

dividends to that account, amounted to £1,585 more, & the payments on account of the controlled lines were £5,078 less than in the ½-year ending June 30, 1899, & the increased amount available for dividend amounted, therefore, to £15,662, a result which, I venture to think, taking into consideration all the circumstances in connection with the ½-year's operations, must be regarded as satisfactory.

I should like to say one word in answer to some friendly critics who have upon more than one occasion charged me with being a pessimist, for this reason, that in stating to you the successful working of our Co. in recent times I have insisted so much upon the desirability of expending largely, while we can do so, in the improvement of our line. And from that point of view only I admit the charge, & I earnestly reiterate my advice to the shareholders, to be patient with us in this matter. Considering that we have been able to distribute among the proprietors not far from £1,000,000 sterling in dividends during the last three years, I think they will not grudge to the board the spending, so far as they can safely do so, of further amounts upon the improvement of the line with the view to securing in a larger degree the prosperity of the Co. & thus enhancing the value of your securities. The great object of our practical managers is to economise as far as possible by increasing the train loads, thereby obtaining a reduction in the cost of working, which means increased profit. To do that money must be spent. I will give you an illustration of the economy which may be effected by improving the grades on some portion of our line. Between Brockville & Montreal at the present the average number of freight cars that an engine can draw is 34, but not very far from this point on the same section of the line—between York & Belleville—only 27 cars can be hauled. You will see at once how indispensable it is that this state of things should be improved, so that the Belleville section should be worked on the same basis as the Brockville section, & with the same economy. Therefore, you must not grudge us the reasonable outlays we propose in furtherance of these important works. I have received, every now & then, letters from proprietors who are somewhat impatient because they have not received dividends for a considerable period. I had one or two letters from 3rd preference shareholders wanting to know when we shall resume payment upon the 3rd preference stock, and rather complaining that we are spending money on the line which might go into their pockets. My answer to them is a repetition of what I said just now. I must ask them to be patient, & in the meantime what they do not get in interest they get in improved value of their security. The value of the 3rd preference stock when we took office, if I remember rightly, was about 12, & is now 21; therefore, even those less fortunate stockholders have some reason to be satisfied with what has been done during the last five years. I am not a pessimist. On the contrary, there is no one who has a greater faith in the future of this great company. I am convinced that the prosperity of the G.T.R. will continue to grow with the prosperity of the country through which it runs, & to which it adds so much prosperity itself. There is a great future before Canada; there is a great future for the American States through which our line passes, & with which it is connected, & I have the utmost faith in the permanent & stable prosperity of this company.

The report I have to make as to the Central Vermont Ry. affords a pleasant contrast with the statements made to you a few years ago. I am glad to tell you that the line, as reorganized last year, has been working most satisfactorily. The result of the first 14 months' working since it was taken over from the receivers on May 1, 1899, to June 30, 1900, shows that, after paying all its fixed charges, it has

earned a surplus of \$142,000, a matter of great interest to us because over & above our large holding of bonds, on which, by the way, we are receiving a regular income of \$60,000 a year, we are holders of \$2,215,000, or more than two-thirds of the whole of the capital stock of the Co. But Mr. Hays has, I think, very properly & prudently, urged upon the board the necessity of not distributing this surplus, but to devote it, & even for a limited period to go on devoting surplus earnings, to the improvement of the line. We took it over in a poor condition, with a shortage of cars & a very light motive power. These matters will have to be improved if the line is to be worked as profitably as it should be. What we propose then is, with your agreement, that the surplus earnings, for the present at all events, should be applied to the improvement of the line. That, of course, will only last for a limited period, & then we shall have a thoroughly well equipped line, working at, I hope, continued profit for the benefit of our proprietors. I can only hope that the success attending the reorganization of the C.V.R. is a good omen of what we may expect from the reorganization of the C. & G.T.R.

I should like, in dealing with the Chicago & Grand Trunk, to shortly recapitulate what we have done up to the present time, & what the actual position of the case is. I have explained to you on former occasions that a large amount of C. & G.T.R. 6% 1st mortgage bonds would mature on Jan. 1, 1900, that the traffic agreement between the G.T. & the Chicago & G.T. companies under which the interest on those bonds was secured terminated on their maturity, & I also informed you that it was indispensable that a considerable amount of additional capital must be raised & expended for doubling the track & improving the grades of the C. & G.T. line, & that the C. & G.T. Co. had no means either of providing for the bonds when due, or for the improvement of the line. The directors were not prepared, as had been suggested in certain quarters, to recommend the proprietors of the G.T.R. to provide out of its resources the money required for these purposes, for which they were neither morally nor legally responsible, & therefore to place the affairs of the C. & G.T.R. on a permanently satisfactory footing, the only alternative was reorganization, & I announced to you that a scheme with that object was in course of preparation. You were subsequently informed that a plan of reorganization had been promulgated by the C. & G.T. Co. to which the board had in the interest of the G.T.R. Co. assented, & then in furtherance thereof your directors had expressed their willingness to enter into a new agreement for the interchange of traffic with the C. & G.T. Co. when reorganized, whereby the interest at 4% on a 1st mortgage bond capital of \$15,000,000 proposed to be created by the new company would be fully secured. That was how the case stood when I last had the honor of speaking to you upon this subject. However, the terms proposed in the original scheme did not altogether commend themselves to the views of the bondholders, & they made overtures to the reorganization trustees with a view of seeing if some modification could not be made in a direction advantageous to their interest. The result was that conferences were held, & points of modification were agreed to. The most important of them was that, in addition to the guarantee under the traffic agreement between the two companies, the G.T.R. would give an absolute guarantee on the \$15,000,000 of bonds referred to as & when issued by the reorganized company. So far as we were concerned, we thought that as between one guarantee & the other it was a distinction without a difference, inasmuch as the security of the 30% of the G.T. gross earnings on the traffic interchange-

ed between the two companies, which is, if necessary, to be appropriated under the agreement, would be ample to meet the entire interest on the \$15,000,000 1st mortgage bonds to be created by the new company. However, it was stated to us—&, no doubt, with reason—that the bondholders themselves & other investors attached importance to this additional security, & considered that it would enhance the value of their bonds, & therefore your directors had no hesitation in acceding to that not unreasonable request, & this we shall ask you to be good enough to confirm. A further modification of the scheme was that the C. & G.T. 5% 2nd mortgage bondholders are to receive 75% of the nominal amount of their bonds in the new 4% 1st mortgage bonds, & the remaining 25% in new 4% income bonds of the company to be created when reorganized, the interest on which will be payable when the net earnings of the company will permit, after providing for the interest on the 1st mortgage bonds, with this proviso, that the new company would be entitled at any time within 10 years to purchase those income bonds at 85. The scheme thus modified has been agreed to by an overwhelming majority of the 1st mortgage bondholders & almost entirely by the 2nd mortgage bondholders. Let me repeat to you that this 1st mortgage bond will be a 50 year gold bond, with the interest guaranteed by a valuable traffic agreement, & also by the unconditional guarantee of the G.T.R., & further, the bond will be secured by mortgage on the improved double-tracked road. Of course the G.T.R. Co. will receive its proportion of the new bonds in respect of the C. & G.T. 1st & 2nd mortgage bonds now held, & it is also in consideration of the guarantee, which I have mentioned, to receive the entire share capital of the reorganized company. This capital stock, it is fully anticipated, will prove a valuable asset when the contemplated improvements of the line are effected, for which ample provision is made by the reserve of \$4,500,000 of the 4% 1st mortgage bonds to be appropriated for that purpose.

Well, that is all I need have said about the C. & G.T. Co. I should have concluded my remarks, having made it, I think, clear to you that the arrangement is distinctly to the advantage of the G.T. shareholders, but I think it right to inform you that I yesterday received a letter from your former President, Sir Henry Tyler, enclosing a memorandum which he desired should be communicated to you at your meeting to-day. I doubt whether I should have proposed to submit it to you. The memorandum is couched in terms which I think would have fully justified me & my board in refusing to lay it before you. Sir Henry has been greatly wanting in self-respect in the manner in which he has attacked our board, & the language it has pleased him to use in the communication to which I alluded, I think, would have fairly entitled me to put the document in the fire & refused to lay it before you, but I am informed that Sir Henry is present himself to-day. That being so, there is no necessity for reading the memorandum, but I will ask Sir Henry to rise & repeat face to face—to the board whom he has attacked—the charges which he wishes to bring against us. The President concluded by moving the adoption of the report & accounts, seconded by Vice-President Jos. Price.

Sir Henry Tyler said the C. & G.T. Co. was owned and controlled by the G.T. Co., & when they were told in the Directors' previous ½-yearly report that the C. & G.T. Co. had promulgated a scheme, & that that scheme had been assented to by the G.T. Co., he could only say that it was a false pretence, because the whole thing was done by the G.T. Co. itself. The President of the C. & G.T. was the General Manager of the G.T., & had to obey this board; therefore this board