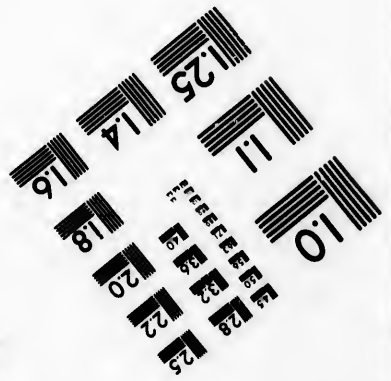
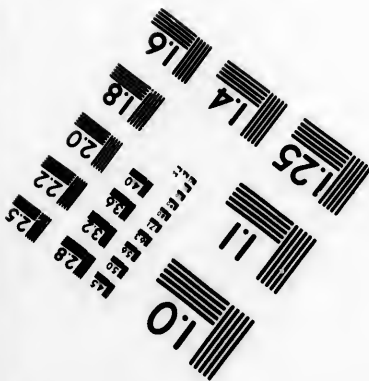
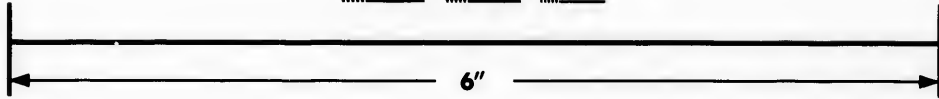
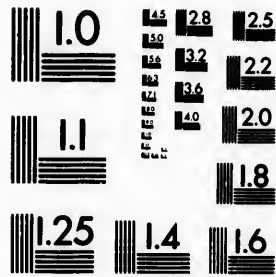


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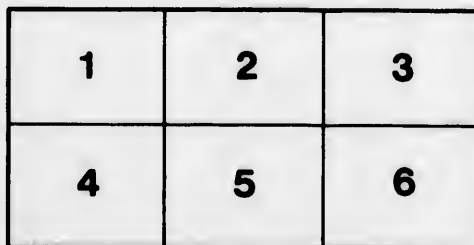
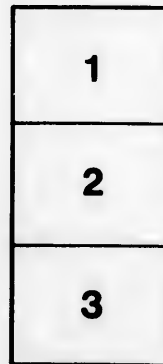
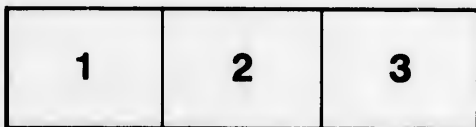
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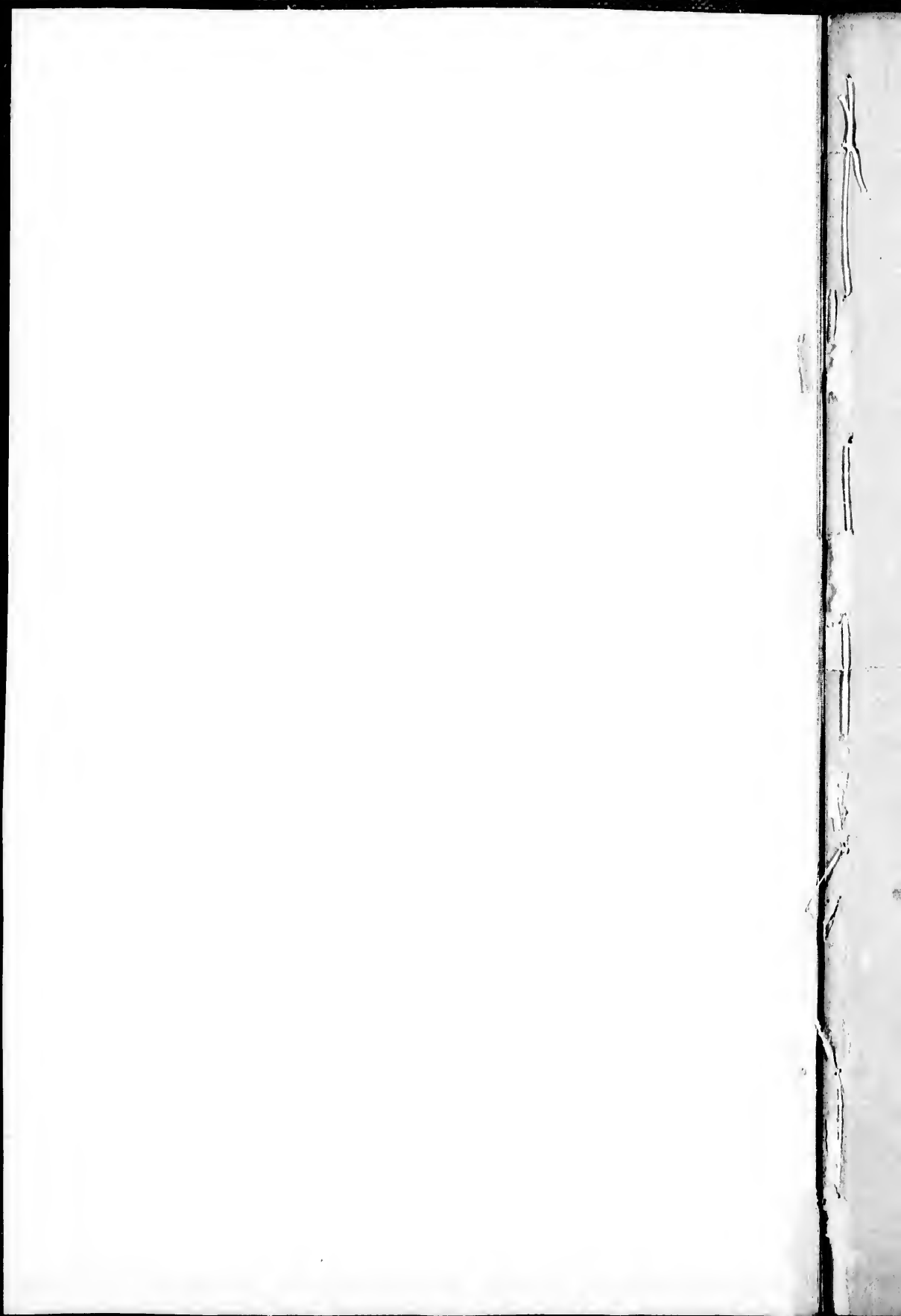
ANALYSIS
Of Grand Trunk and Buffalo and Lake
Huron Amalgamation Bill.

BY

JUNIUS

On Railway Matters





ANALYSIS

Of the Grand Trunk Amalgamation agreement with the Buffalo and Lake Huron Company converted by Bill into an Act of Parliament, shewing its injurious results under the following Headings.

1st. The illegality of the sections in Bill and their inconsistency with the terms and language of agreement.

2nd. The frauds permitted if not contemplated by the agreement, when converted into an Act of Parliament.

3rd. The pecuniary injury to the Municipalities The Bondholders and Creditors of the two Companies.

4th. The injury done to the Provincial Revenue property and Credit, and to Parliament as representatives by legislation of Provincial integrity of principle.

The Illegality and inconsistency of the Act.

The preamble of the Act declares that the two Companies have petitioned Parliament that the agreement between them should be confirmed, and is manifestly untrue in this, that the seven municipalities, who, as Shareholders represent 750,000 dollars, are no parties to this Act, have never been consulted as to the agreement, and have never consented to it, but on the contrary have ever opposed it.

The second section of the Act establishes the agreement in the Schedule as the "Formed Agreement" between the Companies, is wholly inconsistent with the seventh section of that agreement, which admits and enacts the partial application to this Act of the provisions of the previous agreement in Schedule "B."

The third section of the Act vests all the property, rights and powers, of the Buffalo and Lake Huron Company in the Grand Trunk Company, from the 7th July, 1864, and is wholly unauthorized by the agreement. It is also manifestly illegal and inconsistent with its language and intentions in this, that the sixth section of the agreement vests the control and working of the Buffalo and Lake Huron road in two nominees of its own Board and two from that of the Grand Trunk Company.

The fourth section of the Act declares that general and special meetings of the Shareholders of the Buffalo and Lake Huron Company may be held any where in England, and legalizes their acts as if held in Canada, this section forms no part of the agreement, is wholly unauthorized by any part of it, is an amendment if not a repeal of the Company under the Buffalo and Lake Huron Railway Acts, is wholly unsought for by petition or otherwise of that Company's Shareholders, and is therefore illegal and inconsistent with the terms of the agreement.

This fourth section (unauthorized under the agreement) deprives the seven Canadian Municipalities (as Stockholders) of representation at such meetings, owing to the distance, time required and expence necessarily incurred in travelling to England, and leaves the Board of Directors and nominees of the two Companies at the control of the Grand Trunk Company. This fourth section if even authorized by the agreement is defective in this, that no provision is made in it whereby Canadian Municipalities as Shareholders, may be represented or vote by proxy at such meetings, which should be regarded by the Legislature as an unanswerable objection to the section, and is inconsistent with the terms of the agreement as therein expressed.

The 5th and 6th Sections of the Act are also wholly unauthorized by and inconsistent with the agreement. They repeal the sections of the Buffalo and Lake Huron Company's Act which empower meetings of Directors and Shareholders to be held in Canada only. And,

The 6th section of the bill empowers the reduction of the number of the Buffalo and Lake Huron Company's *Directors* to 3 individuals, and is not only unauthorized by the agreement but objectionable and inconsistent with the proper exercise of the privilege contained in the 6th clause of the agreement, by which clause the Board of Buffalo and Lake Huron Company's Directors, when reduced to three persons, must nominate two of themselves as a Committee to conduct the joint undertaking with the Grand Trunk Company.

The substance of those 5th and 6th sections of bill is not embraced in the agreement between the Companies, effects a total change in the future constitution of the Board of Directors and the rights and powers of the Stockholders, and far exceeds the petition and preamble of the Bill, which specially defines its object to be the Parliamentary confirmation of the agreement between the two Companies.

The first section of the Bill enacts that every clause of the *agreement* shall have the same force and effect as if said clause was embodied in the Act.

The first clause of the agreement in the Schedule, declared by the 2nd sect. of this Act to be the "Formed Agreement" of the two Companies, is illegal, because it is in contravention with the Buffalo and Lake Huron Company's Act of Incorporation, which limits the amount of its capital and defines the purposes for which money may be raised by them, the mode of raising it, and its future application.

It is also illegal and defective in this : that it is not stated in any part of the agreement on what security—either by bond, mortgage or share capital—the \$300,000 is to be or can be raised by that Company ; and as the two Companies enjoy, since the 1st July, 1864, the net receipts of the two roads, the money-raising power sought by this clause cannot be contended or executed by this clause alone.

The 2d clause or enactment is an arbitrary division of the net receipts of the two Companies between them, from the 1st July, 1864, and is illegal and prejudicial to the interests of the Bondholders and Creditors of the two Companies, who have the first claim on such net receipts, and whose consent to such division of receipts has not been proved to Parliament to justify legislation, injuriously affecting their pecuniary interests.

The frauds permitted if not contemplated by this Act.

The 3rd clause or Enactment : destroys the legal and equitable rights of the Bondholder of the Buffalo and Lake Huron Company for the benefit of the Grand Trunk Company, and that too without his consent or giving him any security that the *Company's net receipts*, against which he has the first claim, will ever be paid to the Bondholder.

It destroys the legal protection which the Act incorporating the Company and inducing him to advance his money to them afforded him until it is abolished by this enactment.

It renders the Bondholders of the Buffalo road Company utterly helpless against that Company, whose existence is virtually destroyed and whose powers by this Act are vested in two nominees for every purpose of the undertaking.

It converts the Bondholder into the insecure position of a Shareholder, without the representative or voting power of the latter.

It supercedes and places in abeyance the Bondholder's security on the road, while the first clause enables the Company to raise \$300,000 on it, and the 4th clause absorbs the road's proportion of net receipts as security for further advances to the two companies jointly.

It renders the Legislature ridiculous in the eyes of the Province and of England by the passage of an Act subversive in effect of all Acts passed by them incorporating companies for company purposes.

It makes the Government the perpetrators of a fraud by advancing the interests of two companies to the prejudice of the first legal and equitable claimants on the companies property, and without giving the creditor any future security for payment of his claim.

The 4th Clause or Enactment.—This clause completely destroys the probability or possibility of the Buffalo and Lake Huron Debenture holders ever being paid either interest or principal of their debt for 21 years, in as much as it authorizes a committee of the two companies, composed of two nominees from each Board, to raise unlimited capital on the security of the net receipts of the two railways and that privilege extends during 21 years.

It enables the committee of four immediately after the passage of this Act to mortgage the future joint and unincumbered net receipts of the two roads for 21 years for as many millions as they can obtain on such security and for their joint or separate purposes. It is to all intents and purposes a most important amendment to the Grand Trunk and Buffalo and Lake Huron Companies' Acts of Incorporation by enabling them to increase their share capital to an unlimited extent.

By delegating, as it does, the Company's powers and those of the Directors into the hands of two nominees without consent of Parliament or of the Company, and by conferring on them the borrowing power of the Company to the extent of millions for their joint railway purposes and on the security of the joint net receipts of the two Companies.

The power conferred by this clause renders the present Bondholders and Stockholders in England and over Europe utterly helpless against the future mortgagees of the net receipts of the two Railways in this, that, as the Bondholders' security is on the Road, and the Messrs. Barings, million and an half is secured on the rolling stock, they the Bondholders, unless they sold and bought the Road, could only work it for others benefit, while the mortgagees of the net receipts of the two roads would have a paramount claim to such receipts.

It enables the Committee of four to destroy the legal and equitable priority of claim on the net receipts, which is the only available fund from which a dividend can be made of the preference and other Bondholders, the Shareholders of the two Companies and the Province to the extent of 12 millions of pounds sterling.

It empowers the Grand Trunk Company, conjointly with the Buffalo and Lake Huron Company, to raise millions of pounds on the security which the joint net receipts affords.

It makes the Government of the day the perpetrators of a fraud against the Province in this, that by empowering the two Companies to raise money on their net receipts, the hope and possibility of any interest on the Provincial Lien being ever received by the Province, is completely destroyed.

It does not specify how the money is to be applied when borrowed and the power being once granted Enables Preferential Creditors of the Grand Trunk Company Bankers, &c., to obtain a portion of the money raised instead of its being applied to the working of the two roads.

It renders amalgamation of all the roads in the Province in the Grand Trunk Company, perfectly easy by the combination of its influential shareholders and the precedent allowed by this clause and Act of Parliament.

The 6th clause establishes the fact of the amalgamation of the 2 Companies and their interests since the 1st July, 1864, in the Grand Trunk Railway Company, and that the road is now controlled by a Committee of 4 individuals two from each board.

The 5th clause enacts that the Grand Trunk Railway Company may within 6 years for £660,000 buy up the Buffalo and Lake Huron Railroad Share capital of £1,230,000 to be paid either in cash or stock of the Grand Trunk Railway Company and the preceding, 4th clause enables them to raise as much money on the net receipt of the two roads as will purchase the share capital of the Buffalo and Lake Huron Company.

The 11th clause enacts that these two Companies may renew for the next twenty years the application to Parliament to Sanction the borrowing of money under the agreement on the net receipt of the roads to the prejudice of the prior and legitimate creditors of the Grand Trunk and Buffalo and Lake Huron Companies respectively.

The money raising power obtained by the Grand Trunk Company under this Act, can be correctly estimated by the last return to Parliament by this Company. By those returns it appears that the yearly receipts of that company, amount to six millions of dollars and allowing 80 per cent for working expenses, rent &c., it leaves the net receipt of the road one million of dollars.

By this agreement and Act the Company by means of the Committee of four persons can raise two millions sterling on the security of those net receipt to the prejudice of bondholders shareholders the Provincial Lien, and the creditors of the two Companies of all kinds.

The pecuniary injury to the Provincial Revenue from this Act.

The Provincial Revenue so far as repayments to the Municipal Loan Fund by the nine townships holding stock in the Buffalo road extends, is injuriously affected in this way, that \$100,000 yearly is payable to the Fund by the Municipality, and this Act of Parliament ratifies an agreement which destroys the rights, powers, interest and property held by the Municipality in the Road to the extent of one million of dollars, and therefore the Municipality may demand to be released by Government of their debentures for the million borrowed from the Loan Fund, and also the future yearly payment to Government of \$100,000 annually, for interest and Sinking Fund on their respective loans.

As a summary of the injury effected by this amalgamation agreement and Act of Parliament, it may with truth be said that the Municipalities lose one million and a quarter of dollars, the Provincial Revenue \$60,000 annually from the Municipalities, and \$60,000 annually payable in England for interest on the Provincial Debentures for Loan Fund purposes.

The Province having by Statute waived its claim for interest on the Provincial Lien of three millions and one half sterling, in favor of first and second bondholders of the Grand Trunk Company, until that road pays six per cent. to the stockholders, by this Act is completely deprived of any claim hereafter for interest on its lien.

The future annual loss for interest on the lien is \$200,000, which with the arrears of interest amounting to two millions of dollars, is completely lost by the power given to raise money on the net receipts of the two roads.

The political injury effected by this Act.

The Government by supporting by their votes the passage of this Act, allow the Municipalities, whose interests as their debtors they are specially bound to protect, to be plundered by the Grand Trunk Company.

They establish as a precedent, that an agreement signed by the Presidents of two Companies, shall sell the share capital of one Company to the other for one half of its amount, without the consent of the Municipalities as Shareholders, whose stock is so disposed of.

By this Act they allow the mortgage security given by the Buffalo road to its creditor on the security of the Company's Act of incorporation, to be destroyed without his knowledge, or any proof given of his assent to the Act; and this legislative robbery is effected to enable the same Company jointly with the Grand Trunk Railway to effect a larger mortgage on the two properties to the destruction of the prior mortgagees' claim.

The Legislature is bound to all creditors of companies created by virtue of Acts of Parliament, not only to protect their claims so created but also to see that the true intent and meaning of an agreement which imperils such claims directly or indirectly, is shown and expressed in such agreement when it is converted into an Act of Parliament, and that its provisions are just as affecting the rights of dissenting creditors and Share-

holders of the two companies. The powers, intention and meaning of this agreement is not expressed in it sufficiently, and the substance of the sections of this Bill are not authorized or embraced in the agreement.

This Bill, or agreement converted into a Bill, instead of being called a Private Bill, is, in reality, a Public Bill. From the magnitude of public and pecuniary interests involved by its terms, from the spoliation of those interests and of Provincial revenue in future which it ensures, and from the precedent its passage affords for the amalgamation of all the roads in the Province who are directly indebted to the Government for advances made to them—as in the case of the Great Western—or for advances to those roads by various Municipalities, who have obtained the money from the Provincial Municipal Loan Fund.

In fact, it is a money Bill, ensuring the non-payment of interest on sixty millions of dollars invested in the Grand Trunk Road by the Province and the English shareholders and bondholders of that road conjointly. It makes the Government, as supporters of the Bill, accessory to (if not promouvents of) its evil consequences.

It deprives the Bondholders of the two Railways of any equitable relief (for the non-payment of overdue or future interest on their bonds) by the appointment of a receiver over the road through the Court of Chancery, because the mortgagee of the nett receipts of the road would take precedence of a receiver so far as his claim on nett receipts were affected.

It renders utterly useless all future legal or equitable proceedings by the Bondholders, Shareholders or the Province to enforce payment of their overdue interest from the Companies or either of them.

The result of a mortgage of the nett receipts of the roads would be to force the Preference Bondholders of the two Companies of all classes, to take preference stock for the overdue interest on their Bonds under their bond security, would render the Bond security a nullity to all intents and purposes, and in fine convert the Bondholder into a Stockholder, as the nett receipts being mortgaged the Bondholder would be utterly helpless to enforce from the Company his overdue interest without first selling the road through the Court of Chancery.

The fraud on the Municipalities and the Bondholders of the Buffalo and Lake Huron Road is manifest in this, that when the power of raising money on its nett receipts is exercised by the Grand Trunk Company, or the Committee of four Directors as owners of the road for twenty-one years to come, the latter Company have no object in purchasing the Share Capital of the Buffalo Company, and therefore the sixth clause giving the privilege of such purchase within six years is nugatory and deceptive, (and offers no security to Shareholders or Bondholders of the Buffalo Company). It is also clear that unless the nett receipts of that road were hereafter more than sufficient to pay the interest on the four million dollars of liabilities of the Buffalo Road (as well as the interest on the amount borrowed by the Grand Trunk Company on the nett receipts of the Buffalo Road, the Grand Trunk Company being in full possession of the Road would be injured by advancing in cash or stock £600,000 for the Share Capital of the Buffalo Road.

It is also a manifest fraud on the holders of Debentures on the Buffalo Road, that the Act, while it suspends all liabilities on that Road, makes no provision for their payment as intended by the 12th Clause of the agreement.

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