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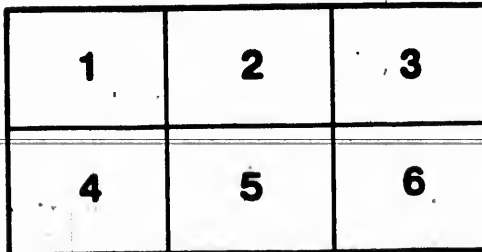
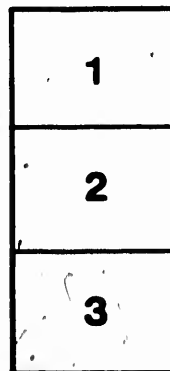
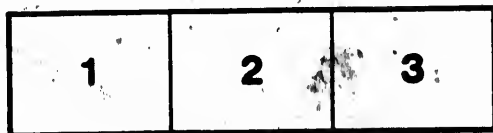
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THE TORONTO, GREY & BRUCE
AND
GRAND TRUNK RAILWAY
BILLS.

LETTER FROM MR. HICKSON.

Grand Trunk Railway of Canada.

GENERAL MANAGERS OFFICE.

MONTREAL, FEBRUARY 14th, 1882.

D. D. HAY, Esq., M.P.P.,

Toronto,

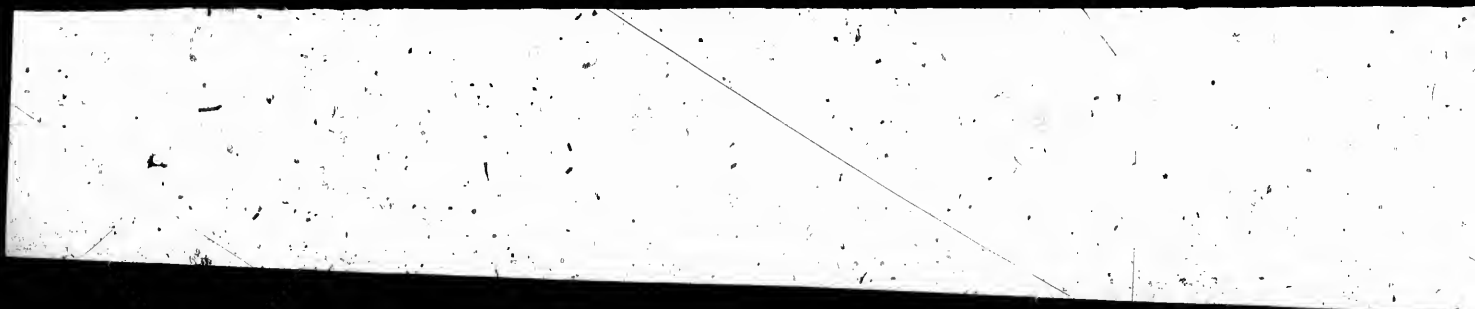
MY DEAR SIR,

I have had forwarded to me two printed documents, dated the 27th and 30th January, respectively, which have been issued from the office of the Toronto Grey and Bruce Company, having reference to the Bills now before the Ontario Legislature, affecting that Company, and more especially the Bill promoted by the Grand Trunk Company to secure the speedy carrying out of the agreement made by them with the Toronto Grey and Bruce Company, dated the Thirteenth day of May, 1881.

One of the documents is signed by nine of the present Directors of the Toronto, Grey and Bruce Company; the other setting forth that it is a "Memorandum of Facts" upon which the Toronto Grey and Bruce Company oppose the application of the Grand Trunk Company although without signature, it will not be wrong to assume, is also approved by the gentlemen whose names are appended to the former, dated January 27th.

It is alleged in these papers that I have made certain statements in support of the Act which the Grand Trunk Company are promoting, which are incorrect, but it is not specifically stated in what respect the allegations contained in the only statement made by me on behalf of the Grand Trunk Railway Company, which has been brought before the Legislature, viz., the Petition, are incorrect.

In that Petition it is asserted that the Directors constituting the Board of the Toronto Grey and Bruce Company at the date when the first agreement between that Company and the Grand Trunk Company was made, September 1880, represented the Bondholders of the Company, and it is only necessary to refer to the Memorandum of alleged facts, issued by the Directors of the Toronto Grey and



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Bruce Company, to prove the accuracy of this statement. In that document it is stated :

"An arrangement was made in June, 1880, by the Bondholders and the then Directors, by which the Directors who had been elected by the Shareholders retired, and their places were filled by nominees of the Bondholders."—
(*See page 1 of Memorandum, dated the 27th January.*)

The statement that the Board of the Toronto, Grey & Bruce Company, constituted as in this extract described in June, 1880, pressed upon the Grand Trunk Company the favorable consideration of a proposition for the efficient working of the line of the said Toronto Grey & Bruce Company, cannot be controverted, and an agreement was entered into on the 18th September, 1880, by the said Directors.

I have no information that Mr. Hendrie ever protested against, or opposed this arrangement, and the document itself is signed by the Vice-President of the Toronto Grey & Bruce Company, Mr. Ramsay, who, it is alleged, in the "Memo. of facts," agreed with Mr. Hendrie in opposing an arrangement with the Grand Trunk Company.

It would naturally be inferred on reading over the "Memorandum of facts" dated January 27th, that the first act of the new Board, composed of representatives of the bondholders, was to put an end to the first agreement entered into between the two Companies. You will find on turning to paragraph 3, that reference is made to the agreement of the 18th September, 1880, and in the following paragraph, No. 4, it is made to appear that during the period when the negotiations which ended in this agreement being made, were in progress, the Canadian bondholders decided to place their nominees in the Direction of the Company, and in paragraph 5 it is stated:—

"It was agreed between the Directors so elected (that is, those representing the bondholders) and the Grand Trunk, that the agreement of September, 1880, should be abandoned."

NOW, THE FACT IS THAT THE NEW DIRECTORS WERE ELECTED IN JUNE, 1880, THEY MADE THE AGREEMENT OF SEPTEMBER, 1880, AND THEY ALSO ABANDONED IT FOR THE REASONS WHICH YOU WILL FIND SET FORTH IN THE ACCOMPANYING LETTERS MARKED "A" "B" AND "C."

I desire particularly to call your attention to the statements contained in these letters. The first, you will observe, is written by the Secretary of the Toronto Grey & Bruce Company, *by order of the Board*—a Board, be it borne in mind, elected by, and in the interest of the Bondholders, and it contains a distinct proposition for a new agreement, substantially on the terms upon which a new agreement was made, the one now in question, dated the 14th May, 1880.

We are told in the "Memorandum of facts": "At this period (January, 1881), four-fifths of the terminable bonds were held by persons resident in England, and the rest were held in Ontario, and of the 7,500 shares, 2,500 were held in England, and the balance in Ontario."

The Bondholders then resident in Europe were represented in London by a committee consisting of gentlemen who had *invested* in the bonds and stock of the



Company when they were first put upon the market. They were amongst the largest investors in the said bonds, and occupied an entirely different position in relation to the Company to those now holding the bonds, who are in the "Memorandum of facts" (January 27th), described as the "largest dealers in Canadian securities in England."

The views of these Bondholders resident in England may be gathered from the fact that on the first of April, 1881, they caused their Agent who was also the Agent of the Toronto Grey & Bruce Company, to address the following letter to the Directors of the Grand Trunk Company:—

"TORONTO, GREY AND BRUCE R. R. CO.,

" 16 Throgmorton St.,

" LONDON, 1st April, 1881.

" At a meeting of the London Committee of Bondholders, held here this day, the letter of the Toronto Bond of 22nd January last, addressed to Mr. Hickson, was considered, and it was resolved that the Committee are prepared to recommend to the English Bondholders the acceptance of the terms proposed therein, viz., 27½ per cent. of the gross earnings up to \$400,000, 25 per cent. from \$400,000 to \$500,000, and 12½ per cent. over \$500,000, with a minimum payment of \$100,000 per annum, it being understood that the works as scheduled in the memorandum, dated 15th January, 1881, and agreed to between Mr. Hickson and Mr. Wragge, shall be carried out for a sum not exceeding one million dollars in cash."

This letter was supplemented by the following formal proposal handed to the President of the Grand Trunk Company on the 7th April:

" The Toronto Grey and Bruce Railway Company to give to the Grand Trunk Company \$1,000,000 in cash, in addition to the following estimated assets, viz.:

" Bonus voted (less Wingham Branch. \$30,000).....	\$ 55,000
" Works already done.....	40,000
" Ordinary Share Capital, at 10 per cent.....	20,000
" Old Stores.....	260,000
	\$375,000

" for which total sum of say \$1,375,000, the Grand Trunk Railway Company undertakes to do all the works as enumerated in letter of 26th January, and stated as follows:

" Original Estimate.....	\$1,020,000
" Increased cost of Steel Rails.....	50,000
" Right of way and Old Liabilities.....	50,000
" Purchase of Queen's Wharf Shops.....	20,000
" Increased weight of Rails from 56 lbs. to 60 lbs.....	25,000
" Re-building all Wooden Bridges in masonry and iron over the whole line and extra Ballasting.....	155,000
" Wingham Branch.....	50,000
	\$1,370,000

" The proportions of revenue to be adjusted as follows, viz.: 27½ per cent. of the gross earnings up to \$400,000, 25 per cent. from \$400,000 to \$500,000, and 12½ per cent. over \$500,000, with a minimum payment of \$100,000 per annum."

This proposal was accepted by the Grand Trunk Company, and another agreement was entered into in conformity with the terms of it, finally completed and executed, on the 13th day of May, 1881.

In the face of all these facts we are asked to believe that "no discussion took place at the Board of the Toronto Grey and Bruce Company in reference to any fresh arrangement with the Grand Trunk until the 1st April, 1881." Was



there no discussion when the letter of the Secretary of the Toronto Grey and Bruce Company was written in January? Did Mr. Hendrie and his friends then protest against any further negotiations with the Grand Trunk Company? On the contrary, I am informed they were assenting parties to the proposal which it contained.

In the Memorandum of facts, dated the 30th January, it is stated that "the appeals which were made to the municipalities having been rejected, the Company were thereby thrown upon their own resources in raising the \$1,000,000 of new capital necessary. The effect of all this was the rejection of the Grand Trunk proposal, and the throwing of the responsibility for new capital directly upon the Bondholders."

Now, the proposal for an arrangement did not come from the Grand Trunk Company. The course taken by the municipalities was well-known before the correspondence of January, 1881, took place and the agreement of the 13th May, 1881, was entered into. To prove this it is only necessary to refer to the official letter of the Secretary of the Toronto Grey & Bruce Company, dated January, 1881. ("A.")

An important fact which has not been noticed in these papers issued by the Directors of the Toronto Grey & Bruce Company is that from the date when the first agreement was concluded, up to the date when the second agreement was entered into, May 13th, 1881, the Bonds of the Company had risen in price from about 35 to 64 or 65, and it is well-known that Mr. Hendrie and his friends, who had all at once become anxious to see an arrangement made by the Toronto Grey & Bruce Company with the Northern and North-Western Companies, had commenced purchasing the Bonds which then began to pass out of the hands of *bona-fide* investors to those of "dealers," as described in the said "Memorandum of facts."

In the memorandum dated 27th January it is stated that on three occasions (in or about April, 1881,) Mr. Hendrie tested the sense of the Board of Directors of the Toronto Grey & Bruce Company, and on every occasion, with the exception of two members, viz., Mr. Hendrie and Mr. Ramsay, the Board were unanimous in favour of an agreement with the Grand Trunk Company. The members of the Board, including the President, all represented Bondholders, and they were in perfect harmony up to this time in their views and policy with the Bondholders resident in England, who were simultaneously pressing the completion of the agreement upon the Directors of the Grand Trunk.

It is no part of my duty to enter into any defence of the gentlemen who then had seats at the Board of the Toronto Grey and Bruce Company, but I cannot refrain from noticing an insinuation of interested motives contained in the so-called memorandum of facts, which I am able at once, emphatically, to pronounce as without the slightest foundation. Mr. Beatty and his friends had no transactions with the Grand Trunk Company, or interests in that direction, adverse to the interests of the Toronto Grey and Bruce Company.

Whilst Mr. Hendrie was resorting to the Courts (June, 1881,) to prevent the majority of the Board, and, at the time, undoubtedly the majority of both the Bond and Shareholders of the Company, from making an agreement with the Grand Trunk Company, and was urging an arrangement with the Northern and North



Western Companies, with which it was well known he was intimately connected, the Directors of the Toronto Grey and Bruce Company issued a statement of their reasons for preferring an arrangement with the Grand Trunk, from which I venture to trouble you with a few extracts, simply because they answer fully the statements made from time to time that the agreement proposed to be made with the Northern and North-Western Companies would prove more beneficial to the proprietors of the Toronto Grey and Bruce Company than the agreement with the Grand Trunk.

"There are two proposals from other Railway Companies to take over the line, and to work it; one by the Grand Trunk of Canada, the other by the Northern and Hamilton and North-Western Railway Companies."

The first—that of the Grand Trunk, is:—

That the Grand Trunk should, for £200,000 in cash, the old rails and other materials at present upon the line, and other assets, including about £12,000 of municipal bonuses, and £40,000 of paid-up stock—do all the works, put the line in order with new steel rails, iron bridges and new equipment, pay off all the floating liabilities of the Toronto, Grey and Bruce Company, and pay for some 20 acres of land in Toronto, which the Toronto Grey and Bruce hold under lease from the Grand Trunk, and which property to-day is an exceedingly valuable one. The Grand Trunk to work the line from the 1st July, 1881, to the 1st January, 1882, and pay to the Toronto Company all the net revenue during these six months, and from the 1st January, 1882, for 20 years thereafter to work the line, paying to the Toronto Company, as follows:—27½ per cent. on the gross receipts earned by the line up to \$400,000, 25 per cent. on all above \$400,000, up to \$500,000, and all above \$500,000, 12½ per cent., with a guarantee that the net revenue would never be less than \$100,000 per annum. There are some other items which the Grand Trunk would have to pay, which will make this minimum up to \$105,000.

The percentage would be as follows:—

\$400,000, 27½ per cent.....	\$110,000
\$100,000, 25 per cent.....	25,000
Total.....	\$135,000

And on all above \$500,000, 12½. The minimum with the other source of revenue will make 2½ per cent. certain on present \$2,000,000 of bonds—say, \$105,000. Deduct for interest on new issue of \$1,000,000 at 5 per cent., \$50,000, leaving balance \$55,000, equal to 2½ per cent. as above stated, with an almost certainty of the earnings of the line going up, within two years, that is, in the hands of the Grand Trunk, to \$200,000 and over.

This would yield a revenue of \$135,000, and the \$50,000, equal to \$185,000, or 4½ per cent. on the present bonds.

The Board think that it may even be worked by the Grand Trunk to considerably higher figures, as they are in a position to control a vast Western trade. The Board of Directors concurred in this proposition, only one Director out of eleven voting against it.

NO OTHER OFFER UP TO THIS TIME HAD BEEN RECEIVED OR MADE TO THE COMPANY UNTIL AFTER THE BOARD HAD PASSED THE RESOLUTION AGREEING TO MAKE THE ABOVE ARRANGEMENT WITH THE GRAND TRUNK. Immediately after this a proposal came in from the Northern and Hamilton and North-Western, offering 35 per cent. of gross receipts up to \$350,000, 25 on all above \$350,000 up to \$400,000, and on all over \$400,000, 20 per cent. up to \$500,000, and 12½ on all over \$500,000, with a minimum of \$120,000. This works out as follows:—

35 per cent. on \$350,000.....	\$122,500
25 " " " 50,000.....	12,500
20 " " " 100,000.....	20,000
Making a total of.....	\$155,000

This certainly shows at one stage of the receipts—say at \$500,000—\$20,000 per annum more than Grand Trunk, but it is reduced, as there are some annual charges which the Toronto Company had to pay in the shape of taxes, insurance, and rental to the Grand Trunk, amounting in all to about \$9,000, which the Grand Trunk have agreed to pay, and for which no provision was made by the Northern, and with the \$5,000 above referred to, which the Grand Trunk are to pay in the shape of tolls, amounts to \$14,000, leaving the difference \$6,000 more than the Grand Trunk, or about an extra ½ per cent.

The Directors nine out of eleven, declined the proposal of the Northern, and it was also declined by the London Committee. The London Boards of the Northern and North-Western, on Tuesday last, made another proposal to the London committee of the Toronto Grey and Bruce, namely, that the Toronto Grey and Bruce, putting their line in the same order as was proposed by the Grand Trunk, they (the Northern



and Hamilton & North-Western) would provide the \$50,000 per annum necessary to pay interest on the preference issue of \$3,000,000, and would guarantee interest on present issue of \$2,000,000, namely:

3½ per cent.	for the years 1882 and 1883.
4 " " "	1884, 1885 and 1886.
4½ " " "	1887 and 1888.

and five per cent. for ten years thereafter, and would pay 15 per cent. on all gross receipts over \$550,000.

Now, it will no doubt appear strange that nine out of eleven of the Board, and myself support the proposed agreement with the Grand Trunk as against that of the Hamilton & North-Western and Northern Railway Companies, unless there were good and valid reasons for doing so, and they consider there are.

First.—The Toronto Grey & Bruce use for their rails, portions of the Grand Trunk line from a place called Weston into Toronto, a distance of about eight miles, and the following is one of the clauses of agreement under which the Toronto Grey & Bruce enjoy such user.

"It is further agreed and understood between the parties that the rights acquired under this agreement by the Toronto Grey & Bruce from the Grand Trunk shall not be used, exercised by, or made over to, any other Railway or any other Company, person or persons whatsoever, nor shall the same be used to admit into the Union Station at Toronto any other Railway, or any other Company or person whatever, to use the same or any part of it, to exercise any rights by this agreement given to the Toronto Grey & Bruce."

The above explains itself.

Second.—We believe the Northern Railway Company is specially restricted by enactment from making any arrangement of the kind suggested with any competing line, within which description the Toronto Grey & Bruce certainly falls.

The following is the portion of the clause in the Act of Parliament that restricts the Northern from making this arrangement:—

"Provided also that the power hereby granted shall not extend to the right of making such agreement with respect to any competing lines of railway."

Third.—The Toronto Grey & Bruce has no power to enter into such an arrangement with the Northern and North-Western Railway Companies, except with the consent of the Lieutenant-Governor in Council, and the following is that portion of the clause so restricting our rights:—

"Provided also that this section shall not be construed as authorising, and the said Company—the Toronto Grey & Bruce Company—shall not enter into, any agreement, as aforesaid, with the Northern Railway of Canada or with the Hamilton & North-Western Railway Company, or Great Western Railway Company, unless with the consent of the Lieutenant-Governor in Council, and before such consent shall be given by the Lieutenant-Governor in Council, the municipalities which have granted bonuses in aid of the Toronto Grey & Bruce Railway Company shall be notified." (File Report to Bond and Stockholders.)

At this time, (May, 1881,) the representatives of the Bondholders in England were most anxious that an agreement between the two Companies should be perfected, and executed as speedily as possible.

In the so-called memorandum of facts, it is alleged that prior to the meeting of the 28th June, the Bondholders of the Toronto Grey & Bruce Company had expressed their disapproval of the agreement with the Grand Trunk Railway Company, and were in favor of the arrangement which Mr. Hendrie advocated with the Northern and North-Western Companies.

What are the facts? An informal meeting of Bondholders was held on the 31st May, after the agreement had been made, at which Mr. Walter Kingsford, who is described in the report of the meeting, as being Counsel for Mr. Hendrie, proposed the following resolution, which was seconded and carried by fourteen votes to four:

"That in the opinion of this Meeting it is desirable in the interests of the Bondholders, that the Toronto Grey & Bruce Railway Company should enter into an agreement with the Northern and North-Western Railway Companies for the leasing of the Toronto Grey & Bruce Railway to them, on the basis of their offer for the same, now submitted, on the principle of fixed rentals."

The parties present and interested in the business therefore numbered only eighteen, mostly friends of Mr. Hendrie, and, unless I am misinformed, amongst



the majority was recorded the vote of the then General Manager of the Northern Railway. It is known to me that many of the largest Bondholders, certainly a majority at this time, and who represented *investors* in the bonds as contrasted from "dealers," were in favour of confirming the agreement with the Grand Trunk.

It does not seem to have occurred to Mr. Hendrie and his friends that there were other interests than those of the Bondholders to be considered, but bent upon turning the Toronto Grey & Bruce line over to the Northern and Hamilton and North-western Companies, they continued to purchase the bonds and stock; the latter in many cases was thrown in with the bonds and regardless of the interests of the municipalities, or the residents of the districts served by the Railway, resorted to the most factious measures to prevent the arrangement made with the Grand Trunk being put into effect, doubtless with a view ultimately to carrying out their original intention.

In the "Memorandum of facts" an attempt is made to create the impression that the Bondholders, supporting the views of the present Board of the Toronto Grey & Bruce Company, and whom the Directors of that Company describe as simply "dealers," have created a vested interest by providing \$1,000,000 for the purpose of putting the Toronto Grey & Bruce road into proper condition; but the real fact is that this was the sum which, under the agreement entered into with the Grand Trunk Company on the 12th May, it was stipulated the Toronto Grey & Bruce Company should provide, and for less the road could not be put into condition to be worked, and I believe I am correct in stating that the money had been arranged for before the present Board of the Toronto Grey & Bruce Company took office.

The Grand Trunk Company entered into the agreement of the 13th May in good faith. They have been ready and willing to carry out its conditions. Much time and labor has been expended in perfecting all the arrangements, and the Grand Trunk Company have given valuable assistance in helping the Toronto Grey & Bruce Company to carry out the work of changing the gauge of their line. At the time the Grand Trunk Company entered into negotiations with the Toronto Grey & Bruce Company, that Company's securities were practically unsaleable in the market, their shares were of little, or no, value, and were selling at prices varying, according to the memorandum of facts, "from 1 cent to 10 cents in the dollar," and their credit was at the very lowest point.

When the fact became known that the Grand Trunk Company was willing to aid in resuscitating the line and putting it into condition for carrying on the business of the district through which it runs, an enhanced value was given to the securities, and the proposal was received with universal satisfaction by the people of the municipalities who had originally contributed to the construction of the road, and the inhabitants of the district generally through which the railway passes.

The Grand Trunk Company had prior to this date aided in a material manner the Toronto Grey & Bruce Company, as can be very readily proved by its officers. They had given them facilities for entering the city of Toronto, which the Toronto Company were not at the time able to get in any other way, and it is a fact that they had to take in payment of considerable sums expended in connection with the Toronto Grey & Bruce the depreciated bonds and stock of that Company, the latter of which they hold to this date.



Believing that the agreement would be carried out, the Grand Trunk agreed to supply the Toronto Grey & Bruce Company with certain locomotives and cars, and also to undertake the changing of the gauge of certain engines in their works, all of which, notwithstanding the course taken by the present Board of that Company, the Grand Trunk Company have and are carrying out. I believe I am correct in saying that but for this assistance the Directors of the Toronto Grey & Bruce Company would find it very difficult, if not impossible, to-day, to carry on the operations of the road, and the aid which they got from the Grand Trunk Company in this respect they could not have secured elsewhere.

The statement, therefore, of the Directors of the Toronto Grey & Bruce Company to the effect that the Grand Trunk Company has not spent one dollar in connection with the Toronto Grey & Bruce line is at variance with the facts, and there is no justification for it.

Another statement made in these so-called memoranda of facts, is that before the meeting of the 28th June, the Grand Trunk Company were advised by the Counsel who acted for them and for the Toronto Grey & Bruce Railway Company, that the registered bondholders of the Toronto Grey & Bruce Railway Company had a right to vote as shareholders on the question of the confirmation of the agreement, and they knew that the large majority of the bondholders were opposed to the agreement. I have only to say that whatever advice the Toronto Grey and Bruce Railway Company may have sought and obtained, that the Grand Trunk Company neither asked for nor obtained advice upon the point. They were content to rest their case upon the Act (the 44th Victoria, Chap. 70), which had been passed with the especial object of enabling the Toronto Grey & Bruce Company to make an agreement with the Grand Trunk Company, and which specially prohibited, unless with the consent of the Lieutenant-Governor in Council, an agreement being made with the Northern, the Hamilton and North Western or Great Western Railway Companies.

The clause of the Act, it seems to me, is sufficiently clear not to admit of any doubt as to its construction.

It reads: "Provided that assent be given thereto by at least two-thirds of the shareholders present or represented by proxy at any meeting specially called for the purpose according to the by-laws of the Company." The meeting of the 28th June, was called according to the by-laws of the Company. The clause of the Act specially, refers, as you will find, to agreements such as that which the Directors of the Toronto Grey & Bruce had entered into with the Grand Trunk Company.

The statement that the scrutineers, at the meeting on the 28th June, acted under the direction of the Counsel of the Grand Trunk Company, is wholly gratuitous, and the Directors of the Toronto Grey & Bruce Company must have understood perfectly well that Mr. Cassels, the gentleman referred to, attended the meeting of the 28th June, as a shareholder. I believe that he was acting at that time as Counsel for the Toronto Grey & Bruce, but even supposing Mr. Cassels had been present at the meeting representing the interests of the Grand Trunk Railway Company, which he was not, were not the interests of Mr. Hendrie and his friends similarly represented by Mr. Martin?

The reason why the scrutineers refused the votes of certain alleged bondholders at the meeting on the 28th June, was fully stated by the gentlemen in question, in the report which they made to the meeting (copy of which I send for



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your information), and it might just as well have been stated in the "memorandum of facts" that the officers of the Toronto Grey & Bruce Company, acting under legal advice which they had obtained, refused to return certain bonds as being entitled to vote, for the simple reason that the holders of these bonds had not complied with the law in the matter of registering the transfers of the same. I can quite understand that the officers of the Toronto Grey & Bruce Railway felt that it was necessary to act with great caution in regard to the votes to be accepted at this meeting, for the very simple reason that prior to the said meeting a gentleman acting with Mr. Hendrie in his efforts to secure control of the Toronto Grey & Bruce bonds and stock, had issued in London a circular to the bond holders of the Company, which contained the following paragraph:

"ARRANGEMENTS HAVE BEEN MADE WHEREBY MESSRS. MORTON, ROSE & CO. OF BARTHOLOMEW HOUSE, E. C., WILL RECEIVE THEM (BONDS) AND TEMPORARILY ISSUE SCRIPT TO REPRESENT THEM. THERE WILL THEN BE THIS DOUBLE ADVANTAGE; THERE WILL MOST CERTAINLY BE A MARKET FOR THE SCRIP ON THE STOCK EXCHANGE, WHILE AT THE SAME TIME THE HOLDERS ARE EXERCISING THEIR VOTING POWER AT THE MEETING AT TORONTO."

A copy of this document is in my possession. You will see that it suggests that parties might sell their bonds and at the same time vote upon them in order to secure the rejection of the agreement with the Grand Trunk Company, because the object of the circular was to urge the rejection of the arrangement made with the Grand Trunk Company and the adoption of the offer of the Northern and Hamilton & North-Western Companies. The gentleman who issued this circular was manifestly one of the "dealers" referred to by the Directors of the T. G. & B.

The Grand Trunk Company is advised that the shareholders, only, of the Toronto Grey & Bruce Company had a right to vote upon the agreement at the meeting of the 28th June; that the necessary majority of the shareholders, and the bondholders also, who were permitted by the scrutineers to vote, did vote, in favour of the arrangement, it is only necessary to refer to the report of the scrutineers to prove. If, as is alleged in one of the memorandums now before me, the Grand Trunk Company have no power to make such an agreement as that which was entered into with the Toronto Grey & Bruce Company, it is certain that the Legislature of Ontario cannot confer such power, and therefore no harm will be done by passing the bill which we seek for; but I am quite sure that it cannot, in face of the fact, be seriously urged by anyone who has a knowledge of the law, and is competent to give an opinion, that the Grand Trunk Company does not possess power to make such an agreement.

It may, and doubtless will, be asked why the Grand Trunk Company come to the Legislature asking for the passage of such a Bill as that which you have kindly taken charge of for them. The explanation is simple. They are prevented from getting what they believe to be their rights by fractions and litigious proceedings prosecuted in the interest of certain other Companies, aided by "dealers" who have purchased the securities of the Toronto Grey & Bruce Company, since the agreement was entered into, simply as a speculation, and because it must necessarily, to fight out a question of this kind in the Law Courts, require a great deal of time, and the expenditure of large sums of money, which the Grand Trunk Company think it is unjust that they should be called upon to make, in face of the facts of the case, and still further because, although the other



side have alleged that they are not asking for any legislation which will interfere with any rights the Grand Trunk Company may have under the agreement, it is a fact that they are seeking from the Ontario Legislature the repeal of the clauses of the Act of 1881 which, were passed with a full knowledge that the intention of the Toronto Grey & Bruce Company was to make an agreement with the Grand Trunk Company—in short, with the object of enabling such an agreement to be made; and, failing to get from the Ontario Legislature what they are seeking, intend to apply to the Dominion Legislature to enable them to make arrangements with other Companies which would completely bar the way to the carrying out of the agreement entered into by the Grand Trunk Company, and enable them to override the following clause of the Act of 1881:—

“ And provided, also, that this section shall not be construed as authorizing
“ and the said Company shall not enter into, an agreement, as aforesaid, with
“ the Northern Railway Company of Canada, or with the Hamilton &
“ North-Western Railway Company, or Great Western Railway Company,
“ unless with the consent of the Lieutenant-Governor in Council; and before
“ such consent shall be given by the Lieutenant Governor in Council, the
“ municipalities which have granted bonuses in aid of the Toronto Grey &
“ Bruce Railway Company shall be notified.”

I am,

Yours very faithfully,

JOSEPH HICKSON,

GENERAL MANAGER.



A.

THE TORONTO GREY & BRUCE RAILWAY,
SECRETARY AND TREASURER'S OFFICE,
TORONTO, (Jan'y. 22,) 1881.

JOSEPH HICKSON, Esq.,
General Manager,
Grand Trunk Railway, Montreal.

DEAR SIR,—

The Board of Directors of the Toronto Grey & Bruce Railway Company have had lately under consideration the preliminary agreement entered into between them and the Grand Trunk Railway Company for the working by the Grand Trunk, of the Toronto Grey & Bruce Line, also the circumstances which have taken place since the date thereof.

Having carefully surveyed the position of affairs, the Directors have instructed me to inform you that they consider that the Company is not now in a position to fulfil the terms of that agreement—as it at present stands. The Directors find themselves thus placed chiefly on account of the fact that your Company desire the carrying out of extra works in bridging, ballasting and increased weight of rails which were not originally contemplated by the Toronto Grey & Bruce Company, also because of the increased price of steel rails, and the change which has taken place in the Company's affairs owing to the unsuccessful result of the appeal which was made to the municipalities for assistance. The Directors would call your attention to the fact that this Company have been placed at a special disadvantage, in the agreement referred to, owing to the bonuses which were expected from the municipalities not having been voted. It was hoped that by the Grand Trunk Company taking over our Line, the getting of the bonuses would have been greatly facilitated. The Directors, in that belief, accepted a less amount from your Company than they would otherwise have done, thus giving up to your Company a considerable portion of the benefit which the bonuses represented. Finding now that the greater portion of the expected bonuses is not forthcoming, and also having in view all the facts above stated, the Directors think that they are now entitled to a re-adjustment of the terms of the agreement with your Company.

The Board are of opinion that under the circumstances they cannot now recommend to the Bondholders and Shareholders the acceptance from your Company of a less amount per annum than 27½ per cent. of the gross earnings up to \$400,000, and 25 per cent. from \$400,000 to \$500,000, and 12½ over \$500,000, with a minimum payment of \$100,000 per annum.

In the meantime, the Board has decided that in any event it will be more advantageous for all parties that the work of changing the gauge and reconstructing the Railway shall be done by the Toronto Grey & Bruce Railway Company, and it is their intention therefore, at once, to proceed with such work as the season will permit.

The Directors will be glad to have your views on this subject, and have directed me to ask that you will kindly favor them with an early reply.

I am,

Dear Sir,

Yours truly,

W. SUTHERLAND TAYLOR,
Secretary-Treasurer.

B.

January 25th, 1882.

DEAR SIR,

I received your letter (without date) this morning, in which you advise me that the Directors of the Toronto Grey & Bruce Company consider that their company is not in a position to fulfil the terms of the agreement entered into between it and the Grand Trunk Company.

The grounds upon which this conclusion is reached, you inform me are:—

1st. "On account of the fact that your Company (meaning the Grand Trunk) desires the carrying out of extra works in bridging, ballasting and increased weight of rails, which were not originally contemplated by the Toronto Grey and Bruce Company."

2nd. "Because of the increased price of steel rails."

3rd. "The change which has taken place in the Company's affairs owing to the unsuccessful results of the appeal made to the municipalities for assistance."

YOU ALSO REMARK THAT IT WAS HOPED THAT BY THE GRAND TRUNK COMPANY TAKING OVER THE TORONTO GREY & BRUCE LINE, THE GETTING OF



THE BONUSES WOULD HAVE BEEN GREATLY FACILITATED. I BELIEVE I AM CORRECT IN ASSUMING THAT THE ONLY BONUSES WHICH HAVE BEEN OBTAINED HAVE BEEN GOT ON THE CONDITION THAT THE GRAND TRUNK COMPANY TAKES OVER AND WORKS THE ROAD, AND THAT IF THE ARRANGEMENT IS NOT CARRIED OUT, THE TORONTO GREY & BRUCE COMPANY WILL FORFEIT ABOUT \$50,000 WHICH HAS BEEN VOTED TOWARDS THE COST OF CHANGING THE GUAGE AND PUTTING THE ROAD INTO GOOD REPAIR, AND A FURTHER SUM OF ABOUT \$30,000 VOTED TOWARDS AN EXTENSION OF THE LINE.

I wish to remind your Board in regard to the first reason assigned for abandoning the agreement, or securing better terms, that the Grand Trunk Company has not asked for any work to be done, which is not called for by the terms of the agreement, and as I have already had occasion to explain verbally, the Company has been, and is now, quite willing to submit any questions arising under that head, to arbitration as provided for in the agreement.

As regards the second reason assigned for the course proposed to be adopted, I must be permitted to remark that the price of the steel rails is not affected by the work being done under the agreement, or outside of and apart from it.

Then with respect to the appeal to the municipalities for aid, I am justified in saying that the Grand Trunk Company has done all it could reasonably be expected to do under the circumstances, and whilst I much regret the results have not been more satisfactory, I am sure it will not be alleged that the want of success is in any way to be attributed to a failure on the part of the Grand Trunk Company to fulfil its obligations under the contract.

I desire to remind your Board that under the 5th Clause of the agreement, it is provided that "In case the said sum of \$1,000,000 shall not be sufficient to carry out and complete the works stipulated for in this agreement and the specifications and schedules annexed thereto, the Toronto Company shall provide the necessary amount in addition, but if any dispute arises as to the amount of works, or material or both are required to complete the whole as contemplated, the same shall be ascertained and fixed by the said Engineer so to be appointed under this clause, and the said Grand Trunk Company shall do the said work and provide the said materials, charging only the actual cost of so doing."

I wish to say that the Grand Trunk Company has been, and is quite willing to comply with the conditions of the agreement which provide that it shall carry out the work of changing the gauge of the line, and putting the same into proper repair, provided the Toronto Company are prepared to find the necessary funds to pay for the work to be done, in terms of the extract from the agreement which I have just quoted.

I have been led to make these remarks from a desire to guard against its being supposed that the Grand Trunk Company has made any demands in regard to the condition in which the line is to be put, which are not strictly in conformity with the agreement, or that there has been on the part of the Grand Trunk Company any hesitation about carrying out its conditions.

I will submit to the Directors of the Grand Trunk Company the suggestion that the terms of the agreement should be altered so as to secure a minimum to the Toronto Grey and Bruce Company of \$100,000 and a larger percentage of the gross receipts.

At the same time I venture to remark that it seems to me the agreement should, under any circumstances, be submitted to a meeting of the holders of the securities of the Toronto Grey and Bruce Company entitled to vote on the question of whether it is, or is not, to be carried out.

The Directors of the Grand Trunk Company are, I am aware, quite prepared to carry out the condition of the agreement, providing for its approval by the proprietors of the Company, and to submit it for that purpose and recommend its adoption.

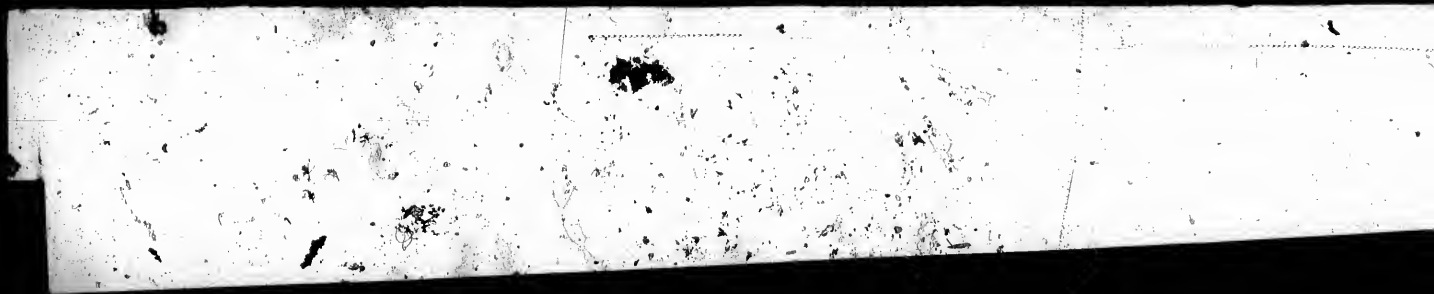
I am, Dear Sir,

Yours truly,

J. HICKSON.

General Manager.

W. S. TAYLOR, Esq.,
Secretary & Treasurer,
Toronto Grey & Bruce Railway,
TORONTO.



C.

THE TORONTO, GREY & BRUCE RAILWAY,
SECRETARY & TREASURER'S OFFICE,
TORONTO, 23rd January, 1881.

DEAR SIR, I beg to acknowledge receipt of your letter of 25th instant.

I shall duly lay the same before the Directors of this Company at an early date, and communicate to you their reply.

I may say now, however, that in my former letter there was no intention on the part of my Directors, to imply that there had been any failure by the Grand Trunk Company in fulfilling the terms of the agreement which had been entered into by the two Companies. The Board simply desired, by stating the adverse circumstances which had overtaken the affairs of the Toronto, Grey & Bruce Company, to show that they were thereby themselves unable to carry out the terms of the agreement as it at present stands.

I am, dear Sir,

Yours truly,

W. SUTHERLAND TAYLOR;

Secretary and Treasurer.

JOSEPH HICKSON, Esq.,
General Manager,
Grand Trunk Railway Company,
MONTREAL.

D.

Report of the scrutineers appointed to take the votes at the meeting of the Toronto, Grey & Bruce proprietors, held in Toronto on the 28th day of June, 1881.

After about four hours occupied in taking the votes, the scrutineers reported as follows:—

The scrutineers find that the total number of shares which voted upon the resolution is 6,174, and of these 4,764 voted yea and 1,410 voted nay. The number of bonds voted upon is 836, of which 694 voted yea and 142 nay. The scrutineers hold that for the purpose of taking this vote they can only accept votes taken on the bonds of bondholders whose bonds, and any transfers thereof, have been registered in the same manner as is provided for the registration of ordinary shares, and that the list of such bondholders, as handed to the scrutineers for this voting, certified this day by the Secretary-Treasurer, is the evidence they have of a compliance with the requirements of the statute, and that they cannot record the votes of the bonds tendered because they do not appear on such list. The scrutineers accept the list of the Secretary-Treasurer as correct, and decline to attempt to decide by reference to documents, books or statements the correctness of such list.

E.

TORONTO, GREY & BRUCE RAILWAY.

NOTICE is hereby given that an application will be made to the Parliament of Canada, at its next session, for an Act declaring the Toronto Grey and Bruce Railway Company to be a work for the general advantage of Canada, and also to amend the several Acts relating to the said company, and for further power for the issue of bonds and debenture stock, and to re-arrange and increase their bonded debt, and for the repeal of section twelve of the Act forty-three Victoria, chapter sixty-six (Ontario), providing for the appointment of a Commissioner for the purpose therein mentioned, and also to repeal the seventeenth section of the said Act providing for the election of a director by certain municipalities therein mentioned, and for other purposes; and also to repeal the last proviso in the fourteenth section of the Act forty-four Victoria, chapter seventy-four (Ontario), and also to give the said company power to arrange with other railway companies for station accommodation and to join with other companies in the erection of a joint station, and also the right to make running arrangements with other railways; also to purchase, charter and work steamboats and other vessels; and also to authorize the said company to amalgamate with or lease their line to the Ontario & Quebec Railway Company, and for other purposes.

MARTIN & ELLIOT,

Solicitors for Applicants.

Dated at Hamilton, the 28th day of December, 1881.

