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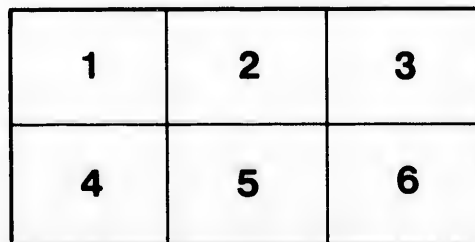
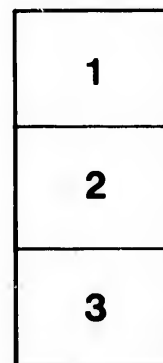
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No. 24.

BUFFALO AND LAKE HURON RAILWAY.

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R E P O R T

OF

THE DIRECTORS

OF THE

*Buffalo and Lake Huron Railway,*

FOR THE

HALF-YEAR ENDING 31<sup>ST</sup> DECEMBER, 1867,

WITH

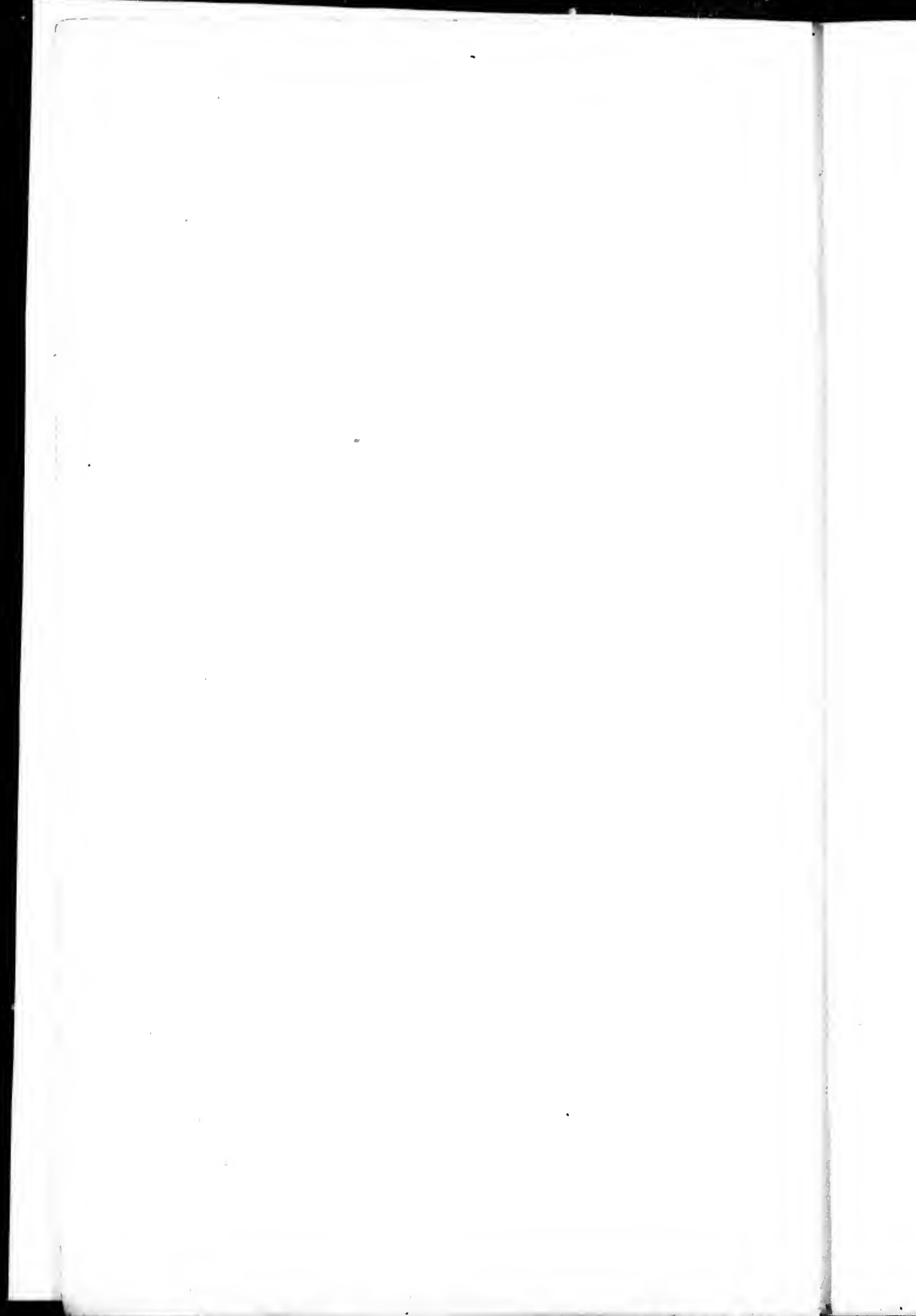
STATEMENTS OF ACCOUNTS, &c., &c.

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LONDON:

PRINTED BY E. COUCHMAN & CO., 10, THROGMORTON STREET.

1868.



LIST OF DIRECTORS, 31<sup>ST</sup> DECEMBER, 1867.

---

**Chairman.**

EDWARD HESELTINE, Esq., London.

**Directors.**

PHILIP RAWSON, Esq., London.

CHARLES LANGTON, Esq., Liverpool.

ALFRED COX, Esq., London.

**Solicitors.**

MESSRS. ASHURST, MORRIS, & Co., London.

MESSRS. E. B. WOOD & Co., Brantford C.W.

**Secretary.**

THOMAS SHORT, Great Winchester Street Buildings.

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## BUFFALO AND LAKE HURON RAILWAY.

### R E P O R T

FOR THE HALF-YEAR ENDING 31<sup>st</sup> DEC, 1867.

THE Directors now hand to the Proprietors copy of the last Grand Trunk Report, and appended with this a letter from Mr. Heseltine, together with copies of most of the correspondence that has taken place between the two Companies during the past twelve months. These documents will put the Shareholders in possession of the fullest information as regards the affairs of the Company.

In the Grand Trunk Report, pages 3 and 4, the revenue for the past half-year is shown as follows:—

Gross Revenue . . . . £ 704,379

Working Expenses . £ 447,306

Fire at Sarnia . . . 6,164

453,470

£ 250,909

Renewals . . . . £ 85,819

American Currency . 39,385

Montreal & Champlain 6,777

131,981

Leaving a divisible balance of £ 118,928

15½ per cent. of which is . £ 18,429 due to the B. and

L. H. Co., Not . £ 12,284 as in the printed statement.

A *Manuscript* Revenue Account has been handed to this Company, of which the following is a copy:—

*Manuscript Account sent in by Grand Trunk Company.*

BUFFALO AND LAKE HURON RAILWAY.

*Proportion of Joint Revenue with Grand Trunk Railway.  
Half-year ended 31st Dec., 1867.*

Grand Trunk Railway Net Revenue	. . .	£ 250,908	8	7
Less Renewals charged	. . .	85,819	8	10
<i>In abeyance</i>	. . .	31,382	9	11
Loss on American Currency		39,384	9	2
Payments to Montreal and Champlain Railway		6,777	14	1
		<hr/>	163,364	2 0
			<hr/>	<hr/>
			£ 87,544	6 7
			<hr/>	<hr/>

15½ per cent. of this amount under Agreement  
is equal to . . . . . £ 13,569 7 4  
Deduct 6 per cent. Interest on Capital raised  
in excess of £ 250,000 (mentioned in  
agreement) as per statement herewith, viz.

By G. T. R...	£ 10,418	5	0
" B. & L. H. R.	393	7	2
	<hr/>	10,811	12 2 (15½ %)=1,675 15 11
Less paid out by Buffalo and Lake Huron Railway		393	7 2
		<hr/>	1,282 8 9
			<hr/>
			£ 12,286 18 7
			<hr/>

In consequence of the Trunk Company adopting two methods of making out their accounts, one for themselves in print showing a net divisible revenue account of £ 118,928,

and another for this Company as though showing a divisible revenue of only £87,544, your Directors addressed the following letter to that Company:—

*April 17th, 1868.*

Dear Sir,

I am directed by the Board of this Company to call your attention to an error in the account of the proportion of net revenue due to this Company.

At the commencement of your Company's report the gross revenue for the half-year ending December last is stated as . . . . . £704,379

The deductions are—

Working Expenses . . . .	£ 447,306	
Renewals . . . . .	85,819	
Fires . . . . .	6,164	
Loss on Exchange . . . .	39,385	
M. & C. Railway . . . .	6,777	
	<hr/>	585,451

Showing a net profit of . . . . . £ 118,928

15½ per cent. of this amount is £18,429, not as stated in your account £12,284 17s. 7d.

In the manuscript account of revenue you have rendered to this Company, you have deducted from the joint net revenue £31,382 as being "in abeyance," which is not deducted in your printed statement; but as this sum appears as a debit in your general balance sheet under the head of suspense, the entry one way or the other must be wrong. You cannot deduct the amount from revenue which discharges it, and then make it appear again as a debit in suspense not discharged;—it is competent to put the sum in suspense to be charged at

some future time to either capital or revenue, but if this course is adopted the error should be rectified by your crediting this Company their per centage of net revenue, in accordance with the statement of profit printed and published in the accounts of your Company. I will thank you, therefore, to forward an amended account.

I am, dear Sir,

Yours very truly,

THOMAS SHORT,

*Secretary.*

J. M. Grant, Esq.

The gross revenue is £ 704,379. The net revenue divisible between the two Companies in the ratio of  $84\frac{1}{2}$  and  $15\frac{1}{2}$  per cent. is only £ 118,928, being under 17 per cent. of the receipts.

As compared with the corresponding half-year in 1866—

The gross revenue has fallen off . . .	£14,991
Working expenses have increased . . .	33,698
Extra renewal outlay increased . . .	13,427
Fires at Toronto and Sarnia . . .	6,164
	<hr/>
	68,280
Loss on American Currency decreased	22,444
	<hr/>
Diminution of profit . . .	<u>£ 45,836</u>

making a difference to this Company of upwards of £ 7,000.

Since the commencement of the lease on the 1st August, 1864, the Buffalo and Lake Huron Company has contributed to the extra renewal fund £ 77,549, and the proportion of loss paid on American currency has been £ 44,111 — together

£ 121,660, or at the rate of £ 34,760 per annum. From the accompanying table it will be seen that the ordinary working charges have increased from £ 495 per mile per annum in 1863, the year previous to the lease being signed, to £ 644 per mile in 1867.

*Ordinary Working Expenses.*

Year.	Miles.	Per mile per annum.
1861 ..	1,090 ..	£ 624,085, being £ 572
1862 ..	— ..	652,120, " 598
1863 ..	1,174 ..	581,766, " 495
1864 average	1,254 ..	714,845, " 570
1865 ..	1,377 ..	872,358, " 633
1866 ..	— ..	810,872, " 588
1867 ..	— ..	887,373, " 644

The difference between £ 644 per mile in 1867, as against £ 495 in 1863, diminishes the proportion of revenue due to this Company by £ 30,000 per annum. On all sides your Company has been damaged to an extent never contemplated, and it must be a matter of regret to the proprietors, as it is to the directors, that the line was ever leased to the Grand Trunk Company.

This Company have virtually no control over the expenditure of the Trunk Company, as explained in Mr. Heseltine's letter, and although interested to the extent of about one-sixth of the entire revenue, have no voice in the election of the Board of that Company.

Your directors believe that the prosperity of the Grand Trunk Company is alone to be worked out by a most careful supervision, and economical expenditure of the large revenue of about £ 1,300,000 per annum.

Alarmed at the enormous working and other charges, appearing last September in the report for the half-year ending 30th June, 1867, the Chairman addressed the Grand Trunk Co. the following letter :—

B. &amp; L. H. Ry. Co.,

London, 5th October, 1867.

*To the Directors of the G. Trunk Ry. Co. of Canada.*

Gentlemen,

As Chairman of the Board of Directors of the Buffalo and Lake Huron Railway Co., I am requested to ask your attention to a few remarks and suggestions arising out of the statement of accounts for the half-year ending 30th June last, sent over by Mr. Hickson.

As compared with the corresponding period	
last year, the gross revenue has decreased	£ 28,000
The ordinary working expenses increased .	26,000
(Say from 60 to 70 per cent.)	
The outlay for extra renewals has increased	28,000
The loss by American exchange . . . .	7,000
The loss by fire is . . . . .	10,000
	<hr/>
Total deduction in excess of half-year ending	
June, 1866 . . . . .	£ 99,000
	<hr/>

Leaving about 15 per cent. only of the gross revenue as profit. The increase in wages for the last half-year is about £ 27,000, in fuel £ 17,000, together £ 42,000, being nearly 10 per cent. of the ordinary working charges.

I am sure your Board will agree with the Directors of the Buffalo Co. that this is a most unsatisfactory result. To meet this state of things, our Board venture to suggest that the Grand Trunk Directors should consider the propriety of sending instructions to Mr. Brydges as follows :—

1st. To make some effort to economise ordinary working charges.

2nd. To limit the expenditure for extra renewals, 25 per cent of the amount being laid out during the first half of the

year, 75 per cent during the second, being nearly the same proportions adopted by the Company for the year 1866.

3rd. That instructions be sent to raise local rates for passengers and freight 10 per cent. The Canadian public must be very unreasonable if, in the face of such a large advance in prices, they expect to be carried at old rates.

An increase of 10 per cent. will probably improve our revenue £100,000 per annum. If we add to this some saving in working expenses, and a diminution in outlay for the present of £30,000 or £40,000 in extra renewals, a credit balance would appear in our accounts sufficient at least to inspire the shareholders with some hope for the future in the property of the Grand Trunk Company.

I am, Gentlemen,

Yours obediently,

(Signed)

E. HESELTINE,

Chairman.

Your directors are not aware that this letter met with attention, but they are satisfied this policy will have to be adopted, as it is impossible to go on expending money with the same free hand as heretofore.

On the subject of the disputes between the two Companies, your directors have little to add to Mr. Heseltine's full report herewith. It seems to your directors most unreasonable that, the Trunk Company should have deducted from the joint revenue during the time of the partnership the following items :

Direction . . . . .	£11,879
Expenses of London office . . . . .	15,597
Stationery and printing . . . . .	4,592
Travelling and incidental expenses . . . . .	13,174
Postage and miscellaneous charges . . . . .	1,904
Law and notarial charges . . . . .	32,061

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£ 79,207

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of which this Company has paid about £12,000, being the *pro ratâ* amount, while similar charges due to this Company are unpaid. Their law expenses alone are enormous; £32,000 for 3½ years, charges in which it is believed this Company are not interested to any material extent.

There is due by the Trunk Company, according to their *printed statement* of revenue, £18,432 as this Company's share of profit for the half-year ending 31st December last. None of this has yet been paid. They owe in addition £5,393 deducted up to the end of June, 1867, for re-rolled and extra weight of rails, a deduction for which there is not only no sanction in the agreement, but against which there is an express resolution of the Joint Committee. In addition, about £8,000 is due for administration expenses, either by admitting our charges from 1st August, 1864, to 31st December, 1867, or expunging the charges of their Company from joint expenditure. These sums amount to over £31,000, and would, in addition to the sum of money in hand, about pay all the interest due to the Bondholders at the present time.

£5,000 was paid by the Trunk Company on the 25th October last, since which time your directors have been unable to obtain any further payments from them.

For the reasons thus given, your directors regret exceedingly not being in a position to pay to the Bondholders the interest now so long over-due.

Signed on behalf of the Directors,

E. HESELTINE,

*Chairman.*

*April 17th, 1868.*

*To the Board of Directors, Bondholders, and Shareholders of  
the Buffalo and Lake Huron Railway Company.*

Gentlemen,

The time has arrived when I feel it my duty, as your representative at the Grand Trunk Board, to report to you upon the results of the joint working of the federated lines under the agreement of 1864. By the provisions of that agreement a Joint Committee of the two Boards was called into existence for the control and working of our line, and under their charge were placed the raising, and application of joint capital for the purchase of stock and new works in connection with the through traffic of the two lines.

The members of that Committee have for the past twelve months been Mr. Watkin, M.P., and Mr. Swift as representing the Grand Trunk Company, Mr. Cox and myself representing the Buffalo and Lake Huron Company.

I am sorry to have to report that, in spite of the punctuality of Mr. Cox and myself in keeping the frequent appointments that have been made, the Joint Committee has been little better than a nullity, in consequence of Mr. Watkin having been almost uniformly prevented by his other pressing engagements from attending.

I have consequently been obliged to attempt to transact with the entire Board the business which should have been done in Committee. Strictly and legally this course is irregular, for it is only the Joint Committee, for instance, that can sanction the raising and expending of joint capital. Up to the present time my efforts with the whole Board have been entirely unsuccessful; for whenever I have pressed for further payments on account of revenue, I have been met by the Chairman creating one claim after another, which appeared

to me to have no bases whatever in the agreement under which the two lines are worked.

My appeal to the Board was by forwarding to each member on the 9th December, 1867, a memorandum, of which a copy is set forth in the Appendix marked *A*.

Mr. Watkin having deliberately put forward, as I understand him, a claim that his Company were entitled to hold in their own hands without interest, and without security, for an indefinite period, the £75,000 which our Company undertook to provide *towards* a bridge and *towards* a third rail from Buffalo to Sarnia, and urging such claim as a reason for not paying us money on account of revenue, I prepared and distributed to the Directors of the Grand Trunk Board copies of the whole correspondence on the subject which took place last summer. (See Statement in Appendix marked *B*.) Besides the claim of £75,000, Mr. Watkin has built upon it the additional claims of which copy is in the Appendix marked *C*.

To these claims I immediately sent a reply, forwarding copy of my letter to each member of the Board. (See Appendix *D*.) To sum up briefly the counter claims raised by Mr. Watkin, they are—

1st. A claim by the Grand Trunk Company to hold, without interest and without security, a sum of £75,000, which our Company is to raise *towards* two specific objects only, viz., the bridge and third rail.

The essence of my reply is, that if we raise the money before it is wanted for these objects, it must be in our own keeping, that any interest from the fund will be our own, and that when we part with it we are to receive property in a third Rail and Bridge Stock or Bridge Bonds in exchange for the amount. The Grand Trunk Company have no more right to the custody of this money than the Chancellor of the Exchequer. In fact the claim seems to me utterly untenable.

2nd. A claim of £17,900 for interest and £20,000 damages for non-payment of the £75,000.

The interest, of course, stands or falls with the principal. As to damages, if the Grand Trunk Company suffer by the non-expenditure of our small fraction of the total third rail and bridge capital, of course our Company suffers also in proportion from the non-provision and non-expenditure of the much larger fraction of that total, without which it would be absurd for us to contribute our small share. The double claim of interest on this fund as unexpended, and damages because it is not expended is so incongruous as to need no answer.

3rd. A claim of £3,907, as interest on stores. I cannot find any basis for this charge either in the letter or spirit of the agreement. The only joint capital for the interest of which we are proportionately liable under the agreement is, "for the purchase of rolling stock, and for new works in connection with the through traffic of the two lines." The money to be raised and expended under the sanction of the Joint Committee.

4th. A claim of £5,381 for interest at 7 per cent. of £150,000, borrowed from Bankers, from 1st August, 1864, to 31st December, 1867.

As this debt to the bankers existed on the 1st August, 1864, which was the first day of the federation of the two lines, it cannot conceivably be such capital as the agreement contemplates to be raised and expended by the Joint Committee. It must be a debt pure and simple, due by the Grand Trunk Company, and this view is the only one consistent with the fact that nearly seven half years of the federation have passed and six half-yearly accounts been rendered by the Grand Trunk Company *without any notice of this item*. It certainly would be a very extraordinary proceeding that £150,000 should be borrowed on joint account on the 1st August, 1864, the first day of the joint working without notice to this Company in any shape, not even by claiming interest, until the 22nd January, 1868.

These remarks dispose of all the claims made by Mr. Watkin.

On the other hand we claim, under the head of London and Canadian Administration expenses, a considerable sum, as will be seen on reference to paper marked *A*.

The question was referred, and the arbitrator gave an opinion setting forth the principle that, in ascertaining net receipts, only "direct" working charges ought to be deducted from the gross traffic. Following out this principle we have claimed that the Grand Trunk Company shall not deduct their Board, Office, and General Administration Expenses from the joint receipts, but from their own share of net receipts. I contend that these charges should be included or excluded on both sides. This point and several others were referred to Mr. Swift and myself, but we have failed and finally abandoned the attempt to arrive at any agreement. On this particular dispute of Administration Expenses, the effort at agreement seems to have been closed by my insisting that, any reference as to the Grand Trunk Company's right to deduct their Administration charges must be made with special regard to the principle on which the opinion was given, that we ought not to be allowed the same class of charges, else we might arrive at the anomaly of two references on one identical subject, producing awards exactly opposite in their principles, one given to our detriment and the other to the Grand Trunk Company's advantage.

The fact is that both claims should have been disposed of under the first reference.

No answer has yet been given to our old claim for restitution of the charges deducted from our revenue for increased weight of rails, amounting to £5393, up to June, 1867, made not only without the sanction of the Joint Committee, but in contravention of their express resolution of 11th July, 1866, which is as follows:—

*Capital Outlay.*—It was resolved, that the capital payments on behalf of the Buffalo and Lake Huron be taken, for the present, out of the Buffalo and Lake Huron Railway Com-

pany's share of net revenue ; and when power to raise joint capital be obtained, be recouped to the Buffalo and Lake Huron out of such joint capital, *it being understood that, for the future, no further outlay of Joint Capital under the Agreement be made without the authority of the Joint Committee first obtained.*

In short our claims are :—

1st. Administration Expenses.

2nd. Payments on Account.

3rd. Repayment of sums deducted from our revenue for extra weight of rails.

4th. Repayment of interest on assumed extra capital, no such capital having been raised as provided by the Agreement and Act of Parliament.

On the other hand, the Grand Trunk Company claim, as we believe, but no such claims have been put forward under any Board minute :—

£ 75,000 for contributions toward a third rail not laid down or likely to be laid down, and a bridge at Buffalo not commenced or likely to be commenced for years.

£ 18,000, for interest.

£ 20,000, Damages for non-payment.

£ 3,907, Stores Interest Account.

£ 5,381, Interest on Capital borrowed of the Bankers at 7 per cent., from the 1st August, 1864, to 31st December, 1867, no intimation having been given us of this loan until the 22nd January, 1868.

Such was the state of things up to the 4th March, when Mr. Swift, at the Board Meeting, suggested that all matters in dispute should be left to a single arbitrator to be named by the President of the Board of Trade, and handed in the following paper as containing the points on which arbitration was required.

*4th March, 1868.*

The questions between the Grand Trunk Company and the Buffalo and Lake Huron Company appear to be as follows:—

1st. Whether and from what date the Grand Trunk have wrongly charged any, and what amounts against the joint account under the head of working expenses?

2nd. Whether the Buffalo Company are entitled to payments on account of any year, either monthly or otherwise?

3rd. How the question of additional weight of rails, as from 30th June, 1866, is to be dealt with, that question up to that time having been finally settled?

4th. How the question of interest on new capital is to be dealt with, regard being had to the minutes of the Joint Committee of October, 1866, and March and May, 1867, the £ 2,000 a year in respect of expenditure up to the end of 1866 being considered as finally settled?

5th. The Grand Trunk claim in respect of £ 75,000.

6th. The Grand Trunk claim in respect of interest on working Capital and Stores.

7th. The Grand Trunk claim in respect of the cost of remittances to England.

All the questions the Grand Trunk are willing to refer to any gentlemen appointed by the President of the Board of Trade.

I immediately called a Board Meeting which resulted in our accepting arbitration, and the following Resolution was passed, and sent to the Grand Trunk Board:—

Resolved—That the questions at issue between the Grand Trunk and this Company, viz:—

“ 1st. Administrative Expenses.

“ 2nd. Payments on Account.

“ 3rd. Rail Account.

“ 4th. Interest on New Capital.

“ 5th. Grand Trunk claim of £ 75,000.

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" 6th. Grand Trunk claim in respect of interest on working Capital and Stores.

" 7th. Grand Trunk claim in respect of cost of remittances to England ;

be left to arbitration, the arbitrator being appointed by the President of the Board of Trade."

I wish to call your attention to the difference between Mr. Swift's Paper and our Resolution. Mr. Swift in stating our claims uses very precise language, and the wording is such as we feared would prevent our laying all the documents before the arbitrator we desired. In stating the Trunk claims the language used is general and vague, such as we approved, and so in our resolution we adopted the same course, expressing each subject in the fewest possible words.

This Resolution came before the Trunk Board on the 18th March, when the only notice it received was a suggestion from Mr. Watkin, that *Mr. Swift's Paper* be sealed by each Company. To this I objected and stated my difficulties arising from the wording chiefly of the first clause. I claimed the right of having the same general and vague language used in stating our claims that they used in making theirs, and offered to explain precisely to Captain Tyler my objections and abide by any form of words he might suggest that would remove the difficulties.

A meeting was then appointed for the 19th March. I attended ; Mr. Swift was present, Captain Tyler, and part of the time, Mr. Potter. I began by saying that I understood the object of our meeting was to ask the good offices of Captain Tyler, so to shape Mr. Swift's paper that it would be acceptable to each of us, and that we might recommend it to be sealed. To this Mr. Swift assented.

I explained my difficulties to Captain Tyler in respect of clause 1, who very shortly wrote out a form of words I approved. Mr. Swift rather objected, but after some little time we came to an agreement and the clause was settled.

The only other difficulty was in clause 4, and my impression is that we had agreed on the form of words to be used, when Captain Tyler suggested that it might be possible to settle all the disputes without any reference at all. On this I fully explained to him my views, and the meeting broke up on the understanding that, Captain Tyler was to see some other members of the Board and the Secretary, and ascertain if a reference could be avoided.

I heard nothing more until Thursday 2nd April, when, on going to the Trunk Office, I found on the previous day the following Resolution had been passed, and was entered on the minutes:—

“As regards the Buffalo and Lake Huron Company it was resolved, there not appearing to be any other means of settling the pending questions, that a submission of reference be drawn up by the Company’s solicitor, to be submitted by him to the solicitor of the Buffalo and Lake Huron Company, and that so soon as the same be settled, this Board will seal such instrument and proceed to arbitrate.”

The object of this Resolution was evident, namely, delay. At the meeting of the 19th March, I considered all difficulties had been overcome in respect of Mr. Swift’s paper, and that failing an amicable settlement without arbitration, it would have been at once sealed by each Company and handed to the arbitrator. Why, at the Board Meeting on the 1st April (which I purposely did not attend, to give the Directors more freedom in discussing the subject) this paper was ignored, and we were suddenly handed over to the Company’s solicitor, I can only account for, as I have said, by a desire on the part of the Trunk Company for delay. If the principals cannot agree, how is it likely their solicitors instructed by them can agree? However, the sincerity of the Trunk Company will be soon tested

as we have written to ask them to send a draft copy immediately of their proposed deed of submission for our approval. I cannot believe that the Directors of the Trunk Company seriously think we are to pay £75,000 towards a bridge at Buffalo that may never be built, or at least for the present, and a third rail that it is not contemplated to lay down. But these claims do answer the purpose of acting as counter-foils to our claims, and so tend to the postponement of any settlement.

Mr. Watkin seldom permits any meeting of the Grand Trunk proprietors to pass over, without alleging that a serious loss to his Company is sustained by reason of their having leased the Buffalo and Lake Huron Railway. I have not seen the exact data from which these alleged results are obtained, but I believe such a conclusion can only be arrived at, by leaving out of the calculation the large additional traffic over the Grand Trunk system, arising from the control of the Buffalo and Lake Huron line as a tributary, the very object for which, as I suppose, the Grand Trunk Company sought our alliance—traffic they would, in a great measure, be excluded from, if the line were in the hands of other parties as adverted to in their Report signed by Mr. Watkin, dated 13th December, 1866, as under.

“The traffic, however, which originates on the Buffalo and Lake Huron line, and is transferred to the Grand Trunk, or originates on the Grand Trunk and is transferred to that line, and which might not pass over any portion of the Grand Trunk at all, unless this Company had the control of the Buffalo line, must be calculated and taken to credit on the other side. In addition to this, the agreement enables the Grand Trunk to make arrangements for through traffic passing between the Eastern and the Western States of America, by interchange with the New York Central and Erie lines, *via* Buffalo. It secures, in short, to this Company a rapid and ‘all rail’ communication between the West and New York and

“other Eastern cities, and so assists in maintaining your position  
 “as owners of a great trunk line, available for the traffic of the  
 “United States as well as of Canada.”

Our Company and its Bondholders have cause for grave disappointment at the results of the joint working. We were certainly not prepared to expect that the working charges, including renewals, would for any half-year have amounted to 85 per cent. of the revenue.

I am glad to find from his report that Captain Tyler has directed his attention to several points of economy, and among them to the loss and waste (in which we are now participating) arising from bad rails on the Trunk system. I gather from Captain Tyler that no such fault but rather the reverse is to be attributed to the rails on our line. He has stated that on the line between Stratford and Buffalo there are **T** rails weighing only 56 lbs. to the yard, which have been already 13 years in use. Two samples of these rails were on the table at the last half-yearly meeting of the Grand Trunk Company.

I will only add that I shall continue to press these disputed accounts to a final settlement, whether by arbitration or otherwise; and much regret that my continual efforts during the past twelve months to obtain a settlement have been so unsuccessful.

I am, Gentlemen,

Your obedient servant,

EDWARD HESELTINE.

*April 15th, 1868.*

## APPENDIX A.

*Copy of this Paper was forwarded to each Member of the  
Grand Trunk Board, 9th December, 1867.*

## MEMORANDUM.

*Joint Committee—Members.*

MR. WATKIN.

MR. COX.

MR. SWIFT.

MR. HESELTINE.

The Committee was summoned for—

24 April, 1867—No business—Mr. Watkin not attending.

1 May „ Do. Do.

9 „ „ practically do., as Mr. Watkin had to leave.

14 Aug. „ No business.

21 „ „ Do. Mr. Watkin not attending.

23 Oct. „ At Grand Trunk Board Meeting Mr.  
Heseltine named 3 days, none of which  
would suit Mr. Watkin.

26 Nov. „ Summoned—No meeting—Mr. Watkin not  
attending.

Mr. Cox and Mr. Heseltine are of opinion there is no course  
open to them now, but to consider the Committee, for any  
business purpose, defunct; they decline, at least for the  
present, to call any more meetings.

The action of the Committee being suspended, the Buffalo  
and Lake Huron Directors ask the Directors of the Grand  
Trunk Company, to assist them in putting all matters in  
dispute between the two Companies, in a train for settlement,  
and the first subject they would bring under the notice of the  
Board is

*The London and Canadian Administrative Expenses.*

This is the claim made by the Buffalo and Lake Huron  
Company for £ 7,113 8s. 6d., amount of expenses in London  
and Canada from the 1st August, 1864, to 30th June, 1867.  
As such charges on the part of the Grand Trunk Company  
are debited under the head of ordinary working expenses,

the Directors considered the similar charges paid by the Buffalo and Lake Huron Company should be placed to the same account. The question was referred to Mr. Bircham, whose opinion seems to lean to a recommendation that these items on both sides should, under the strict interpretation of the Agreement, be omitted from ordinary working charges. A settlement on this principle would be rather in favor of the Buffalo and Lake Huron Company.

For the 3 years ending 30th June, 1867, the ordinary working expenses have been debited with the following sum by the Grand Trunk Company—

Direction .....	£10,208	13	7
Expenses of London Office .....	13,198	11	1
Stationery and Advertizing .....	4,016	0	7
Travelling and incidental expenses ..	11,175	14	0
Posting and miscellaneous charges ..	1,249	2	8
Law and notarial charges .....	26,097	13	3
<hr/>			
Total .....	£65,945	15	2
<hr/>			

of which the Buffalo and Lake Huron Company have paid, say 14 per cent. or ..... £9,232 0 0

The expenses, in London and Canada, of the Buffalo and Lake Huron Company for the same period have been £7,113 8s. 6d., as against £65,945 15s., charged by the Grand Trunk, which the Directors claim to be placed to debit of the same account; should this claim not be admitted, they ask the Grand Trunk Board to be kind enough to name an Arbitrator on their side, and the Buffalo and Lake Huron Directors will be ready with one on their part to decide the following question, viz.:—"whether such charges should be omitted or included on both sides, under the head of ordinary working expenses."

*Re-rolled and Extra Weight of Rails Account.*

Under this head the Grand Trunk Company have deducted from the income of the Buffalo Company £2,895, for the half-year ending 31st December, 1866, and £2,498, for the half-year ending 30th June, 1867, together £5,393; these sums being in addition to the proportion paid by the Buffalo and Lake Huron Company of the ordinary working expenses and extra renewal fund.

This subject has had the attention of the Joint Committee, and under date of the 11th of July, 1866, they passed the following resolution, the members of the Committee present being Mr. Watkin, Mr. Swift, Mr. Rawson, and Mr. Cox.

Capital Outlay.—“It was resolved that the Capital payments on behalf of the Buffalo and Lake Huron be taken, for the present, out of the Buffalo and Lake Huron Railway Company's share of net revenue, and, when power to raise joint capital be obtained, be recouped to the Buffalo and Lake Huron out of such joint capital, it being understood that, for the future, *no further outlay* of joint capital under the agreement be made, without the authority of the joint Committee first obtained.”

This subject being disposed of, the Directors ask the Grand Trunk Board to be kind enough to give effect to this resolution, by paying the amount due at once. There is nothing in the agreement to warrant this deduction, and it is manifest that no such power can be given to the Grand Trunk Directors, or they might relay the line with steel rails, and stop the revenue for years.

*Interest Account on Extra Capital raised.*

Under this head the Grand Trunk Company deduct from the Buffalo and Lake Huron portion of the revenue about

£2,500 per annum, as their proportion of interest in an expenditure on joint account, alleged to be over £300,000. As no extra capital has been raised under the authority of the Joint Committee, as provided in the agreement, this Account should be a matter of compromise between the two Companies. According to Mr. Swift's opinion, this can be better done after the Act, now being applied for, has passed.

The Buffalo and Lake Huron Directors, however, are willing at once to go into this question in a friendly spirit, or leave it to arbitration, or postpone the matter entirely until the Bill has passed, whichever course may be most agreeable to the Grand Trunk Board.

*Payments on Account.*

Assuming the gross revenue of the Company at £100,000 per month (or £25,000 per week) and that 80 per cent. is expended, the balance of £20,000 would give to the Buffalo and Lake Huron Company as their proportion, at 15 per cent. (it is now 15½ per cent.) £3,000.

The Directors ask to have this amount paid on account monthly—Mr. Watkin objects. Any argument that would prove the smaller partner could only draw upon profits at stated times would be equally applicable to the senior partner in their large expenditure; it is, however, a fair subject for arbitration, as provided by the Agreement, but the Directors ask now to have a payment made of £5,000 on account, five months of the half-year having passed, as the withholding of any payment is anticipating a decision, before the question is brought to arbitration.

Mr. Watkin says all disputed Accounts were settled between himself and Mr. Rawson, except the claim referred to Mr. Bircham, although no minute of such settlement is recorded in the Joint Committee book. The Buffalo and Lake Huron Directors reply that the £5,393, extra weight of rail

claim, only arose out of the accounts presented this year, and therefore cannot have any reference to any settlement come to between Mr. Watkin and Mr. Rawson in the summer of 1865.

Mr. Watkin offered at the Board Meeting on Wednesday, 4th December, to let the Buffalo and Lake Huron Company have £5,000 on account, if the Directors agreed to "cry quits," by which the Board understand their claims were to be given up, and Mr. Watkin would give up a claim he made some time since for £75,000, which the Buffalo and Lake Huron Company are bound to find, as a contribution towards building a bridge at Buffalo, and laying a third rail when these works are initiated.

The difficulties of this course are manifest; it would settle nothing for the future as to the London expenses of the two Companies; it would leave open the question as to the right of the Grand Trunk Company to deduct £5,000 per annum,\* or any other sum, from the Buffalo and Lake Huron Company's proportion of income, in addition to ordinary working expenses and extra renewals, or the interest chargeable on joint capital expended. Moreover when it is thought desirable to build the bridge at Buffalo, the capital must be eventually raised, and the Company, for their subscription, would have the Bridge Stock, which, it may be assumed, would be worth the *par* value.

Already the Buffalo and Lake Huron Company have paid about £12,000 towards the preliminary expenses of a Bridge Company, the particulars of which Company were to have been laid before the Grand Trunk proprietors, at a meeting advertized for the 30th November, 1865.

At this meeting, the plans not being ready, the subject was very properly postponed, and the Buffalo and Lake Huron Directors are now trying to get back some portion of this £12,000.

\* For extra weight of Rails.

The Directors of the Buffalo and Lake Huron Company now ask the Grand Trunk Board—

1st.—To pay the London and Canadian expenses of Buffalo and Lake Huron Company from 1st August, 1864, to 30th June, 1867, amounting to £7,113 8s. 6d., or refer the point raised by Mr. Bircham to arbitration, respecting the £9,332 paid by the Buffalo Company, as their proportion of the Grand Trunk expenses.

2nd.—To give effect to the resolution of the Joint Committee of the 11th July, 1866, by paying £5,393, amount deducted from Buffalo and Lake Huron revenue, for re-rolled and extra weight of rails, for the year ending 30th June, 1867.

3rd.—To pay £5,000 on account of the revenue account during the past five months, and name an arbitrator on their side, to settle the principle on which future payments are to be made.

THOMAS SHORT, *Secretary,*

Buffalo and Lake Huron  
Railway Company.

*December 9th, 1867.*

## APPENDIX B.

## BUFFALO AND LAKE HURON RAILWAY.

Agreement with the Grand Trunk Company to  
raise £75,000, and Correspondence thereon.

*Extract from Agreement of 1864.*

"The Buffalo and Lake Huron Railway Company shall forthwith raise £75,000 to be applied under the direction of the Joint Committee hereinafter mentioned towards the laying down of a third rail on the Railway between Buffalo and Stratford, and the erection of a bridge over the Niagara River near Buffalo."

*Extract from Board Minutes, 30th May, 1865.*

"The £75,000 to be raised by the B. & L. H. under the Agreement.—Mr. Brydges having explained that the formation of a Bridge Company was under negotiation which would find the requisite capital, and that in his present opinion it would not likely be needful to lay down a third rail, none of the above sum would be required for either of the purposes, at any rate at present."

*Extract from Letter (Mr. Grant to Mr. Heseltine) of  
15th May, 1867.*

"I am desired to inform you that the Board of this Company have remarked that the report of your Company, just issued, contains nothing with reference to your obligation to find your proportion of the new capital the necessities of the traffic now demand, and which is needful to bring about the results which Mr. Brydges leads us to hope for, and which

results you quote and adopt ; nor is there any mention of the £75,000 your Company is pledged to raise, and for which we were assured you had made provision. Neither is there any reference to any scheme by which you purpose to raise this or any other amount of capital."

*Extract of Letter from Mr. Short to Mr. Grant.*

18th May, 1867.

"I am directed by Mr. Heseltine to acknowledge the receipt of your letter of the 15th inst.

"In reply I am to state that in consequence of what passed at the Grand Trunk Meeting relative to fresh capital, Mr. Heseltine has been expecting a summons to meet your Board and the Joint-Committee on the subject.

"With regard to the £75,000, the amount to be contributed by the Buffalo and Lake Huron Company towards the construction of Buffalo Bridge and laying down a third rail between Buffalo and Sarnia, I am to inform you that as these works are not begun or likely to be commenced immediately, it would be premature in the opinion of our Chairman to raise money for these purposes at present. I annex copy of a Memorandum made at a Board Meeting held 30th May, 1865, at which Mr. Brydges was present."

*Letter from Mr. Grant to Mr. Short.*

"G. T. R., 24th May, 1867.

"My dear Sir,

"I beg to acknowledge the receipt of your letter of the 18th, enclosing Minute of your Board of the 30th May, 1865, but of which this Company can have no cognizance whatever—it is simply your own decision in your own case. The accidental presence of Mr. Brydges (as one of your Board, it is presumed) only makes the matter more clear. Your Company engage to find £75,000 ;—you said you had the

money ready, but it now appears that you not only have not got it, but that you have not even taken any means to raise it. You will remember that a condition precedent to the Agreement was, that you should find this money; the first clause of the Agreement says that you shall do so forthwith; this Company, therefore, beg to inquire what your Company propose to do in the matter.

"You cannot omit to see that you are having interest on this money, and at the same time claiming the enlarged share of traffic accorded to you as a consequence of the outlay itself.

"I am, &c. &c.,

(Signed)

"J. M. GRANT,"

*Letter from Mr. Short to Mr. Grant.*

"B. & L. H., June 1st, 1867.

"Dear Sir,

"I am in receipt of your letter of the 24th ultimo, in which you again allude to the liability of this Company to raise £75,000, but omit to add 'for the purpose of laying down a third rail and towards the erection of the bridge at Buffalo.' It would be convenient in future if these words were always added, as they tend to simplify the case.

"In drawing your attention to the Minute of the 25th May, 1865, the object of my Board was not to use it as an argument against raising the money, but solely to remind you that, in the opinion of your Managing Director and this Board, the money was not required at present, there being no intention to proceed with the works immediately; and as this view was agreed to by your President at a meeting held on the 2nd August, 1865, I have yet to learn that your Directors are of a different opinion.

"My Directors are aware that the Board Minute can have

no force, if in contravention of the Agreement ; but the Agreement binds this Company to raise £ 75,000 for certain specific purposes. Until wanted for these purposes, there can be no actual grievance to the Grand Trunk Company in its not being raised ; for, if every penny of it were in hand, it would have to be retained and invested by my Directors, awaiting its strictly legitimate application. It could not be handed over to your Company, as it certainly could not be applied in any other way to joint purposes, however desirable the object may appear. The only objects towards which the money could be applied are, a third rail between Buffalo and Sarnia and the erection of a bridge over the Niagara River.

“ Why, therefore, should this Company be urged to raise money at this inopportune period for works which, for the present at least, do not appear likely to be carried out, and how would it benefit the Grand Trunk Company if the money were even now at our Bankers.

“ I am, &c., &c.,

(Signed)

“ THOMAS SHORT, Sec.”

*Letter from Mr. Grant to Mr. Short.*

“ G. T. R., July 11th, 1867.

“ My dear Sir,

“ I beg to acknowledge the receipt of your letter of the 6th inst., which I yesterday had the pleasure of laying before the Board of this Company ; and I now beg to hand you on the other side copy of a Resolution which was passed in reference thereto.

“ I am, &c., &c.,

(Signed)

“ J. M. GRANT.”

## (Resolution.)

"Reference having been made to the £75,000 to be found by the Buffalo Company under their agreement, it was resolved that it was highly desirable to lay down the third rail between Sarnia and Paris and Paris and Buffalo, in order to preserve the through traffic now competed for over the third rail of the Great Western Railway. That the Buffalo Company be called upon to provide the sum of £75,000, now three years overdue; and that the question of the loss to this Company by the delay be again pressed upon that Company. Mr. Heseltine desired to be understood as dissenting to this resolution, and it was agreed again to discuss the matter at the next Board meeting."

*Letter from Mr. Short to Mr. Grant.*

"B. & L. H., July 22nd, 1867.

"My dear Sir,

"I am in receipt of your letter of the 11th inst. handing me a copy of a resolution passed at a Board Meeting of the Directors of the Grand Trunk Company on the 10th inst.

"I am directed to call your attention to the discrepancy between the resolution and the clause in the Agreement relating to the £75,000. The resolution leaves out the word "Bridge," from which it might be inferred that this Company was liable to contribute £75,000 for the purpose of laying down a third rail between the Detroit and Niagara Rivers.

"The Agreement recites that this Company 'shall raise forthwith £75,000 to be applied under the direction of the Joint-Committee towards laying down a third rail between Buffalo and Stratford, and the erection of a bridge over the Niagara River.'

"The two schemes are in the opinion of my Board in-

separable, as the third rail without the bridge would be of little use ; and my Board await the determination of the Grand Trunk proprietors in relation to the bridge, towards which this Company did forthwith, in the literal terms of the Agreement, contribute the sum of £11,932 3s. 10d. on account of the £75,000.

"My Board submit that the meeting of the Grand Trunk proprietors, called on the 30th November, 1865, 'for the purpose of approving an agreement between the International Bridge Company, the Atlantic and Great Western Company, and the Grand Trunk Company' have not yet dealt with that part of the subject, as the Chairman then stated 'that it was not in his power to submit it to the meeting until the plans had received the approval of the Company's Engineer.'

"Until therefore the Grand Trunk Board, and the Grand Trunk proprietors, have decided to go on with or abandon the present bridge scheme, towards which this Company has contributed so largely, it would be in the opinion of my Directors very unwise to initiate any other plans.

"I am, &c., &c.,

(Signed)

"THOMAS SHORT, Sec."

*Letter from Mr. Grant to Mr. Short.*

G. T. R., August 1st, 1867.

"Dear Sir,

"I beg to acknowledge the receipt of your letter of the 22nd ultimo, already acknowledged by Mr. Green. The only observation which I would at present make upon it is, that the £11,932 were expended by your Company, not in pursuance of but before the making of their agreement with this Company.

"I am, &c., &c.,

(Signed)

"J. M. GRANT."

*Letter from Mr. Short to Mr. Grant.*

" B. & L. H., August 8th, 1867.

" Dear Sir,

" I am desired to acknowledge the receipt of your letter of the 1st inst., in which you state 'that the £11,932 were expended by your Company, not in pursuance of but before the making of this Agreement with this Company.' In this statement you are in error, as the traffic agreement in which the bridge at Buffalo was first mentioned, was signed the 4th December, 1863, and the Memorandum upon which the existing lease was framed bears the date of April 9th, 1864. A Bill was drawn upon this Company for £5,184 6s. 8d. on the 12th May, 1864, and \$33,090 was also paid as a subscription for shares by this Company, and \$5,000 by Mr. Brydges for the Grand Trunk Company about the same date.

" I am, &c., &c.,

(Signed)

" THOMAS SHORT, Sec."

## APPENDIX C.

(Handed to Mr. Heseltine by Mr. Grant, January 22, 1868.)

*Account without prejudice.*

## Buffalo and Lake Huron Railway Company

Drs. to Grand Trunk Railway Company of Canada.

1. To damage to this date to Grand Trunk Company by non-provision by Buffalo Company of the sum of £75,000 (free of interest) to be laid out for the development of traffic: viz.,—

1. For interest saved to Buffalo Company by non-fulfilment of the agreement; say, 7 per cent. on £75,000 from 1st August, 1864, to 31st December, 1867... £17,937 10 0

2. For loss to Grand Trunk Company by this non-fulfilment of agreement (say) 20,000 0 0  
£37,937 10 0

2. To cost of remittances of net profit already paid (on account) to Buffalo Company without prejudice to claims of Grand Trunk Company; say, on £72,756 19 2

less... 7,500 0 0 { Bills handed to Buffalo Company.  
£65,256 19 2

Total Bills discounted from January, 1866, to December, 1867—£247,300.

Discount and Stamps, on which was . . . . £1,172 7 6

Proportion due by Buffalo Co. on above £65,256 19 2 309 5 0

3. To interest at 7 per cent. on excess quantity and value of stores to 30th June, 1867, contributed by the Grand Trunk Company to the general working capacity of the joint concern, and the interest on which is part of working expenditure . . . . . 3,907 16 3

4. To interest on working capital borrowed from Bankers; say, £150,000 at 7 per cent. from 1st August, 1864, to 31st December, 1867 . . . . . 5,381 15 0  
£47,536 6 3

NOTE.—Interest will have to be added to date or dates of payment.

E. & O. E., and without prejudice,

(Signed)

J. M. GRANT, SECRETARY.

31st December, 1867.

## APPENDIX D.

[COPY.]

6, Austin Friars, Old Broad Street,  
London, 22nd January, 1868.

*To the Directors, Grand Trunk Railway Company.*

Gentlemen,

The non-attendance of Mr. Watkin at the Joint Committee Meetings having, for the moment, paralyzed the functions of this Committee, I have again to trouble you on the subject of the £75,000 so continually claimed from the B. & L. H. Co. by your Chairman.

On the 12th ultimo I circulated a correspondence between the two Companies relative to this claim, which I had hoped showed the groundless nature of it. Now, however, as I understand Mr. Watkin, he not only claims the £75,000, but £17,937 10s. for interest, and £20,000 for damages for non-payment of the money, making it absolutely necessary to settle whether this claim is more than a fiction. I would observe, before proceeding, that no other Director has even supported this claim, but it is always used by Mr. Watkin as his answer to my request for money on account of the B. & L. H. Co.

Clause 1 of the Agreement is as follows:—"The B. & L. H. Railway Co. shall forthwith raise £75,000, to be applied, under the direction of the Joint Committee to be hereinafter mentioned, towards the laying down of a third rail on the railway between Buffalo and Stratford, and the erection of a bridge over the Niagara River near Buffalo."

The meaning of this clause appears to be self-evident, viz., that when the works are commenced for building a bridge and laying down a third rail, the B. & L. H. Railway Co. have to contribute towards these works £75,000. No one, I imagine, but Mr. Watkin, would maintain that the money was payable

before the works were entered upon, and yet the object of this letter is to controvert such an unreasonable proposition. On the 10th July last, Mr. Watkin claimed this money, solely for the purpose of laying down the third rail, and at the Board Meeting on that day very hastily penned a resolution that it was very desirable to lay down the third rail, and that the Buffalo Co. be requested to find £75,000 towards it, thus claiming the whole of the £75,000 as a contribution towards laying down the third rail.

When this resolution was sent to our Board, we in reply drew the attention of Mr. Watkin to the fact that the money was payable for two objects, viz., the third rail and a bridge, and that in our opinion it was an inopportune moment to lay down a third rail. Nothing more was heard of the claim in this shape. Then came Captain Tyler's Report, giving a very decided opinion against the third rail scheme. So this question, at least for the present, may be considered as settled. But now Mr. Watkin turns round and claims the whole of the £75,000 for the bridge. This cannot be correct. If £75,000 is the amount to be contributed for two objects, and one of them is abandoned, a proportionate reduction must be made from the sum. This amount we estimate at about £35,000, leaving £40,000 for the bridge. Towards this £40,000 the B. & L. H. Co. did unhappily, in their eagerness literally to fulfil the agreement forthwith, subscribe about £12,000 towards a Bridge Company, of which, I believe, Mr. Brydges was a trustee, and Mr. Hickson the secretary, and which Company was, by advertisement, to have been submitted for approval to the Grand Trunk Proprietors on the 30th November, 1865. At this date the clouds began to gather over the money market, and the Grand Trunk Co. very properly withdrew this Bridge scheme from the notice of their shareholders. The Buffalo Co. are now endeavouring to get an account of the expenditure of this £12,000, and a return of any money not spent.

Deducting this £12,000 from the £40,000 would leave a liability as against the Buffalo Co. of £28,000, as their share to be contributed when the Bridge works are really commenced. The question now arises as to the probability at present of any Bridge being built. Captain Tyler is much in favour of the scheme. The Directors of the B. & L. H. Co. are of the same opinion, and they trust that before many years are past a Bridge Co. will be formed, with a sufficient guarantee from the Railway Companies interested to enable the capital to be raised. But that the work is not likely to be done by the G. Trunk Co. alone is self-evident from the facts, 1st. They have no capital to subscribe towards such an object; and, 2ndly, they would scarcely be so unwise as to lay out money on a bridge which, in about 17 years' time, when the B. & L. H. lease expires, would be 114 miles from their own line. That Mr. Watkin has been using this claim as a "fighting one" is very evident, as on the 4th December last, in reply to some claims that I made, and my desire to draw £5,000 on account of revenue, he replied that I might have the £5,000 on account if I would agree to "cry quits." As the utmost I had claimed of the G. Trunk Co. was about £20,000, for part of which I acknowledged a liability, Mr. Watkin could not have had much confidence in his own claim for £75,000 when he offered to "cry quits." Three several times was this offer to "cry quits" made, and then withdrawn. Such a hasty mode of doing business may conduce to great dispatch, but in my opinion I should have ill discharged my duty to the B. & L. H. proprietors, if I had adopted such a free and easy style in dealing with grave and important matters.

I wish to protest strongly against the incorrect way in which Mr. Watkin quotes the Agreement. He sends in an account to-day as under.

"To damages to this date to the G. Trunk Co. by non-provision by the Buffalo Co. of the sum of £75,000, *free of interest, to be laid out for the development of traffic.*"

On this I would remark, there is nothing in the Agreement about £ 75,000, to be laid out "for the development of traffic," neither is there anything said about the amount being "free of interest." We were to find £ 75,000 for a third rail and a bridge, and have no power to subscribe the money for any other purpose. As regards being free of interest, at least a portion of the amount (that subscribed towards the bridge) would be entitled to the revenue arising from the bridge tolls, and the balance would form part of the ordinary share capital of the Co., and be entitled to interest when the revenue paid over was sufficient. We have now arrived at this position. A claim made by Mr. Watkin for £ 75,000, and which he offered to forego on the 4th December, if I gave up my claims on the G. Trunk Co., amounting to about £ 20,000, he again puts forward, with the addition of nearly £ 18,000 for interest, and £ 20,000 for damages, say a total of £ 113,000. If there is any substance in this claim, it certainly was unwise in me not to liquidate it with my counter-claim of £ 20,000, and "cry quits." But believing that these and other items in an account sent in by Mr. Watkin are perfectly visionary, I ask the Board to interfere and prevent my Company being harassed by Mr. Watkin in this way. I believe the Board have never seen this account, and I do not append it, trusting it may be withdrawn. Any serious claims the Trunk Co. may have upon the Buffalo Co., if sent in the usual way through the Secretary, with a letter demanding payment, shall receive the immediate attention of my Board.

The present account has been sent without any letter, and no demand made for payment.

In the event of any disagreement of opinion between the two Companies, the Agreement binds us both to consent to an arbitration.

I would call your attention to the fact that the following explanatory remarks contained in our Secretary's letter to your Secretary, under date 1st June, 1867, remain entirely unanswered :—

"The Agreement binds the Company to raise £ 75,000 for certain specific purposes ; until wanted for these purposes there can be no actual grievance to the Grand Trunk Company in its not being raised, for if every penny of it were in hand, it would have to be retained and invested by my Directors, awaiting its strictly legitimate application. It could not be handed over to your Company, as it certainly could not be applied in any other way to joint purposes, however desirable the object may appear. The only objects towards which the money could be applied are a third rail between Buffalo and Sarnia, and the erection of a bridge over the Niagara River.

"Why, therefore, should this Company be urged to raise money at this inopportune period for works which, for the present at least, do not appear likely to be carried out, and how would it benefit the Grand Trunk Co., if the money were even now at our bankers?"

I am, Gentlemen,

Yours truly,

(Signed)

EDWARD HESELTINE,

Chairman,

B. & L. H. Ry. Co.

ACCOUNT RENDERED BY  
BUFFALO AND LAKE HURON RAILWAY COMPANY.

*The Grand Trunk Railway Company of Canada in account with the Buffalo and Lake Huron Railway.*

1867.	Dr.	Cr.
Oct. 23.—To Balance as per account rendered .....	£18,438 17 7	
Nov. 11.—By Cash per T. W. Bussell .....		£ 41 1 11
" in Canada .....		1,027 7 11
" McLaughlin .....		12 9 1
" Do. ....		0 6 2
To Sale of Machinery .....	390 8 3	
Dec. 31.—" 15½ per cent. of Grand Trunk administrative charges to Dec. 31, 1867 .....	2,056 0 0	
Do. do. Net Revenue of £118,928, equal to .....	18,429 0 0	
Balance .....		38,233 0 9
	£39,314 5 10	£39,314 5 10
To Balance due to B. & L. H. Co. ....	£38,233 0 9	

E. & O. E.,  
THOMAS SHORT, Sec.

# BUFFALO AND LAKE HURON RAILWAY COMPANY,

Dr.

*Statement of Capital Account for the Half-year ended 31st December, 1867.*

Cr.

		RECEIPTS.		PAYMENTS.	
Bonded Debt.....	£ 666,666 13 4			As per statement to 30th June, 1867 .....	£ 1,622,781 13 11
Ordinary Shares.....	£ 1,230,000 0 0			Balance of steamboat account, land, &c. ....	1,880 9 0
Shares of Preference Capitalized Arrears.....	84,000 0 0			£ 6 13 4 Preference Shares ranking (as per reso-	
Preference Shares.....	150,000 0 0			lution of issue) as £ 10 in 1867 .....	76,125 0 0
Do. or Redeemable Shares .....	250,000 0 0			Balance.....	74,283 13 9
Capitalized Coupon Bonds.....	61,070 16 8				
					£ 1,775,070 16 8
Balance brought down.....	£ 74,283 13 9				

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To Balance from last half-year .....	£	s.	d.
	19,299	10	4
" Grand Trunk Railway for Buffalo and Lake Huron proportion of net Receipts for half-year (not agreed) .....	12,984	17	6
" Transfer Fees .....	21	15	0
" Interest allowed by Bank .....	17	1	7
	£31,623	4	5
To Balance brought down .....	£29,686	9	7

## Dr.

*General Balance Sheet, 31st December, 1867.*

42.

	£	s.	d.
To Balance at credit of Capital Account .....	74,283	13	9
"    Do.    Revenue Account.....	20,686	9	7
"    Unclaimed Dividend Account.. .....	1	15	8
"    Directors' remuneration unpaid.....	565	6	4
"    Grand Trunk Railway Cash Account .....	69,418	18	9
"    Bond Account.....	2,397	9	0
"    Grand Trunk Railway charges account....	210	12	1
By Cash at Bank .....	742	11	9
"    Ditto    Bondholders' Trustees' Account.	10,679	10	3
"    Preference and other Shares on hand .....	56,104	6	6
"    Petty Cash .....	50	0	0
"    Grand Trunk Railway Revenue and General			
Account .....	79,333	2	3
"    Personal Accounts .....	327	2	1
"    Grand Trunk Railway Stores Account .....	18,759	7	6
"    Unsettled Accounts with Grand Trunk Comp.	10,580	4	10
	£176,564	5	2

**BUFFALO & LAKE HURON RAILWAY.—BOND AND SHARE CAPITAL TO 31st DECEMBER, 1867.**

Date of Issue.	DESCRIPTION AND PRIORITY OF SECURITY.	Bond Capital.	Share Capital Authorised by Act of Parliament.	Capital Authorised by Vote of Proprietors.			Amount subscribed.	Shares possessed by the Company.	
				No. of Shares.	Value.	Amount.		No.	Amount.
		£ s. d.	£		£ s.	£	£		£
	Bonds .....	500,000 0 0							
	Bonds formerly deferred .....	166,666 13 4							
	Capitalized Coupon Bonds .....	61,070 16 8							
Dec. 1864...	Five 4½ ct. Shares of Capitalized Pref. Arrears	.....	.....	8,400	10 0	84,000	84,000 0 0		
Sep. 1866...	Seven per cent. Preference Shares .....	.....	.....	15,000	10 0	150,000	150,000 0 0		
Mar. 1858...	Seven per cent. Redeemable or Guaranteed Preference Shares, issued at £6 13s. 4d., and £5 to rank with the existing Preference Shares in 1867 .....	.....	.....	25,000	10 0	250,000	195,050 0 0	5,495	54,950 0 0
May, 1862...	Original Capital .....	.....	.....	60,000	20 10	1,230,000	1,230,000 0 0		
Aug. 1855 } April, 1857 } April, 1859 }						£	£ 1,659,050 0 0	5,495	54,950 0 0
		£727,737 10 0	£2,460,000	108,400	...	£ 1,714,000	£ 1,714,000 0 0		

*Agreement between Grand Trunk Company and Buffalo and  
Lake Huron Company, dated 7th July, 1864,  
confirmed by Act of the Legislature.*

This Agreement, made this seventh day of July, one thousand eight hundred and sixty-four, between the Grand Trunk Railway Company of Canada, of the one part, and the Buffalo and Lake Huron Railway Company, of the other part,—

Witnesseth, that the said Companies do for themselves respectively and their respective successors, covenant, each with the other of them and its successors in manner following, that is to say :

1. The Buffalo and Lake Huron Railway Company shall forthwith raise seventy-five thousand pounds, to be applied under the direction of the Joint Committee hereinafter mentioned, towards the laying down of a third rail on the Railway between Buffalo and Stratford, and the erection of a bridge over the Niagara River near Buffalo.

2. As from the first day of July, one thousand eight hundred and sixty-four, or the day on which the working of the Buffalo and Lake Huron Railway shall be undertaken by the Grand Trunk Company, the net receipts of the two undertakings shall be divided between the two Companies, after deduction of amounts expended for renewal of rails, &c., in the following proportions, namely :

GRAND TRUNK. BUFFALO AND LAKE HURON.

1st year.....	87 .....	13..	1st Aug. 1864.
2nd „ .....	86 .....	14..	„ 1865.
3rd „ .....	85 .....	15..	„ 1866.
4th „ .....	84½ .....	15½.	„ 1867.
5th „ .....	84 .....	16..	„ 1868.
6th & thereafter	.83½ .....	16½.	„ 1869.

the amount of loss of the two undertakings on American currency being divided in each year in the same proportions.

3. As between the Buffalo and Lake Huron Company on the one hand, and the holders of the securities specified in the Schedule hereto on the other hand, the interest payable on the mortgage debentures and the deferred debentures specified therein, according to their respective rights and priorities among themselves, shall be the first charges on the proportion of net receipts from time to time payable to the Buffalo and Lake Huron Company; and so long as that proportion is duly paid to that Company, none of those holders, nor the mortgagees for any of them, shall exercise any of their powers or rights against the undertaking, Railway property, or effects of that Company, except their proportion of net receipts, but those powers and rights shall be suspended.

4. Any additional capital required for the purchase of stock, or for new works in connection with the through traffic of the two lines, shall be raised and applied by and under the said Joint Committee, and be a first charge on the joint net receipts of the two undertakings at six per cent. per annum, it being understood that the two hundred and fifty thousand pounds, now being raised by the Grand Trunk Company, is not to be considered as raised for joint purposes.

5. The Grand Trunk Company to have the option, at any time within six years, on assuming all the obligations and liabilities, whether fixed or guaranteed, of the Buffalo and Lake Huron Company, an approximate statement of which as at present existing is set out in the Schedule hereto, and which said liabilities shall not be increased without the concurrence of the Joint Committee, to purchase for six hundred and sixty thousand pounds the whole of the Ordinary Share Capital of the latter Company, at present amounting to one million two hundred and thirty thousand pounds, the purchase-money being payable either in cash or in Grand Trunk stock, calculated at its then market value, at the option of the holders individually of the Buffalo and Lake Huron capital, and the Buffalo and Lake Huron Company shall not, until

after the expiration of the six years provided by this clause, pay any dividend on its share capital, without first extinguishing its floating debt.

6. The control and working of the Buffalo and Lake Huron undertaking shall, from the time of its being handed over as aforesaid to the Grand Trunk Company, be placed in the hands of the Grand Trunk Company, under a joint committee, consisting of two nominees from the Board of each Company, all matters on which they differ being referred to arbitration; and the Buffalo and Lake Huron Board shall, from time to time, nominate one of their own body, who shall *ex-officio*, have a seat at the Grand Trunk Board as one of that body.

7. This agreement to subsist for twenty-one years, and to be without prejudice to the provisions from time to time remaining in force or to be fulfilled of the existing agreement between the two Companies dated the fourth day of December, one thousand eight hundred and sixty-three, or so many of such provisions as the Companies may hereafter agree on, or as are not inconsistent with this agreement.

8. During the said term the said Buffalo and Lake Huron Railway and its appurtenances shall be maintained and kept in a good and efficient state as to repairs, renewals, the supply of rolling stock, and generally, and shall be delivered up in such state at the end or other sooner determination of the said term of twenty-one years.

9. All differences between the two Companies relating to this agreement, and all questions as to the carrying into effect of any of its provisions, or anything to be done by either of the parties hereto, to be determined from time to time by arbitration as nearly as may be in the manner prescribed by the "Railway Companies Arbitration Act, 1859," or in any event by a single arbitrator to be (if not agreed on) nominated by the Board of Trade of the United Kingdom, or by the Chancellor for the time being of Upper Canada, or

the Chief Justice for the time being of the Court of Queen's Bench, in Lower Canada, with ample powers.

10. A more formal agreement for carrying these heads into effect, to be settled on behalf of the two Companies by counsel, to be (if not agreed on) nominated by the Board of Trade of the United Kingdom, or by the said Chancellor or Chief Justice, with such details and incidental provisions as such counsel may think fit, and with such modification, if any, as the Companies mutually agreed to, and to be executed under seal, and to be binding on them respectively.

11. Application shall be made to Parliament in the year one thousand eight hundred and sixty-four to sanction the foregoing agreement in so far, if at all, as the same may not be within the existing powers of the Companies, and such application shall be renewed from time to time, if necessary, and may be so made or renewed by either party at the joint expense of the parties hereto (the other party hereby agreeing not in any way to oppose, but in all ways to assist and assent to the same), in any session or sessions during the said term of twenty-one years subject to the suspensions provided for by clause three.

12. This agreement, and the formal agreement, and any Act of Parliament so applied for, to be in all respects subject and without prejudice to the mortgages, bonds, securities, powers, rights and interest of the bond-creditors of the Buffalo and Lake Huron Company for the aggregate sum of five hundred thousand pounds, or thereabouts, as specified in the Schedule hereto, and the interest and arrears of interest thereon, and of the mortgages, in trust for them, and due provision for them respectively to be made accordingly by the formal agreement and the Act of Parliament respectively. But except under clause five, if the option thereby given be exercised, those mortgages, bonds, securities, powers, rights and interests respectively, not to be extended so as to com-

price or relate to any undertaking, railway or property, revenues, tolls, rents or profits other than the present undertaking, railway and property of the Buffalo and Lake Huron Company, and the revenues, tolls, rents and profits arising from the same.

In witness whereof, the said Grand Trunk Railway Company of Canada, and the Buffalo and Lake Huron Railway Company, have hereunto affixed their respective common seals the day and year first above written.

[L. S.]                      (Signed,)      J. M. GRANT,  
Secretary.

(Signed,)      E. W. WATKIN,  
President of the Grand Trunk Railway  
Company of Canada.

[L. S.]                      (Signed,)      THOS. SHORT,  
Secretary.

(Signed,)      PHILIP RAWSON,  
Chairman of the Buffalo and Lake Huron  
Railway Company.

7th July, 1864.

BUFFALO AND LAKE HURON RAILWAY  
COMPANY, CANADA WEST.

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NOTICE is hereby given, that the HALF-YEARLY MEETING of the Proprietors in this Company is appointed to be held at the CITY TERMINUS HOTEL, *Cannon Street, London*, on WEDNESDAY, *May 13th*, at TWELVE o'Clock, noon; for the purpose of submitting a Report and Statement of Accounts for the Half-Year ending 31st December last, and for other business.

By order of the Board,

THOMAS SHORT,

*Acting Secretary.*

Great Winchester Street Buildings, London, E. C.,

*17th April, 1868.*

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