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In the Supreme Court of Newfoundland.

Between Newfoundland Banking & Trust Corporation, Limited, Plaintiff and The Reid Newfoundland Company, Ltd., Mines & Forests (Newfoundland) Limited and Newfoundland Power & Paper Company, Limited, Defendant.

(Continued.)

The arrangements embodied in these exchanges of letters were the result of discussions that had previously taken place between the parties to them. Early in Feb., 1921, Mr. Reid and Messrs. Greenwood, Thomson and MacDonald had discussed the services they had rendered to the Reid Co., and they asked him for an additional commission of 10 per cent. out of the proceeds of the Humber Deal which he agreed to give them, together with a contribution towards their expenses. He thought this was no more than was ordinarily paid for similar work, and that it was no more than he had agreed to pay Mr. Thomson in 1919 before the Trust was formed. On the 8th of February, 1921, Mr. H. D. Reid wrote his brother, Mr. R. G. Reid, saying "I have had several talks with Messrs. Greenwood, Thomson and MacDonald. (Thomson was not then in London) in regard to the fees or payments they get out of the different deals that are put through by the Trust. We decided in the end that we could make a separate arrangement for each transaction. They have asked for ten per cent. of all we get out of the Humber Deal, which I agreed to give them. They have been working now for 1-1/2 years and, of course, have not made much money, and I think that the amount of work they put in on this one proposition entitles them to a liberal amount. After that, we might cut them down when I find out exactly what other people in London would charge for the same sort of work. At the same time, I suppose you recognize as much as I do the importance of having our own Trust Company dealing with our own affairs and giving us their whole attention and I really believe that we

could not get better men about us than Greenwood, MacDonald and Thomson." A draft agreement to pay them the extra 10 per cent. on the Humber Deal was then prepared, by Messrs. Greenwood and MacDonald, and left with Mr. Reid, who submitted it to Mr. Patterson of the firm of Patterson & Ross, Glasgow, Solicitors. Mr. Patterson drafted, on Mr. Reid's instructions, an agreement setting out the terms of payment of the additional commission of 10 per cent. and the contribution to be made towards expenses. This draft was shown to Major MacDonald by Mr. Reid and accepted by him on behalf of his associates. Mr. Reid then sent it to his brother, Mr. R. G. Reid, in St. John's, under cover of a letter, in which he said "Enclosed you will find an agreement I have made with the Trust. You can show it to Conroy and then have it filed away. I had Jim Patterson from Glasgow down here and he drafted this letter."

The agreement was in the form of a letter from Mr. Reid to Messrs. Greenwood, Thomson and MacDonald, dated 21st Feb., 1921. When Mr. R. G. Reid received the letter, he placed it with some papers on Mr. Conroy's desk, but Mr. Conroy, in his evidence, says he did not see it, that it must have become mixed up with other papers and been filed away with them unobserved. Nothing further was heard of or done in connection with the draft or the agreement it contained until the 5th April, after the agreement with Mr. Blakstad had been signed, when Mr. E. M. MacDonald, K.C., of the Canadian Bar, who was then in London to advise Mr. Reid in connection with the Blakstad agreement, without any previous reference by them to the matter, told Messrs. MacDonald, Greenwood and Thomson to see Mr. Reid as he wished to read the draft agreement for the personal commission which he had prepared on Mr. Reid's instructions. Mr. Reid read the letter to them and then signed it. It was addressed to them jointly. Major MacDonald, after Mr. Reid had left the office the same day, asked Mr. E. M. MacDonald for a signed copy of the letter for each of them. This Mr. MacDonald promised to do. I think the weight of evidence is that just before dinner at the Carlton Hotel, Mr. Reid signed the two other copies. It is, I think, important to note in view of the attitude taken later on by the Directors of the Reid Co., that in February, when this matter first came up, Mr. Reid thought the services rendered and to be rendered by Messrs. Greenwood, Thomson and MacDonald, justified the payment to them of this extra commission, that he had then the advice of Mr. Patterson, his solicitor, who drafted the letter of Feb. 21st, that on April 5th the final letter was drafted by Mr. E. M. MacDonald. Mr. Reid's legal adviser, on Mr. Reid's instructions, without any previous suggestions from Mr. Greenwood, Mr. Thomson or Major MacDonald. I have considered this matter entirely as it affects the relations between the Reid Co. and these gentlemen and not at all as it concerns their relations with the Trust, of which they were Directors.

As regards the agreement between Mr. Blakstad and Messrs. Thomson, Greenwood and MacDonald, as to the \$500,000 shares of the Products Co., the matter was discussed by Mr. Blakstad with them some ten days or a fortnight before the documents were signed, the evidence leaves it in doubt whether this subject was brought up first by Mr. Blakstad or by the Trust, but I think the whole evidence, that it was first mentioned by Messrs. Greenwood and MacDonald. As a result of their discussions, it was decided to make a bargain by which Messrs. Greenwood, Thomson and MacDonald would give Mr. Blakstad

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one-third of what they would receive under the personal commission agreement with Mr. Reid as arranged in previous February, and that in return he would give them \$1,500,000 shares in the Products Co. to be equally divided between them. I think both parties to this bargain were satisfied with it. I also think Major MacDonald, at some previous time to the 5th April, informed both Mr. Reid and Mr. E. M. MacDonald, K.C., of the arrangement they had made with Mr. Blakstad, and were told by them that they saw no objections to it. Nothing was done in the matter until the agreement of April 5th in regard to the Humber and the personal commission agreement had been signed. All these demands were signed on that day, because Mr. Reid and Mr. Blakstad were to leave London next day for Newfoundland, and all concerned wished to finalize matters so far as they could in connection with the Humber Deal. Two of the letters were drafted by Mr. Parker, the Solicitor of the Trust; one to be signed by Mr. Greenwood, and his associates enclosing copies of these letters exchanged with Mr. Blakstad and asking Mr. Reid to acknowledge the receipt of the first and expressing his concurrence in the receipt by Messrs. Thomson, MacDonald and Greenwood, of \$500,000 shares from Mr. Blakstad. Mr. Greenwood and the others signed the first and Major MacDonald brought it, with the draft of the letter for Mr. Reid to sign, to Mr. Reid and gave it to him in the presence of Mr. E. M. MacDonald, his solicitor, and asked him to sign it. He did so, and later in the afternoon it was returned to them by Mr. E. M. MacDonald.

I do not think that a man of Mr. Reid's experience having, as he had, a knowledge of the circumstances, and being, as he was, advised by an experienced lawyer like Mr. E. M. MacDonald, K.C., failed to understand and appreciate the nature and the effect of both these transactions, namely, the personal commission agreement and the bargain with Mr. Blakstad, under which they were to receive the \$500,000 shares each, and I think he accepted them and completed them with his eyes fully open. I think he recognized that these gentlemen had rendered long and valued services to the Trust and to the Reid Co., and its interests, during the time they had been connected with them and that

he wished to reward them on that account. Nothing was done without his full knowledge and consent. The whole arrangement with Mr. Blakstad in regard to the Humber was entirely dependent upon securing the guarantee of the Government of Newfoundland and the raising of the money by Mr. Blakstad to carry out the scheme. If either failed, the whole deal collapsed. It was necessary to secure the agreed amount of timber and to show good title to the land included in the scheme. These matters had to be attended to in Newfoundland.

On arriving at New York, Mr. Blakstad and Mr. Greenwood, at the request of Mr. Reid, went to Montreal to explain to the Bank of Montreal the bargain they had made for the development of the Reid Co.'s properties on the Humber and to obtain its approval and assistance, if necessary, in their efforts to secure the Government guarantee. They went to Montreal and saw the Bank officials there and later rejoined Mr. Reid at North Sydney and accompanied him to St. John's, arriving here on or about the 15th April, 1921. Mr. Blakstad failed to obtain the Government guarantee for the issue of 5,000,000 debentures; the Government thought the amount too large but it was willing to recognize the interest on an issue of \$12,500,000 to be used for construction work only and the terms of an agreement to that effect were arranged between him and the Government. On the 25th of April, Mr. Blakstad informed Mr. Conroy of the attitude of the Government in regard to the guarantee and on the 28th or 29th he sent Mr. Conroy, through Mr. Greenwood, a memorandum of suggestions for the amendment of the agreement made in London on April 5th. On May 2nd, Mr. Blakstad and Mr. Greenwood met the Directors of the Reid Co. to discuss Mr. Blakstad's suggestion on an amended agreement. As Mr. Greenwood was going into the meeting, Mr. Conroy handed him a letter saying: "To prevent any misconception, I have been requested by the Board of Directors to say that as in consequence of Mr. Blakstad's inability to secure the guarantee by the Government of \$25,000,000 interest and sinking fund, all agreements with Mr. Blakstad are terminated. The same will apply to all agreements with the Newfoundland Banking & Trust Corporation, Ltd., with regard to the Humber Valley proposition."

"Should a new agreement be entered into with Mr. Blakstad," a new arrangement with regard to any commission payable to the Trust will have to be arrived at.

"I am also to say that even if the original agreement with Mr. Blakstad had been carried out, the Board would have felt themselves unable to ratify the agreement entered into by Mr. H. D. Reid with yourself and Messrs. Thomson and MacDonald of April 5, 1921."

Mr. Conroy had with him at the meeting schedules showing the lands proposed to be scheduled to the Blakstad agreement, and at Mr. Blakstad's request, the quantity of timber upon it was worked out at the meeting. It was finally agreed that the Reid Co. would submit to Mr. Blakstad an offer based on a reduced acreage. Next day Mr. Conroy wrote Mr. Blakstad giving the conditions of a modified agreement, which it was thought would meet the requirements of the Government as to the guarantee. Mr. Blakstad did not reply to this letter. He left St. John's on May 5th intending to return to England accompanied by Mr. Greenwood. Before he left, Mr. Greenwood replied to Mr. Conroy's letter of May 2nd, saying he had no authority to vary any agreements existing between the Reid Co. and the Trust. Mr. Blakstad and Mr. Greenwood went to Montreal in accordance with a promise they had given to the Bank Manager to return and inform the Bank of how the negotiations in St. John's had turned out. He informed the Bank of the failure of the negotiations with the Reid Company. I do not think either Mr. Blakstad or Mr. Greenwood did, or intended to move the Bank to put pressure on the Reid Co. to enter into an agreement with Mr. Blakstad, on the contrary, I consider that the efforts made during this visit of Mr. Blakstad to bring the parties together again were made by the Bank Officials and by Mr. E. M. MacDonald who had been advising Mr. Reid in London. Mr. Blakstad consented somewhat reluctantly to the proposals that were forwarded by the Bank to St. John's, but which the Reid Co. did not accept.

I think that there is no doubt that the failure of the London agreement with Mr. Blakstad of April 5th, was caused by the refusal of the Government to guarantee the debentures and I have no doubt that if that guarantee had been secured, the schedule of the land over which the timber rights were to be given to the Products Co. would have been settled to the satisfaction of the parties before the 31st of May, the date fixed by the agreement.

Before formulating a judgment upon the complaint of the Reid Company of Mr. Greenwood's conduct during his visit to St. John's, I think it must be remembered that the principal object of his visit to St. John's was to direct the final negotiations in regard to the contract with Mr. Blakstad. In the first place, it was necessary to secure the Government guarantee for the

proposed issue of debentures. It was thought, for some reason, that the negotiations with the Government should be conducted by Mr. Blakstad alone without the interference of the Reid Co. Mr. Greenwood's efforts would therefore be directed at first entirely in assisting him in that matter. Mr. Reid knew that during negotiations in London, the Trust had been negotiating with the Armstrong Whitworth Co. and financial firms in the city of London with a view to securing the money for Mr. Blakstad to carry out this part of the agreement. After the failure to secure a Government guarantee, an undefined atmosphere of unfriendliness surrounded the relations between Mr. Greenwood and the Directors of the Reid Co. Some of the Directors expressed their dissatisfaction with the agreement of April 5th and with the undertaking given by Mr. H. D. Reid to pay a personal commission to the Directors of the Trust and in consequence did not maintain that friendly touch with him that had characterized all their previous relations with the Directors of the Trust. It is possible that a little frankness on both sides might have restored confidence between the parties, particularly before the letter of May 2nd, purporting to cancel the agreement with the Trust as regards its commission on the Humber was delivered. It must be remembered that nothing was done in connection with the personal commission without the consent and approval of Mr. H. D. Reid, the President of the Reid Co., who had apparently full authority to act in all matters for the Company, after having the advantage of legal advice both in February and in April and that up to the receipt of the letter of May 2nd to Mr. Conroy neither Mr. Greenwood or any of his associates in London knew of the dissatisfaction of any of the Directors of the Reid Company. It must also be remembered that in February, 1921, the Trust knew that the personal Commission agreement drafted by Mr. Patterson on the instruction of Mr. Reid, was sent to Mr. R. G. Reid in St. John's and that it was only through an oversight that Mr. Conroy did not then learn of its existence. I think Mr. Greenwood acted unwisely during his visit, but the Trust and its other Directors in London did not know of this and the Reid Co. did not inform them of their dissatisfaction with Mr. Greenwood's conduct.

Shortly after Mr. Blakstad left St. John's, Mr. H. S. Waite, a civil engineer sent out by the Armstrong Co. came to St. John's to report upon the engineering side of the Humber proposal for the purpose of the proposed contract for the construction of the works contemplated by the Blakstad agreement. He expected to meet Mr. Blakstad in Newfoundland, but Mr. Blakstad had left before he arrived.

Mr. Waite visited the Humber on his way to St. John's and expressed to Mr. Reid and Mr. Conroy his approval of it for the purposes intended. Mr. Conroy in his evidence says: "He came here in connection with the Blakstad agreement and when he got here he discovered that Mr. Blakstad was away and there did not seem to be much prospect of Mr. Blakstad's accepting our offer of our coming to terms with him, so we asked him (Mr. Waite) if his principals, the Armstrong Whitworth Company, would be interested in going into the scheme and that was when he explained that he was not a member of the firm and he had no authority to speak for them, but he said that when he got back to England, he would tell his principals frankly what he thought about it and recommend the proposition as a sound engineering and economical proposition and he went away from here about the 5th of June." On the 3rd of June, while Mr. Waite was here, the Reid Company cabled the Trust saying: "Humber area, for the information of all concerned. Blakstad offer has expired, negotiations at an end, we are negotiating elsewhere." The offer made to Mr. Blakstad in Mr. Conroy's letter of May 3rd expired on the 3rd of June. I infer that the latter part of this cable refers to the discussions then being held with Mr. Waite. Mr. Conroy says that he was hoping at that time, that the Armstrong Whitworth Company would step into Mr. Blakstad's shoes subject to some modifications but on the same lines.

On June 7th, the Trust replied to Mr. Reid's cable of June 3rd, "We cannot understand your telegram June 3rd, referring expiration option. We cannot agree any alterations agreements Humber area except by consent of all parties." When this cable was sent, the Trust evidently did not know of the offer made to Mr. Blakstad on May 3rd. The Reid Co. replied

to the Trust's cable of June 7th next day, "In reply to Telegram No. 37 Nfld. Banking & Trust Corporation, Ltd., must understand authority is withdrawn regarding Humber area and Power Co. deals. Negotiations will be conducted by Reid Nfld. Co. in the future." The two matters mentioned in this telegram namely the Humber proposition and the Light & Power

Co.'s loan were the only matters with which the Trust was at the time actively dealing. This cable was equivalent to a withdrawal of the authority of the Trust.

Mr. Greenwood returned to St. John's about the time when Mr. Waite left. He then had a conversation with Mr. Conroy on July 4th, in regard to

(Continued on page 11.)

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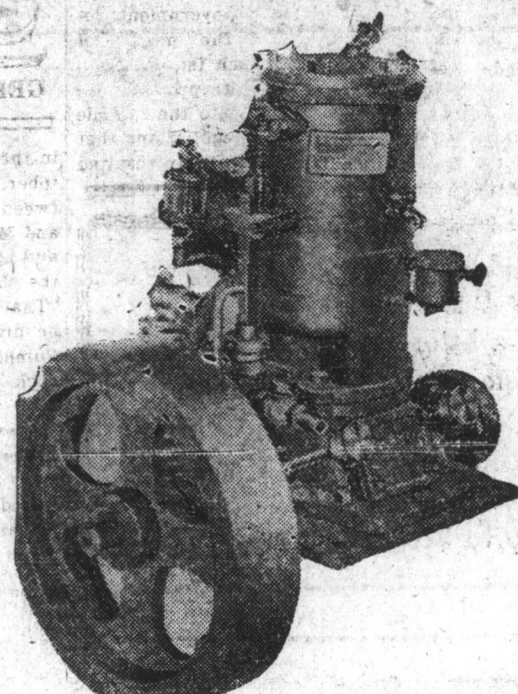
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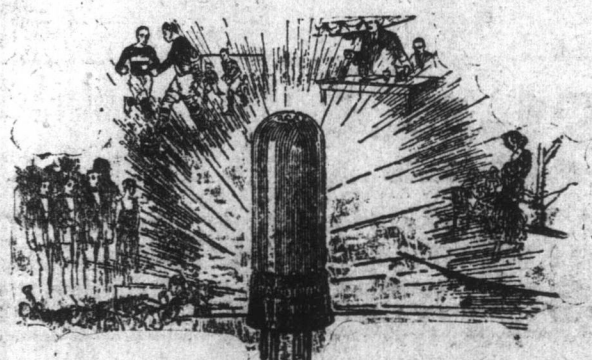
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