proposition No. 3: If neither of the above suggestions are of interest, I will pay you \$75,000.00 cash for all your stock in the Cuyamaca Water Company, a corporation and any remaining interest you may have in the Murray Estate properties or rights which were acquired from the Murray Estate, together with any claim that you make to an interest in the Murray notes so-called, together with your interest in Lot "D" Cuyamaca Rancho and Mission Gorge No. 3, and anything else in which we may be jointly interested. In payment thereof you to have one-half of the money that comes in from the 6/11ths interest in the City of San Diego contract commencing Oct. 15, 1932 and the balance to be paid from revenue received from the first sales of any properties above mentioned, the entire transaction to be closed within ten years from date in any event, but in the meantime you are to have adequate protection satisfactory to our attorneys to guarantee payment of the obligation.

I am willing to pay 5 percent interest on deferred payments commencing 5 years from date. This assures you a profit on your San Diego investment of over \$215,000.00, as much or more than I ever told you you might get, all without the investment of a dollar by you excepting your joint note obligation with me, which we knew we would have to do when we became interested together in the property.

Yours truly,

(signed) ED FLETCHER

EF:KLM

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I am willing to pay 5 percent interest on deferred payments commencing 5 years from date. This assures you a profit on your San Diego investment of over \$215,000.00, as much or more than I ever told you you might get, all without the investment of a dollar by you excepting your joint note obligation with me, which we knew we would have to do when we became interested together in the property.

Yours truly,

(signed) ED FLETCHER

EF:KLM

# CHAS. F. STERN COMPANY

BUSINESS SERVICE BUREAU

816 Broadway Arcade  
Los Angeles, California  
MUtual 5647

CHAS. F. STERN  
PRESIDENT  
WALTER C. OREM  
VICE-PRESIDENT AND MANAGER

REORGANIZATIONS  
RECEIVERSHIPS  
CONSOLIDATIONS  
LIQUIDATIONS  
PROPERTY AND INDUSTRIAL  
MANAGEMENT

September 22, 1932

Colonel Ed Fletcher,  
1020 Ninth Street,  
San Diego, California.

Dear Sir:-

This letter is in answer to yours of September 8th. I hope you will pardon my delay in a matter which has already dragged far too long - I have been out of town.

I want you to know that while this entire picture is perfectly clear to me, none the less I am giving full and careful consideration to everything that you say or suggest.

Your letter gives me several openings to say some rather bitter but pertinent things which, however true they might be, would further widen the breach between us and render more hopeless a peaceful and satisfactory solution of our problem; therefore, I am not saying them.

I hope you will not question my sincerity when I say that I have not forgotten nearly ten years of very pleasant business relations with you, and a personal friendship which was one of the things I valued the highest. I have spent many happy days in your company. The fact that the basis of mutual confidence which existed has been shaken is not my fault; I am willing to accept the theory that it was an error in judgment on your part and to bury the entire incident, provided we can do so within the limitations which I must necessarily set.

I am trying to make it plain to you just why I take the position which I do take and just how far I feel that I can go in effecting a settlement in justice to my own affairs and my dependents, and as a matter of abstract justice as between us. Please do not think that I will get any personal satisfaction out of musing you up publicly or bringing unhappiness to your wonderful wife and family; if this happens it will be because my sincere efforts have failed.

Before I discuss your proposals it seems to me necessary to make several statements as a matter of record and as a basis for my answer:

Colonel Ed Fletcher

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September 22, 1932

(a) In the first place, the returns which I may receive from my 5/11ths of the contract with the City of San Diego will have been worth to me, if and when the City has completed the lease contract, just 5/11ths of \$150,000.00, or about \$68,000.00; the remainder is interest, not principal. Your share of the City contract will have been worth, if and when the City completes its payments, 6/11ths of \$150,000.00.

The present value of either your share or mine is represented by the above figures, less the payments already made to apply on principal, ignoring the interest items throughout.

(b) You have several times of late reiterated with increasing emphasis that \$200,000.00 was the maximum that I was ever to receive from the Cuyamaca project. I have passed these statements until now.

The facts are that \$200,000.00 IN CASH was the minimum you stated to me that I would receive from the Cuyamaca project at the time I was invited into it. At various times in various ways and before various people you have estimated my clean-up in San Diego at various figures, once as high as \$500,000.00. Not only was \$200,000.00 in cash the minimum, but you offered me as an inducement to come into the deal, one-half of everything you had on the San Diego River at the time. It is quite true that I was foolish enough to decline to take it, and equally true that I did not receive it, in spite of the fact that I have done very much more than I agreed to do when I came into the deal. I instance this, however, to remind you that you felt my participation was worth that at the time, although apparently its value has materially diminished in your eyes since.

You may recall that after our contract with the La Mesa District was signed, sealed and delivered, you told me I could count on not less than \$50,000.00, and between that and \$100,000.00 in cash out of that end of the deal. I received \$25,000.00.

(c) You state in this letter that when I came into the Cuyamaca deal I knew that we would have to borrow in the neighborhood of \$240,000.00 before we were through. I am sorry to contradict you, but under

September 22, 1932

no circumstances would I or could I have accepted any such liability. On your then statement, Cuyamaca would be sold to the City within a year and the utmost we would have to finance was the down payment to the Murray Estate, plus a year's interest.

- (d) In discussing the value of my interest in Rancho Cuyamaca, in Mission Gorge, and in the Cuyamaca Company, a corporation, you emphasized the thought that I have placed certain valuations on these interests.

I wish to make it clear that I have placed no value on anything that I own in San Diego County; I have merely set up the values which you have placed upon my several interests there. I have no knowledge of my own in this reference and never have had. If the values are erroneous, the error is not mine and the responsibility is yours.

- (e) With reference to how and why I acquired an interest in Cuyamaca Rancho and in Mission Gorge No. 3, the facts are a matter of record. Neither transaction was a part of the contract or partnership venture which we entered into in April of 1923.

These statements are made in the hope that they may mean something to you. I do not expect you to tell me that you accept them, but am prepared to substantiate them.

As I wrote you once before, I am heartsick over my experience in San Diego. Under no circumstances do I care to buy anything which you have there, or to take payment in San Diego properties of which I know nothing and which I am not in a position to handle, for example, Cuyamaca Rancho.

The proposition which I have heretofore presented to you figures me out a little over \$200,000.00, including therein principal payments - not the interest - of the City contract and assuming that you ultimately paid the obligations which I am willing to take. This is the minimum which I hoped to make out of the Cuyamaca deal alone. If I received it under the proposal I have made it would be spread over a period of nearly twenty years. Certainly the time element at least offsets any discount for appreciated dollar values.

September 22, 1932

In the light of your letter I am willing to modify my proposition to this extent:

I still want \$100,000.00 for what I have left in San Diego County, always excepting my 5/11ths of the contract with the City of San Diego. In payment therefor I am willing to accept 2/3ds of your share of the City contract, that is to say, 4/11ths, taking the same at its present value, whatever it may figure out. I am willing to take your notes for the balance, secured by what I am selling you, with the proviso that the proceeds of all sales of the security shall be applied to the payment of the notes until paid - principal and interest. I will waive interest on the unpaid balance for a year, the notes thereafter to bear interest at the rate of 5%. Unless the liquidation of the security pays the notes within five years I shall expect at least a 20% installment payment on principal each year thereafter, which would extinguish the notes by the end of ten years.

My claim against you in the matter of the alleged commission amounts - principal and interest - to about \$80,000.00.

If you sell Mission Gorge No. 3 for anything like the figure at which you value it, you can pay me out in full with less than half the proceeds; and the remainder of the things you are buying will cost you nothing.

I recognize that I will probably make more money over a period of years riding through with you. I do not believe, however, that either of us can be happy in a continued business relationship in view of the water that has gone over the dam. I am sincerely hopeful that we can part company amicably; I believe that I have gone as far as I should or can to make this possible.

Yours truly,

Charles Stern

October 7, 1932

Mr. Charles F. Stern,  
918 Broadway Arcade,  
Los Angeles, California.

Dear Sir:

I will have to apologize for not having written you earlier but I have been working ten or twelve hours a day, and out of town on very important matters three days, trying to collect in enough money to make our payroll, to say nothing of Frank Bulcher leaving town and leaving me with the Community Chest Advance Gifts chairmanship, and to take his place raising funds for the Republican campaign. I am working over time now to answer your letter of Sept. 22d.

I appreciate the human element in your letter, for your others have made me as hard as granite. I have not forgotten the happiest ten years of our lives and shall never forget them. I considered you my closest personal friend.

Eliminating for the moment the question of whether you are right, or I am, in this controversy, the fact remains, and for which I am deeply regretful, that I have not been able to convince you of my absolute sincerity, in believing that I had a settlement coming to me from Mr. Murray for my many years of work, for which I was not paid; that I did make an arrangement with Mrs. Murray after Mr. Murray's death; that I did render her service for which I was not paid, spending over \$2,000 in cash expenses working for her which I did not collect; that I believed the notes were coming back to me as promised and that I never dreamed that they were even to be taken into consideration or that you claimed any equity until after the sale of the Cuyamaca System was made. I certainly never concealed anything from you intentionally and have no knowledge of ever having done so, but the hardest thing of all is that you do not give me credit for my sincerity in this matter.

In no way to hurt your feelings, but as one token of my sincerity and friendship, when you were in trouble and indicted by the Grand Jury in the Julian case, please remember I stood loyally by you. When others were seriously criticizing you and your actions I defended you, and the records will show that I even offered to pay one-half of the expenses of an attorney to defend you personally, out of pure friendship, when it looked as if the bank was trying to make you the goat. You have credited me with being a good friend for many years. Is it logical that I would intentionally commit the fraud against you that you accuse me of?

Charles F. Stern  
Page 2  
Oct. 7, 1932

I never at any time, by letter or verbally, pledged you any amount as profit, before or after you went into the Cuyamaca deal. All I could give was a guess. It was a business venture. We expected to sell to the city. We had a part of the system within a year or two practically sold to the city for a million and half dollars. John D. Spröckels approved it and went to the city council personally and advocated it. Weitzel, by trying to blackmail us, spoiled it all when he demanded \$100,000. You agreed with me that we could not go ahead and sell our system to the city under those conditions and by mutual agreement the prospective sale to the city was dropped. It was wholly thru my efforts that I got the La Brea District to buy a portion of our system. As you know I drew up the option myself and got them to sign it. You approved everything I did in connection with it and were a power in helping to get the bonds sold, but under no condition can you hold me responsible for any definite amount of money coming to you, for I never guaranteed it. Any statement I may have made to you was wholly guess work. Crouch & Sanders and Senator Flint, in the final settlement alone, made us pay dearly, nearly \$50,000, in attorneys fees which was wholly unexpected. We spent \$150,000 or \$200,000 in litigation at least while we owned the system, as the records will show, if my recollection serves me right.

Regarding Section "C" of your letter. What I should have said was that we had to borrow, and you knew we had to borrow the original \$40,000 when you went into the deal, to pay Murray. We expected to sell the system before either you or I had to dig up any more real money. Circumstances beyond our control forced us to get the \$200,000 later. The Weitzel affair had busted up our entire plans, but the fact remains I never guaranteed you anything. No one knew the outcome, and all of my property, all of yours, as well as our equity in the Cuyamaca Water Company was back of the notes that you and I signed to the bank.

You did render valuable service in getting the loan at that time, altho I feel sure that either thru Mr. Robinson or thru the First National Bank or by a modification of the terms of the Murray Estate agreement we might have financed and muddled thru some how if you had not been able to obtain the loan. When it comes to security on the note I was just as responsible as you. The Cuyamaca Company paid the interest and the note was paid. We were in the deal together for better or worse, and we came out successfully. You made the most money on that deal of any deal you ever made in your life, and not a dollar of initial investment in cash did you put into it. It was all borrowed money that we jointly obligated ourselves to pay.

Mr. Charles F. Stern  
October 7, 1932

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There are several statements in your letter that I cannot agree with, but I am not going to argue with you. It would be well nigh criminal if you and I cannot adjust our differences without litigation. Mary knows the particulars and has read nearly all, if not all, of our letters in relation thereto. She knows of my sincerity in the matter, from absolute knowledge. She is a brave woman and if it comes to it, she and I are ready for litigation if it must come, altho I pray to heaven it will not.

Under normal conditions your offer to sell out for \$100,000 would be satisfactory as to price, but you know, and I know, that practically all of the 100 best stocks in New York the last four or five years have gone down in value over 90 percent. If you had had \$200,000 in cash out of the Cuyamaca System four or five years ago, and invested it in any of ninety-five percent of the stocks on the market it would not today be worth \$25,000.00. If you had invested it in irrigation district bonds, guaranteed for savings, there would have been a shrinkage of 60 to 80 percent. The \$100,000 today that you ask for represents \$500,000 or \$600,000 as of 1926 to 1929 values.

I refer you to your letter of August 19, 1932. For your one-fourth interest in Lot "D" Cuyamaca Rancho holdings you put a net valuation of \$75,000 and then offer to settle on the basis of \$35,000.

I am asking you to reconsider, in lieu of modified conditions that I am willing to offer on account of stringent financial times.

Proposition No. 1: I am willing to pay you \$100,000, as you ask, on the following basis: I will see you are deeded all of the unsold lands in Lot "D" Cuyamaca Rancho on the basis of \$50,000. This cuts the value of the lands to \$12,500 for a one-fourth interest. Mr. White has gone completely broke, losing over a million and half dollars in his different investments and has sold his interest in Lot "D" to another party. I can in all probability make a trade and secure that one-fourth interest, so as to furnish you with a clear title to all of the unsold land in Lot "D", which I believe is somewhere between 800 and 900 acres.

As you remember, we sold 100 acres of this land for \$300 an acre and when times were good Mr. Turner cut it up into house lots and sold 65 acres to net him \$1500 an acre. T

The other \$50,000 to be paid you in cash, giving you one-half of our six-elevenths revenue from the city contract until paid, commencing immediately, 5 percent interest to commence three years after date, and any

Mr. Charles F. Stern  
Oct. 7, 1932

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revenue from sale of Mission No. 3 or any of the other Cuyamaca Water Company property, less commissions paid, to go to you until your \$50,000 is paid, plus interest. You to be paid in full in any event within ten years from date. This to wipe out any and all obligations to you, and you turning in your 5/11ths of the Cuyamaca Water Company stock.

Proposition No. 2:

I will sell you our 6/11ths of the stock of the Cuyamaca Water Company, Mission Gorge No. 3 damsite that we own to the 330 foot contour, with an acre of ground for caretaker's house, all water rights, also segregate your 1/4th interest in unsold land in Lot "D" Cuyamaca Rancho so you can have a clear title to it. This to cancel also all other obligations between us, including the \$5837.46 that I owe the Cuyamaca Water Company, and will let you have the whole works, including the island in Cuyamaca Lake, reserving only the hunting and fishing rights on Cuyamaca Lake, but it includes all other properties that the Cuyamaca Water Company still owns. The purchase to be \$75,000.00. You to turn over to me your 5/11ths of the income from the contract with the city as a partial payment, paying no interest for 3 years, and after that 5 percent interest annually. The property to be put in trust and all monies received from the sale of these properties to come to me until I get \$75,000 and interest, less any reasonable commission you have to pay. The whole transaction to be consummated within 10 years.

Proposition No. 3:

I will pay you \$75,000.00 for your stock in the Cuyamaca Water Company, for any interest you may have in Mission Gorge No. 3, and Lot "D" Cuyamaca Rancho, and in full of account of all claims, including any and all of our joint interests. In payment thereof I will give you one-half of our 6/11ths of the income from the city contract and the first monies from the sale of Mission No. 3, Cuyamaca lands or any other lands covered in the agreement, less any commissions I have to pay. Interest to be 5 percent per annum after three years, the entire transaction to run for a period of 10 years, and the properties put in trust on some basis mutually satisfactory to protect all parties in interest. The agreement to be drawn and approved by our attorneys.



In closing let me say this, this matter could be much easier settled and I would feel entirely different in the matter if you had not questioned my absolute sincerity in the matter of the Murray notes and their obligations to me. That is what hurts.

I sincerely trust this matter can be amicably settled and hope you will accept one of the three propositions.

Yours truly,

EF:RIM

P. S. I would like to put my position before you in one other light, irrespective of the merits of the controversy. My records will show that my profit, or income, from 1910 to 1922, independent of the Cuyamaca Water Company, was \$75,000 to \$100,000, or more a year, yet, I received nothing, or practically nothing for my services during that period as manager of the Cuyamaca System. I have plenty of evidence to show that I gave fully half of my time to the Cuyamaca Water Company and no one ever accused me of neglecting my duty to the company. I also gave a considerable portion of my time for Mrs. Murray until her litigation was ended, and spent between \$2,000 and \$3,000 of my own money for expenses, acting on instructions of her attorneys and without any thought of being paid for my time or expenses other than the return of the Murray notes, which really represented services rendered, and promised both by Mr. Murray and Mrs. Murray.

Since you came into the picture in 1923, you know and I know that I did not receive anything like what I was entitled to for my services. It was only a nominal consideration that dragged along from month to month and in no way commensurate with my services.

We both expected to sell the Cuyamaca System to the city inside of a year and failed. If we had sold it for \$1,500,000 with a year I certainly would have been in a position to claim a considerable compensation for my services as a matter of equity, but I waived that when we sold to the district, and as the records will show I had planned to serve without pay and spent a good deal of my own money in advancing our common interests, without thought of compensation, as between friends.

I hope as a matter of equity and justice you will take the above under serious consideration before making your reply to this letter.

Stern:

I will have to apologize for not having written you earlier but I have been working 10 or 12 hours a day, and out of town on very important matters three days, trying to collect in enough money to make our payroll, to say nothing of Frank Belcher leaving town and leaving me with the Community Chest Advance Gifts chairmanship, and to take his place raising funds for the Republican campaign. I am working overtime now to answer your letter.

I appreciate the human element in your letter, for your others have made me as hard as granite. I have not forgotten the happiest ten years of our lives and shall never forget them. I considered you my closest personal friend.

Eliminating for the moment the question of <sup>whether</sup> you are right, or I am, in this controversy, the fact remains, and for which I am deeply regretful, that I have not been able to convince you of my absolute sincerity, in believing that I had a settlement coming to me from Mr. Murray for my many years of work, for which I was not paid; that I did make an arrangement with Mrs. Murray after Mr. Murray's death; that I did render her service; that I <sup>(I believe the notes were)</sup> believed the notes were coming back to me as promised and that I never dreamed that they were even to be taken into consideration or that you claimed any equity until after the sale of the Cuyamaca System was made. I certainly never concealed anything from you intentionally and have no knowledge of ever having done so, but the hardest thing of all is that you do not give me credit for my sincerity in this matter.

I never at any time, by letter or verbally, pledged you any amount as profit, before or after you went into the Cuyamaca deal. All I could give was a guess. It was a business venture. We expected to sell to the city. We had a part of the system within a year or two practically sold to the city for a million and half dollars. John D. Spreckels approved it and went to the city council personally and advocated it. Weitzel, by trying to blackmail us, spoiled it all when he demanded \$100,000. You agreed with me that we could not go

ahead and sell our system to the city under those conditions and by mutual agreement the prospective sale to the city was <sup>dropped</sup> called off. It was <sup>wholly</sup> primarily thru my efforts that I got the La Mesa District to buy a portion of our system.

As you know, I drew up the option myself and got them to sign it. You approved everything I did in connection with it and were a power in helping to get the bonds sold, but under no condition can you hold me responsible for any definite amount of money coming to you, for I never guaranteed it. Any statement I may have made to you was wholly guesswork. Crouch & Sanders and Senator /Flint, in the final settlement alone, made us pay dearly, nearly \$50,000, in attorneys fees which was wholly unexpected. We spent \$150,000 or \$200,000 in litigation at least while we owned the system, as the records will show.

Regarding Section "C" of your letter. What I should have said was that we had to borrow, and you knew we had to borrow the original \$40,000 when you went into the deal, to pay Murray. We expected to sell the system before either you or I had to dig up any more real money. Circumstances beyond our control forced us to get the \$200,000 later. The Weitzel affair had busted up our entire plans, but the fact remains I never guaranteed you anything. No one knew the outcome and all of my property, all of yours, as well as our equity in the Cuyamaca Water Company was back of the notes that you and I signed to the bank.

You did render valuable service ~~at that critical time, but~~ <sup>at that time</sup> it comes to security on that note I was just as responsible as you. The Cuyamaca Company paid the interest and the note was paid. We were in the deal together for better or worse, and we came out successfully. You made the most money on that deal of any deal you ever made in your life, and not a dollar of initial investment in cash did you put into it. It was all borrowed money that we jointly obligated ourselves to pay.

There are several statements in your letter that I cannot agree with, but I am not going to argue with you. It would be well nigh criminal if you and I cannot adjust our differences without litigation. Mary knows the

<sup>has</sup> particulars and had read nearly all, if not all, of our letters in relation thereto. She knows of my sincerity in the matter, and from absolute knowledge. She is a brave woman and if it comes to it, she and I are ready for litigation if it must come, altho I pray to heaven it will not.

Under normal conditions your offer to sell out for \$100,000 would be satisfactory as to price, but you know, and I know, that <sup>practically all</sup> any one of the 100 best stocks in New York the last 4 or 5 years have gone down in value over 90 percent. If you had had \$200,000 in cash out of the Cuyamaca System 4 or 5 years ago, and invested it in any of 95 percent of the stocks on the market it would not today be worth \$25,000.00. The \$100,000 today that you ask for represents \$500,000 or \$600,000 as of 1926 to 1929 values.

I refer you to your letter of August 19, 1932. For your one-fourth interest in the Lot D Cuyamaca Rancho holdings you put a net valuation of \$75,000, and then offer to settle on the basis of \$35,000.

I am asking you to reconsider, in lieu of modified conditions that I am willing to offer on account of stringent financial times.

Proposition No. 1: I am willing to pay you \$100,000 on the following basis: I will cut your value of the unsold lands in Lot "D" Cuyamaca Rancho to a basis of \$12,500 for a one-fourth interest, making a total of \$50,000. Mr. White has gone completely broke, losing over a million and a half dollars in his different investments and has sold his interest in Lot "D" to another party. I can make a trade and secure that one-fourth interest, so as to furnish you with a clear title to all of the unsold land in Lot "D", which I believe is somewhere <sup>around</sup> 800/100 acres. As you remember we sold 100 acres of this land for \$300 an acre and when times were good Mr. Turner cut it up into house lots and sold 65 acres to net him \$1500.00 an acre. The other \$50,000 to be paid you in cash, giving you one-half of our 6/11ths revenue from the city contract until paid, commencing immediately, 5 percent interest to commence <sup>revenue from</sup> within 3 years after date and any/sales of Mission No. 3 or any of the other Cuyamaca Water Company property, less commissions paid, to go to you until your \$50,000 is paid, plus interest.

This to wipe out any and all obligations to you, and you turning in your 5/11ths of the Cuyamaca Water Company stock.

Proposition No. 2: I will sell you our 6/11ths of the stock of the Cuyamaca Water Company, Mission Gorge/damsite ~~xxxxxx~~ <sup>No.5</sup> that we own to the 330 foot contour, with an acre of ground for caretaker's house, all water rights, also segregate your 1/4th interest in unsold land in Lot "D" Cuyamaca Rancho so you can have a clear title to it. This to cancel <sup>also</sup> all other obligations between us, including the \$\_\_\_\_\_ that I owe the Cuyamaca Water Company, and will let you have the whole works, including the island on Cuyamaca Lake, reserving only the hunting and fishing rights on Cuyamaca Lake, but it includes all the other properties that the Cuyamaca Water Company still owns. The purchase price to be \$75,000.00. You to turn over to me your 5/11ths of the income from the contract with the city as a partial payment, paying no interest for 3 years, and after that 5 percent interest. <sup>the</sup> ~~The contract to be for a period of 10 years,~~ and everything put in escrow to protect all parties in interest.

Proposition No. 3: I will pay you \$75,000.00 for your stock in the Cuyamaca Water Company, for any interest you may have in Mission Gorge No. 3, and Lot "D" Cuyamaca Rancho and in full of account of all claims. <sup>2.5.18.02-</sup> In payment thereof I will give you one-half of our 6/11ths of the income from the city contract and the first monies from the sale of Mission No. 3, Cuyamaca lands or any other lands covered in the agreement, less any commissions I have to pay. Interest to be 5 percent per annum after three years, the entire transaction to run for a period of 10 years, and the properties put in trust on some basis mutually satisfactory to protect all parties in interest. The agreement to be drawn by and approved by our attorneys.

In closing let me say this, this matter could be much easier settled and I would feel entirely different in the matter if you had not questioned my absolute sincerity in the matter of the Murray notes and <sup>their</sup> ~~his~~ obligations to me. That is what hurts.

I sincerely trust this matter can be amicably settled and hope you will accept one of the three propositions.

Yours truly,

I would like to put my position before you in one other light, irrespective of the merits of the controversy. My records will show that my profit, or income, from 1910 to 1922, independent of the Cuyamaca Water Company was \$75,000 to \$100,000 a year, or more, yet, I received nothing, or practically nothing for my services during that period as manager of the Cuyamaca system. I have plenty of evidence to show that I gave fully half of my time to the Cuyamaca Water Company and no one ever accused me of neglecting my duty to the company. I also gave a considerable portion of my time for Mrs. Murray until her litigation was ended, and spent between \$2,000 and \$3,000 of my own money for expenses, acting on instructions of her attorneys and without any thought of being paid for my time or expense other than the return of the Murray notes, which really represented services rendered, and promised both by Mr. Murray and Mrs. Murray.

Since you came into the picture in 1923 you know and I know that I did not receive anything like what I was entitled to for my services. It was only a nominal consideration that dragged along from month to month and in no way commensurate with my services.

both  
We/expected to sell the Cuyamaca System to the city inside of a year and failed. If we had sold it for \$1,500,000 within a year I certainly would have been in a position to claim a considerable compensation for my services as a matter of equity, but I waived that when we sold to the district, and as the records will show I ~~have~~ served without pay and spent a good deal of my own money in advancing our common interests, ~~as between friends~~ without thought of compensation ~~for my services~~, as between friends.

I hope as a matter of equity and justice you will take the above under serious consideration before making your reply to this letter.

## CHAS. F. STERN COMPANY

BUSINESS SERVICE BUREAU

816 Broadway Arcade  
Los Angeles, California  
MU 1041 5647

CHAS. F. STERN  
PRESIDENT  
WALTER C. OREM  
VICE PRESIDENT AND MANAGER

REORGANIZATIONS  
RECEIVERSHIPS  
CONSOLIDATIONS  
LIQUIDATIONS  
PROPERTY AND INDUSTRIAL  
MANAGEMENT

October 15, 1932

Colonel Ed Fletcher,  
1020 Ninth Street,  
San Diego, California.

Dear Sir:-

I have before me your letter of October 7th to which, as always, I have given the most careful attention and over which I have conferred with my advisors.

I appreciate the changed tone of your letter. Perhaps in the beginning I hit harder than was necessary. If so, I am sorry. I want you to appreciate that this whole matter has been a severe shock to me, and at first it made me very bitter.

You express regret that you have not been able to convince me of your absolute sincerity in believing that you had a settlement coming to you from Mr. Murray for which you were not paid; you had an arrangement with Mrs. Murray after Mr. Murray's death; and that you believed that the Murray notes were coming back to you as promised in cancellation of this claim.

You state again, as you have stated many times before: "I certainly never concealed anything from you intentionally; have no knowledge of ever having done so, but the hardest thing of all is that you do not give me credit for my sincerity in this matter."

I am going to meet this issue bluntly and squarely, and I invite you to do the same.

I do not question your sincerity in believing that your long and faithful service to Murray was entitled to reward. Had you been able in proper fashion to collect a million dollars from Murray or the Murray Estate for these services, whatever they may have been, it would have made me very happy. But, Colonel, the Murray notes didn't come back to you in settlement of that claim; you may justify the transaction to yourself on that theory, but no one else can accept it in the face of the record.

In the sincerity of your belief that Murray was indebted to you, you have deceived yourself as to the manner in which you were entitled to collect, and in so doing you have done me an injury and imperiled a wonderful friendship. Worse than that, you have put yourself in an impossible position for a man of your ideals and standing. Is it worth while.

10:15 - cv ? Steve  
11:00 - Lovell

October 15, 1932

Let's look calmly at the facts:

Some time in the fall of 1922 - I think it was October - you took an option from the Executor of the Murray Estate to buy the Murray 5/6ths interest in Cuyamaca Water Company for a consideration of \$700,000.00.

In April of 1923 you made representations to me of the profits to be made by the purchase of that interest at that price; and I entered into a joint venture with you to buy the Murray interest at that price.

As a basis for that transaction you displayed the option above mentioned; and on that basis I entered into the deal.

As a matter of fact, you took a second agreement from the representative of the Murray Estate when you took the option, this agreement providing for the return to you of the Murray notes. I never saw that second agreement or knew of its existence until years afterward when I began investigation of the entire transaction. If this is true - and you know that it is true - how do you reconcile it with your statement above quoted.

Months after our agreement of April, 1923, you discussed with Brown, Executor of the Murray Estate, the question of how much you should tell me, if anything, about the transaction surrounding the Murray notes, stating that I had been and was "a good partner"; and Brown advised you that I was entitled to a full knowledge of everything and that so far as the Murray Estate was concerned, the Murray notes had been returned to you solely as a commission and nothing else. Did you then, or any other time before I started my investigation, acquaint me with the facts?

You claim that you had an arrangement with Murray and an arrangement with Mrs. Murray under which the Murray notes were returned to you for services rendered, and quite apart from the sale of the Murray Estate interest in Cuyamaca. Your position is flatly contradicted by Brown and by Mrs. Murray.

Finally, Colonel, there is one other unbreakable link in this chain. Did you or did you not, in writing, agree with Brown, as Executor of the Murray Estate, that the actual price of the Estate's 5/6ths interest in Cuyamaca was \$600,000.00 and that the price was jumped \$100,000.00 to me to cover a commission in the form of the Murray notes? That's what broke my heart. I've given you every opportunity to tell me about that; I've invited you twice in my letters to divulge the facts; but if I know them I did not get them from you.

In all fairness, Colonel, how do you reconcile this with your statement above quoted?

October 15, 1932

Why not face these things, Colonel? It is the easiest, and the honest way out of a hard situation.

Now with reference to the proposals you have made, I am sorry to say that they are not acceptable. The grievance in this situation is mine and in my proposals to you I have penalized myself heavily and am not prepared to go further.

I have said to you that I cannot and will not take San Diego mountain property as settlement of my claim. I am not acquainted with the property; am not in the real estate business; and as an absentee owner I would be at a hopeless disadvantage.

Nor am I going to reduce my figure below the \$100,000.00 named, in any compromise. I am cutting in half the minimum profit anticipated, and am probably waiting twenty years to get it; further than that I cannot afford to go.

Bear in mind, Colonel, that you got cash for your personal interest in Cuyamaca, outside the Murray ownership. In other words, when the sale to the District was made, where I got \$25,000.00 you got \$225,000.00 in cash. That was nearly seven years ago. Don't ask me to take non-liquid property now, or forego interest for years to come.

I know you are short of cash; but if I am entitled to cash in the light of the fact that you got cash, then pay me in as near its equivalent as is available, which means the City contract. The balance I am willing to let ride for a term of years, with a reasonable interest adjustment, secured only by what I am selling you, which puts no burden of added security on you. I think you will find my proposition as heretofore expressed, fair and within your means. Please give it the attention it deserves.

My advisors chide me for having yielded too much. My answer is that this is my price that I am gladly paying to avoid a war with a friend whom I value highly.

I am very much concerned about the Hoover situation, not only nationally but even in California, his home State, particularly since Johnson's inexcusable broad-side of yesterday. I consider the California situation critical. My interest in Hoover's re-election is such that I would not jeopardize the standing of any Hoover elector prior to November 8th. This is the date I have fixed in my mind as the dead-line.

In the meantime, won't you please step out of your own prejudices and interests in this matter and look at it dispassionately. There is only one answer. You and I will save time and money and wear and tear if we reach that answer amicably and now.

Colonel Ed Fletcher

-4-

October 15, 1932

I am very much distressed to learn of Mr. White's misfortune. The fact that he has millions of respectable people for company doesn't help at all. Please give him my sincere regards.

Yours truly,  
Charles F. Stern.

October 27, 1932

Mr. Charles F. Stern,  
816 Broadway Arcade,  
Los Angeles, California.

Dear Sir:

I received an inquiry from San Francisco today asking my opinion of the value of the stock of the Cuyamaca Water Company. I have not answered it surmising that your stock may be up as security for a loan. We have put up none of our stock as security, and I wanted to hear from you before making my report. Maybe I am entirely mistaken but prefer to get an expression from you first.

I certainly appreciate the better tone of your last letter. If you believe in my sincerity you should withdraw the charge of fraud, and it will be a darn sight easier for both of us to get together on a give and take basis as between men. I will answer your last letter soon, but I am driven to death here with committee work on the Community Chest, chairman of the Republican Campaign Committee and in charge of the Hoover County Ball at the Municipal Pier Saturday night, with Mrs. Mabel Walker Willebrandt and Conrad Nagel, and others, as speakers of the evening.

I also have some problems of my own in the office. So far we have been able to dig up enough money to pay salaries, and save our avocado orchards, but it is a fight. Mrs. Fletcher and my sisters are doing the cooking at the house. The boys are taking care of the lawn and we are back where we were thirty years ago. With thousands of acres of land paid for - we cannot mortgage or sell it.

Frank, I have always felt that you and I were destined to work together, and we ought not to quarrel over a technicality in regard to those notes -- but I will write you more fully next week.

Yours truly,

EF:KLM

John

# CHAS. F. STERN COMPANY

BUSINESS SERVICE BUREAU

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MANAGEMENT

816 Broadway Arcade  
Los Angeles, California  
Mutual 5647

CHAS. F. STERN  
PRESIDENT  
WALTER C. OREM  
VICE-PRESIDENT AND MANAGER

October 29, 1932

Colonel Ed Fletcher,  
1020 Ninth Street,  
San Diego, California.

Dear Sir:-

I note from your letter of October 27th that you have had an inquiry from San Francisco asking your opinion as to the value of the stock of the Cuyamaca Water Company.

You are entirely right in your guess that my Cuyamaca stock is up as collateral along with some other stuff in the hands of the Anglo Bank. I borrowed some money there some time ago to complete my Winslow Gas Plant.

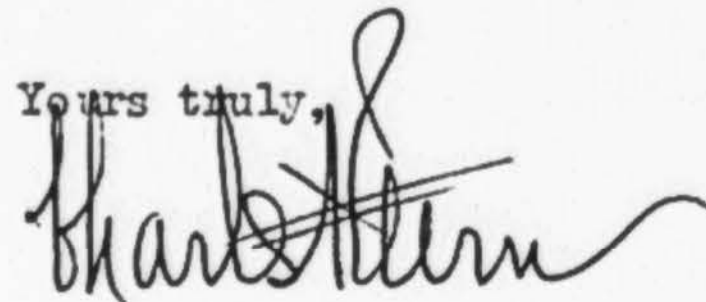
I have just had an inquiry from the Anglo about the value of this stock. They have about four for one collateral anyhow; but of course they want a record to support the loan.

I have answered that Cuyamaca Water Company is a corporation which owns the residue of the property of the old Cuyamaca Water Company, a co-partnership, after selling properties for \$1,400,000.00 to the La Mesa Irrigation District, and \$150,000.00 to the City of San Diego; that the Corporation owns lands, riparian rights, potential dam sites, flooded areas, etc., essential to the further development of the San Diego River, and that the stock should be worth par.

It is very essential these days for all of us that we support the value of what we have; and I hope you can see your way clear to write the bank substantially along the lines of my presentation.

Thank you very much for giving me the opportunity to comment on the inquiry.

Yours truly,



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WALTER C. OREM  
VICE-PRESIDENT AND MANAGER

October 29, 1932

Colonel Ed Fletcher,  
1020 Ninth Street,  
San Diego, California.

Dear Sir:-

I have before me your letter of the 27th instant, and have already answered the part with reference to the Cuyamaca Water Company stock.

I am very much interested in your statement of how you are meeting today's conditions. You say you are back where you were thirty years ago; of course you don't mean exactly this because, like it or not, we never go back.

Every now and then my good wife says that she wouldn't trade anything that she may have had since or may hereafter have, for the first eight or ten years of our married life when we didn't have anything except each other and got a great kick out of it. I presume she means by that that life has become more complicated and mandatory as the years have rolled by and we have become more or less the servants of the things we have builded.

We never go back because on the backward trail we can't leave behind the memory of and the familiarity with the things which we set up which become our masters - standards of living, social obligations, and the long list of things that once were dreams, later luxuries, and finally necessities - I wish we could.

Just a word in answer to the rest of your letter. I'm afraid that you have mistaken my honest attempt to deal with you on a friendly and sympathetic basis, for weakness or an indication that I am withdrawing from my position - please don't make that mistake.

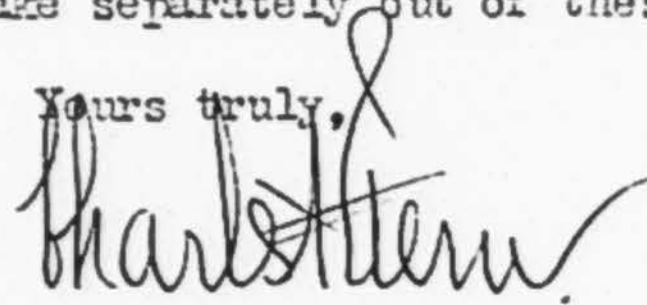
I have been willing to accept your sincerity in believing that the Murray Estate and Murray owed you something; and I am willing to accept your statement that you justified the collection of the Murray notes on the theory that they balanced your account with Murray and the Murray Estate. However, I think I have

October 29, 1932

shown you the impossibility of that position and the wrong which you have done me in taking it. I think the measure of your sincere desire to do the right thing will be found in how you meet the situation as you must now see it. It isn't a technical question at all, Colonel; it's a matter of law and equity - and the equities of the situation ought to be sufficient.

The proper way for you to meet this situation as between friends and partners, both trying to do the right thing, is to say frankly that you made a mistake; that you regret it; and that you are prepared to settle the matter of the Murray notes in the best way you can without any reference to anything else. We could then go along with our other joint matters and work them out, probably both of us making more money together than we'll ever make separately out of these properties.

Yours truly,



November 15, 1932

Mr. Charles F. Stern,  
816 Broadway Arcade,  
Los Angeles, California.

My dear Mr. Stern:

Answering yours of the 15th of October and letters since, I appreciate the changed tone of same. This matter has been a severe shock to me. When you first wrote me it was hard to believe you were in earnest. I am glad to write you on a more personal basis. We both are of the same temperament.

I can only repeat that before you ever went into the Cuyamaca deal with me you knew of my claim against Murray for services rendered and pledges made by Mrs. Murray to return the notes in consideration of my services, Mrs. Murray thinking the notes belonged to her when given to her by Mr. Murray. This information you had full knowledge of. Some considerable time after Mr. Murray's death I asked that Mrs. Murray put it in writing, and as I recall it she took it up with her attorney, Mr. Brown, and it turned out that the notes had never been legally endorsed by Mr. Murray, that the notes belonged to the estate and had to be accounted for by the estate. It was also to Mr. Brown's interest personally. The larger the estate the larger the fee.

In your letter of October 15, 1932 you say, "Let's look calmly at the facts". That is what I am trying to do. You state in your letter of October 15th, that in April of 1923 I made representations to you of the profits, to be made by the purchase of the Murray interests, and you entered into a joint venture with me to buy the Murray interest at that price. You have forgotten that I told you all about my Cuyamaca matters in 1920, 21 and 22 and took you over the whole Cuyamaca system in 1921 and 1922, with the idea of our owning it together.

On February 28, 1922 I wrote you about Cuyamaca matters, also on March 13, 1922. Please read your letter to me of March 15, 1922, all pertaining to Cuyamaca-Henshaw matters. I was telling you everything. On March 29, 1922 you acknowledged receipt of certain Cuyamaca data. On April 3d, 1922 I wrote you fully regarding the Cuyamaca situation; also my letter of May 17, 1922 to you and your reply of May 19, 1922, in which you state, "I am very much interested in the Cuyamaca situation, partly because I really believe in it and partly because of your interest in having me interested in it". On September 11, 1922 I wrote you regarding



Mr. Charles F. Stern  
Nov. 15, 1932

Murray matters.

In September, 1922 you sent Mr. Henry Robinson down to look over the whole Cuyamaca system and report to you. Please see your letter of September 20, 1922 to me.

On October 25, 1922 I took the original option to purchase the Murray property for \$700,000. My distinct recollection is that Mr. Brown's price was \$600,000 cash or \$700,000 on terms. I secured on October 25, 1922 another agreement from Mr. Brown simultaneously, reading as follows:

"Colonel Ed Fletcher,  
San Diego, California.

My dear Colonel Fletcher:

This will refer to the option this day given you to purchase the interest of Mary H. Murray in the Cuyamaca Water Company. It is my understanding that in event this option shall be fully exercised by you then there shall be surrendered to you without further consideration your note of December 30, 1919 for the principal sum of \$85,578.78, payable on demand, with interest at the rate of 7 percent per annum and now a part of the assets of the estate of James A. Murray, deceased.

Yours truly,  
(signed) W. S. K. BROWN"

This meant the return of the notes in accordance with the understanding with Mrs. Murray and with Mr. Brown, which I have explained to you many times. I showed the option and the above letter to you the following morning, October 26, 1922 in Los Angeles, and told you that I wanted you as my partner in the deal if you cared to come in, otherwise I was going to get others interested. You again expressed a desire to become interested, and you will remember that in 1922 we held meetings with Judson and Robinson, and even considered the consolidation of the Sweetwater and the Cuyamaca systems, and made a tentative offer as I remember it, negotiations lasting for months.

Please read your letter to me of March 20, 1923. You considered yourself a part owner at that time altho you never had put up any money or signed anything, but I cannot refrain from quoting from your letter as follows:

"I am well aware that you have been able to secure a buying contract from the Murray Estate at a price probably \$150,000 less than the Murray heirs would sell to anyone else and a great many hundred thousand dollars less than any appraised value of the property. These things should be taken into consideration by Messrs. Robinson and Judson."

Should you not also take these facts into consideration now. The facts are, Frank, that the Cuyamaca property, when I purchased it, had cost James A. Murray and the Murray Estate nearly \$1,100,000, including six percent interest.

Mr. Charles F. Stern  
Nov. 15, 1932

The first remark Mr. Brown made was that in consideration of selling to me he would take the actual money invested without interest that Mr. Murray had put into the system, which was about \$700,000, or would take \$600,000 cash.

There are many letters from the 1st of January to April, 1923 from you on this subject. You sent Senator Flint to Mr. Spreckels in January, 1923. I sent you different reports of different engineers about that time. Also refer to your letter of December 14, 1922 where you stated you told Mr. Allen Chickering that you were interested in the Cuyamaca situation with me, and that inasmuch as Chickering would know it sooner or later, you wanted him to know it from you and not from anybody else.

All of this proves conclusively that it was not because of my representations/you went into the deal, but you went into it because of your own personal investigations.

Now, Frank, I am answering your first question on Page 2 of your letter of October 15, 1932. First: For several years you knew the existence of the Murray notes; you knew of my representations to you of a settlement that Murray had promised me, of Mrs. Murray's promise for my services rendered as well, and I have a definite recollection of showing you, not alone my option of October 25, 1923, but Mr. Brown's side agreement to return me the notes as was originally planned and promised. This does not necessarily mean that I am calling you a liar, or questioning your integrity. I say you have forgotten.

I have asked you many times to read our correspondence. Please read again my letter to you of Nov. 16, 1923. There can be no mistaking your being notified in writing re the Murray notes; also read again my letter of October 19, 1925 in reference to these notes. Please read again my letter of Dec. 30, 1925 asking you to send some experts to check up on everything and you replied on December 31, 1925 that you had no desire to audit the books.

Please read again Mr. Wansley's letter of March 12, 1927 together with copy of the 1926 Income Tax return and the Settlement Sheet between you and myself. This was a registered letter to you and I have the receipt.

On my word as a man I had no thought of concealing anything. I instructed my sister and Mr. Wansley to make out that statement and send it up to you. I had nothing to conceal and that settlement sheet shows my receipt of the Murray notes and my Income Tax on same.

Please read again my letter of April 1st, 1927 in which I sent you an agreement relative to your ownership in Lot "D" of Cuyamaca Rancho, in connection with the Murray notes. Please read again my letter of June 22, 1927 with my complete explanation of the Murray notes. I think there are other letters on this subject to say nothing of our conversations in the presence of Mrs. Fletcher and your good wife.

Mr. Charles F. Stern  
Nov. 15, 1932

I ask you, Frank, how on earth can you say that you had no knowledge of the Murray notes coming to me on the side agreement? All I can say is, without feeling, that you have forgotten.

Regarding your second question, "Did you or did you not in writing agree with Brown that the actual price of the estate's 5/6ths interest in the Cuyamaca was \$600,000 and that the price was jumped \$100,000 to me to cover a commission in the form of the Murray notes?" In answering, Frank, if you believe this to be true I now understand your feeling in the matter. On my word of honor, my answer is that I was asked by them to put it in this form to help them out in tax matters, that it would save them considerable money if I would sign this statement. That it meant everything to the estate and nothing to me.

Mr. Brown had a statement all prepared for my signature before I arrived in his office. Now mind you, there was no agreement on October 25, 1922, either verbally or in writing, that this was to be considered a commission. The following letter speaks for itself:

"October 25, 1922

"Colonel Ed Fletcher,  
San Diego, California.

My dear Colonel Fletcher:

This will refer to the option this day given you to purchase the interest of Mary H. Murray in the Cuyamaca Water Company. It is my understanding that in event this option shall be fully exercised by you then there shall be surrendered to you without further consideration your note of December 30, 1919 for the principal sum of \$85,578.73, payable on demand, with interest at the rate of 7 percent per annum and now a part of the assets of the estate of James A. Murray, deceased.

Yours truly,  
(signed) W. S. K. BROWN"

But the fact is, that Mr. Brown tried to get me to sign a statement which he had prepared when I asked him for the notes. I refused to sign his original draft after his plea for me to sign to help out the estate with the government. Then the thought came to me that you had full knowledge of these notes, that under no condition any misunderstanding could come up between us, that the Murray Estate had kept their word and returned the notes, that it made no difference to me or to you one way or the other, and it would help the estate. After considerable argument on the part of Mr. Brown I agreed to sign the instrument dated March 17, 1927 under one condition, that the agreement be re-written and the clause inserted that "at no time did Mr. Fletcher retire

Mr. Charles F. Stern  
Nov. 15, 1932

from the position that Mrs. Murray had promised him this note as compensation for services rendered to her in matters connected with the Murray Estate". Mr. Brown added: "Contra: Mrs. Murray has never conceded the correctness of Mr. Fletcher's position in that respect". I signed it, as it left matters in statu quo. I was still maintaining my position, which I consistently maintained from beginning to end, and Mrs. Murray has forgotten her statements that she made to us soon after Murray's death, while in San Diego.

As an offset to any equity you might claim as your half interest in the Murray notes, as heretofore written, you still have a one-half interest in the profits of Mission No. 3 over and above \$40,000, and you have a one-fourth interest in 800 or 900 acres of land at Cuyamaca, which never directly or indirectly was included in or a part of the Cuyamaca holdings of James A. Murray in which you acquired a 5/11ths interest, and without consideration or cost to you of one penny.

For friendship's sake, if for no other reason, if you still insist upon a one-half ownership in those notes, if as a compromise I conceded same, please let what comes out of Mission No. 3, which you secured for nothing, be applied to the Murray obligation, which you claim, also let the land which you secured for nothing in Lot "D" Cuyamaca Rancho be applied, and I make up any deficit. Give me a reasonable time, say five years, to dispose of these properties to the best possible advantage. The interest rate is high. It should be reduced to six percent in fairness to all. If the Mission Gorge No. 3 and your interests in Lot "D" Cuyamaca bring more money than your Murray claim, you can have it.

In the meantime, what is the real picture? I worked for practically nothing from the time you entered the partnership until the system was sold, altho my time was invaluable for years, and I had a big public utility on our hands, with endless litigation.

Senator Flint and you failed to make the sale to the city as you planned. It was not my fault. Weitzel, with his demand for money killed that deal. I personally made that sale to the district and drew up the option as the records will show. When the money came in I did not ask you for any extra consideration for services. You took your share of the profit. You never invested any of your own money. Any money we borrowed was backed by the entire Cuyamaca system, with your fortune and mine. You have already received, approximately \$138,210.00 in cash or its equivalent, out of this joint venture of yours and mine, and you have in sight another \$65,000 or \$100,000, or more, in my opinion if we pull together and work together.

There is nothing in my life that I have felt greater than the loss of your friendship, and if you have been sick at heart, so have I. I have given the best that is in me in answering this letter.

I want this matter settled to your satisfaction and mine,

Mr. Charles F. Stern,

Nov. 15, 1932

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as between men, for at the present time we are at the crossroads.

First: I will arbitrate the whole matter in the usual way, taking into consideration your Mission Gorge interests, your Lot "B" Cuyamaca interests and my past services, as well as your claim or claims.

Second: I will let the matter be arbitrated by Mrs. Fletcher and Mrs. Stern, those two to select a third, and each of us to present our case, the result in both cases to be final.

Please remember that the dollar of today will buy practically anything in this country, stocks or bonds, to the equivalent of \$5.00 between 1926 and 1930, and from every indication the value of the dollar is going to remain about as it is for the next five to ten years to come.

I hope one of these two offers to arbitrate will be satisfactory to you.

The money will be available to pay the Cuyamaca Water Company income taxes, which will undoubtedly amount to \$5,000 or \$6,000 this year.

Will you please keep in mind that I have gone out of my way to satisfy you as between friends. I took a ridiculously low salary during the years I was manager of the Cuyamaca Water Company. I made no claim for any further compensation when the sale was consummated. During all of this time you were drawing a large salary of from \$15,000 to \$25,000 a year from the bank and making money on the side as well. I personally put thru the sale of our holdings in East San Diego and Normal Heights to the city without any charge. I at my own expense, with the exception of \$500.00, about which I wrote you, fought Mission No. 2 to a standstill against great odds, and won. And handled all of the negotiations and sold El Capitan for \$40,000 cash, the value of which you placed at nil. Are these not going to be taken into consideration, and is it not inconsistent with my whole business record with you when it comes to your charge of my gypping you?

Further than that, I was willing to go on to the end. Do not forget that Brown had an axe to grind. When he gave that option at \$700,000

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Mr. Charles F. Stern

Nov. 15, 1932

he had not in mind asking me to sign any papers to help him with the government re income taxes later on. That was an afterthought. His written statement dated October 25, 1932 in agreeing to return the notes speaks for itself. Both you and I should be thankful now that we have the money available to pay this Cuyamaca Water Company tax during these hard times.

In closing I ask you, please, to show this letter to Mrs. Stern. This is a request from both Mrs. Fletcher and myself, to a woman we think the world of.

You have given your point of view to a number of people, including three or four attorneys whom I believe I know. In fairness to me, and owing to our past friendship, if you will do nothing else, before filing suit, will you and your attorneys meet Mr. Sloane and go over the points at issue. My attorney has criticised me for giving you our side of the issue, but I have done it in the hopes that a way could be found to settle this matter amicably in justice to all, to prove to you my sincerity of purpose, and above all to eliminate the disgrace, embarrassment and publicity of a suit, as it affects my wife and family. No matter who wins the stigma against my good name will always be there. As the suit would undoubtedly be tried in San Diego, if you lose, the stigma would not be the same as you are not well known here and the Los Angeles papers would give it no attention.

I have asked Mr. Sloane to prepare a brief and send it to me. As soon as he does I will send you a copy.

Yours truly,

EF:KLM

P. S. To refresh your memory I am sending you a copy of our Settlement Sheet sent you on March 17, 1926 direct by Mr. Wansley, and at the same time he wrote you a letter and sent you a copy of the 1926 income tax returns. We have your receipt for these papers which were sent you by registered mail.

Mr. Charles F. Stern

*and letters same*

Answering yours of the 15th of October, I ~~do~~ appreciate *same* the changed tone of ~~your letter~~. This matter has been a severe shock to me. When you first wrote me it was hard to believe you were in earnest. I am glad to write you on a more personal basis. We are both of the same temperament.

~~I want you to look with me calmly at the facts.~~ I can only repeat that before you ever went into the Cuyamaca deal with me you knew of my claim against Murray for services rendered and pledges made by Mrs. Murray to return the notes in consideration of my services, Mrs. Murray thinking the notes belonged to her when given to her by Mr. Murray. This information you had full knowledge of. Some considerable time after Mr. Murray's death I asked that Mrs. Murray put it in writing, and as I recall it she took it up with her attorney Mr. Brown and it turned out that the notes had never been legally endorsed by Mr. Murray, that the notes belonged to the estate and had to be accounted for by the estate. ~~The larger~~ It was also to Mr. Brown's interest personally. The larger the estate the larger the fee.

In your letter of October 15, 1922 you say "Let's look calmly at the facts". That is what I am trying to do. You state in your letter of October 15th, that "in April of 1923 I made representations to you of the profits, etc, a joint venture to buy the Murray interests. You have forgotten that I told you all about my Cuyamaca matters and the Murray matters in 1920, 1921 and 1922 and took you over the whole Cuyamaca system in 1921 and 1922, with the idea of our owning it together.

On Feb. 28, 1922 I wrote you about Cuyamaca matters, also on March 13, 1922. Please read your letter to me of March 15, 1922, all pertaining to Cuyamaca-Henshaw matters. I was telling you everything. On March 29, 1922 you acknowledged receipt of certain Cuyamaca data. On April 3d,

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1922 I wrote you fully regarding the Cuyamaca situation; also my letter of May 17, 1922 to you and your reply of May 19, 1922, in which you state "I am very much interested in the Cuyamaca situation, partly because ~~of~~ I really believe in it and partly because of your interest in having me interested in it". On September 11, 1922 I wrote you regarding Murray matters.

In September, 1922 you sent Mr. Henry Robinson down to look over the whole Cuyamaca system and report to you. Please see your letter of September 20, 1922 to me. On October 25, 1922 I took the original option to purchase the Murray property for \$700,000. My distinct recollection is that Mr. Brown's price was \$600,000 for cash or \$700,000 on terms. I secured on Oct. 25, 1922 another agreement from Mr. Brown, simultaneously, reading as follows:

Colonel Ed Fletcher,  
San Diego, California.

My dear Colonel Fletcher:

This will refer to the option this day given you to purchase the interest of Mary H. Murray in the Cuyamaca Water Company. It is my understanding that in event this option shall be fully exercised by you then there shall be surrendered to you without further consideration your note of December 30, 1919 for the principal sum of \$85,578.78, payable on demand, with interest at the rate of 7 percent per annum and now a part of the assets of the estate of James A. Murray, deceased.

Yours truly,  
(SIGNED) W. S. K. BROWN

*Downloaded*

This meant the return of the notes in accordance with the understanding with Mrs. Murray and with Mr. Brown, which I have explained to you many times. *the option & the other letter*  
I showed ~~both of these papers~~ to you the following morning, October 26, 1922 in Los Angeles, and told you that I wanted you as my partner in the deal if you cared to come in, otherwise I was going to get others interested. You again expressed a desire to become interested, and you will remember that in 1922 we held meetings with Judson and Robinson, and even considered the consolidation of the Sweetwater and the Cuyamaca systems, and made a tentative offer as I remember it, negotiations lasting for months.

Please read your letter to me of March 20, 1923. You considered yourself a part owner at that time altho you had never put up any money or signed anything, but I cannot refrain from quoting from your letter as follows:

"I am well aware that you have been able to secure a buying contract from the Murray Estate at a price probably \$150,000 less than the Murray heirs would sell to anyone else and a great many hundred thousand dollars less than any appraised value of the property. These things should be taken into consideration by Messrs Robinson and Judson." *Should you not also state these facts into consideration?*  
The facts are, Frank, that the Cuyamaca property, when I purchased it, had the James A. Murray and the Murray Estate nearly \$1,100,000, including 6% interest. The first remark Mr. Brown made was that in consideration of selling to me he would take the actual money, *inserted* without interest, that Mr. Murray had put into the system, which was about \$700,000, or would take \$600,000 cash.

*from offer*  
There are many letters from the 1st of January to April, 1923 on this subject. You sent Senator Flint to Mr. Spreckels in January. *1923* I sent you different reports of different *about that time* engineers. Also refer to your letter of December 14, 1922 where you told Mr. Chickering that you were interested in the Cuyamaca situation with me, and "that inasmuch as Chickering would know it sooner or later, you wanted him to know it from you and not from anybody else".

All of this proves conclusively that it was *not* because of my representations you went into the deal, but you went into it because of your own personal investigations

Now, Frank, I am answering your first question on Page 2 of your letter of Oct. 15, 1932. First: For several years you knew the existence of the Murray notes; you knew of my representations to you of a settlement ~~with~~ that Murray had promised me, of Mrs. Murray's promise for my services rendered as well, and I have a definite recollection of showing you, not alone my option of Oct. 25, 1933, but Mr. Brown's side agreement to return me the notes as was originally planned and promised. This does not necessarily mean that I am calling you a liar, or questioning your integrity. I say you have forgotten.

I have asked you many times to read our correspondence. Please read again my letter to you of Nov. 16, 1923. There can be no mistaking of your being notified in writing re the Murray notes; also read again my letter of Oct. 19, 1925 in reference to these notes. Please read again my letter of Dec. 30, 1925 asking you to send some experts to check up on everything and you replied on December 31, 1925 that you had no desire to audit the books.

Please read again Mr. Wansley's letter of March 12, 1927, together with copy of my ~~the~~ 1926 ~~1927~~ Income tax return and the Settlement Sheet. This was a registered letter to you and I have the receipt. *on my word as a man*  
*As God is my judge,* I had no thought of concealing anything. I instructed my sister and Mr. Wansley to make out that statement and send it up to you. I had nothing to conceal and that settlement sheet shows my receipt of the Murray notes and my Income Tax on same.

Please read again my letter of April 1st, 1927 in which I sent you an agreement relative to your ownership in lot "D", Cuyamaca Rancho, in connection with the Murray notes. ~~It~~ Please read again my letter of June 22, 1927 with my complete explanation of the Murray notes. I think there are other letters on this subject, to say nothing of our conversations in the presence of Mrs. Fletcher and your good wife.

I ask you, Frank, how on earth can you say that you had no knowledge of the Murray notes coming to me? *on the side agreement* All I can say, without feeling, is that you have forgotten.

Regarding your second question, "Did you or did you not/agree with Brown, that the actual price of the estates's 5/6ths interest in the

Cuyamaca was \$600,000 and that the price was jumped \$100,000 to me to cover a commission in the form of the Murray notes?" In answering, Frank, I can understand now your feeling in the matter, and your questioning my integrity.

On my word of honor, my answer is that I was asked by Mr. Brown to help the Murray Estate in the matter of its inheritance tax, that it would save them considerable money if I would sign this statement. That it meant nothing to me but everything to the estate.

Mr. Brown had a statement all prepared for my signature before I arrived in his office. Now mind you, there was no agreement on October 25, 1922 either verbally or in writing that this was to be considered a commission. The following letter speaks for itself.

Oct. 25, 1922

Col. Ed Fletcher, etc.

But the fact is that Mr. Brown tried to get me to sign a statement which he had prepared, ~~without change~~ when I asked him for the notes. I refused to sign ~~to~~ his personal draft ~~to~~ after his plea for me to sign to help out the estate with the government.

Then the thought came to me that you had full knowledge of these notes, that under no condition ~~could~~ <sup>any</sup> this misunderstanding come up between us, that the Murray Estate had kept their word and returned the notes, that it made no difference to me or to you one way or the other, and it would help the estate, ~~and~~ after considerable argument on the part of Mr. Brown I agreed to sign the instrument dated March 17, 1927 under one condition, that the agreement be re-written and the clause inserted that "at no time did Mr. Fletcher retire

*in writing*  
*you believe this to be true*  
*no amount of money to help them out in this matter*

from the position that Mrs. Murray had promised him this note as compensation for service rendered to her in matters connected with the Murray Estate". Mr. Brown added "Contra: Mrs. Murray has never conceded the correctness of Mr. Fletcher's position in that respect". I signed it as it left matters in statu quo. I was still maintaining my position, which I consistently maintained from beginning to end, and Mrs. Murray has forgotten her statements that she made to us soon after Murray's death, while in San Diego.

As an offset to any equity you might claim as your half interest in the Murray notes, as heretofore written, you still have a one-half interest in the profits of Mission No. 3 over and above \$40,000 and you have a one-fourth interest in 800 or 900 acres of land at Cuyamaca, which never directly or indirectly was included in or a part of the Cuyamaca holdings of James A. Murray in which you acquired a 5/11ths interest, and without consideration or cost to you of one penny.

For friendship's sake, if for no other reason, if you still insist upon a one-half ownership in those notes, if as a compromise I conceded ~~and~~ <sup>please</sup> let what comes out of Mission No. 3, which you secured for nothing, be applied to the Murray obligation, which you claim, also let the land which you secured for nothing in Lot "D" Cuyamaca Rancho be applied, and I make up any deficit. Give me a reasonable time, say five years, to dispose of these properties to the best possible advantage. The interest rate is high. It should be reduced to 6 percent in fairness to all. If the Mission Gorge No. 3 and your interests in Lot "D" Cuyamaca bring more money than your Murray claim, you can have it.

In the meantime, what is the real picture? I worked for practically nothing from the time you entered the partnership until the system was sold, altho my time was invaluable for years, and I had a big public utility on our hands, with endless litigation.

*Fleet*

Senator ~~Wright~~ and you failed to make the sale to the city as you planned. It was not my fault. Weitzel, with his demand for money killed that deal. I personally made that sale to the district and drew up the option as the records will show. When the money came in I did not ask you for any extra consideration. *for Almas* You took your share of the profit. You never invested any of your own money. Any money we borrowed was backed by the entire Cuyamaca system, with your ~~fortune~~ and mine. You have already received *approx 135,210* ~~cash on the account~~ out of this joint venture of yours and mine, and you have in sight another \$65,000 or \$100,000 or more, in my opinion, if we pull together and work together.

There is nothing in my life that I have felt greater than the loss of your friendship, and if you have been sick at heart, so have I. I have given the best that is in me in answering this letter.

I want this matter settled to your satisfaction and mine, as between men, for at the present time we are at the cross roads.

First: I will arbitrate the whole matter in the usual way, taking into consideration your Mission Valley interests, your Lot D, Cuyamaca interests and my past services, as well as your claim or claims.

Second: I will let the matter be arbitrated by Mrs. Fletcher and Mrs. Stern, those two to select a third, and each of us to present our case, the result in both cases to be final.

Third: I will pay \$75,000 covering all of your interests in Cuyamaca Water Company, a corporation, Mission No. 3, Lot "D" Cuyamaca Rancho and any and all claims you have against me, giving you one-half of the 6/11ths revenue we are receiving from the City of San Diego on the pipe line contract, *on a/c* this in no way to affect your present revenue of 5/11ths; the balance to be paid from the first money received from the sale of either Cuyamaca Water Company holdings, Mission No. 3 or Lot "D" until paid.

If you have not been paid within 5 years from date, the whole amount

to be paid within 10 years from date, drawing five percent interest after the first 1 years.

Please remember that the dollar of today will buy practically anything in this country, stocks or bonds, to the equivalent of \$5.00 between 1926 and 1930, and from every indication the value of the dollar is going to remain about as it is for the next five to ten years to come.

I hope some one of these three propositions will be satisfactory to you. The money will be available to pay the Cuyamaca Water Company income taxes, which will undoubtedly amount to \$5000 or \$6000 this year.

Will you please keep in mind that I have gone out of my way to satisfy you as between friends. I took a ridiculously low salary during the years I was manager of the Cuyamaca Water Company. I made no claim for any further compensation when the sale was consummated. During all of this time you were drawing a large *\$ to 23000* salary from the bank and making money on the side as well. I personally put thru the sale of our holdings in East San Diego and Normal Heights to the city without any charge. I at my own expense, with the exception of \$500.00 about which I wrote you, fought Mission No. 2 to a standstill against great odds, and won. And handled all of the negotiations and sold El Capitan for \$40,000 cash, the value of which you placed at nil. Are these not going to be taken into consideration and is it not inconsistent with my whole business record with you when it comes to your charge of my gypping you.?

Further than that, I was willing to go on to the end. Do not forget that Brown had an axe to grind. When he gave that option at \$700,000 he had not in mind asking me to sign any papers to help him with the government re income taxes later on. That was an afterthought. His written statement dated Oct. 25, 1922 in agreeing to return the notes speaks for itself. Both you and I should be thankful now that we have the money available to pay this Cuyamaca Water Company tax during these hard times.

Inclosing <sup>1</sup> ask you please to show this letter to Mrs. Stern. This both is ~~also~~ a request from Mrs. Fletcher and myself, to a woman of whom we think the world. *off*

You have given your point of view to a number of people, including three or four attorneys whom I believe I know. In fairness to me, and owing to our past friendship, if you will do nothing else, before filing suit, will you and your attorneys meet Mr. Sloane and go over the points at issue. My attorney has criticised me for giving you our side of the issue, but I have done it in the hopes that a way could be found to settle this matter amicably in justice to all, to prove to you my sincerity of purpose, and above all to eliminate the disgrace, embarrassment and publicity of a suit, as it affects my wife and family. No matter who wins ~~in the end~~ the stigma against my good name is still there, for the suit would undoubtedly be tried here, and if you lose you are

~~mine is not the only way as I have stated to you very truly.~~  
~~This also applies to you~~  
Have asked Sloane to prepare brief  
*brief*

(copy)

Nov. 16, 1923.

Mr. C. F. Stern, Vice-President,  
First National Bank,  
Los Angeles, California.

My dear Frank:

I was talking to Mr. Sanders today regarding our proposed partnership agreement.

As the situation stands today we have an understanding regarding Henshaw's 1/12 interest as per my letter of August 13, 1923, and your reply of August 17th, 1923.

I own another 1/12th interest which will carry with it one-twelfth of the total sale of the property when made.

Now regarding the other 10/12ths, we are in on that for joint account according to our contract with the Murray Estate, and mine with you.

This letter will confirm my verbal offer whereby if you desire to purchase a one-half interest in what I own in Mission Gorge No. 3 for \$25,000, payable one note for \$5,000 bearing 5 percent interest payable in one year, and four other notes for \$5,000 each, payable in two, three, four and five years, I will let you have a one-half interest in Mission Gorge damsite No. 3, together with an acre of ground for caretaker's house, the boundaries of the damsite and acre of ground above described to be mutually agreed upon, together with all surveys, work heretofore completed, including core drilling, etc. and a deed to all lands that will be flooded to the 355 ft. contour U. S. G. S. Datum, that I control, to-wit:

All of Lot "B" and a 1/2 interest in Lot "C" being a resubdivision of Lot 70 Rancho Ex-Mission together with the consent to build Mission Gorge Dam No. 3 so far as it affects any riparian rights below, lands that I control.

I consider the above property worth \$200,000 today and a one-half interest \$100,000. I offered a one-half interest a year or two ago to Henshaw for \$30,000 in order to have him feel that I was playing the game with him.



I appreciate your friendly attitude in the matter of the adjustment of my \$85,000 note to the Murray Estate, when the Murray Estate's interest is purchased and paid for.

Mr. Sanders says he is going to be in Los Angeles Monday to discuss with Mr. Smiley a partnership contract. I think the quicker we got this settled up, the better, and the agreement signed and put of record.

I am certain now that three members of the city council are in favor of purchasing the Cuyamaca Water Company and particularly they will be more anxious to purchase when they find out they cannot condemn either Mission Gorge or El Capitan. Have you written Mr. Chickering and asked him for an opinion on this point? Both Stevens and Sanders are agreed that the city cannot condemn. I will be in Los Angeles Monday and will be ready to go into a conference either Monday afternoon or Monday evening to expedite matters.

Am planning a hunting trip the last of next week or the first of the following week for you and the wife. How about it?

I want again to thank you for your friendly attitude all around on this whole proposition and when Brown comes down I want Brown to explain fully to you the \$85,000 note episode so as to put myself one hundred percent in the clear and make you absolutely satisfied.

With kindest regards, old top, I am,

Sincerely yours,

EF:KLM

November 19, 1932.

Mr. Charles F. Stern,  
816 Broadway Arcade,  
Los Angeles, California.

Dear Sir:

Enclosed find letter that Mr. Sloane has written me on the subject that may be of interest. In no way did I dictate any portion of this letter or knew of its contents until I received it. I asked him to give me a resume of what he thought of the situation and this is the result.

There are one or two statements there that I question but am sending you the letter without change, for what it is worth. I sincerely hope you will arbitrate this matter. If not, I shall submit a new plan, ie:

That we continue on as is. I will furnish my services free excepting office expense, and what we can realize out of the properties of the Cuyamaca Water Company you shall get 5/11ths as per your stock holdings and you get what comes out of Mission No. 3 and Lot "D" Cuyamaca Rancho in accordance with our original agreement. We will pay you in addition to what you are already receiving from the city, one-half of our revenue on the pipe line contract now coming to the Cuyamaca Water Company, and let same apply to any profits or dividends coming to you in the future, as and when the assets are sold.

If things go at all the way I hope they will you will certainly realize in time much more than the \$100,000 you are asking for.

Please take this suggested offer under consideration, our attorneys to work out the details mutually satisfactory.

Yours truly,

EF:KLM

F. When if we paid them \$4,000?

S. If we paid them \$4,000 - the first note, I think the second could ride. I think that we had better pay them off and get the bonds and liquidate them. We do not want them under the circumstances

F. Why?

S. The money is a great deal more valuable.

F. You mean turn around and sell them. What is the market today?

S. I do not know, we would probably take a loss on them.

F. I am not ready to take a loss on mine.

S. I was just going to suggest we pay both notes and you take your bonds and I will take mine.

F. All right, I think that is the best thing to do.

S. I do not think you better worry about the income tax now, until next year.

F. Is it cheaper thru our individual returns or thru the corporation?

S. Who was the check payable to?

F. Cuyamaca Water Company.

S. If the money went to the corporation you cannot avoid paying it thru the corporation.

F. For heaven sake, Frank, do not send me down, write me any more such letters that you have been writing, and let me tell you, when this cleanup is made you are going to be 100 percent satisfied

S. There are a lot of things we have got to talk out. Do you realize I have not seen you for over a year.

F. You and I are going to get mad if we start talking this thing ever face to face.

S. I won't. You never saw me angry in a conference in your life. This is not the time to talk that out any way. You are sending me a check for \$15,000? Turn over the bond situation in your mind. I think we should liquidate those notes.

F. For the love of heaven write me a decent letter.

S. You have got many of them from me

F. I have never had a man I thought more of and it make both my wife and me sick -

S. I feel that way toward you, but you have been so hard looking at your side of this you don know what its all about. I want to settle it just as heartily as you. I want to get back to the place where we can go to Cuyamaca and Ensenada and it can be done, but it cannot be done by ignoring it.

F. I hope so. Good-bye

S. Goodbye

FRANK, I received the money today from the city, for our El Capitan sale, Thanks to my friend, Deputy City Attorney Daniel, he got the city council to meet in special session and take final action.

You don't know how lucky we are. There is a city election on this month, under the new charter, and every member of this present city council, with possibly one or two exceptions will be defeated.

I am sending you up a check for \$15,000 today, and charging it to your account. You will get a detailed statement in a few days.

We will have to keep in mind the income tax to the government. You called this property "cats and dogs" and it is only on our books at a cost of \$3000.00. We have some more "cats and dogs" down here that will bring in some real money

I have laid the foundation for the sale of Mission No. 3 to the city, and at a real profit.

I hope that you will not write me any more such letters as you have been writing. When this clean-up is made you are going to be 100 percent satisfied. It is going to take time, but you are going to get almost as much out of this deal as I ever represented in the beginning, even with the awful adversity we have been thru.

# CHAS. F. STERN COMPANY

BUSINESS SERVICE BUREAU

REORGANIZATIONS  
RECEIVERSHIPS  
CONSOLIDATIONS  
LIQUIDATIONS  
PROPERTY AND INDUSTRIAL  
MANAGEMENT

816 Broadway Arcade  
Los Angeles, California  
Mutual 5647

CHAS. F. STERN  
PRESIDENT  
WALTER C. OREM  
VICE PRESIDENT AND MANAGER

December 1, 1932

Colonel Ed Fletcher,  
1020 Ninth Street,  
San Diego, California.

Dear Sir:-

I have been patiently wading through back files and dusty correspondence seeking again the references you gave me and making certain that I am not overlooking anything that may soften a difficult situation. My files have been pored over so much that some of the stuff is not in chronological order and to save time I am going to ask you for copies of two communications to which you refer. You state: "Please read again my letter of April 1st, 1927 in which I sent you an agreement relative to your ownership in Lot 'D' of Cuyamaca Rancho, in connection with Murray notes."

I have the letter of April 1st, but have mislaid the agreement attached thereto. I don't seem to find your letter relative to the Murray notes; I shall appreciate it if you will send me promptly copies of both.

I want to assure you that I am doing everything I can to give your side of this case a fair hearing. If, as you suggest, my point of view is due to any mental lapses on my part, I want to know it.

Please let me have copies of these papers.

Yours truly,

*Charles F. Stern*

*Yours of  
June 22<sup>nd</sup>  
1917*

December 7, 1932.

Mr. Charles F. Stern,  
816 Broadway Arcade,  
Los Angeles, California.

Dear Sir:

Answering yours of December 1st, 1932, I am enclosing copies of the two communications you ask for. -- Copy of agreement signed by Ed Fletcher and Mary C. B. Fletcher, with your signed acceptance, certifying to your undivided one-fourth interest in the 828 acres of land in Lot "D", Rancho Cuyamaca. You asked me for copy of my letter of June 22, 1917. You must have meant June 22, 1927, so I am enclosing copy of my letter to you of June 20, 1927, copy of your reply dated June 21st, 1927 which shows that you had forgotten our signed agreement of April 1st, 1927, also copy of my letter to you of June 22, 1927, giving full explanation thereof.

Please read also my letter to you of April 1st 1927 in connection with the agreement, your reply of April 5th and my answer in reply dated April 6th, 1927.

If you will refer back to your earlier correspondence, as far back as 1923 you will also find references to the Murray notes.

Please pardon my again making reference thereto, but Lot "D" Cuyamaca Rancho never belonged to the Cuyamaca Water Company, nor to James A. Murray or Ed Fletcher in connection with the Cuyamaca Water Company, directly or indirectly. That was a separate deal, that I put over many years before Mr. Murray died wherein I sold the Kelly Ranch, including Lot "D" to the F. & W. Thun Company, C. A. Canfield and James A. Murray, individually. At their request I divided it up into three equal parcels as to value, they accepted my valuation without investigation of the property on the ground, and each party was deeded his share of the property. From the Murray estate I purchased that portion of the Kelly Ranch heretofore mentioned, known as Lot "D".

Let me know if I can be of any further service in the matter. I am more than happy that you are making this

investigation. There has certainly been a mental lapse on your part. I am saying this without any intention of hurting your feelings, but if you will read all of the correspondence from the beginning, you will find that I am one hundred percent sincere in my presentation of the case and the records will prove it.

For fear of losing my temper it is better that we do not meet until this matter is settled, but I welcome your taking matters over with Mr. Sloane, my attorney, or your attorney and Mr. Sloane going over the whole situation and the records. My one prayer is that I can convince you that you have made a mistake. I am praying that some how, some way we can some day, forgetting the past and never mentioning this subject, again by mutual agreement have many happy days together again.

Yours truly,

Charles F. Stern

Dec. 7, 1932

investigation.

Please excuse one more reference to my early connection with Mr. Murray. If my recollection serves me right, the records will show that I paid no interest on the monies advanced to me by Murray re the Cuyamaca system between 1916 and 1918. In 1918 the notes were consolidated and on his instructions I never paid any interest on those notes thereafter, until his death or afterwards. Mr. Murray intended to do the right thing by me. He had stopped payment of any salary to me. I believe it was only one year that I drew any salary at all. Every year we expected to sell the Cuyamaca System and make our settlement then for my compensation. In 1916 we offered to sell the Cuyamaca System for less than \$400,000. We kept putting money into the development of the system each year. There were negotiations on most of the time with the district or the city re the acquisition of the system, for 5 or 6 years. The La Mesa District agreed to buy, and going to give us bonds in payment. I think this was about 1916, or 1917. Everything was settled when the question of examination of the <sup>bonds</sup> showed that they were voted for another purpose - to build a new system as per plans and specifications made by J. B. Lippincott. Our attorney turned them down and a movement was on foot to have another election to make the bonds available for the purchase of an existing system, our system, when the city intervened, went to the railroad Commission, stated they wanted to buy our system and a valuation was put on of \$745,000, by the Railroad Commission, as a sales price, in 1916 or 1917. Two years later we made an offer of \$1,000,000 to the city.

This all has a bearing to show that I had something substantial coming to me from Mr. Murray for my many years of service, as manager of the Cuyamaca Water Company, which I never received excepting thru the return of these notes.

I am preparing two statements, one showing what is coming to you on the hunting, fishing and boating privileges, bringing same up to date; also what is coming to you on the sale of the real estate in Lot "D" Cuyamaca Rancho, and same will be forwarded you as soon as possible.

I have been having my troubles down here like everybody else, but if I am left alone I can work these things out. I have been told you have been thru the mill likewise and hope things are easing up with you.

Yours truly,

EF:KLM

Mr. Charles F. Stern

-3-

P. S. Among other things, the Athletic Club completely failed, lost its property under foreclosure, White is busted completely, and I had to take on between twenty and thirty thousand dollars of Athletic Club notes during these hard times. The members are legally responsible but eighty percent of them are broke.

E F

December Twenty-third

1 9 3 2

Mr. Charles F. Stern  
815 Broadway Arcade Bldg.  
Los Angeles, California

Dear Sir:

I received word yesterday from the state engineer that the \$15,000 has been put in the administration's budget to be matched by a like amount in San Diego to make a complete survey of the San Diego River, a flood control measure, the ultimate plan being for the state to pay one-half the cost of the building of a dam or dams on the river to complete its development, the city and the county the other half.

Yesterday I was approached by Mr. Mayrhofer, another member of the Water Commission asking that I give an option to the commission to purchase Mission Gorge #3 to the 350 foot contour.

I wrote you a few days ago that the chairman, Mr. Sam Fox, had made the same request. The commission consists of three members as follows, Fox, Mayrhofer and Chandler, all of whom I consider friends.

I asked Mayrhofer why they wanted the option now for a two year period and his answer was the commission are friendly, they feel Mission #3 should be bought and for our own good they should have an option now so that when the city water commission and the state cooperating together lay out the plan of development the city wants to be in a position to say to the state that Mission #3 is under option; that it can be had for a certain price, say \$150,000; that the state will be more willing to consider site #3, it being under option than no option at all; that the state will be reluctant to recommend a site which the city did not own, not knowing the price, that it is for our own good.

Mayrhofer said the entire commission were favorable to the building of Mission #3. Fox seems to have the idea that San Vicente should also be built, but the one thing that the State of California will attempt to do, in my opinion, is to build a dam which, in conjunction with El Capitan, will control all the flood water of the river to all practical purposes and that means building either of Mission #2 or #5 as San Vicente is off the main drainage on the San Vicente Creek between Lakeside and Ramona. I believe we have #2 site killed for ever and that they will have to select #3.

Mr. Savage has constantly advised the city and heretofore they have followed his advice to sell no water for irrigating purposes and keep the price up to cost of development, 20¢ a hundred cubic feet.

I have been working for two years to get the council to change their point of view. I gathered the information and found out that the average irrigating rate is 6¢ covering the 19 Southern California cities. By talks before different chambers of commerce and many articles in the papers I have educated the people to the point that without a cheap irrigating rate San Diego cannot grow; that it is only loaning the water for irrigating purposes for a few years when it becomes domestic with the subdivision of the property.

Last summer we won out and got the rate down as low as 10¢, starting in at 20¢. Rains came in October this year, the revenue for the sale of water went down and another human cry in the council to put the rates back to 20¢. Again I got busy with the local chambers of commerce and individuals and I also wrote a letter to the council showing that decrease in the use of water all over San Diego County and Southern California was as great or greater than San Diego owing to agricultural conditions and the heavy rains in October. It stopped the city council taking action putting the rate back to 20¢. We are now planning a big campaign for next spring to put the irrigating rate down to 6¢ or 7¢.

Outside of our Navy and tourist traffic our only source of revenue here to speak of is agriculture, winter vegetables. If we don't continue this drive and keep plugging away in the development of water, erecting a demand for the building of Mission #3 it will be years before we will ever sell #3 so I am playing in with the State Park Association that controls Mission Bay which is gradually being filled up with silt. I am stirring up the interest of the property owners in Mission Valley to keep sounding away for flood protection and with a concerted effort to encourage the growth of winter vegetables and use of water setting a 6¢ or 7¢ rate. I believe by hard work in time we can accomplish our purpose.

It will be a year before Hyatt will have his report. By that time I hope to have the town educated to the fact that we had better make a strong bid for agricultural development on our 50,000 or 40,000 acres of mesa lands within the city limits as yet undeveloped.

Enclosed find clipping from Saturday's paper and Thursday's paper showing my activities in putting our unemployed on San Diego's public lands and other lands, encouraging the use of water.

I tried to get out of the chairmanship but the committee refused. I am giving a dinner next Tuesday night at the Athletic Club when all the city and county officials will be there including the city and county welfare commission, community chest, farm advisor, horticultural commissioner, etc. The committee I took out Wednesday afternoon are 100% enthusiastic. I believe something practical will be worked out of this.

I believe that the suggestion that we should receive \$150,000 for Mission #3 is right, the option to be for a year, not two years as they ask for. I am of the opinion if they condemn Mission #3 we would get more

money but it would nullify a lot of the hard work that I have done if it became public that we were trying to get more and might defeat our purpose of sale.

We can show that the district contemplated and had an option to buy Mission #3 for \$110,000.

I would like an answer from you as to your opinion in the matter before giving any option.

I was glad you had Mr. Oliver contact Mr. Slocum and my son. When this unfortunate controversy first started I had Miss May and Ed Junior go thru all the ten year records, correspondence, etc. and gather them together. Mr. Oliver saw most of it yesterday.

I have never had the time or patience to go thru the records myself. I am satisfied that in our safe and in our records there is additional data proving my contention and I intend to give the time for a further investigation of the records.

It is my one wish that I can convince you of my sincerity.

I also wish you and your family many happy returns of the New Year and that this unfortunate controversy can be settled to our mutual satisfaction.

Yours very truly,

EF:ASK

**Ed Fletcher Papers**

**1870-1955**

**MSS.81**

**Box: 28 Folder: 4**

**General Correspondence - Stern, Charles F - 1932**



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