

believe there is something in them. In regard to the special rates granted T. Long & Bro., I think a freight expert should be engaged to go through the records of all their shipments, and to ascertain the difference between the amount of freight paid under the special tariff and what should have been paid under the regular public tariff. The new directors should then take legal advice as to whether proceedings could be successfully instituted to recover for the Company what it has lost on account of the freight having been shipped at special rates. I am, of course, assuming that the directors generally did not know that special rates were in existence, and that they were not authorized by the board as a whole. It may be urged that T. Long & Bro. had special rates on the Great Northern Transit Co. before it was merged into this Company, but that was a close corporation. There was no large list of shareholders, and the company was not publicly floated. No special rates should have been enjoyed by any director or other person from this Company without the knowledge and authority of the full board.

"Another subject for inquiry is whether T. Long & Bro. have paid their freight charges promptly, as other persons are required to do, or whether they have been charged up against them, and settled at the end of the season after the granting of rebates or other favors. I presume the supplies they sold the Company were paid for monthly.

"In connection with the charges I have made against certain directors I will quote the following from a well-known legal work:

"A director stands in a fiduciary relation towards the company. He is not allowed to make any profit out of the position he thus holds other than that allowed by the regulations of the Company or by the consent of its members.

"The rule that a director cannot take the benefit of a contract entered into between himself and the Company, because he is not to make a profit in a case where he is both buyer and seller, applies even although his colleagues at the board had full knowledge of and approved of the transaction.

"Directors are bound to exercise the powers given them for the benefit of the Company generally, and not with a view to their own private interests only.

"Any profits of any description which he may have made out of the Company, beyond the remuneration granted him by the Company, a director is liable to repay."

"The manner in which certain directors disposed of large quantities of their stock, leaving themselves with very small holdings, was fully dealt with in the January issue of THE RAILWAY AND SHIPPING WORLD, and I do not wish to take up time now by repeating the details. The facts there stated were obtained from the Company's transfer and other books in the hands of the Toronto General Trusts Corporation, and cannot be disputed. It has been shown that certain directors sold the principal portions of their stock when prices were high, and it may fairly be assumed that net earnings of the Company, they availed themselves of it in order to unload and to leave the other directors and shareholders in the lurch. It has been shown that since February last Mr. John Long has only held 50 shares out of a former holding of 409, that T. Long has only held the same number since Dec. 10, 1902, and that from Nov. 25 to Dec. 10, 1902, he remained a member of the board, and as Secretary, without having a single share standing in his name on the Company's stock register. I contend that these gentlemen, if they had had any sense of propriety, should have resigned their seats on the board and not have continued to practically control the Company and its operations after having disposed of seven-eighths of their stock. But they had too good a thing to let go of. The President

with a salary of \$2,500 a year, his nephew with the position of Manager, his firm with special rates for all its freight, and the supplying of large quantities of goods for the use of the steamers. Some people may look on these stock transactions as a piece of smartness. It undoubtedly was, but it was not justifiable. No reputable business man would attempt to defend it, and I think it would be interesting to hear what some of the other directors, particularly Messrs. Osler & Hendrie, think of it.

"So far I have spoken only of those directors who have used the Company for their personal advantage, and of the other directors who also unloaded their stock at high prices. As to the remaining directors, I do not believe that they have acted in anything but a straightforward way, but it is evident that they have been careless, that apparently they relied on the good faith of the unloaders, and that they did not sufficiently acquaint themselves with the affairs of the Company. Had they done this, I do not believe that an unqualified manager would have been appointed, that salary expenses would have been increased some 50%, that general extravagance would have been permitted, or that other directors would have been allowed special freight rates. There is no doubt that for this carelessness they are blameable. The work from which I have already quoted says:

"Every director is bound to have a reasonable knowledge of the affairs of the company. He is not necessarily affected with notice of all the transactions entered in the books of the company, but he is affected with notice of all proceedings of the board, the minutes of which are read and confirmed in his presence. Generally a director will be presumed to have known everything which in his capacity as a director he should have been acquainted with."

"In view of this, as a matter of fact, none of the directors have any claim on the shareholders to re-elect them, but I do not wish to offer any objection to the re-election of those who have not unloaded their stock, and I think it very desirable that some of them should be re-elected. I do, however, emphatically protest against the re-election of those who did unload, as I believe it is essential in the interest of the shareholders that they should not be re-elected. I am satisfied that in taking this position I am voicing the opinion of a large majority of the investment holders of this stock, and that they will be bitterly disappointed if any different course is adopted by this meeting. A circular which was issued, inviting proxies, stated that a change in the policy and management of the Company was necessary. That change cannot be satisfactorily made if any of those directly responsible for the mismanagement are re-elected.

"I know it has been urged in certain quarters that J. J. Long should be retained on the board, on the ground that the presence of some one acquainted with the business is necessary, and that he is very powerful with the G.T.R. management. Mr. Long's knowledge of the business of this Company is not what is required to put it in a proper position, but directors are wanted who will see that past transactions are probed to the bottom, that the accounts from the commencement of the Company be audited by reliable chartered accountants, who, among other things, shall particularly see whether all payments have been made under the authority of the board, that people who have profited at the expense of the Company may be made to disgorge, and that for the future this Company may be run in the sole interest of the shareholders, and not as an auxiliary to a general store or to further the interest of any directors. The Grand Trunk Railway's business is not conducted on sentimental lines, and any manager or board who will act on business principles will receive every consideration from the management of that railway.

"It is alleged that the issue of free transportation has been abused. In the draft resolutions which I gave Messrs. Osler & Hammond I suggested that full particulars should be obtained of all annual, periodical or trip passes issued during 1903, with the names and addresses of the persons issued in favor of and the reasons for such issue. Such a statement is the only way in which it can be ascertained whether the charge is true or not, and whether free transportation has been issued as alleged, not in the interest of the Company, but to friends, customers and employees of certain directors. An effort should also be made to ascertain whether the pursers have been in the habit of passing certain people free, as it is said that many have been so carried, and, of course, there would be no record of them in the pass books.

"Towards the end of each year transportation companies send out to other companies requests for exchange passes, the general rule with companies of any standing being only to ask passes from railway and steamship lines over whose routes the Company's officials might require to travel in the ordinary way of business. As an instance of the reckless and silly way in which the Manager of this Company has acted it may be stated that towards the close of last year he issued circulars to between four and five hundred lines asking annual passes for the President, himself and, I believe, some other officials of this Company. Among other lines he applied to the Alamogordo & Sacramento Mountain Ry., the Alaska Steamship Co., the American Railroad Co. of Porto Rico, the Arizona & New Mexico Ry., the Arkansas Southeastern Ry., the Atlantic & Mexican Gulf Ry., the British Yukon Ry., the Florida & Georgia Ry., the Florida East Coast Ry., and many others equally unnecessary. These are names selected from the list at random and are typical of the whole. The President and Manager must have contemplated doing a lot of pleasure travelling, as certainly there is no necessity to use any of the lines mentioned on the business of this Company. This piece of nonsense on the part of the Manager took up a good deal of the time of the office staff, cost a considerable amount of postage and the lithographing of a large number of unnecessary passes, and, worst of all, has scattered this Company's passes practically all over this continent, to say nothing of Porto Rico and other places. It is very easy for such passes to get into wrong hands, to be disposed of to scalpers and to be improperly used on the steamers."

As Mr. Burrows proceeded, the President and another shareholder frequently interrupted him, the President trying to explain matters as he went along. When Mr. Burrows dealt with freight rates and charged that T. Long & Bro. had enjoyed special rates, the President flatly contradicted him. Mr. Burrows challenged him to produce the letter-book of the Assistant Manager at Collingwood for July, 1903, and the correspondence received in the office during that month, and said it would show that early in that month the question was raised as to why 53,750 lbs. of freight had been carried to Port Arthur in June, 1903, at a certain rate. In reply, the Assistant Manager at Collingwood wrote to the Sarnia office as follows: "I do not know whether the matter has been brought before your notice as to rates, but you will remember since 1898 the wholesale firm of T. Long & Bro. here have enjoyed a rate of 20 cents per 100 lbs. on groceries, etc., and 15 cents per 100 lbs. on heavy coarse freight, such as oats, hay, potatoes, from Collingwood to destination, divided on basis of 50% to each steamer."

The reading of this letter created a decided sensation in the meeting, and the President asked the reporters present not to take down the discussion which followed. He con-