

REPORT OF THE DIRECTORS
TO THE
SHAREHOLDERS
OF THE
MONTREAL TELEGRAPH COMPANY,

PRESENTED AT THE

Annual Meeting, on Thursday, 13th Jan., 1887.

In view of the numerous rumours and reports circulated regarding the affairs of this Company, the Directors suggest to the Shareholders the propriety of receiving such rumours with caution.

A resolution passed by the Directors of the Great North-Western Telegraph Company, on the 29th of September last, was received by this Company the following day. It reads as follows :

“ It was moved by Mr. Richard Fuller, seconded by Mr. A. S. Irving, that

“ Whereas the Canadian Pacific Railway Company, since the making of the contract between this Company and the Montreal Telegraph Company, of 17th August, 1881, for working and operating the lines and system of telegraph of the said last named Company, have undertaken the transmission of messages for the public over “The Canada Central Railway,” “The Credit Valley Railway,” and “The Ottawa and Prescott Railway,” in Ontario, and “The South Eastern Railway,” in Quebec, in contravention of the contracts between the said Railway Companies and the Montreal Telegraph Company, which were then in force, and not terminable without the consent of the said Montreal Telegraph Company.

“ And, whereas, this Company is not legally competent to enforce the said contract against the said Railway Company, or either of them

“ And, whereas, it will be impossible for this Company, as contractor, for working and operating the lines of the Montreal Telegraph Company, to pay “out of the proceeds of the operation and use of the said Company’s lines and property” the annual sum mentioned in the fifth article of their contract of 17th August, unless the said Railway Companies are restrained from violating their contracts with the Montreal Telegraph Company as aforesaid.

“ Resolved, that the Secretary of this Company be instructed, and he is hereby authorized to notify the Montreal Telegraph Company of the aforesaid violations of their contracts by the Canadian Pacific Railway Company, and that this Company will not be able to pay the amount mentioned in the said contract of 17th August, by reason of the serious loss of business and reduction of the income of the said Montreal Telegraph lines and property now being worked and operated by this Company, if the Montreal Telegraph Company fails to enforce their contracts with the Railway Companies aforesaid.”

Acknowledgement of its receipt was made on the 30th of September, and on the same day the Directors resolved to obtain the best legal opinion on the position of this Company under its agreement with the Great North-Western Telegraph Company. From various causes unavoidable delays occurred, and it was not until the 10th of November that the final opinion of one of the Counsel engaged was received. On the 17th of November, immediately after the return of the President, who in the meantime had been absent in England, the following letter was despatched to Toronto :—

MONTREAL, 17th November, 1886.

F. ROFER, Esq.,
Secretary,
GREAT NORTH-WESTERN TELEGRAPH COMPANY,
Toronto.

DEAR SIR,—I am instructed by the Directors of this Company to say that they regret very much the unavoidable delays which have unfortunately occurred in replying to your letter of the 29th of September, accompanying which was an extract from the minutes of a meeting of the Board of Directors of



the Great North-Western Telegraph Company held in Toronto on the same date. Both letter and extract having reference to aggressive action on the part of the Canadian Pacific Railway Company in appropriating certain routes of this Company for the purpose of conducting a competitive telegraph business with the Great North-Western Telegraph Company.

On the responsibilities imposed upon the Great North-Western Telegraph Company, as well as upon the obligations assumed by it the terms of the agreement of the 17th August, 1881, are clear, distinct and very explicit. Clauses 7 and 12 bear particularly upon the points raised in your letter and the extract from your minutes,

While disclaiming responsibility of any kind whatsoever in connection with the matter referred to, the Directors, upon further consideration, may see it to be politic in the interests of their Company to intervene; they would, therefore, be glad to have evidence from the Great North-Western Telegraph Company of the alleged violation of contracts, as soon as such can be procured, and prepared in such a manner as to bring into the Courts, if, in their discretion, they should determine to take such action.

Counsel engaged to define the position of the Montreal Telegraph Company under the agreement of the 17th August, 1881, differ on some material points, but it is believed these differences can be easily reconciled on the return from England of one of the Counsel now absent there; until then, the Directors regret, they will not be in a position to submit their decision to your Company.

I am, respectfully,

Your obedient servant,

D. ROSS-ROSS,

Secretary.

The General Manager acknowledged the receipt of the above communication, addressed to their Secretary, as follows:—

THE GREAT NORTH WESTERN TELEGRAPH COMPANY OF CANADA.

General Manager's Office, Toronto, Ontario, Nov. 24th, 1886.

D. R. Ross, Esq.

Secretary, Montreal Telegraph Co.

Montreal, Que.

Dear Sir,—Yours of the 17th inst. came duly to hand. I will as soon as convenient, forward you the information desired in regard to the violation of contracts by the C. P. R. Co.

Yours truly,

(Signed) H. P. DWIGHT,

General Manager.

On the 19th December, this Company received the following communication:—

THE GREAT NORTH WESTERN TELEGRAPH CO. OF CANADA,

General Manager's Office, Toronto, Ont. Dec. 18th, 1886.

D. ROSS ROSS, Esq.,

Secretary Mon. Tel. Co.

Montreal, Que.

Dear Sir,—In reply to yours of the 17th November, I have to inform you that the Canadian Pacific Railway Company have placed cross arms and erected two wires upon our poles on the South Eastern Railway, between Longueuil Junction and Farnham, and between Farnham and Richford they have built an independent line, poles, and wires, on the western side of the track. One of their wires is rented to a firm and used for their business between Montreal and New York, and the other wire is used by the C. P. R. Co. for commercial business.

On the line of the Canada Central Railway, the Canadian Pacific Company have erected poles and strung a number of wires for the transmission of public or commercial business, over nearly the whole route, and have opened offices at the different towns along the route, for the transaction of telegraph business.

On the line of the Credit Valley Railway Company the C. P. R. Co. have constructed an independent line of telegraph, between Toronto and St. Thomas, and have opened numerous offices along the route for the transmission of public or commercial telegraph business.

In fact the great bulk of the public or commercial business which the C. P. R. Co. are now doing, would appear to be in utter defiance of contracts, which, until the advent of the C. P. R. upon the scene, were recognized in good faith by both the Telegraph and Railroad Companies, with no hint or suspicion apparently, on either side that these contracts were not perfectly valid and binding.

Yours truly,

(Signed) H. P. DWIGHT,

General Manager.

On the 20th of December the Hon. Mr. Lacoste, Q.C., returned from Europe, and on further consultation with him, he recommended that his opinion and the opinion of Mr. Macmaster should be laid before a third lawyer. The Board being desirous of having the Company's position clearly defined before decisively replying to the Great North Western Telegraph Company, acted on Mr. Lacoste's advice as soon as possible. The two opinions and all correspondence, contracts and agreements bearing on the subjects were submitted to Mr. Geoffrion. His opinion received on the 5th inst., confirmed that of the Board, and at a meeting held that day, the following resolutions were passed, and ordered to be despatched immediately to the Secretary of the Great North Western Telegraph Company:—

“It was moved by Mr. John Crawford, seconded by Mr. William Cassils, and resolved, that
“The Directors of the Montreal Telegraph Company have arrived at the conclusion after due consideration, that the duty of enforcing contracts with Railway Companies alleged to have been violated appertains to the Great North Western Telegraph Company, and not to the Montreal Telegraph Company.

“It was also resolved that the Secretary intimate to the Great North Western Telegraph Company, that it is empowered to use the name of the Montreal Telegraph Company in any action at law which it—The Great North Western Telegraph Company—may consider necessary to enter into for the purpose of establishing its rights against the Canadian Pacific Railway for trespass or any other violation of the Agreement of the 17th August, 1881, with the express stipulation, however, that any action instituted in this connection, be at the risk, peril and expense of the Great North Western Telegraph Company.”

The Great North Western Telegraph Company served on the 24th December, a notarial protest on this Company, embodying the statements contained in the resolution passed at a meeting of its Directors on the 29th of September last. Besides these statements, the protest contains the following paragraph specially referring to the Quarterly Payment due on the 1st instant :—

“And I further notified the said Montreal Telegraph Company that the payment of forty-one thousand two hundred and fifty dollars which under the said agreement becomes due on the first of January next will be paid under protest and under the reserve by the said Great North Western Telegraph Company of its claims for diminution of rent or damages against the said Montreal Telegraph Company for its breach of said Agreement, as hereinbefore set forth.”

Heretofore the quarterly payments have been received on the last day of each quarter, and as on the 31st December last, this practice was departed from in the face of the notarial notification on the 24th to the effect that the payment would be made. telegrams were sent to the General Manager and Treasurer at Toronto but without eliciting a reply up to midnight, although repeated demands were made for one. Early the following morning messages were again despatched to the General Manager, the Treasurer and to the Secretary, and after most persistent calls for an answer the following was received from the General Manager about mid-day :—

“Letter not mailed ; sorry can say nothing more than this at present.”

Other despatches have been forwarded but so far no satisfactory explanation of this breach of contract has been received by the Board. Further action is deferred until the election of the new Board of Directors.

The Annual Statements, the report of Mr. Cassils on the condition of the Company's property and the Auditor's report are on the table.

The whole respectfully submitted.

ANDREW ALLAN,
President.

Montreal, 10th January, 1887.

ANNUAL STATEMENTS.

REVENUE AND EXPENDITURE.

For 12 months ended 31st December, 1886.

ORDINARY REVENUE.

Rent.....	\$1,166 67
Dividends.....	2,000 00
Total Ordinary Revenue.....	<u>\$3,166 67</u>

EXPENDITURE.

Insurance.....	\$ 48 00
Interest.....	177 14
Excess of Ordinary Revenue over Expenditure.....	2,941 53
	<u>3,166 67</u>

SPECIAL REVENUE.

Property rental received from the Great North Western Telegraph Co.....	\$123,750 00
Property rental still due by the Great North Western Telegraph Co.....	41,250 00
	<u>165,000 00</u>

INACTIVE ASSETS.

31st December 1886.

ASSETS.

LINES—	
In Canada and the United States.....	\$1,625,890 00
CABLES—	
In Canada and the United States.....	33,487 39
OFFICES AND EQUIPMENT—	
In Canada and the United States.....	212,500 00
REAL ESTATE AND BUILDINGS—	
In Montreal, Quebec, Ottawa and Toronto.....	279,940 46
Total Inactive Assets.....	<u>\$2,151,823 85</u>
Capital Stock.....	\$2,000,000 00
Accrued Capital or Surplus (not available).....	151,823 85
	<u>\$2,152,823 85</u>

ACTIVE ASSETS AND LIABILITIES.

31st December, 1886.

ASSETS

Cash on hand.....	\$ 102 87
Head Office Furniture.....	900 00
Bell Telephone Stock, at Par.....	25,000 00
St. Sacrament Street Property, Montreal.....	15,000 00
Accounts Receivable.....	41,058 34
Total Active or Available Assets.....	<u>\$82,961 21</u>

LIABILITIES.

Merchants Bank of Canada.....	\$ 6,063 76
Accounts Payable.....	235 00
Unclaimed Dividends.....	184 00
Dividend No. 90, payable 3rd January, 1887.....	40,000 00
Total Liabilities.....	<u>\$46,482 76</u>
Surplus of Active Assets over Liabilities, 31st December, 1886 (Available).....	36,478 45

D. ROSS ROSS,
Secretary and Treasurer.

MONTREAL, 3rd January, 1887.

REPORT

ON THE

CONDITION OF THE COMPANY'S PROPERTY.

Montreal, December 13th, 1886.

ANDREW ALLAN, Esq.
President Montreal Telegraph Company.

Dear Sir,

Having examined large sections of the Company's lines during the past season, I found them in excellent order. The lessees have employed several gangs of men in the execution of such repairs and alterations as were advisable in maintaining and promoting the efficiency of the service. New wires have been strung and new lines built on various important routes as follows:—

WIRE STRUNG.	MILES.
From Harriston to Stratford	49
“ Brussels to Wingham	12
“ Toronto to London	115
“ Montreal to Toronto	335
	511

NEW LINES BUILT [POLES AND WIRE.]	
Extension on Lake St. John Railway	25
“ “ Northern and Pacific Junction Railway	28
“ “ Chateauguay Railway	18
In Adirondacks, from Lyon Mountain to Loon Lake	23
	94

Recapitulation of lines added to the Company's system since the working arrangement with the Great North Western Telegraph Co. came into force:—

	MILES.
Up to end of 1885	1080
Added in 1886, New wires	511
New lines, [poles and wires] 94	605
	1685

The new wire strung between Toronto and London is No. 8 in size, and that between Montreal and Toronto is of extra large size [No. 6.] thus affording an excellent conductor for Quadruplex Telegraphy. The work which has been done has been sufficient to fully maintain the lines of the Company in the best possible working order, in my opinion they were never in more serviceable condition than at present.

Yours truly,

WILLIAM CASSILS.

AUDITOR'S REPORT.

MONTREAL, 5th January, 1887.

ANDREW ALLAN, Esq.,
 President,
 MONTREAL TELEGRAPH COMPANY,
 Montreal.

DEAR SIR,—I have examined your Company's books, vouchers, and find balance sheet for the year ended 31st Dec., 1886, and found the whole correct, complete, and in proper order.

The last quarterly dividend not yet received from the Great North-Western Telegraph Company is rendered as a claim against that Company, the financial Statement thus showing three quarterly dividends instead of four.

Yours truly,

JOHN McDONALD,
Auditor.