The first year of construction in 1898 on the Duluth & Northern Minnesota Railway (Alger-Smith Line) saw the building of seven and a half miles of mainline track. This might seem like an accomplishment to be noted, but the railroad regarded it as an utter disaster. They had intended to build 15 miles of mainline and had fallen short of that goal by a dismal 50 percent. The culprits responsible were those voracious northern Minnesota bugs. The men brought in to build the railroad soon fled in disgust from the hordes of mosquitoes, black flies, deer flies, and other annoying pests. New employees on their way in met scratching irritated former employees on their way out. Throughout the summer of 1898 it seems the only ones who were happy were the bugs.

The following year of 1899 found the mainline at mile 15 where they had hoped to be the previous year. Here they accessed good timber and the mainline advanced at a crawl for the next nine years. During that same year the Alger-Smith Lumber Company bought the huge Knox Lumber Company sawmill on Rice's Point in Duluth. In 1902 they also purchased the Mitchell & McClure sawmill at Grassy Point in West Duluth. Either of these two mills was the largest in the world at the time they were built. This gave the A & S Company a total capacity of over 606,000 board feet of production each day. This would be the equivalent of 115 miles of one-foot wide boards laid end to end every day.

In 1909 they purchased the former Howe Lumber Company sawmill at Tower, Minnesota. Logging operations other than along their railroad popped up all over northeastern Minnesota. Aside from the railroad, they also did a large amount of log rafting on Lake Superior from the Pigeon River and other locations. By 1913 the railroad owned 13 locomotives and leased additional engines during periods of increased activity. As many as 15 trains per day rolled into Knife River. It was boom times in the north woods, but the good times were not to last. There were storm clouds on the horizon.