

(copy)

Office Copy

February Fourth
1 9 3 1

Mr. Charles F. Stern,
1225 L. A. Stock Exchange Office Bldg.,
Los Angeles, California.

My dear Frank:-

From your letters and information I got from Mr. Brown I take it that you are not satisfied with the settlement that we made in 1926 or soon after we sold the Cuyamaca Water system to the District. I considered it a definite settlement and one that you were satisfied with in every way.

Regarding the Murray notes. I want you to have the picture from the beginning. I am writing the following from memory but the situation is about as follows:

Mr. Murray refused to buy the Cuyamaca system unless I took an interest. I told him I had no money. A condition of his buying was that I take a certain interest, which was one-sixth. He agreed verbally to carry me thro until the system was sold and promised me a letter to that effect but never did write the letter. Murray loaned me money from time to time. No one had any idea that it would string along so many years. The city has always off and on negotiating to buy.

Around 1918 I could not even pay the interest and Murray told me to let things run and forget it.

In the meantime, he had only allowed me \$200 a month salary, part of the time, for running the whole works, giving over half of my time to it and a number of years I received no salary at all on Murray's instructions. Murray said he would compensate me when the system was sold and we made our settlement.

I did a lot of outside work for Mr. Murray for which I was never paid a cent although I was promised compensation. It included two trips to Kingman, Arizona, in the Holmes matter. I took him there at my own expense in my own automobile, although, part of the time he paid the hotel bills.

Mackay Radio RADIOGRAM

ACCURATE
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15 Words
FOR THE USUAL
PRICE OF 10
Coastwise Service

All America Cables

Commercial Cables

Received at 1040 Fourth Street, San Diego, Calif.

22GI 10

RK LOSANGELES CA JAN 27 1931 1038AM

COL ED FLETCHER

1020 9TH ST SANDIEGO

I AM WILLING IF YOU ARE STOP DO IT NOW

CHAS F STERN

1048AM

REPLY MACKAY RADIO—USE POSTAL CALL BOX OR TELEPHONE MA-IN 4177

February 4th, 1931.

I went to Salt Lake City once for him. Again I was promised a fine commission if I could sell the Pocatella Water works. I went up there at my own expense. I got a \$250,000 offer, as I remember it, from the City council and Murray intimated that I ought to have a 10% commission for putting over the deal. The deal was not closed until some time a little later but I never received any credit.

Another time I went to Livingston and got a \$200,000 offer, as I remember it, from the city council for the Livingston Water Works. This Murray refused and to his dying day, I think he regretted it, for the city council paralleled the system and I think the estate has it today.

If I remember rightly, the last notes signed were around \$85,000 or \$86,000 but I never received any credit for any of the services that I have mentioned above.

Mr. Murray died rather suddenly and Mrs. Murray either telephoned or telegraphed me to come immediately, which I did. She informed me that Mr. Murray's nephew was trying to take everything in sight; that properties were in his name that should not be; that I must help her in every way possible and the morning before Mr. Murray was buried when I told her about the things I had done for Mr. Murray and received no compensation for, she said, "Never mind the notes, that you have given Mr. Murray. I have them in my possession and I will give them to you if you will help me in every way you can," which I promised to do, and did.

Mrs. Murray knew of some of the work that I had done for Mr. Murray including my trips to Livingston and Pocatella.

I promised her I would help her in every way and gave her considerable information regarding Mr. Murray's affairs. Mr. Murray had told me a great deal, particularly his connection with James E. Murray, and I was able to assist Mrs. Murray in many ways.

A number of properties were in the name of James E. Murray and May Murray, some that neither of them knew anything about but I did. What Mrs. Murray wanted was a settlement without litigation. I carried out her instructions to the letter.

There was one piece of property worth around \$50,000 in the name of May Murray that neither James E. Murray nor May Murray knew anything about and I eventually saved this property for Mrs. Murray.

February 4th, 1931.

You will remember the day after Murray was buried I called on you in your Los Angeles office and told you what Mrs. Murray had promised to do. You knew how worried I was about what I owed Jim Murray on account of the notes that I had out and having nothing in writing from him.

When I told you that I was going to get those notes back in consideration of my past and future services, I believed it, and I believe Mrs. Murray was sincere in offering it.

I did not know the law and found out later that the administrator in going through the papers found my notes and he was legally required to administrate same and I will say that Mr. Brown has been mighty nice about it all. I am sure he has realized the moral obligation from the beginning.

I expected the notes to be handed back to me when I had completed my work for Mrs. Murray as promised. Mr. Thayer, their first attorney, must have known something about the notes. Mrs. Murray had me report to him from time to time.

As I remember it, Mr. Brown came into the case a little later and I reported to him.

The following expense I went to involving several thousand dollars I never was even paid for, not even my travelling expenses.

A trip to Montana getting information regarding a number of the heirs, getting a proposition from James E. Murray of settlement. In fact, I submitted two or three propositions with James E. Murray's verbal and written approval. I am of the opinion that if the proposition I got out of James E. Murray had been accepted the Murray Estate would have profitted much better than the final settlement that was made.

I made a trip to Portland, Oregon, to meet James E. Murray there, acting at all times under the instructions of the attorneys for Mrs. Murray. My reports to them speak for themselves.

I saw May Murray, Marchus Murray and one or two others, working in behalf of Mrs. Murray, also a number of the other heirs.

I went to San Francisco at my own expense at least twelve or fifteen times. Another time to Salinas as a witness.

I entertained James E. Murray two or three times in San Diego and spent considerable money keeping in touch with him and doing all I could to bring about a settlement.

February 4th, 1931.

Mr. Brown recognized my service as a moral obligation if not a legal one. Neither he, Mr. Thayer nor Mrs. Murray ever paid me a cent for my time or expenses for months while I was working on the Murray Estate matters. In fact, off and on covering a period of a year or two. I did not think it peculiar because I assumed that Mrs. Murray told them of my arrangements with her.

It was some time after Mr. Murray's death before I happened to mention it to Mr. Brown. He said it could not be legally done; the notes had been turned over to him but he would try and arrange an adjustment that was fair to all parties in interest and he further said that Mrs. Murray had never made any such promise, she had no right or authority to do it.

Mrs. Murray is getting along in years and in her excitement with her husband's death she may have forgotten it, but she certainly told my wife and my sister Mary the same thing, or words to that effect.

The time came when the property was for sale. I went to San Francisco, got from Mr. Brown the price as you know, of \$700,000 and Mr. Brown gave me a separate letter to return the notes without any additional compensation if I made the sale.

I paid him \$5000 of my own money on the option and took an option, as I remember it, until the first of June of the following year. It was the Fall before that I made the \$5000 payment, September or October, I believe. The following Spring you and I made a written agreement and you came in for a half interest in the Murray Estate interest. Neither you nor the Water Company ever paid me for any portion of that \$5000 that I paid down for the option.

You no doubt remember that I told you that Mr. Brown had said that he had the Murray notes that Mary and I signed, that as administrator he could not legally ignore them, and that there must be some record of them as assets of the Murray Estate. I remember distinctly telling you about it, the first time that I found out from Mr. Brown what his attitude was. My recollection is that I wrote you once or twice on the subject.

It is my understanding that Mr. Brown, in making his income tax report to the U. S. Government cancelled those notes for my services.

When the system was sold and we were making our final settlement, you brought up the matter of these notes and expressed some dissatisfaction in relation thereto, stating that I was getting the long end of it, so to speak.

February 4th, 1931.

Considering all my past services before Murray's death with no compensation for many years and other services above mentioned together with the fact that I know I saved the Murray Estate many thousands of dollars as well after Mr. Murray's death, I felt that I had rendered service and had a right to be entitled to the extinguishing of those notes as my own compensation but rather than have any misunderstanding with you the final statement included the following credits or benefits that you got in excess of your partnership interest.

\$2194.95 which you were over paid when I sent you the \$25,000.00 check. Second, an undivided quarter interest in over 900 acres of land around Cuyamaca Lake that the Water Company never owned in which you never invested a dollar. Third, a half of the profits over and above \$40,000 and interest in Mission Gorge No. 3 when sold.

I always realized the value of Mission Gorge No. 3 site and do yet. After taking an option I wrote a letter to Mr. Murray offering to let him have an undivided half interest in the proposition at cost. This he refused but told me I could go ahead on my own hook.

I made the same offer in writing to Mr. Henshaw. Also to you, but neither of you ever were interested.

If the Paramount Right had been knocked out we would have gotten \$150,000 for that property easily and you would have made a handsome profit. Things don't look right for any profit now.

We made that settlement and I had every reason to believe that you were satisfied. You certainly have fared well considering the fact that you put less than \$500 in cash into the proposition.

Not alone did you get \$25,000 but you are getting 5/11ths of \$141,000 or over \$65,000 more from the pipe lines in East San Diego and Normal Heights from the city in addition to that if normal times will return again you should get another \$50,000 or \$100,000 depending upon our ability to sell the real estate. Fifteen years hunting and fishing privileges on Cuyamaca Lake, commencing next year, ought to bring a good revenue again as we have re-stocked the lake.

We have lands in El Capitan and ought to get \$10,000 or \$15,000 out of those lands between us as the

February 4th, 1931.

city has already deposited its check with the U. S. Government for nearly \$400,000 covering the lands within the El Capitan reservoir site and Indian Reservation.

You know I appreciate the splendid cooperation from you during the time we were in possession of the Guyamaca system. On the other hand, you are going to get the greatest return from the least cash investment that you ever made in your life and I do hope you are satisfied.

I am writing this letter from a friend to a friend and hope to hear from you that this full explanation has refreshed your mind and that you are satisfied. Heaven knows I want you satisfied but in a way that is fair to both parties in interest.

Yours very truly,

EF:ASK

CHARLES F. STERN
SUITE 1225 LOS ANGELES STOCK EXCHANGE BUILDING
639 SOUTH SPRING STREET
LOS ANGELES, CALIFORNIA
TELEPHONE TUCKER 1211

February 5, 1931

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

Dear Sir:

Mr. Stern would appreciate having from you the net figures showing the operating profit or loss of the Guyamaca Water Company during the period it was under your joint control - that is, the period that the option was in force prior to the sale to the La Mesa, Lemon Grove & Spring Valley Water Company. Apparently the income tax question covering these earlier years is not entirely settled.

Mr. Stern asked me to tell you that he had picked up another La Mesa bond at 40 flat with the January coupon attached.

Yours very truly,

Mary O Jackson
Secretary to Mr. Stern.

CHARLES F. STERN
SUITE 1225 LOS ANGELES STOCK EXCHANGE BUILDING
639 SOUTH SPRING STREET
LOS ANGELES, CALIFORNIA
TELEPHONE TUCKER 1211

February 14, 1931

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

My dear Colonel:

I am hoping to go into a huddle with Hubert Eaton in the next day or two to see whether we can make a trip in March into Baja California. I am getting a little stale and I'd like to get out into the open places with you.

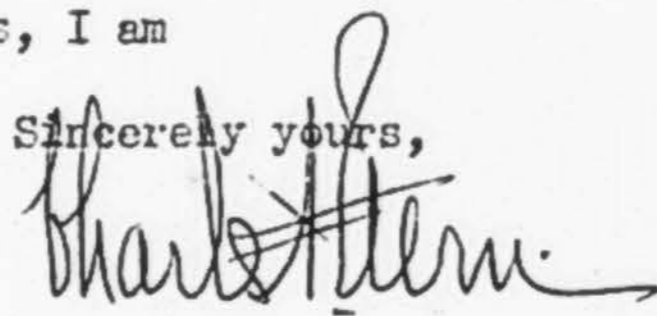
I have given careful thought to your rather voluminous letter of recent date and I am getting my own ideas into shape for discussion. I expect we shall both feel better when we have lanced this boil.

I asked Mrs. Jackson to write you the other day requesting a statement of net profits or losses in our operation of the Cuyamaca Water Company from the time that we took it over under contract to our final turnover to the City of San Diego. I would like very much to have these figures. I would also like to have another look at the accountant's figures on which our settlement was based; I seem to have misplaced my copy.

I have forwarded the second batch of eleven La Mesa bonds to the Anglo. This leaves us only three short of our quota of twenty-five. I have a bid out for them. I have instructed the broker to detach the July coupons from this new lot and I will send them down to you in a day or two to be registered for collection at the head of the list.

With personal regards, I am

Sincerely yours,



CHARLES F. STERN
SUITE 1225 LOS ANGELES STOCK EXCHANGE BUILDING
639 SOUTH SPRING STREET
LOS ANGELES, CALIFORNIA
TELEPHONE TUCKER 1211

February 26, 1931

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

My dear Colonel:

This is to advise you that I have today received from the Anglo the mutilated note which we have replaced and that I have destroyed the old one.

I had a pleasant telephone call from Charles yesterday; I like and admire that boy very much and I am glad to keep in touch with him.

I received from your office the copy of a settlement sheet evidently prepared for you by Wansley for the original Cuyamaca settlement. This was not the document which I had in mind when I wrote you, as I had not seen this compilation before. What I had in mind was the analysis of your relations and mine as a basis for settlement which Wansley prepared and you forwarded to me, which worked out our 5/11ths and 6/11ths ratio. If I can have a look at that I will appreciate it.

I am rather at a loss to understand the figures covering the operation of Cuyamaca while we held the property. Perhaps I erred in asking for the 'operating' figures. Cuyamaca accumulated a heavy deficit on our hands as indicated by the disbursements we had to make to pay the company's debts at the time of the sale and transfer to the district, or else the company had these debts when we acquired it. I have never seen any detailed figures and these are the figures I wish to get.

Hubert and Ann Eaton spent the week end with us at Wrightwood. Hubert has adopted a new philosophy of life which is that he isn't going to live forever and he wants to do the

Colonel Fletcher

-2-

February 26, 1931

things he likes to do best at frequent intervals from now to the end of the trail. Translate that into a real desire on Eaton's part to make three or four trips into Lower California next Fall and Winter. He would be very much interested in some kind of a hunting preserve if we can frame it, and I think we might do something worth while down in the San Quentin district. What I would like to ask now is whether you are going to be able to get us into Lower California freely with arms, ammunition and hunting permits next season. If there is any question about that Eaton has a scheme for organizing the Forest Lawn Museum Association and getting permits from Mexico City for the representatives of the Museum to shoot in Lower California and bring the game out for museum purposes. Clever, says I!

With personal regards, I am

Sincerely yours,

Charles F. Stern

February 28, 1931.

Mr. Charles F. Stern,
1225 Los Angeles Stock Exchange Office Bldg.,
639 South Spring Street,
Los Angeles, California.

My dear Frank:

Referring to your recent letter to Mr. Brown regarding the Murray notes, I feel you do not want to do me an injustice, and this letter is simply an attempt to refresh your memory in relation to the Murray notes.

Immediately on receipt of the letter from Mr. Brown, I asked Miss May to search the records as fast as she could covering our correspondence in the matter. We have been snowed under with work with out accountant here getting out our income tax.

To refresh your memory, when Mrs. Fletcher and I were at your house in Berkeley, before you went to Los Angeles, I told you about these \$80,000 worth of notes and how hard it was to get anything from Murray in writing, that I was in his power, had to do just what he told me to, and the promises he had made to compensate me for my service of ten or fifteen years when the system was sold, but I could get nothing in writing from him. He dies without the system being sold.

You say in your letter to Mr. Brown of January 30, 1931 that you remember one or two conversations with me about it. I told you in Los Angeles the day after Mr. Murray's death that Mrs. Murray had promised to return me the notes if and when an adjustment was made with James E. Murray, and for me to help her in every way I could. Mrs. Murray told Mrs. Fletcher and my sister the same thing.

The facts are that if Mrs. Murray had kept my notes, or note, to Mr. Murray, instead of letting Mr. Brown know of the existence of same, everything would have been all right. Mrs. Murray claimed the notes were here, that Mr. Murray had given them to her, and I supposed that he had made a legal endorsement thereon. The minute Mr. Brown knew of the existence of the notes and that they had not been legally assigned to Mrs. Murray, as administrator he immediately claimed them as part of the estate, and under the law it was necessary for him to have them, otherwise, as Brown explained to me he would be violating his oath as administrator.

Enclosed find copy of my agreement with Mr. Brown made after I secured the option. I again mentioned to you that I was going to get the return of my notes without any cost the day after Brown signed the original option to me under date of Oct. 25, 1922.

So far Miss May has found the following correspondence. My letter to you of November 16, 1923, copy of which is herewith enclosed; also copy of my letter to you of October 16, 1925, and your reply.

As you probably know, the Murray estate never got back their principal, to say nothing of interest for sixteen years. Mr. Brown stated in a letter to me under date of Oct. 19, 1925 "that by reason of the close relationship which you bore to Mr. Murray we would give to you much better and easier terms not only as to the purchase price, but as to forbearance in the way of time than we would to any possible stranger." Miss May also calls my attention to the following paragraph in your letter to me of March 20, 1923:

"Under these conditions therefore I think we should offer an interest in Cuyamaca to these gentlemen upon the basis that we are buying the Murray interests. 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."

It was worth \$500.00 a month of any man's money to be manager of this company, to say nothing of the hell I went thru for eleven or twelve years before Murray died. We had 33 formal and informal hearings before the Railroad Commission alone. If I had received \$500.00 a month I would have had better than \$60,000; instead I only got between \$15000 and \$16000 as near as I can remember, and several year's work without any pay at all on Mr. Murray's orders.

That you may know what I did for Mrs. Murray after his death, I enclose copy of my letter to Mr. Brown dated March 25, 1927. I did anything I could to help the Murray estate. Considering the promise of Mr. Murray before his death for a credit for compensation, which I never got, and considering what I did and saved for Mrs. Murray, I have only been fairly well paid by the return of my \$85,000 of notes.

I acknowledge receipt of your letter of February 26, 1931, regarding the Wansley statement. You asked me to have him prepare same and send you or your attorney, I do not remember which, a copy. This was done and sent by registered mail. I have turned your letter of Feb. 26th over to Mr. Wansley and asked him to answer it. My sister Mary is in Massachusetts and no one knows anything about the matter whatsoever excepting Mr. Wansley.

I am going to report immediately about what we can do next fall and winter about three or four hunts down in the San Quentin district. The next time we get down to San Quentin without fail we want to go one days' trip farther below San Quentin, getting a view of the gulf and getting some real hunting, for few people go farther than San Quentin. Will report to you soon whether the Forest Lawn Amusement Association should be organized or not. It will cost probably \$500.00 to organize it and you will have to pay at least \$1000 a year. That is what the Laguna Hanson people are paying how for the benefit of 7 or 8 members. This does not include getting your ammunition thru, either. I think that I can handle the matter for one-fourth the expense, or less and get the desired permits. Will write you fully soon.

Yours very sincerely,

March 5, 1931.

Mr. Charles F. Stern,
1225 Los Angeles Stock Exchange Office Bldg.,
Los Angeles, California.

My dear Frank:

Answering your letter of February 26th, enclosed find copy of letter of March 2, 1931 from Wansley, also copy of letter of March 12, 1927, that are explanatory. It has no doubt slipped your mind in relation thereto.

Am working on the First National Bank in relation to the loan as asked for in your letter of Feb. 20th. In not making much headway there but hope to see Mr. Joe Sefton of the San Diego Trust & Savings Bank. It is mighty hard to get any bank to lend money on unimproved real estate out in the country such as the holdings of the Guyanaca Water Company. The only thing we can do at the present time is to borrow money on our contract with the city and give up our revenue.

I am trying to work something out for the benefit of both of us, both ways.

Yours sincerely,

EF:KLM

March Fifth,
1 9 3 1

Mr. Charles F. Stern,
1225 L. A. Stock Exchange Bldg.,
Los Angeles, California.

My dear Frank:

Enclosed find copy of our settlement which we had Eddred & Wansley prepare at the time and copy of which was furnished to you in January, 1926, all for your information.

In conformity with this settlement the Guyanaca Water Company was incorporated, the property in which you and I was interested was deeded to the Guyanaca Water Company and you own an undivided five-elevenths of stock in the company.

If you will look thru your papers I am sure you will find a copy furnished you at the time.

Yours very truly,

E
F
:
A
K

March Fifth,
1 9 3 1

Mr. Charles F. Stern,
1225 L. A. Stock Exchange Bldg.,
Los Angeles, California.

My dear Frank:

Enclosed find copy of our settlement which we had Eldred & Mansley prepare at the time and copy of which was furnished to you in January, 1926, all for your information.

In conformity with this settlement the Cuyamaca Water Company was incorporated, the property in which you and I was interested was deeded to the Cuyamaca Water Company and you own an undivided five-elevenths of stock in the company.

If you will look thru your papers I am sure you will find a copy furnished you at the time.

Yours very truly,

E
F
:
A
K

CHARLES F. STERN
SUITE 1225 LOS ANGELES STOCK EXCHANGE BUILDING
630 SOUTH SPRING STREET
LOS ANGELES, CALIFORNIA
TELEPHONE TUCPEH 1211

March 10, 1931

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

Dear Colonel Ed:

I would appreciate having from your office a balance sheet of Cuyamaca Water Company as of the date that we entered into the contract to purchase the Murray Estate interest in Cuyamaca, or as close to this date as is available.

While at the El Capitan Theatre the other night I caught a glimpse of Charles and Willis with a couple of good looking ladies. Your boys certainly make a fine appearance.

With personal regards, I am

Sincerely yours,

Charles Stern

March 11, 1931.

Mr. Charles F. Stern,
Suite 1225 Los Angeles Stock Exchange Bldg.,
639 South Spring Street,
Los Angeles, California.

My dear Frank:

Immediately on receipt of your letter of the 10th I phoned Mr. Wansley in regard to getting out for you the balance sheet of Cuyamaca Water Company. For the next few days he is swamped with income tax reports, but has promised to get it out for you just as soon as this rush is over.

Very sincerely yours,

CF:KLM

CHARLES F. STERN
SUITE 1225 LOS ANGELES STOCK EXCHANGE BUILDING
639 SOUTH SPRING STREET
LOS ANGELES, CALIFORNIA
TELEPHONE TUCPER 1211

March 13, 1931

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

My dear Colonel:

Thank you for your letter of March 11th. It isn't necessary to get out a C.P.A. document for my purposes - all I want is a balance sheet of Cuyamaca as of a date somewhere near June 1, 1923, which can be taken by anybody from the company's books if there isn't a balance sheet on file, which there probably is.

Sincerely yours,

Charles F. Stern

CUYAMACA WATER COMPANY,

Trial Balance,

May 31, 1923.

Investments		767596.16
Notes receivable	30.00	
Murray, J. A. - advances		894480.08
Murray, J. A. - Estate	309.48	
Murray, J. A. - Personal account	3616.34	
Fletcher, Ed. - Advance		72933.33
Fletcher, Ed. - Personal account		3692.05
Fletcher, Ed. - Mission Gorge Dam	460.72	
Henshaw, Wm. G. - Advances		32640.47
Notes Payable		36415.09
Reserve for Accrued Depreciation		368536.78
Cash and deposits		574.86
Accounts Rec. - Domestic and Irrig.	16093.16	
Water Sales, Country		36974.91
Miscellaneous earnings		27.25
Non Operating revenue		1419.50
Non Operating Deduction, Taxes	25.30	
" " " Expense	1371.02	
Material and supplies	25590.93	
Other interest Deductions	916.39	
Rent Deductions	545.00	
Poverty Gulch and Conejos Reservoir	3168.90	
Diversion or Fletcher Dam	5998.27	
Boulder Creek	8246.56	
El Capitan Res.	12213.11	
Camp Kearney Pipe Line	3196.57	
Corporate Deficit	189242.93	
Payroll account		3884.21
Voucher Account		19446.11
Prepaid Insurance	477.05	
Tool Expense	513.68	
Deposit from Consumers		765.43
Intangible Capital	837067.52	
Interest Accrued	408067.41	
V. B. Noble		500.00
Inwood, A. J.		150.00
McNeill, B. E.		500.00
Smith, A. H.		155.65
Peterson, Joe F.	169.50	
Reitz, Wm. M.	284.35	
Marks, H. Otto		4000.00
Carried forward	1517604.19	2244631.88

CUYAMACA WATER COMPANY,

TRIAL BALANCE (Continued)

May 31, 1923.

Brought forward	1517604.19	2244691.88
Pine Hills Water Co.	59.06	
City of El Cajon	2572.20	
Davis, L. R.	37.96	
Powell Motor Co.		210.45
Due Dilligence App.	730.84	
Other Suspense - Suit, City	5643.21	
Solana Beach	289.51	
Capital Accounts	674333.68	
Maintainance and Operation	43631.68	
Totals	2244902.33	2244902.33

CUYAMACA WATER COMPANY,

Trial Balance,

May 31, 1923.

Investments		767596.16
Notes receivable	30.00	
Murray, J. A. - advances		394430.08
Murray, J. A. - Estate	309.48	
Murray, J. A. - Personal account	3616.34	
Fletcher, Ed. - Advance		72933.33
Fletcher, Ed. - Personal account		3692.05
Fletcher, Ed. - Mission Gorge Dam	460.72	
Henshaw, Wm. G.-Advances		32640.47
Notes Payable		36415.09
Reserve for Accrued Depreciation		368536.73
Cash and deposits		574.36
Accounts Rec. - Domestic and Irrig.	16093.16	
Water Sales, Country		36974.91
Miscellaneous earnings		27.25
Non Operating revenue		1419.50
Non Operating Deduction, Taxes	25.30	
" " " Expense	1371.02	
Material and supplies	25590.93	
Other interest Deductions	916.39	
Rent Deductions	545.00	
Poverty Gulch and Conejos Reservoir	3168.90	
Diversion or Fletcher Dam	5998.27	
Boulder Creek	3246.56	
El Capitan Res.	12213.11	
Camp Kearney Pipe Line	3196.57	
Corporate Deficit	139242.93	
Payroll account		3834.21
Voucher Account		19446.11
Prepaid Insurance	477.05	
Tool Expense	513.68	
Deposit from Consumers		765.43
Intangible Capital	337067.52	
Interest Accrued	408067.41	
V. B. Noble		500.00
Inwood, A. J.		150.00
McNeill, B. E.		500.00
Smith, A. H.		155.65
Peterson, Joe F.	169.50	
Reitz, Wm. M.	234.35	
Marks, H. Otto		4000.00
Carried forward	1517604.19	2244691.38

CUYAMACA WATER COMPANY,

TRIAL BALANCE (Continued)

May 31, 1923.

Brought forward	1517604.19	2244691.88
Pine Hills Water Co.	59.06	
City of El Cajon	2572.20	
Davis, L. R.	37.96	210.45
Powell Motor Co.	730.84	
Due Dilligence App.	5643.21	
Other Suspense - Suit, City	289.51	
Solana Beach	674333.68	
Capital Accounts	43631.68	
Maintainance and Operation		
Totals	2244902.33	2244902.33

CHARLES F. STERN
SUITE 1225 LOS ANGELES STOCK EXCHANGE BUILDING
639 SOUTH SPRING STREET
LOS ANGELES, CALIFORNIA
TELEPHONE TUCKER 1211

March 20, 1931

Colonel Ed Fletcher,
1020 Ninth St.,
San Diego, Calif.

My dear Colonel Ed:

As a part of my study of the old Cuyamaca deal I have developed something that I think you will find very interesting. Going over the figures upon which the Cuyamaca settlement was based, as set forth in Wansley's tabulation, I noted the item - Discount allowed on balance when paid - \$13,750 - allocated to each of us - making a total discount of \$27,500.

I matched my memory and mental arithmetic against this item and verified both by reference to the original contract with Mrs. Murray.

As of the date of our settlement with Brown, i.e. January 1926 - we owed on the original payment basis \$150,000 due June 1, 1926 and \$400,000 due June 1, 1928, making a total of \$550,000.

Obviously Wansley's figures have discounted the prepayment of these amounts by exactly 5%, and I find in one of his reports to you (copy of which you have sent me) the reference that we were to receive 5% discount on prepayments.

A reference to the Murray contract discloses the following:

"The vendees shall have the right to anticipate any payment herein provided, and in event this right shall be exercised they shall be allowed a discount at the rate of five per cent (5%) per annum for the time anticipated."

In other words, the discount is not 5% but 5% per annum. We were therefore entitled to a discount for five months at the rate of 5% per annum on \$150,000, and twenty-nine months at the rate of 5% per annum on \$400,000.

Col. Fletcher

-2-

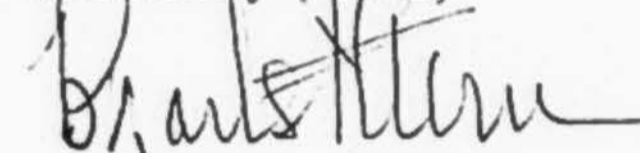
March 20, 1931

In other words, if we only received an allowance of \$27,500 we are short by approximately \$24,000, which Brown's principals still owe us morally, whether it is still legally collectible or not.

I suggest that you verify this with Wansley and if you find it correct - as I am satisfied you will find it - that you immediately proceed to see what can be done toward collecting it. Incidentally, there is about \$6,000 interest due on the amount if it is collectible.

With personal regards, I am

Sincerely yours,



March twenty-third,
1 9 3 1

Mr. Charles F. Stern,
1225 L. A. Stock Exchange Bldg.,
Los Angeles, California.

My dear Frank:

Answering yours of March 20th, I
got in touch with Mr. Wansley today.

He informs me that I am not making
any claim for settlement on the Guyanaca sale other
than on the basis on which you settled but that I
am anxious to close the case as soon as possible
and the closing is only delayed by the fact that
my case is before the Tax Appraiser and must be
approved by the General Counsel's office which takes
more time than it did to settle your case.

Regarding our Guyanaca Water Company
books Mr. Wansley will furnish you with a trial
balance as of June 1st, 1923 early next week.

The books were in good shape as evidenced
by the approval of the State Railroad Commission each
year for many years. Where did you get the idea that
they were not in good shape?

The might not have been in good shape for
income tax purposes but we kept our books the way the
Railroad Commission ordered us to and never had any
criticism in ten years.

Yes, I have heard the "chicken and Ostrich"
story but I don't think you have to hide your head. You
have got enough to be proud of. You better than the
average but of course, Mrs. Fletcher beats them all
when it comes to being the mother of ten fine children.

Sincerely yours,

EF:ASK

March Thirty-first,
1 9 3 1

Mr. Charles F. Stern,
1225 L. A. Stock Exchange Bldg.
Los Angeles, California.

My dear Frank:

Enclosed find letter from Wansley
with trial balance as of May 31st, 1923 as shown
on the books of the company at that time.

Very sincerely yours,

EF:ASK

April First,
1 9 3 1

Mr. Charles F. Storn,
Suite 1225 L. A. Stock Exchange Bldg.,
Los Angeles, Calif.

My dear Frank:

Answering your recent letter regarding over payment to the Murray Estate. As I recollect it this matter was handled entirely between you and Mr. Brown.

You had the original contract. I only had a copy which you sent me and you asked to figure it out with Mr. Brown.

Brown sent the deeds down to the Southern Title and Trust Company with instructions that he would wire the amount.

My impression is, Frank, that you and Brown agreed on the amount and you telephoned me what it was.

Mr. Wansley has been so busy he has not figured out the amount yet to see what is correct.

I wish you would send me a copy of your figures, how you make it out that we have been gyped. It will help Wansley in checking up.

I would like to have gone over these matters with you when I went thru Los Angeles last week but my nose is to the grindstone and I could not stay over.

Mrs. Fletcher left Friday by automobile to see our seven grandchild that Lawrence and Lillian

-2-

have given us.

I did not see how I could afford the trip or give the time but I went any how on Saturday afternoon. I arrived in Los Angeles Saturday night just in time to catch the Owl for San Francisco, saw the splendid new baby and my relatives in San Francisco and arrived in Los Angeles early Monday morning, just in time to catch the train to San Diego where I had to be at two o'clock Monday afternoon.

The chamber of commerce water committee, by a nine to three vote, have recommended Mission Gorge No. 2 as the place to build the dam. This is a long ways from their ever getting any where yet.

Last week the Circuit Court of Appeals in the U. S. Supreme Court sustained the District's contention that there was a case in court and ordered the city to file briefs in relation thereto in the matter of the Paramount Right to the water of the river at least to the extent of the Government's contract with the San Diego Flume Company and the supply of water to the Indians. There is still a fighting chance of that Paramount Right being knocked out.

Yours very truly,

EF:ASK

CHARLES F. STERN
SUITE 1225 LOS ANGELES STOCK EXCHANGE BUILDING
639 SOUTH SPRING STREET
LOS ANGELES, CALIFORNIA
TELEPHONE TUCKER 1211

April 2, 1931

April First,
1 9 3 1

Mr. Charles F. Stern,
Suite 1225 L. A. Stock Exchange Bldg.,
Los Angeles, California.

My dear Frank:

Answering your recent letter regarding over payment to the Murray Estate. As I recollect it this matter was handled entirely between you and Mr. Brown.

You had the original contract. I only had a copy which you sent me and you asked to figure it out with Mr. Brown.

Brown sent the deeds down to the Southern Title and Trust Company with instructions that he would wire the amount.

Either by telephone or letter you will find that you and Brown agreed on the amount.

Mr. Wansley has been so busy he has not figured out the amount yet to see what is correct.

I wish you would send me a copy of your figures, how you make it out that we have been gypped. It will help Wansley in checking up.

I would like to have gone over these matters with you when I went thru Los Angeles last week but my nose is to the grindstone and I could not stay over.

Mrs. Fletcher left Friday by automobile to see our seventh grandchild that Lawrence and Lillian

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

My dear Colonel:

I have for acknowledgment your letter of yesterday. The new note has gone forward to the Anglo. I meant for you to keep the check but I will handle it here.

Congratulations on the new grandchild. I am not in that class as yet but I assume that nature in due course won't overlook the Stern family, though I must admit you have a tremendous lead on me. I am very glad for Lawrence and Lillian; I haven't the pleasure of knowing the latter but hope to. An old psychology professor of mine at a stag dinner one night when he had taken on two or three unaccustomed cock-tails enunciated a truism that has always remained in my mind - "There is no pleasure in life like becoming the father of legitimate children."

My recollection and yours do not coincide at all about how the figures were arrived at in the settlement with Brown. I did not make them up, for while it is quite true that I did have the original contract here, you had a copy and all of the figures involved in the entire Cuyamaca deal were worked out somewhere between your office, Wansley's and the local title company. However this is quite beside the point as I am not interested at all in any recriminations as to why we slipped. The point is that we did, and the thing to do now is to put our heads together and find ways and means for getting what is coming to us.

As I see the figures the matter is very simple and I think I covered it in my former letter; however, I shall repeat the figures here.

On the first of June, 1923, we entered into a contract to buy the Murray Estate 5/6th interest for \$700,000, \$5,000 having been paid down by you. The terms were as follows:

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M

April 2, 1931

Payment of the first year's interest at the time of the signing of the contract;

Payment June 1, 1924 of \$145,000 on principal;

Payment June 1, 1926 of \$150,000 on principal;

Payment June 1, 1928 of \$400,000 on principal.

All deferred payments were to bear interest at 6%.

You may recall that in the last few minutes of the discussion of the contract, in which Senator Flint, Brown, you and I participated, I suggested that we were entitled to a discount on any payments that we made before their due date. This discount was written into the contract at 5% per annum.

At the time that we paid Brown off, i.e. January 1926, we owed on the contract \$550,000 on the original schedule, independent of minor adjustments as to interest, earnings, etc. From Wansley's settlement sheet dated December 31, 1926 it appears that we took a discount of \$27,500, which is exactly 5% on \$550,000.

In accordance with the terms of the contract we should have taken 5% per annum, not 5% flat discount. Assuming that we settled as of January 1, 1926 this would mean 5% on \$150,000 for five months and 5% on \$400,000 for twenty-nine months. As I figure it this discount amounted to \$51,458.33; in other words we short-changed ourselves \$24,000. Simple interest on this figure for five years amounts to \$7,500. I assume we would be tickled to get the original \$24,000 and waive the interest. Unless there is something in these settlement sheets that I haven't found or do not understand I think that Wansley will immediately agree with me on these figures. The entire question hinges on the two little words "per annum" which apparently were overlooked in the settlement.

It runs in my mind that some time during the period of that contract when you were up here I pointed out what that 5% meant and we got the contract out and looked at it and I told you that if we made the deal with the city which we then had in mind some time in 1925 we would have a discount coming of something in excess of \$60,000. The thing was perfectly clear in my mind.

I am sorry that your Chamber of Commerce Water Committee does not see the light with reference to Mission Gorge No. 3. I note, however, your statement in the very clear article

April 2, 1931

that was published in your paper that you would make more money personally if Mission Gorge No. 2 were improved, so I assume that the finding of the committee is not without its bright side.

I can't feel any confidence in the possibility that the city's paramount right claim will be upset in whole or in part. The legal psychology runs too strongly in favor of the municipality as against any outside plaintiffs.

I have reached some rather definite conclusions as a result of my research over this entire matter and have in mind to write you in the next few days.

With personal regards, I am

Sincerely yours,

Charles H. Stern

April Fourth,
1 9 3 1

Mr. Charles F. Stern,
1225 L. A. Stock Exchange Bldg.,
Los Angeles, California.

My dear Frank:

Answering yours of the second, it is hard to remember everything four or five years back, but I can't imagine myself ever making any final settlement with Brown without your approval, and then letting the matter run for a period of four or five years before bringing up the question.

Enclosed find copy of letter I have written Mr. Brown that is explanatory.

I have not had any report from Wansley. I turned over the whole matter to him to check up as he is supposed to be accurate.

As soon as I hear from him will write you further and also send you copy of Brown's letter.

With kindest regards,

Sincerely yours,

EF:ASK

CHARLES F. STERN
SUITE 1225 LOS ANGELES STOCK EXCHANGE BUILDING
639 SOUTH SPRING STREET
LOS ANGELES, CALIFORNIA
TELEPHONE TUCKER 121

May 6, 1931

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

My dear Colonel:-

I have been expecting to hear from you after you had talked with Wansley about the cash discount on the Cuyamaca purchase. I assume that you have been too busy to get around to it.

In going over the old files I find a letter written by somebody in the Title Company to Brown, in which the discount is properly set up. I have no means of knowing on what basis the settlement was actually made because those figures are not in this office, except as they appear in the reports made by Wansley and which came to me after the deal was consummated.

It is very certain on the face of the Wansley report that so far as you and I are concerned we settled upon the basis of a cash discount of \$27,500. That seems clearly indicated in the Wansley settlement sheet dated December 1926. Whether this was the basis for the settlement with Brown or not I don't know but certainly it ought not to be difficult to find out either through Wansley or through the Title Company.

I think it was unfortunate that you sent a copy of my letter on to Brown because if we must collect the additional cash discount from Brown, our position is weakened by the fact that my letter indicated that I would be willing to forego the accumulated interest; however, that is water over the dam.

I was quite interested and amused by Brown's vociferous come-back that he was the man who put the five percent per annum discount into the Cuyamaca contract -- that is the bunk and we all know it. However, that isn't material either.

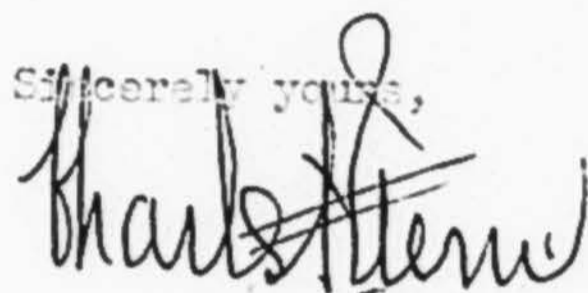
I would appreciate it if you would help me get this matter clarified because it is rather introductory to some other things which we should discuss.

I got a copy of the Annual Report of the La Mesa District for 1930 and have gone over it very carefully. If you haven't analyzed it it would be interesting reading, both from

May 6, 1931

an historical standpoint and in the light of the current figures which it tabulates. The costs of administration seem to be mounting and current revenue seems to be falling off. The percentage of delinquencies is uncomfortably high. This situation may be brought about by general business conditions; on the other hand it may be indicative of something fundamentally wrong. As the holders of a substantial block of La Mesa bonds we ought to know the answer. Of course, the only real answer is a compromise between the district and the City of San Diego and as I see it, the annexation of the district territory by the City. When and how this may be possible of course I don't know.

Sincerely yours,



May Eighth,
1 9 3 1

Mr. Charles F. Stern,
Suite 1225 L. A. Stock Exchange Bldg.,
Los Angeles, California.

My dear Frank:

Answering yours of May sixth I hasten to reply.

I have been so damn busy raising money to pay my taxes that I have not been myself. I paid \$82,000 state, county district and city taxes last year. My taxes this year are \$76,000. I have paid nearly \$65,000 and have about \$20,000 to raise in June.

From what I can hear I have been a darn site better than most of them but Oh boy! it has been hell.

Here the Fletcher family sits with two or three million dollars worth of unimproved property without a dollar against it and it is almost impossible to borrow a nickel on it but thank heaven I have been able to sell enough property to keep things going so far and we are moving some property every week.

There has been one failure after another down here and one foreclosure after another, even in the downtown district.

We have had a terrible time with the Athletic Club. I was on \$140,000 of their notes but thank God it is reduced to \$50,000 now and we are plugging along. I have written the Pacific Mutual and another life insurance company asking for refinancing and get a lot of insurance business.

The Club has kept up our payments to the Security-First National. Our taxes jumped 200% the last two years but we have them down now. You haven't any suggestions have you about refinancing the Club?

The second mortgage bondholders are putting their coupons in escrow for a couple of years. We still

have 1200 or 1300 members. We have really done better than any of your clubs up there from what I hear. Our gross income has gone down about 10% while Hollywood went down 25%; Long Beach 40%; Pasadena, 25% and I understand Los Angeles Athletic Club stock has gone down to \$4.50. That sounds a good deal like Trans-America and Goldman-Sacks. How come?

Claus Spreckels complete failure has given us a knockout. On top of that the failure of the California Bank and I. I. Irwin now in the penitentiary while Charles Hardy's right hand man, George Moulton, the former county assessor left yesterday for San Quentin after stealing \$45,000.

I have kept up a two year's fight against Charley Hardy and Moulton publicly and held one public meeting in the Athletic Club.

The Santa Margarita Ranch are going to get their just deserts now and its appraised value will be seven million instead of one.

Colonel Copley has had an expert from Los Angeles check up and he is willing to back up the new county assessor in this matter who is a friend of mine and one I helped to elect.

The water situation is mixed up worse than ever. It is a scream but the first move is about to begin after sixteen years. The El Capitan Water Committee are with us a million now on No. 3 because it eventually means No. 3, San Vicente and El Capitan against No. 2.

Petitions are being drawn up for referendum for the people to vote on a compromise settlement with the district. I am sure it will pass now and it only takes a majority. Get that out of the way and we don't care what they do for a compromise settlement will eventually mean getting money out of both El Capitan and Mission Gorge No. 3 and saving something out of the wreck any way.

Regarding Brown. You can get a little idea now of the hell I have been thru with him and what a hard man he is to do business with.

I am sorry you did not want me to send the letter to Brown. It covered all the facts. There was no criticism of Brown and I never thought for a moment that you would object to sending the letter.

There is no more chance of getting the accumulated interest than in flying to the moon, in my opinion, and from his letters I thought you could see that he was just simply side stepping.

I rang up Wansley three times to act on this matter but he is so busy with his private family affairs and other things that I am going to take the matter in my own hands now and go down to the title company to check up. Will report to you later.

I don't worry about La Mesa bonds. We held a meeting of the bondholders, city council, board of supervisors and a mass of people on the Mattoon Act day before yesterday. A committee has been appointed and there is a determination to force the board of supervisors to do what Los Angeles city and county have done. Pay their just proportion any where from 30% to 60% of the cost of these arterial highways instead of loading it on to the property owner, which means confiscation of property.

I believe that at least one-third of the gas tax will be diverted for a revolving fund to take care of these Mattoon acts, particularly arterial highways and several large subdivision and bond men are all getting together and taking their loss. Some of them have already settled for fifty cents on the dollar.

It is only a matter of time when it will be settled.

The legislature is now putting thru a bill that will be retroactive with unanimous consent and the Mattoon act bonds will be cancelled and individual deeds for a specific amount on the property or trust deeds will be given in return.

It is the Mattoon acts, twenty-five of them in the La Mesa District, that has caused this terrible struggle and as soon as it is straightened out the La Mesa District will be on its feet again, providing the water question is settled and it is only by a referendum and a vote of the people that this can be settled.

Will write you as soon as I can get at the thing with the title company.

-4-

We have another grandchild. Charles Michael Fletcher, the gift of Edward and Mildred named after Charles Michael Burke in the First National.

With kindest regards to the good lady and hoping to heaven you and she would come down and spend Saturday and Sunday with us at Eagle's Nest when ever it is agreeable to you let us know. Any day will be satisfactory to us.

Sincerely yours,

EF:ASK

May Eighth,
1 9 3 1

Mr. Charles F. Stern,
Suite 1225 L. A. Stock Exchange Bldg.,
Los Angeles, California.

My dear Frank:

Further in answer to your letter of May sixth I forced Wansley to get busy and check up things today after receiving your letter and got hold of the title company as well.

The result of it is the enclosed letter from Wansley. It looks very much as if we have nothing coming to us at all from Mrs. Murray.

My recollection is that by 'phone I asked you to determine what the amount was that we should pay Brown and you either wrote a letter giving the figures or telephoned them to the Southern Title and Trust Company which they sent to Mr. Brown for his approval.

I know I did not take the responsibility of it but left the matter entirely between you and the title company and I furnished them with a copy of our contract as well.

Very sincerely yours,

EF:ASK

CHARLES F. STERN
Los Angeles, California

June 9, 1931

Colonel Ed Fletcher,
1020 Ninth Street
San Diego California

My dear Colonel:

As I have heretofore suggested to you, I am by no means satisfied with the workout of the Cuyamaca deal, and I believe I owe it to you as well as myself to state my point of view. What I now say would have been said several years ago had I been in possession of the facts as I now know them.

I shall be brief, the supporting data and arguments are known to us both.

My dissatisfaction may be summarized under three general heads:

First: I became your partner in five-sixths of Cuyamaca on your urgent invitation, and on your statement of the facts and figures. I had no other source of information.

To enlist my interest you offered me one-half of all your holdings on the San Diego River. I declined your offer because on your statement of the facts and figures, I felt that I should not take what was yours. I asked for two specific assurances as conditions precedent to my participation.

(a) Assurance that the litigation with the City of San Diego was not alarming. You emphatically deprecated the entire matter.

(b) Knowing that Cuyamaca had lost a huge fortune for its owners, I required your assurance that the system would pay its way and require no further money from its owners.

You assured me that I could depend on this.

Proposition (a) was a matter of opinion, on which you were seriously wrong, to our great loss.

Proposition (b) was a matter of fact based on actual figures in your office and your knowledge of extensions, betterments, etc. which you knew were to be faced. Certainly your answer was unduly optimistic. The figures indicate that the net sales value of Cuyamaca in January 1926 was very materially less than on June 1, 1925 when our contract was made.

-2-

Among the conditions of my participation were these:

First: We were partners in the deal for the five-sixths Murray interest;

Second: I was not to be called upon to put up any money.

Before the deal was concluded I put into it in excess of \$200,000. It is silly for you to refer from time to time that 'I put no cash' or 'very little cash' into the deal. I strained my credit to the limit and put over \$200,000 into it. It is quite true that I borrowed it, but it was cash none the less. It is quite true that you signed the notes at Anglo Bank with me, but the money was loaned to me; for you could not then, or now, or at any period intervening, borrow \$5,000. from Anglo Bank unsecured. This money was loaned to me without security. I found myself in a highly hazardous position which I never contemplated.

Whether at any time in our struggle I faltered, or failed you in any way, I leave to you to say.

In view of the fact that I contributed vastly more than our contract called for, for very much less return than your figures, upon the basis of which I came into the deal, I had hoped that somewhere down the line you would readjust our original deal. To date this has not been done.

My second ground for complaint is a corollary of the above. You purchased the Henshaw one-twelfth interest. I did not concern myself with the deal you made with Henshaw. I had no information and asked for none. I am now somewhat better informed. You sought and received from me an agreement that you should take out of the proceeds of any sale \$90,000. plus 6% interest. I agreed. My acquiescence was based on your figures as to the net sales value of Cuyamaca.

As the matter worked out you received for this one-twelfth as a preferred claim, a good many thousands more than it netted in the sale.

I expected that somewhere down the line you would adjust this inequity, refunding to the partnership the excess.

The third major premise is such that it hurts even now to discuss it.

Just when and how you first told me about the note or notes you were to receive from the Murray Estate as an incident to this deal the record shows. The record does not show that it was when I was invited into the deal, nor that the explanation squares with the recorded facts. When you did tell me of these notes, and on all

occasions since, the explanation was that their return was for services rendered Murray, the Murray Estate, and Mrs. Murray, in accordance with a promise of a dead man, reiterated by his widow.

The amount was \$85,000.

As I now know the facts, the amount you thus received was over \$110,000; the notes were paid to you as a commission on the sale of the Murray interest in Cuyamaca, in accordance with a commission agreement which you took when you took the original option to buy the Murray interest, reiterated in your correspondence with Brown in the plainest language. I never dreamed that there was a \$110,000. commission, or any commission, until last year in our income tax hearing when I picked up a trail which I have followed to a conclusion.

For the sake of our future relations I am ready to believe that you justified this matter in your own mind on a different theory, but the record of the facts does not bear you out.

These things are fundamentals. They cannot be altered by pastel shades of argument or interpretations or variations in the figures. May I ask that you give them the study they deserve and tell me what, if any, action they may indicate to you as proper from one partner to another.

Against these things you may advance two items.

You have included my participation in Rancho Cuyamaca. We exchanged letters on this and I have your assurance that the Rancho and the Cuyamaca Water deal are in no way connected.

Mission Gorge #3. You have once or twice recited in letters that you afforded me a chance to buy into Mission Gorge #3, as you did Henshaw. As I recall, the price was \$25,000. for a half interest, which assuming a sale at \$40,000, would leave me a loser. On the same assumption, my contingent interest is worthless.

It is my hope that our long association and close friendship may be strong enough to stand this acid test.

Sincerely yours,

CHARLES F. STERN

CHARLES F. STERN

Los Angeles, California

June 9, 1931

PERSONAL

Colonel Ed Fletcher
1020 Ninth Street
San Diego California

My dear Colonel:-

I think you know that for a good many months I have been studying the Cuyamaca record familiarizing myself in detail with its intricacies. Several months ago I wrote you a letter which has remained upon my desk, being revised from time to time to fit the facts as they developed, and to reflect results of mature thought over the matter. I shall mail you this letter within the next few days.

Let me say that in our personal relationships my association with you has been one of the pleasantest of my life.

In discussing this entire Cuyamaca situation with two mutual friends - whom you would trust as I trust them - they have found what appeared to them as a basis for a personal quarrel between us. Regardless of the facts presented in the letter which you will shortly receive, I am very hopeful that we may adjust any differences between us without unduly straining what I frankly say to you has been and is a delightful association. Whether this is possible is largely in your hands; I have expressed my willingness.

If it is possible it will depend upon the attitude with which you receive and study my letter. I have always found it difficult to discuss controversial matters with you in person. Your mind is so completely partisan and your attitude so entirely personal that you find it difficult to weigh the other man's argument, or, indeed, to comprehend it; your mind is immediately engaged in thinking up an answer. Please understand that I do not say this in criticism; I merely voice the result of some years of experience with you. It is your thorough belief in yourself; in the justice of your position; and in the growing future of your projects that enables you to drive ahead. On the other hand, this type of mind is frequently careless of the immediate foreground. I marvel at and admire the many big things you have done.

Before my letter arrives I wish you would give a little thought to our eight years of business relations. If I have been narrow in my point of view; if I have been half-hearted in my cooperation; if I have failed in any material thing which you have a right to ask of a thorough going partner, that should color your present point of view. If, on the other hand, I have played fair, having carried my full share

of the burden; if I have not been unduly critical and am never censorial; if I have done all that I agreed to do and then some; if I have fought your right "come Hell or high water" in the Cuyamaca deal and otherwise, I think you should bear this in mind in studying my letter.

I am my own severest critic; but in months of study covering all angles of this deal, I do not find where I could have done more.

Perhaps this letter is quite superfluous; in any event, I trust it will be received in the spirit in which it is sent.

Sincerely yours,

CHARLES F. STERN

June 25th, 1931.

Mr. Chas. F. Stern,
815 Broadway Arcade Building,
Los Angeles, California.

PERSONAL

My dear Frank:

Answering your letter of June 9th received yesterday, it certainly comes as a surprise. I appreciate the kind things you have said. I certainly have tried to do the square thing, as I saw it. No one is perfect.

I hope your next letter will be perfectly frank and definite.

You say you have discussed the matter with two mutual friends. I am interested to know who those friends are if you do not mind telling me. Heavens knows I want you satisfied and so long as my integrity is not questioned, if there is anything we cannot settle between ourselves, there is a possibility of our friends doing it for us.

I regret your attitude more than I can say and hope some how, some way, the cobwebs can be brushed away. Please let me have the other letter which you say is to come.

Yours sincerely,

EF:KLM

August Thirty-first,
1 9 3 1

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

My dear Frank:

Your letter of June ninth, 1931 was received.

I am trying to find a way to answer it without hurting your feelings as you have mine.

You have questioned my fair dealings in this matter and that is what hurts. As my associate, I have tried, according to my light, to be fair with you.

Taking up your points one by one, you say you took my statements of facts and figures, you had no other source of information. Any figures I gave you eight or ten years ago of the standing of the Cuyamaca Water Company came from the books and records.

You knew you were buying a law suit. You consulted your own attorney, Senator Flint, who had the history of the litigation with no facts concealed from you.

Answering (a). You knew the litigation was on. You knew Judge J. Perry Wood rendered a decision against the paramount right. You consulted with our attorneys and your attorney as well, all before you were obligated. The litigation is not settled and Judge Conkling, within the last month, informs me that there is a very serious question whether the supreme court of the United States will not reverse the decision as between state and federal rights. If a favorable decision was received, it would make our land valuable.

I assured you that the physical properties were worth more than what we were paying if the paramount right was knocked out and time has proven same.

-2-

Answering (b), in which you say you required my assurance that the system would pay its way and require no further money from its owner. I do not remember your asking me for any assurance whatsoever. It was physically impossible to make any such guarantee. Anything was likle to happen in the operation of a public utility and you had to take your chances with me.

It was unfortunate that we did not sell to the city but the attempted Weitzel blackmail killed that by mutual agreement between us.

You entered into a written agreement with me after many months of investigation and, as I remember it, about the time we jointly borrowed the money from the Anglo Bank.

Regarding the net sales value of the sytem in 1923 to 1928 inclusive, I am afraid that you are only taking the sales price to the irrigation district and have not taken into consideration the assets that we have left or our sale of the East San Diego and Normal Heights pipe line to the city for \$150,000. We lost approximately \$140,000, as I remember it, in the sale of these distribution lines, a book loss, however, but thought it was better to do so on account of annexation of that territory to the city which was not thought of in 1923.

Regarding the Henshaw one-twelfth interest. I agreed to sell you at the price I took same in in my settlement with the Henshaw interests plus 6% interest.

The following is a copy of letter from Mr. Treanor as of August 17, 1925 confirming same.

"Colonel Ed Fletcher,
San Diego, California.

Dear Mr. Fletcher:

On last Saturday we arranged settlement of certain interests outstanding between you and Mr. Henshaw. Each of you had properties which the other desired to acquire, and each of you had debits and credits which were brought into the settlement. We agreed upon a valuation of all of these items. Among other things, you acquired by the settlement Mr. Henshaw's one-twelfth interest in the Cuyamaca Water Company. I

desired to obtain \$95,000 net for Mr. Henshaw's interest over and above the indebtedness to the Company, but finally settled with you upon the basis of \$30,000 net.

I understand that you desire to place this statement before your partner Mr. Stern. I would have no objection to putting all the details of our settlement before him, if that should be your wish.

Yours very truly,

JT/SEM

JOHN TREANOR

Our gross from the sale to the district amounted to \$1,808,698.06. Our sale of the East San Diego, Normal Heights lines including interest was \$811,663.33 totaling \$1,420,361.39. Added assets not included in the above is the 160 acres adjoining El Capitan damsite, the Normal Heights property, the King Creek, 80 acres and the Judson r reservoir lands, several hundred acres around Fletcher reservoir site, the \$30,000 or \$40,000 that we ought to get if El Capitan is abandoned, attorney's fees, etc. The above is from memory.

Regarding the Murray Notes, I can only repeat everything I have written heretofore. You should take into consideration all the services I rendered Mr. Murray and Mrs. Murray; of her statement that Mr. Murray had given the notes to her, they were in her possession, not to worry and she would deliver them to me in consideration of my services, past and future, as I have heretofore explained, and which Mrs. Murray later told my wife and sister.

I paid \$5000 for the option on October 25th, 1922 from my own funds. Six months later, before my option expired, you entered into an agreement with me which has proven very profitable to both of us. It was only last week that I was informed by Mr. Mansley that I did eventually get the \$5000 in our final settlement. I had no recollection of receiving it, left everything to Mansley and my sister in preparing the statements and settlement that was made with you and the matter had been entirely overlooked.

I did not take from you the credit of securing the loan from the London Anglo Bank but the fact remains that I had to furnish a financial statement and it was several times the value of yours at the time the loan was made.

Before you went into this deal you knew this money had to be borrowed. We were both counting on selling to the city as soon as possible. Things looked favorable but I am not responsible any more than you for the failure to put over the deal to the city. Weitel spoiled that.

You put less than \$500.00 in cash into this whole project. You were paid \$25,000.00 on account when the Cuyamaca deal was made. You have been paid to date on the pipe line contract with the city, \$40,997.79, principal and interest. There is still due you on this contract, and you are absolutely assured of receiving it, \$55,008.26 more, making a total of \$120,996.05. In addition you have your one-fourth interest in 800 or 900 acres of Lot "D" Cuyamaca Rancho, you still have a prospective profit in Mission Gorge #3, in any event, the waythings are going, and in addition you have a five-elevenths interest in the holdings of the Cuyamaca Water Company, a corporation, which controls lands at El Capitan, lands around Fletcher damsite, 80 acres at King Creek, Normal Heights and other property.

You certainly have fared well in this enterprise and even should we lose the paramount right eventually, which we expected to win at the time we went into the deal, your income from your \$500 investment in the Cuyamaca system as my associate will easily be \$100,000 and possibly \$250,000, the most I ever estimated you would receive.

June 9th you say your never dreamed there was a \$110,000 commission until last year. Frank, these were the original \$85,000 or \$86,000 notes executed back in 1918, I believe, with interest brought down to date, the old Murray notes. You knew all about those notes before you came to Los Angeles. I told you about them the day after Mr. Murray was buried and told you what Mrs. Murray had promised to do - to return the notes to me, as they were hers as I had to help her in settling her affairs with the other heirs.

Mr. Brown told me a year or two later that the notes were not Mrs. Murray's though in her possession but belonged to the estate and naturally he would have to claim them. I immediately explained the matter to you and how he planned to turn the notes over to me when the system was sold.

If you will read my letter to you of November 16, 1923 you will see I stated as follows:

"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."

My memory is we had one or two other letters on the subject when the Cuyamaca system was sold, and before the final settlement was made in 1926 we discussed the question of the Murray Notes, as to what additional compensation, if any, you should have in relation thereto under the circumstances. This is confirmed by my letter to you of October 16, 1925 and your reply of October 19, 1925. By all means also read my letter to you of January 22nd, 1926 dictated to your secretary in your own office; also your letter of January 22, 1926 to me and my reply of January 26, 1926.

I appreciate your statement that for the sake of our future relations you are ready to believe that I justified this matter in my own mind on a different theory.

At that time to satisfy you on the Murray Notes I voluntarily gave you a one-fourth interest in 800 or 900 in Lot "D" Cuyamaca Rancho and also a one-half interest in any profit in Mission Gorge #3, over and above \$40,000 and interest, the amount agreed upon between us. I also waived any claim to \$2194.95 that was overpaid you. The matter was fully discussed and settlement made at that time. There was no other reason on earth for me to give you these things except to make you satisfied, as they were not at any time a part of the Cuyamaca transaction in which you had an interest or put up a dollar.

For further confirmation read my letter to you of April 1st, 1927 when I gave you the instrument dated April 1st, 1927 covering your interest in Lot "D" Cuyamaca, your reply under date of April 5, 1927 and my reply as of April 6, 1927. Frank, you have simply completely forgotten and overlooked both our verbal and written understanding, otherwise you would never have written a letter to me in the tone which you did.

Mr. Brown gave me the option on the Cuyamaca System at the actual cost, money invested, telling me that was the lowest price he would take, the estate losing 14 years interest. Both you and he have admitted in writing that I could buy and did buy the property cheaper than they would sell to any other living person.

He gave me a side letter agreeing to return the notes according to my original agreement with Mrs. Murray. When the Cuyamaca System was paid for he sprung a new one when he asked me to sign under date of March 17, 1927 a statement which he said was purely a matter of courtesy and which he needed in connection with the settlement of his affairs with the government. I refused to sign the statement. The notes were coming to me anyway, and I did not sign until - insisted that he add to the instrument that "at no time did I retire from the position that Mrs. Murray had promised me the notes as compensation for services - the pledge which Mrs. Murray had made not alone to me, but also confirmed to my sister and Mrs. Fletcher as well.

I had Eldred & Wansley, my accountants, send you by registered mail a copy of our original settlement, which included my income tax return, and which showed on its face everything. We have your receipt signed by Pete Chapman as of March 24, 1927, and it shows conclusively that I had no idea at all of concealing anything from you.

We both believed the paramount right would be knocked out and if good times had come my prediction today would have come true as to the profit we were going to make.

Mission Gorge No. 3. If the paramount right had been knocked out we would have had our \$150,000 today from the district. The case is yet in the courts. We still have our water filings there. The state of California several years ago approved of our plan and under the laws of California with the paramount right knocked out we are sitting pretty. Under our permit from the state we were granted three or five years, as I remember it, to complete our work in Mission #3, but a clause in the permit reads that while the litigation continued with the City of San Diego time is not running against us. Within the last week, however, we have presented the record of the decisions and our appeal to the U. S. supreme court on the paramount right and have just received a letter from the state engineer that the litigation is not over and our rights and permit still stand, this in the face of a request from the city to cancel our permit.

The government by Act of Congress, in 1861 made possible the creation of the San Diego Flume Company, gave us the use of waters, gave us a permit to build a dam, the conduit - that was a part of the consideration. They also forced us to give free water to the Indians.

be done soon.

I am sorry that I have been delayed in answering this letter. My sister and Eldred & Wansley handled all the statements and papers. I have not looked into my ledger for years. My sister Mary has been away for over a year. On top of that we moved all our records from Eighth Street over to our new office and it has been almost impossible to find all our records. What we have, Miss May has dug up recently.

I feel sure that in the long run you will be satisfied with your compensation.

If you have any suggestions to make I would be glad to hear from you.

It is my hope that our long association and close friendship may be strong enough, as you say, to stand this acid test.

Sincerely yours,

RF:ACK

Our predecessors and ourselves spent three million dollars on the strength of it and certainly there is some redress on the government if the decision of the Supreme Court of California prevails.

The federal government, within the last year, has forced the district to put up another heavy bond for faithful performance. The Edison case is similar to ours and is before the Supreme Court now.

I have every reason to believe you are going to be satisfied when this whole matter is finally settled. I will make a special effort in the meantime to sell some of our property. If we can get back to normal again I am willing to repurchase your quarter interest in Lot "D", Cuyamaca, on some basis mutually satisfactory and possibly your entire interest in the Cuyamaca Water Company.

I, too, have tried to be my own severest critic. My mind has always been open to our equities, as I think I proved when I both by letter and verbally kept you posted regarding the Murray Estate notes, and when I made concessions for the sake of keeping you satisfied.

The election furnishing funds to commence the construction of Mission No. 2 has been held. They could not even get a majority with the support of the entire city administration, daily papers, Chamber of Commerce and a \$15,000.00 fund, to say nothing of the Gas Company who runs the city and big business. They all now concede that No. 2 will never be built. It is the third time and out.

Three different parties the last week have approached me to turn over Mission No. 3 to the city, that the city may commence development there first. Some of them want to be paid for the privilege of putting it over. You know we will not stand for that, if there is any graft connected with it.

My campaign has been to settle with the district first and we have certainly made headway. I believe this will

Fletcher Company
1020 NINTH STREET
SAN DIEGO, CALIFORNIA

June Twenty-ninth,
1 9 3 1

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

My dear Frank:

Your letter of June ninth, 1931 was received.

I am trying to find a way to answer it without hurting your feelings as you have mine.

You have questioned my fair dealings in this matter and that is what hurts. As my associate, I have tried, according to my light, to be fair with you.

Taking up your points one by one, you say you took my statements of facts and figures, you had no source of information. That is an indication that I made misrepresentations to you. This I deny. Any figures that I gave you eight or ten years ago of the standing of the Cuyamaca Water Company came from the books and records.

You knew you were buying a law suit. You consulted your own attorney Senator Flint who had the history of the litigation with no facts concealed from you and I think it only fair that you should tell me where you were misled in any way.

After waiting nearly ten years before bringing up this question and five years after our system was sold, I am certainly amazed.

It seems only fair to me that you should point out any willful misrepresentations I may have made to intentionally mislead you.

Second: I have no recollection of ever offering you a half interest of my holdings on the San Diego River excepting at a price mutually satisfactory that might be made making us equal partners.

- Answering (a). You knew the litigation was on. You knew Judge J. Perry Wood rendered a decision against the paramount right. You consulted with our attorneys and your attorney as well, all before you were obligation. The paramount question is not yet settled and Judge Conkling, within the last two weeks, since he was fired as city attorney, informed me that there was a very serious question whether the supreme court will not reverse the decision and knock out the paramount right.

I assured you that the physical properties were worth more than what you were paying if the paramount right was knocked out and time has proven same.

Answering (b), in which you say you required my assurance that the system would pay its way and require no further money from its owners. I do not remember your asking me for any assurance whatsoever. It was physically impossible to make any such guarantee and anything was liable to happen in the operation of a public utility and you had to take your chances with me.

You entered in to a written agreement with me after many months of investigation and, as I remember it, about the time we jointly borrowed the money from the Anglo Bank.

On checking up I find that you signed the Cuyamaca agreement on June 1st, 1925 and the first money, ie \$45,000, was borrowed on June 8th, 1925. It was my definite understanding that you were to arrange for this financing before the agreement was signed. This was the only financing you ever did. You were never asked to put up any other money.

This loan was all understood and arranged for at the time you joined in with me in the ownership of the Cuyamaca system. Your financial statement was less than a half million dollars at that time and mine was several million in assets and if I remember rightly, a financial statement of my assets was furnished at that time.

You put no actual cash, other than the \$500 in to the project; have already received the money or have received on account of profit around \$40,000 to \$50,000 and nearly that much more in sight from our contract with the City alone.

I have asked Mr. Wansley to check up the net values of the Cuyamaca system in January, 1926 as compared to

June first, 1923.

I am afraid you are only taking the sales value to the irrigation district and have not taken in to consideration the assets that we have. Then again, we lost approximately \$140,000, as I remember it, in the sale of our distribution lines in East San Diego, Normal Heights and Kensington Park. We took this loss on account of annexation which was not thought of in 1923 and for which I am not responsible.

Regarding the Henshaw 1/12 interest. I have not taken advantage of you in any way in my settlement with the Henshaw interests. I took back the property in our settlement on the basis of \$90,000 plus 6% interest and I have the written documents to prove that at any time you care to see same.

You say as the matter worked out I received for this one-12th interest as a preferred claim a good many thousand dollars more than it netted in the sale. In this you are mistaken.

Our gross from the sale to the district amounted to \$1,208,698.06. Our sale of the East San Diego, Normal Heights lines, \$141,000 totaling \$1,349,698.06. Added assets not included in the above is the 160 acres adjoining El Capitan dam site, the Normal Heights property, the King Creek 80 acres and the Judson reservoir lands, several hundred acres around Fletcher reservoir site, the \$30,000 or \$40,000 that we ought to get when El Capitan is abandoned, attorney's fees, etc. The above is from memory.

There is every reason to believe that the El Capitan project will be abandoned and City Attorney Heskett has recommended that the city of San Diego make application for the return of the money paid the government.

Under all these conditions I don't see where I have, in any way, driven a hard bargain or taken advantage.

Regarding the Murray notes, I can only reiterate everything I have written heretofore. You are not taking in to consideration at all the services I rendered Mr. Murray and Mrs. Murray; of her statement that Mr. Murray had given the notes to her, they were in her possession, not to worry and she would deliver them to me in consideration of my services, past and future, as I have

heretofore explained, and which Mrs. Murray latter told my wife and my sister.

I rendered that service for a year or two as promised Mrs. Murray. You have all the records in relation to same which are now in Mr. Brown's possession.

Mrs. Murray later on turned over these notes to Mr. Brown who, being the administrator of the estate, told her they belonged to the estate and several years after Murray's death Mr. Brown informed me of the above.

Until I heard from Mr. Brown I believed Mrs. Murray's statement would be carried out.

As I recollect it, Mr. Brown made me a price of \$650,000 cash or \$700,000 on time for the property. I had options given me. I paid \$5000 for it on October 25, 1922 from my own funds. I had never been repayed any part of it and about six months later you, before my option expired, entered into an agreement with me which has proven very profitable to both of us.

You say you never dreamed there was \$110,000 commission until last year in our income tax hearing when you picked up a trail which you have followed to a conclusion.

Frank, you know that is not \$110,000 commission. You know that is for service before and after Mr. Murray's death. You know that the principal was only \$85,000 or \$86,000 and you are adding \$25,000 interest.

Another thing. We have your receipt for a registered mail letter sent you on March 12th, 1927 and receipted for by P. Chapman on March 14, 1927 showing this identical commission you talk of, enclosing a copy of my own tax returns that Eldred and Wansley, at my request mailed to you.

When the property was paid for those old notes were mine under my agreement with Mr. Brown. There was no obligation on my part to sign the receipt that I did. I did it wholly as an accommodation to the Murray Estate that they might, as Mr. Brown explained it, get a reduction in their income tax. That was Mr. Brown's explanation to me and I repeat it was purely an accommodation to the Murray Estate at their request.

Mr. Chas. F. Stern

June 25th, 1931

I appreciate your statement that for the sake of our future relations you are ready to believe that I justified this matter in my own mind on a different theory.

I can find no letters assuring you that the Rancho and Cuyamaca Water deal are in no way connection. You never put a dollar in to this project, owned a quarter interest in something like a thousand acres or more and I gave it to you as an outright gift years ago when you complained about my getting the best of it in the return of the Murray notes. That is my recollection of the situation.

Mission Gorge No. 3. If the Paramount right had been knocked out we would have had our \$150,000 today from the district. The case is yet in the courts. We still have our water filings there. The state of California several years ago approved of our plan and under the laws of California with the Paramount right knocked out we are sitting pretty. Under our permit from the state we were granted three or five years, as I remember it, to complete our work in Mission No. 3, but a clause in the permit reads that while the litigation continues with the City of San Diego time is not running against us. Within the last week, however, we have presented the record of the decisions and our appeal to the U. S. supreme court on the Paramount right and have just received a letter from the State engineer that the litigation is not over and our rights and permit still stand, this in the face of a request from the City to cancel our permit.

I have presented a copy of your letter to Mr. Wansley and am enclosing copy of his reply for your information.

I want and have tried to be my own severest critic. My mind is open. This letter is not final.

Let us see how things come out re Mission No. 3. The election furnishing funds to commence the construction of No. 2 is set for August 11th. I have reason to believe that the bonds will be defeated and my prediction of several years again fulfilled, that they will compromise on No. 3 and we will sell the city direct. I believe that a settlement can be made at that time that will be satisfactory to you. On these other matters I would like a frank reply at your convenience.

It is my hope that our long association and close friendship may be strong enough to stand this acid test.

Sincerely yours,

CHARLES F. STERN

SUITE 1225 LOS ANGELES STOCK EXCHANGE BUILDING
639 SOUTH SPRING STREET
LOS ANGELES, CALIFORNIA
TELEPHONE TUGER 20

September 2, 1931

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

My dear Colonel:-

I have been up at Wrightwood over the week-end and until last evening; hence found your several letters accumulated on my desk this morning.

Your long letter in answer mine of two months ago will have my very careful and accurate attention. We must winnow the wheat out of the chaff and neither of us can afford to make any mistake at this juncture. I am afraid we may arrive at an irreconcilable difference in point of view.

I am following as well as I can the developments in your water fight through the medium of your letters and newspaper clippings. I cannot, of course, attempt to form any judgment on details. I have said to you that I will go along on your arbitration program if that is what you think we should do, provided always that you will consider my interest and yours as identical. I don't quite reconcile the arbitration program with your present thought of offering our El Capitan lands at a fixed figure but undoubtedly you know what you are doing.

I will answer your inquiry about price as I have your inquiry about arbitration -- I will go along with you accepting your judgment with the understanding, of course, that your interests and mine are identical. I think perhaps it would strengthen your hand down there if you left me out of the picture entirely, so far as publicity is concerned. That also, however, I leave to your judgment.

I do not recall the deal with the District as to the lands included in the several contours, but I know that you have the details at your finger tips.

You ask what price we shall fix on Mission Gorge No.3. The answer is the same as above -- fix your own price. I do not see any value on Mission Gorge No. 3 so far as I am concerned on the present arrangement which I have with you; on the other hand, I don't want you to miss a sale at a price satisfactory to you if you wish

Sept. 2, 1931

to sell, even though I get nothing out of it. The proper thing to do I think in any settlement which you and I may make, is for you to take me out of the Mission Gorge situation. That we can discuss in the future.

Summing up all of these propositions, I am saying to you that you are at liberty to negotiate as though the properties were your own, treating my interests and yours as identical. Should you care to discuss any of the facts with me or use me in a judicial capacity, or if I can be of any assistance in any other way in working out these problems, I am of course at your disposal.

It does seem to me as though the big obstacle in the way of all progress down there, so far as water development is concerned, is the situation that exists between the City and the La Mesa District. If those heretofore irreconcilable difficulties can be ironed out I think the rest of it would be comparatively easy. Of course, it must be considered that we have had a powerful ally in the District; and the fact that our interests were tied up with those of the District have given us a certain strength as opposed to the City which we wouldn't have in our personal capacity. It would seem to me, however, that having stood by the District in its fight we would still have that support in the event that the District had settled its difficulties with the City. In any event, I think that chance will have to be taken. It therefore seems to me that the most constructive thing that you now have under way is the settlement with the District by action with the Council, if possible, or by referendum if necessary.

I approve of your letter to Mr. Lee outlining our position on the reopening of the El Capitan condemnation suit. That fight, of course, is now the District fight but if there is any way for us to collect our costs that is the most important thing to us.

With further reference to the value of our El Capitan holdings, if I correctly interpreted the spirit of your published articles, in order to kill the ruinous Mission Gorge No. 2 project, you produced data to support a recommendation that nothing be done for some years to come -- that is to say, nothing of a capital nature involving the construction of new major projects. With Mission Gorge No. 2 temporarily out of the way, at least -- and I hope permanently -- of course the one thing that you don't want is inaction. From what I can gather, the whole temper of the community is that action of some kind is demanded, and some major projects are inevitable. This would seem to be what is back of the order the Council gave Savage to draft plans for a dam at El Capitan. By the way, I thought those plans were drafted years ago.

If the community is demanding action, that puts quite a different face on the El Capitan situation. The City has already

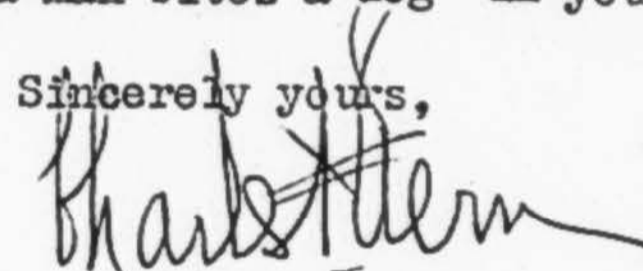
Sept. 2, 1931

learned that condemnation suits can run along for years, cost a lot of money, waste a lot of time, and, in the end, produce a verdict that can't be accepted. If they really want to build in El Capitan, then our property takes on a nuisance value very much in excess of any physical appraisal. That nuisance value is just one dollar less than the figure which the City would reject in favor of further litigation, loss of time, and risk as to the outcome. The only place that figure could be developed is in a trade across the table.

You have my sympathy for the work and tribulation you are encountering. Please don't get the idea that it is all play and smooth sailing up here.

I read with a good deal of interest an article by Bruce Barton the other day entitled "Trouble." It contained a helpful philosophy, namely, that trouble is not something that comes along occasionally to be resented, but that trouble is a part of the definition of life; something that we have with us always and without which life would not be complete. In other words, that the absence of trouble would be the extraordinary thing or, stating it a little differently, if a dog bites a man it isn't news, but if a man bites a dog -- you know the rest.

Sincerely yours,



September 4, 1931.

Mr. Charles F. Stern,
315 Broadway Arcade Building,
Los Angeles, California.

My dear Frank:

Answering yours of September 2d,
I appreciate the much better tone of your letter.
Your previous letter, I felt, was unlike you and
cut me to the quick. You can get more out of me
with molasses than you can with vinegar.

There should be no such thing as
"irreconcilable difference" in our point of view as
between men. We have been friends too long and both
of us want to do the square thing man by man.

It goes without saying that to the end,
your interests and my interests have been, are and
will be identical.

Regarding Mission No. 3, as I wrote
you day before yesterday, we may be a little longer in
getting our money, but we are going to get some real
money out of No. 3 now. The old deal is entirely off
to sell thru the district for \$40,000 and it is only
a matter of time. I am moving heaven and earth to
see that a settlement is made between the city and the
district, and keeping out of all meetings myself.

I do not believe that Mission Gorge
No. 2 will ever be brought up again, unless by private
initiative. We have been fighting, and have licked the
Gas Company in this deal. Councilman Stahel came out
in a public interview that private capital could and
would be willing to build Mission No. 2 and sell water
to the city at 8 cents. I am sure the Gas Company is
behind this, but the people of San Diego will never

CHARLES F. STERN
SUITE 1225 LOS ANGELES STOCK EXCHANGE BUILDING
639 SOUTH SPRING STREET
LOS ANGELES, CALIFORNIA
TELEPHONE TUCKER 1211

November 6, 1931

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

My dear Colonel:-

On June 9th last, I wrote you a letter which expressed
my dissatisfaction with the outcome of our Cuyamaca deal, and set
forth in some detail my reasons. As of August 31st you answered my
letter.

I have given careful thought to everything in your
letter, and have checked its assertions against my record.

I cannot agree with everything you have written; I
am quite disappointed, for example, that you are still unable to
see that I ever had more than \$500.00 in the project.

Be that as it may, I cannot find anything in your
letter that alters the situation in any material way. I am afraid
that you have dismissed the whole matter and considered it ended
by your reply. Please believe that I didn't initiate this matter
without most careful thought and advice, and a firm intention to
see it through, unless somewhere down the line I am convinced that
I am wrong.

A part of the matters under discussion may be 'water
over the dam' by lapse of time, though statutes of limitation do not
run as between partners trying to do the right and equitable thing;
but this does not apply to all these matters by any means. For ex-
ample, to bring the whole picture to a focus, I suggest that you
lay your entire file before your attorney and ask his advice as to
just where you stand in your relation to me with reference to the
notes returned to you by the executor of the Murray Estate.

I do not wish to be unduly insistent, but I must
not sleep in my rights so I must ask you to give this matter seri-
ous and early attention.

Very truly yours,

Charles F. Stern

consider private capital coming into the river, and when I tell you we beat the Gas Company in this last election it means we have had a real fight and handled the campaign successfully.

If a settlement is not made with the district, it may be necessary for me to oppose the transfer of funds to complete El Capitan, but I hope to put thru a sale of our properties and get the money before the El Capitan election takes place. If we can do this we sure can sit on the lid and get our price for No. 3 later on, either by arbitration or condemnation.

Enclosed find copy of option I have given Sam Fox, chairman of the committee that is going out tonight to meet with the directors of the district. I had it all approved by Sloane before signing. Also enclosed find copy of letter that I wrote him and have his signature in relation thereto.

He demanded a six months option and a vote on the El Capitan, but I am trying to force them to buy now. I hope the above meets with your approval. This will still leave us 80 acres below and adjacent to El Capitan dam. If they build to the 225 foot contour they will have to buy our lands between the diverting dam and Fletcher damsite, another nice revenue.

I will read Bruce Barton's article "Trouble", as suggested.

Frank, for the love of heaven, don't write me any more letters like the one a couple of months ago. I am sure everything will work out down here to your satisfaction, and if our friendship is broken you must be the one to do it.

Yours very sincerely,

EF:KLM

November 7, 1931.

Mr. Charles P. Stern,
815 Broadway Arcade Building,
Los Angeles, California.

My dear Frank:

I was certainly sorry to get your letter of the 6th, and apologize if I hurt your feelings by saying you never had more than \$500 in the project. What I meant was actual cash. You and I went on notes, it is true, for large amounts, but I was equally responsible with you and the water company paid the interest, and eventually the principal.

I shall immediately lay my whole file before my attorney, Mr. Harrison Sloane, and get his advice. I wish you would write him of any matters that you are dissatisfied with, if any, in addition to the notes returned by the executor of the Murray Estate.

On my honor I know of nothing where you have any right to be dissatisfied. To a five cent piece, as a partner, you have received everything that was coming to you, from the beginning. I welcome any investigation that you care to make and am determined to satisfy you in that respect. You know that I have earned \$50,000 or more a year every year for the last fifteen years, directly and indirectly, independent of the Cuyamaca Water Company, yet before Murray's death, part of the time I gave my services free and after his death I got a measly sum of \$200 or \$300 a month, while the Cuyamaca matters took up half of my time, and you were drawing your full salary in Los Angeles, \$25,000 a year or more. As a partner I have done my share, and more, and I again ask that if you have any kick coming on anything outside of the Murray notes, in fairness to me you should send a detailed statement to my attorney of what it is or send a man down here to check over the records, and as soon as possible.

Now is no time for us to get into an argument which will make an opportunity for the city to get between us. If it becomes known that you and I are at loggerheads, the city officials of San Diego will certainly take advantage of it if they can. I am referring to the sale of our properties at El Capitan and Mission No. 3. We should complete the sale of El Capitan within the next sixty days. Within the last week I have had State Engineer Hyatt, Mr. Crittenden, Chairman of Flood Control Commission and several senators and assemblymen who are interested in flood control, inspect Mission No. 3, and, informally, the following can be verified, that Mr. Hyatt and members of the

-2-

commission are favorable toward a state flood control measure that will complete Mission No. 3 to protect Mission Valley lands and the state park, Mission Bay, the work to be done in cooperation with the city. This means the eventual sale of Mission No. 3 without a doubt, in my opinion.

There is certainly sufficient evidence to show that both verbally and in writing, as a partner, I was not making any secret profit on the Murray notes. Any benefit to me coming from Mr. Murray, Mrs. Murray and the Murray Estate in the return of the notes was hard earned years ago, and promised. The records show that I purchased this property for many thousands of dollars less than anyone else could have purchased it.

If you can convince my attorney that I have in any way concealed anything from you, or that you have any interest in the Murray Estate notes, you will be doing me a favor. If he says that you have and you insist upon hewing to the line, then I will want you to give me back your interest in the Cuyamaca lands, as well as your interest in Mission Gorge No. 3. In neither proposition did you ever invest a cent nor have any interest. These two propositions I gave you voluntarily and you accepted at the time of your making the remark that I was getting the best of it on account of the return of the Murray notes.

I never in my most optimistic moments expressed an opinion that you would get over \$250,000 out of this whole transaction. You are practically assured now of getting \$200,000 and possibly \$250,000 in time, even if the paramount right decision is against us, as much money as I ever predicted you would get in my wildest moments, but it is taking a longer time than we anticipated.

I hope you will take the matter up with Mr. Sloane promptly and see if we cannot adjust this matter amicably and equitably, to all parties in interest.

Yours very truly,

EF:KLM

(?)

November 7, 1931.

Mr. Charles F. Stern,
315 Broadway Arcade Building,
Los Angeles, California.

My dear Frank:

I was certainly sorry to get your letter of the 6th. I am sorry and certainly apologize if I hurt your feelings by saying you never had more than \$300 in the project. What I meant was actual cash. You and I went on notes, it is true, for large amounts, but I was equally responsible with you and the water company paid the interest, and eventually the principal.

I shall immediately lay my whole file before my attorney, Mr. Harrison Sloane, and get his advice. I wish you would write him of any matters that you are dissatisfied with, if any, in addition to the notes returned by the executor of the Murray Estate.

On my honor I know of nothing where you have any right to be dissatisfied. Now is no time for us to get into an argument which will make an opportunity for the city to get between us. If it becomes known that you and I are at loggerheads, the city officials of San Diego will certainly take advantage of it if they can. I am referring to the sale of our properties at El Capitan and Mission No. 3. We should complete the sale of El Capitan within the next sixty days. Within the last week I have had State Engineer Hyatt, Mr. Crittenden, chairman of Flood Control Commission, and several senators and assemblymen who are interested in flood control, inspect Mission No. 3, and, informally the following can be verified, that Mr. Hyatt and members of the commission are favorable toward a state flood control measure that will complete Mission No. 3 to protect Mission Valley lands and the state park, Mission Bay, the work to be done in cooperation with the city. This means the eventual sale of Mission No. 3 without a doubt, in my opinion.

There is certainly sufficient evidence to show that both verbally and in writing, as a partner, I was not making any secret profit on the Murray notes. My benefit from Mr. Murray and the Murray Estate in return of the notes was hard earned years ago, and promised.

If you can convince my attorney that I have in any way concealed anything from you, or that you have any interest in the Murray Estate notes, you will be doing me a favor. If he says that you have and you insist upon having to the line, then I will want you to give me

CHARLES F. STERN
SUITE 1225 LOS ANGELES STOCK EXCHANGE BUILDING
639 SOUTH SPRING STREET
LOS ANGELES, CALIFORNIA
TELEPHONE TUCKER 211

November 12, 1931

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

My dear Colonel:-

I have for acknowledgment your letter in further discussion of our differences.

You suggest that I write Mr. Sloane presenting my side of the controversy.

I think you have misunderstood my suggestion. In a word, I am saying to you that I believe you should lay your file before your attorney and ask his opinion as to your position in relation to me in the matter of the notes returned to you by the executors of the Murray Estate.

I do not believe that Mr. Sloane's opinion should be biased in any way by any argument of yours, and certainly not of mine. You have a theory on this matter which I believe to be untenable; unless we can reach an agreement that this is a fact, our future negotiations are apt to be rather difficult.

I quite agree that it would be disadvantageous for us to have an open rupture while we are negotiating with the City; I will add to that that I shall be very sorry indeed if we have an open rupture at any time. Whenever this happens, however, is in your hands at the moment.

May I ask that you give this matter prompt attention.

Very truly yours,
Charles F. Stern

back your interest in the Guyanaca lands, as well as your interest in Mission Gorge No. 3. In neither proposition did you ever invest a cent nor have any interest. These two propositions I gave you voluntarily and you accepted at the time of your making the remark that I was getting the best of it on account of the return of the Murray notes.

I never in my most optimistic moments expressed an opinion that you would get over \$250,000 out of this whole transaction. You are practically assured now of getting \$200,000, and possibly \$250,000 in time, even if the paramount right decision is against us, as much money as I ever predicted you would get in my wildest moments, but it is taking a longer time than we anticipated.

I hope you will take the matter up with Mr. Sloane promptly and see if we cannot adjust this matter amicably and equitably to all parties in interest.

Yours very truly,

EF:KLM

Fletcher Company

1020 NINTH AVENUE
SAN DIEGO, CALIFORNIA

November 16, 1931.

November 14, 1931.

Mr. Charles F. Stern,
315 Broadway Arcade Building,
Los Angeles, California.

My dear Frank:

Answering yours of the 12th, I hasten to reply. I have stated definitely my position from the beginning. As yet I have nothing definite from you except the matter of the Murray Estate notes, and that is a matter I have considered a closed incident.

I shall not discuss it again until you do one of two things - either give me a clean bill of health on everything else or send a man down here and go thru the Cuyamaca Water Company books from the day you became interested until the deal was closed, and satisfy yourself that everything is straight. Either that or outline definitely what is on your chest so that I can definitely answer and satisfy you that everything is straight.

I suggest you read again my letter to you of October 18, 1925 and your reply of Oct. 19, 1925; also my letter to you dated Jan. 22, 1926 dictated in your office to your secretary, your letter of same date to me, and my reply dated Jan. 26, 1926. Also read my letter to you of April 1, 1927 your answer dated April 5, 1927 and my reply of April 6, 1927.

Yours very truly,

EF:KLM

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

My dear Frank:

I re-read your recent letters and find I have omitted one matter that I want to clear up to protect you, ie *regarding* ~~the~~ statute of limitations running ~~from~~ the date of your letter of Nov. 6, 1931. This seems to be bothering you.

In consideration of the above, ~~no~~ statute of limitations ~~is running~~ against me in making any claims for services in connection with the Cuyamaca Water Company. *I have* ~~I have~~ been working for a nominal sum, or nothing, since 1910, and believe I have rendered invaluable service. Mr. Murray promised it to me, Mrs. Murray did and all the way down the line. *will also remain in statu quo.*

If ~~the above is~~ satisfactory, this matter of statute of limitations will remain in statu quo until ~~revoked by~~ either party in writing, *sets it in motion again*.

Yours very truly,

EF:KLM

November 16, 1931.

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

My dear Frank:

I re-read your recent letters and find I have omitted one matter that I want to clear up to protect you, is regarding the statute of limitations running after the date of your letter of Nov. 6, 1931. This seems to be bothering you.

If satisfactory to you we will agree that statute of limitations will remain in statu quo as of Nov. 6, 1931 until either party in writing sets it in motion again.

In consideration of the above I expect that any statute of limitations against me in making any claims for services in connection with the Guyanaca Water Company will also remain in statu quo. I have been working for a nominal sum, or nothing, since 1910, and believe I have rendered invaluable service. Mr. Murray promised it to me, Mrs. Murray did and all the way down the line.

Yours very truly,

CF:MM

CHARLES F. STERN
SUITE 1225 LOS ANGELES STOCK EXCHANGE BUILDING
639 SOUTH SPRING STREET
LOS ANGELES, CALIFORNIA
TELEPHONE TUCKER 4211

November 25, 1931

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

My dear Colonel:-

I have before me your letters of November 14th and 16th which have had careful attention.

I note your suggestion that we permit the statute of limitations to remain in status quo as of November 6th, 1931, until either party in writing sets it in motion again.

I do not see any point to this. I am not at all bothered about the statute of limitations so far as the matters pending between us are concerned, and do not need a waiver. If what you have in mind is a complete waiver of all statutes of limitations, ab initio, then I shall be very glad to join you in such an arrangement.

I hope you are not going to make the mistake of trying to collect anything further that you may feel Murray or his widow or his estate owed you, from me.

You state that you will not discuss the matter of the Murray Estate notes any further until I have done one of two things - either given you a clean bill of health on everything else, or send a man down there to overhaul the Guyanaca Company books. I have no desire to do either, and no intention of doing either. I have not at any time suggested that there is anything in the Guyanaca accounts to which I object, nor have I any such thought. I will say this to you, however, that while there are other matters than the Murray Estate notes which are open for discussion, in the event that we reach a settlement of the Murray Estate notes that is satisfactory to me, I shall not be inclined to go any further. If, on the other hand, this discussion becomes a general battle, then it will include everything.

I think you should note that all of the correspondence to which you have referred me and which I have again read, is dated several years after the event of which I am complaining.

Very truly yours,

Charles F. Stern

Ed Fletcher Papers

1870-1955

MSS.81

Box: 28 Folder: 2

General Correspondence - Stern, Charles F - 1931



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