

no less than £1,359,424. As regards the earning capacity of the line, you are aware that when the bond capital of the Chicago & G.T. Co. was originally issued, traffic agreements were entered into by which the G.T. Co. undertook to supplement, out of a percentage of its earnings of traffic interchanged between the two companies the net revenue of the Chicago & G.T. to such an extent as might be necessary to meet the full interest on the bonds. This arrangement has borne heavily on the G.T. revenue for many years past. I will, by way of illustration, give you the figures for the past 6 years. The net earnings of the Chicago & G.T. Co. amounted for the 6 years, from 1894 to 1899 inclusive, to £438,832, from which had to be disbursed for rentals & interest on borrowed money £263,326, leaving a net amount available for bond interest for the 6 years of £175,506, an average of £29,251 a year. Inasmuch as the interests on the C. & G.T. 1st mortgage bonds amounted to \$360,000 and on the 2nd mortgage bonds to \$300,000—in all \$660,000 a year, a total of £813,700 for the 6 years, it follows that the C. & G.T. net revenue for that period was short of the bond interest requirements by £638,194, of which £571,488 had to be provided by the G.T. Co., & the terms of the traffic agreements, & the remainder by way of additional advances to the C. & G.T. Co. These obligations have made a serious inroad on the G.T. revenue resources, & by way of further emphasizing this fact, I wish to point out to you that when the 2½ years, from Jan. 1, 1894, to June 30, 1896, when the G.T. fortunes were at their lowest ebb—in those dark & depressing days of the fortunes of the G.T. Co. our Co. accumulated a revenue deficiency of £306,000—we were unable to meet our fixed charges to that amount; & in that same period the G.T. Co., in terms of the traffic agreements, contributed from its revenue by way of advances to the C. & G.T. Co. to meet its bond interest no less than £325,000. It may be said, it has been said, that the G.T. earnings are increased by the traffic interchanged between the two companies which it might not otherwise obtain; & this is, of course, true to a certain extent; but it must be borne in mind that the G.T. could always control a large proportion of the traffic, & that the net profit made by the G.T. Co. on the traffic—to a large extent through business which it receives from its connection with the C. & G.T. taking into consideration the low rates that have ruled for a long time past, has been commensurate with its obligations under the traffic agreements. You will see therefore, that whilst we were absolutely in a state of quasi-insolvency we were bound under this agreement, this unfortunate agreement, I might almost call it, bound to pay out money in order to maintain the credit of the C. & G.T. bonds, at a time when we were not earning interest to pay your bonds. As the traffic agreement in connection with the C. & G.T. 1st mortgage bonds due Jan. 1, 1900, terminated at that date, it was necessary for that Co. to review the position of its affairs in regard to the maturity of that portion of its bond capital, the arrangement of its floating debt, & the raising of fresh capital absolutely necessary for the purpose of improving the physical condition of the line so as to enable the Co. to maintain its earnings in competition with other lines which had already expended large sums in providing for their similar requirements. No fresh capital has been raised by the C. & G.T. Co. since the issue in 1882 of the 2nd mortgage bonds owing to the conditions of that mortgage, which provided that no larger amount than the then existing 1st mortgage of \$6,000,000 be raised in priority to the 2nd mortgage, & the outlay absolutely necessary for the C. & G.T. requirements on that account had, from 1882 to 1895, been advanced by the G.T. Co. out of its resources, & that Co. also advanced during that period

large sums for supplying the C. & G.T. with rolling stock, stores, &c. Since the present board took office the directors have not considered it desirable to increase these advances, nor are they prepared to advise you to use the resources of the G.T. Co. for the purpose of meeting the further capital now so urgently required. In these circumstances the C. & G.T. Co. in Oct. last issued a circular addressed to the holders of the 1st & 2nd mortgage bonds containing a scheme for the reorganization of the Co. which, on the existing condition of its affairs, must be considered a fair & equitable arrangement for all parties interested, & one which, when carried into effect, would place the Co. in a sound position. The object, the chief object, of that scheme is to make the C. & G.T. Co. self-supporting, & at the same time, to enable it to do that, to provide a large sum of money for the absolutely necessary improvement of the line. In the scheme propounded by the C. & G.T. board the bond issue is to be restricted to \$15,000,000 bearing 4% interest. That amount includes rolling stock, putting the line into a satisfactory condition to work the traffic at the lowest possible cost, which, doubtless, will have the effect of materially increasing the earning capacity, & in order that the new 4% bonds may become a perfectly sound & first-class investment, & the regular payment of the interest sure, the G.T. Co. propose, if the scheme goes through, to enter into a new traffic agreement by which these objects will be secured. And now I wish to say a few words to the 1st and 2nd mortgage bondholders of the C. & G.T.R. It is possible that some of them may be present here to-day, but no doubt my words may go beyond this room. The scheme put forth by the C. & G.T.R. has received the assent of somewhat over two-thirds of the 1st mortgage bondholders, but a certain number have expressed their dissent, & another portion, making up the total outstanding one-third, a certain portion appear to be in a condition of hesitation, & have not pronounced assent. I should like to point out to those gentlemen who have dissented that those holders who have dissented & those holders who are still hesitating are in my judgment acting very unwisely. They are offered in exchange for their old bonds a new bond, which I venture to say will in a very short time after the scheme of reorganization is gone through, occupy a very high position indeed in the market, and I venture to think that if those persons whom I am alluding to had been well advised, or if they had studied the situation a little more accurately they would have seen that they were acting contrary to their best interests by refusing the offer which was made to them. I am assured that the certificates—that the market price at the present moment of Glynn's certificates, which have been issued to the bondholders who have deposited—I am assured that there is a quotation for these certificates in the market between 98 & 99 at the present time. I am also assured, upon very high authority, that if it had not been for the short-sighted opposition of those holders to whom I have just alluded, there is very little doubt whatsoever that these certificates at the present moment would command a much higher price—probably considerably & substantially above par. And what more could these holders have expected to receive—100 for £100 bond in the circumstances I mentioned to you? They would have received something more than 100 for their £100 bond; therefore I hope it is not even too late now. I hope my words will go forth. I have no other interest to serve, not only for our own Co. but for this C. & G.T. & the holders in whom we are interested. I think they will act most wisely if they join in the scheme, for it seems to me the height of unwisdom that they should allow themselves to be persuaded that this scheme was not for their advantage. Just think for a

moment what this bond is. This is a 4% bond, a 1st mortgage bond upon this railway which after it has been put into good order—as we intend it shall be—will have a very high earning capacity indeed. It is a substantial interest guaranteed by the traffic agreement proposed to be entered into by the G.T. In point of fact I may say that that guarantee takes the form almost substantially of a prior charge because it is payable out of the gross earnings of the interchange traffic. And this bond, this gold bond, is a 50 years' bond, running for 50 years, & better very much in that respect than the old 21 year bond. I cannot conceive in the present condition of things that there is a finer or more promising bond than this, & I would say also, as I mentioned just now when I spoke in the interest of the C. & G.T. holders—which I do most sincerely—that you must remember that we of the G.T. are far & away the largest holders of these bonds, & I shall congratulate the board & shall congratulate all of you proprietors, if this scheme goes through, as I have no doubt it will go through. It will be much to our advantage, & if it is to our advantage, it is to the advantage of all the other holders of these bonds. I will say the same thing to the 2nd mortgage bondholders. The 2nd mortgage bondholders are grumbling & complaining. They think that fair treatment has not been awarded to them. What do the 1st mortgage bondholders say? They complain that we are treating the 2nd mortgage bondholders too liberally, because, forsooth, they are admitted to 1st mortgage, whereas, hitherto, they have only had a 2nd mortgage. Therefore, I think I may set one set of bondholders against the other, & leave them to fight the thing out themselves. But I go back to the more important thing of what I said just now, namely, that this bond is a most valuable bond, as you will be able to see in the future, & all you gentlemen who have had opportunities of securing those bonds, & have not availed yourselves of that opportunity, will bitterly regret it some of these days. I will pass from that subject, & I hope my words will have some effect & induce friendly co-operation amongst all classes of bondholders, so that our scheme will go rapidly through without any impediment.

There is only one other matter, which is of a totally different order, which I must allude to, & that relates entirely to the G.T. Co. I am sorry to have to announce to you that our General Traffic Manager, Mr. Reeve, after a long, & successful & faithful service of 40 years, is about to retire from our service—he will retire on May 1 next. It is a matter of the most sincere regret to us that he is leaving us, because his services are quite of an exceptional character. He is a man who has been devoted to our interest for very many years. He has brought intelligence of a high order to bear & the result of his work has been most valuable & most useful to the interests of this Co. I think it is only due to him & it will be only interesting to you, that I should read to you the words of Mr. Hays in announcing to us the most regrettable circumstances of Mr. Reeve's retirement. He writes this:—"Mr. Reeve has filled the position of telegraph operator, agent, train despatcher, soliciting for freight agent, division freight, general traffic manager, & finally traffic manager, in which position he has performed the duties of the office energetically & faithfully, & to the credit of the Co. he represents," & Mr. Hays goes on to say—"I need hardly say I shall part with Mr. Reeve with extreme regret. I have never had an officer associated with me in the position occupied by Mr. Reeve, in whose judgment, zeal & fidelity I placed greater confidence. His long connection with & consequent familiarity with the traffic conditions of the property have made his services highly valuable." Well, that tribute from Mr. Hays, than whom there