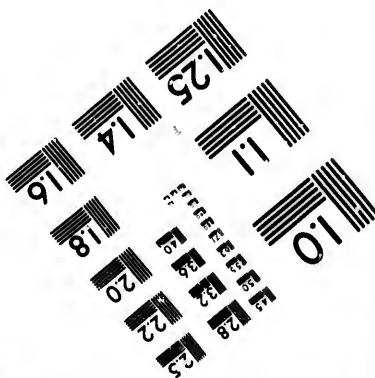
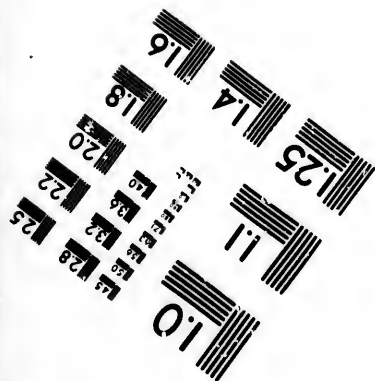
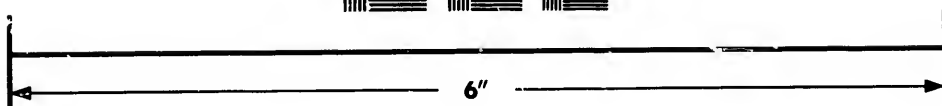
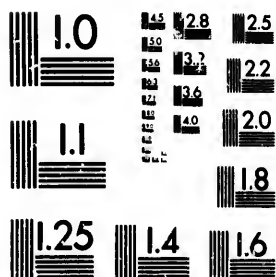


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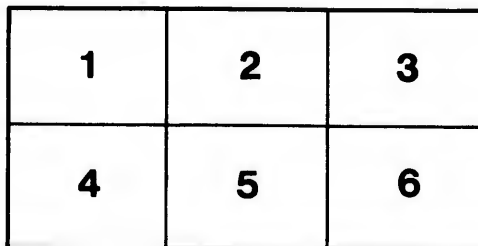
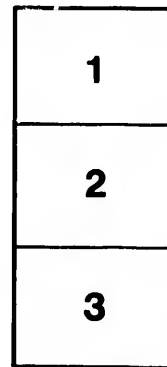
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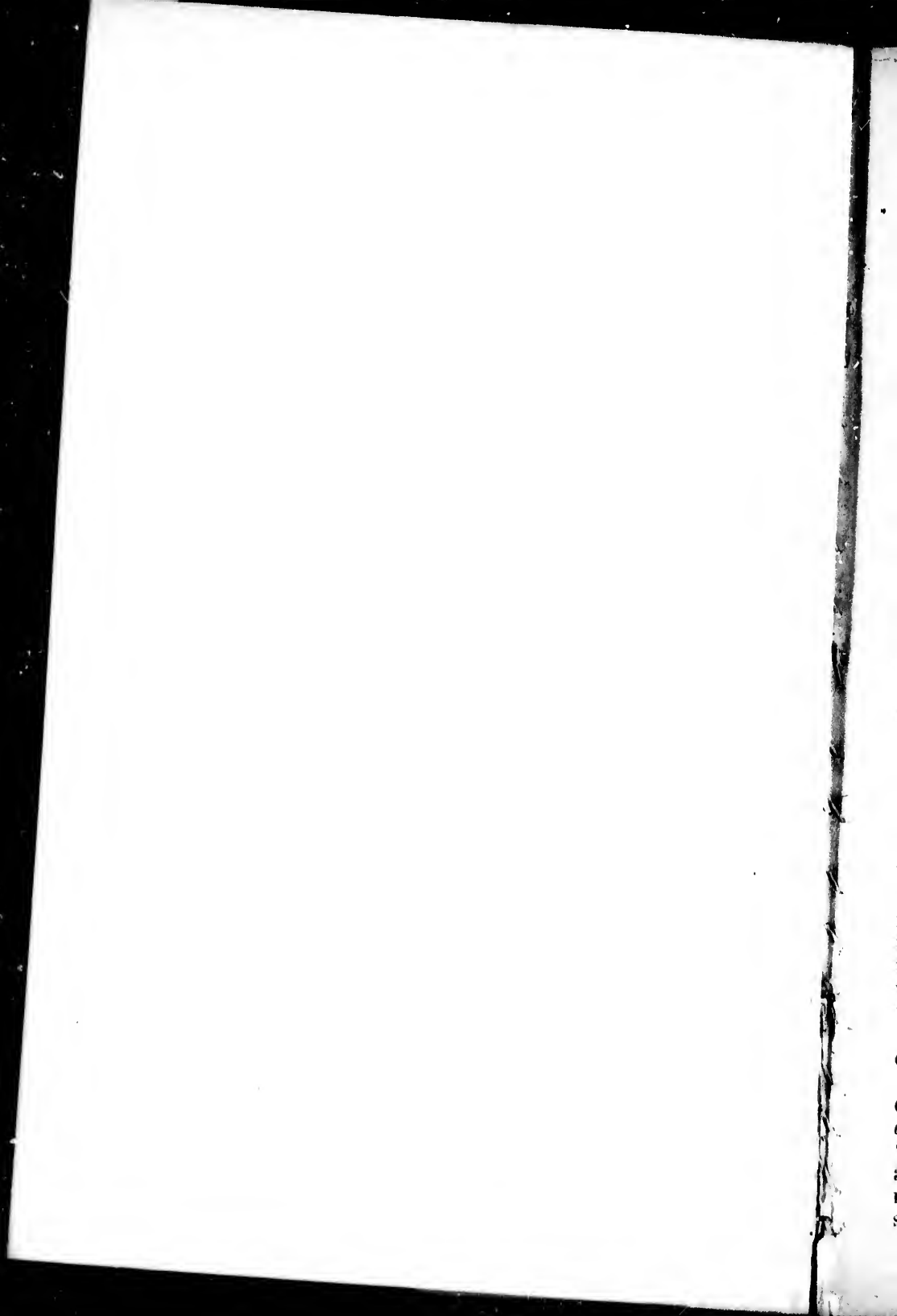
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FRAUD, AND REPUDIATION OF THE CONDITIONS OF A LOAN, BY THE GOVERNMENT OF CANADA.

GRAND TRUNK RAILWAY COMPANY OF CANADA.

In order to explain the origin of this scheme, and point out the relation to the Company, in which the Government of Canada placed itself, it is necessary to make known, that some years previous to the project being submitted to the notice of the British Public, a Main Trunk Line throughout the Province was projected by the Government; and various Acts of Parliament were passed, incorporating several distinct Companies, for the construction of different sections of this Trunk Line.

The present scheme, had for its object, the formation of a new Company, to be amalgamated with the several Companies then already incorporated, the whole of the Companies, by the amalgamation, to form "one Company, under the name of the Grand Trunk Railway Company of Canada."

The capital of the new Company, was necessary for the formation of additional lengths of Railway, to afford connection and continuity to the Lines then already made, or in course of construction; and thus carry largely into effect the original design of the Government, — which was to lay open the country, by a system of Railways, for the development of its resources; and by the increased facilities of communication at the same time thus rendered, to enable the Province to maintain its commercial position in competing with the United States.

By Act of Parliament, the *minimum* number of Government members on the Direction, was to form one third, of that, of which the entire Board was to be constituted. In addition to the Government Members on the Direction in Canada, Mess^{rs}. Baring and Glyn, were appointed to act, in England, as "Agents of the Province of Canada, and Directors of the Company, on behalf of the Canadian Government." In fact, the Government originally assumed, and exercised, supreme control over the conduct of the Company's affairs.

The Government undertook the supervision of the final completion of the undertaking — the scheme was to be carried out, *for the amount stated*, in all its entirety as represented, "to the satisfaction of the Canadian Government." This, as it will be seen, was a positive engagement entered into, with the shareholders, by the members of the Canadian Government, who must be held responsible for the statements set forth in the Prospectus.

The total combined capital, raised and to be raised, was set down at £9,500,000. For this sum, the shareholders were assured, they would “secure the delivery of the whole railway, fully equipped and complete in every respect, and free from any further charges whatever.”

This assurance, it was stated, the Directors were enabled to give to the public, not solely from any *estimate*, or *estimates*, formed of the cost of the undertaking, but from the fact, of “the cost of the Railway being actually defined by the contracts already made, whereby any apprehension of the Capital being found insufficient was removed.”

The character of these contracts was thus described.

“The conditions of these contracts are for the construction of a first-class single-track railway, with the foundations of all the large structures sufficient for a double line, equal in permanence and stability to any railway in England, including stations, sidings, workshops, ample rolling stock, and every requisite essential to its perfect completion, to the satisfaction of the Canadian Government.”

“By means of the arrangements entered into with the contractors, the proprietors of the Grand Trunk Line are assured that, for the Capital stated, they will secure the delivery of the whole railway, fully equipped and complete in every respect, and free from any further charges whatever.”

Upon such representations the public subscribed for the share-capital. By such representations the public were defrauded. No such contracts, as here described, were ever in existence.

According to the last statement issued by the directors, there has already been expended, a sum, amounting to £13,675,908, or £4,175,908 *over and above that, for which it was represented* “Contracts had been made to secure the delivery of the whole railway, fully equipped and complete in every respect, and free from any further charges whatever.” An application is made in this statement for an additional sum of £556,000, “to provide for the much needed and indeed essential increase to the rolling stock and improved accommodation.” This will raise the cost to £14,231,908 !!!

As £1,416,400 had already been raised on the Bonds, and Shares, of the Companies previously incorporated, the actual amount required by the Projectus, was the complement to this sum of the £9,500,000, or £8,083,600. And as interest was to be paid out of Capital, on the Bonds and Shares of all the Companies amalgamated, until the completion of the works, it is necessary to deduct from the above, a sum for this purpose, so as to arrive approximatively at the available capital for the fictitious contracts.

The sum actually paid has been £2,281,500. This taken from the above leaves £5,802,100, as a sum available for works, &c., &c. Adopting this amount, as that included for the contracts, in the £9,500,000, *there has at present been paid extra to it, a sum of £4,175,908* Add to which the £556,000 still applied for, and the *Extras* will amount to £4,731,908, — nearly FOUR MILLIONS & THREE QUARTERS STERLING ON CONTRACTS REPRESENTED TO BE OF A GUARANTEED CHARACTER !!!

Such shows the fraudulent character of the statements set forth in reference to the contracts.

Again, the rent of the Atlantic and St. Laurence Railway was represented to be £60,000 per annum. It is now £73,000 per annum. If a capital—£216,666— corresponding to this increase of rental, be added to the above £4,731,908, the total Capital of the Company, *in excess of that required by the Prospectus*, will amount to close on FIVE MILLIONS STERLING !!!

The line was to be adequate for a traffic to pay interest on the debenture-debt, and 11-1/2 per cent (the promised dividend) on the share-capital. As executed, it is inadequate in accommodation, for the present traffic, which doesn't yield *one farthing, to either the original Shareholders or Debenture-holders.*

The works, as executed, are not quite identical with those originally contemplated, but in extent, are said to be about equal. Be that as it may, *the changes were made, and imposed upon the Company, by the Government of Canada.*

It is very probable, that Mess^{rs}. Baring & Glyn, have been, in common with the other Shareholders, and Bondholders, duped, and victimized, in the carrying out of this infamy; but from the position which they have occupied in the Direction of the Company, the public are entitled to a full and clear explanation from them, respecting the false statements set forth in the Prospectus, and in the Reports subsequently issued. The Fraud is of a most gigantic character, occasioning wide-spread ruin.

The following letter, to the Governor-General, gives the detail, of the course of procedure, pursued towards those, who advanced their money, in Loan, to the Company.

Rue Royale, 36, Boulogne-sur-mer, France.
Jan. 27, 1860.

SIR,

I beg to lay before your Excellency, the following statement of facts, having reference to the Original loan, contracted by the Grand Trunk Railway Company of Canada.

Your Excellency is aware, that some years previous to the passing of the Act, amalgamating the several companies, which

now constitute "one company, under the name of the Grand Trunk " Railway Company of Canada," Acts of Parliament were passed, authorizing the Provincial Government to advance sums, in loan, to one of the incorporated companies; and that by the Amalgamation Act, in consequence of such advances, the Government were empowered to appoint members, as Directors, on the Direction of the present company. The Government, thus, having members on the Direction, were not only cognizant of the nature, and character, of the several measures resolved upon by the Board, but were parties to the carrying of them into execution: in fact, originally, the Government assumed supreme control over the conduct of the Company's affairs.

In the proceedings themselves, which I here submit to the notice of your Excellency, there will we found, internal evidence, of the most clear, and conclusive character, that they were carried into effect, not only with the concurrence, but by the co-operation, direct aid, and support of the Government.

In April 1853, the Prospectus of the Company appeared. The total combined-capital raised, and to be raised, "to complete" the undertaking "in every respect" "and free from any further "charges whatever" according to contracts of a guaranteed character then "made," "whereby any apprehension of the "capital being found insufficient was removed," was set down at £9,500,000.

This sum was to be composed of £4,864,800 Share-Capital, and £4,635,200 borrowed money, or Debenture-Capital.

The subject of the present communication is in reference to this latter amount:—to the means resorted to, by which the British Public were induced to contribute to it their quota, and to the course subsequently pursued, in violation of the conditions upon which the money was advanced, until finally, these conditions were *formally repudiated*, by an Act of Parliament 22, Viet c. 52 passed by the Provincial Legislature.

The amount was called, "*the entire mortgage debt of the Company*," and was represented to consist of the following items.

"St. Laurence and Atlantic, and Quebec and Richmond Railways.

" Amount already raised on Bonds	(A) £ 733,000
" Reserved in shares and debentures for the	
" shareholders in the St. Lawrence and Atlantic,	
" and Quebec and Richmond Railways, on	
" the Amalgamation, and for the Bondholders	
" of the Ontario Simcoe and Huron Railway Com-	
" pany £837,600." The debenture-capital, included	
in which, was	(B) 279,200

“ Debentures of £100 each payable in 25 years, “ bearing interest at 6 per cent per annum, “ payable half yearly in London, and convertible “ into shares on or before the first day of January, “ 1863, at the option of the holder	(c) 1,811,500
“ And debentures, convertible into Bonds of the “ Provincial Government of £100 each, payable in “ 20 years, bearing interest at 6 per cent per “ annum, payable half yearly in London	(d) 1,811,500
Total as above	£ 4,635,200

From an investigation which I have concluded, I find, that the item (A) £733,000 is false and deceptive, for while it purports to be a sum raised on the Bonds of the “St. Laurence and Atlantic, “Quebec and Richmond railways” there is included in the amount, a sum of £400,000, which had been advanced, in loan by the Government of Canada, to the former-named of these Companies, a condition of the loan being, that the amount was to form a first charge on the revenues of that Company.

This condition, in respect to the amount in question, by the Act, 18 Vict. c. 33, became imposed on the revenues of the amalgamated Company.

Again, the sum £1,811,500, in Government bonds, to be received in exchange for the “Company’s convertible debentures,” item (d), was also to form a first charge on the revenues of the United Companies. These two sums, making a total of £2,211,500 formed a Government loan, *possessing prior rights to all other monies, at the date of the issue of the Prospectus.* This fact was not only suppressed, but the public were told, that one of “the more prominent points” in the scheme, was the large amount of Government guarantee which it received. “This great and comprehensive scheme of railway communication,” coming “with the guarantee (*) of the Province of Canada, which had embarked upwards of two millions sterling in the enterprise.”

The debenture-debt then, in reality, was to be thus composed.	
Government money having a prior lien	£2,211,500
Money subscribed, and to be subscribed, by private individuals, forming a second mortgage	2,423,700
Total as before	£4,635,200

Such was the true character of the debt, then about to be increased to the amount given, while in the Prospectus, it was represented, *to consist of the Bonds created, and to be created of*

(*) There was no guarantee.

the incorporated Companies "a fusion" of the interests of which, by the Amalgamation, merged the rights of all the borrowed monies to the same level.

The further conditions according to which the public were solicited to contribute to the loan were.

That the amount stated, constituted "*the entire mortgage debt of the Company.*"

That it was "*all the capital intended to be raised by debentures.*"

These conditions entitled the parties contributing to the loan, to receive First-class debentures, having *prior rights of the most absolute character*, or what are called Preference debentures; as the loan was represented to be the first, and entire mortgage, on the Amalgamated property.

The debentures issued, subsequently proved to be, but second class, second to the Government loans amounting to £2,211,500.

The directors laid great stress on the fact, that the amount of borrowed money was *limited*, and in italicised passages strongly pressed it on the attention of the public, the object being to show, that no risk of any kind was attached to the loan; as the profits from even the sections of lines, immediately to be thrown into operation, might reasonably be assumed to be adequate, or very nearly so, *to pay the interest on the amount stated*; and that therefore, no doubt could be entertained, as to the perfect security, which parties lending their money to the Company would possess, when the whole scheme was completed.

The following extract from the Appendix contains the representations made to the public on this head.

"It may be assumed that the revenue of the Company, from the sections to be completed in 1853, will not fall short, at once, of £304,200 per annum, nett, allowing 40 per cent. for working expenses, and deducting £60,000 for lease of Portland line, would leave *nearly equal to the charge for the entire mortgage debt of the Company, and thus from actual present earnings securing to the bondholders their interest, on all the capital intended to be raised by debentures.*"

In 1854, an Act of Parliament was passed, 18 Vict. c. 33. "An Act to amend the Acts relating to the Grand Trunk Railway Company of Canada."

The seventh section of this Act, empowers the Company to increase their capital, when such shall be deemed expedient, "and such increase may be effected by a resolution of the directors of the said Company sanctioned and approved by two thirds at least of the votes of the shareholders present in person or by proxy, at a general meeting convened with special notice of the

“intended object, and the further capital so authorized, may be raised by mortgage or bond or by the issue of new shares”
“Provided, that no mortgage bond or issue of new Shares under this Act” “shall affect or impair or postpone the security by bond or mortgage of any individual on the said road without his consent in writing.”

Sections 12 & 14 prescribe the course to be pursued in convening Special General Meetings for the purposes of increasing the capital:—that “the business to be transacted at such meetings shall be expressly stated,” in the advertisements and circulars giving notice of the said meetings; and that such advertisements shall appear, and circulars be issued, “not less than forty days” before the “holding of such meetings;” and also, that the advertisements shall appear “in one or more of the daily news papers published in London in England.”

By the provisions of this Act, it is clear, that nothing could be done, in the increasing of the capital of the Company, that would “affect or impair or postpone” the interests of the bondholders, without having first sought, and obtained their “consent in writing,” and that the subject should be brought before a *Special General Meeting of the Shareholders*.

In addition to the £279,200 of debenture-capital, “reserved” there was also a sum of £558,400 of share-capital “reserved,” making a total of £837,600, as shown by item (n).

This large amount was “reserved,” as it was subsequently made known, not under conditions that it was to be taken up, but for the extraordinary purpose, of allowing parties in Canada—contrary to Act of Parliament—if the shares and Bonds could be sold at a premium, “to claim the benefit of such reservation.” “Obvious causes which supervened”—that is, they could not be sold at an advantage—“defeated this expectation and no part of the reserve so appropriated was taken up.”—A deficiency in the Capital was thus created, to supply which, it was arranged between the Government and the directors, that a further advance, of Province Bonds, should be made to the Company.

To effect this object, an Act of Parliament was passed in 1855—18 Vict. — c. 174. “An Act for granting aid by loan to the Grand Trunk Railway Company of Canada.”

This Act, the provisions of which are of a permissive character, empowers the Governor-in-Council, to authorize the issue of Provincial debentures, to an amount, not exceeding £900,000—that is, the Government is authorized, to place itself in the position of an ordinary lender to the Company, for a sum equal to this amount.

To receive the money, the directors were bound to proceed in conformity with the provisions of the Amendment Act — 18 vict.

c. 33, which prescribe the course to be pursued by the Company for increasing their Capital.

In contravention of the express provisions of an Act of Parliament, and in violation of the rights of individuals, the Government, in a covert manner, advanced the amount to the directors, — “who did not hesitate to avail themselves of the assistance thus considerably and opportunely afforded.” — a condition of the loan being, that the amount was to become a first charge on the revenues of the Company, — *that is to displace the position of the money previously lent by private individuals— to override the rights of this money, and to increase the Government prior lien to £3,411,500.* It is material to remark, that this increase took place *two years after the creation of the Original Loan*, as the fact will be adverted to, in dealing with the character of two reports, dated 7th Feb. and 8th March of last year.

No notice of this transaction, between the Government, and the directors, was given to the public, until the Report appeared to be submitted to the Annual Ordinary Meeting, to be held at Toronto on the 6th Sept., following the session, in which the Act was passed.

In this Report, the directors announce the fact, that the amount £837,600 “reserved” had not been taken up. They also inform the shareholders, that in order to make good, the deficiency in the Capital thus occasioned, they applied to the Government of Canada for a further advance of Province Bonds, in loan; and acting on their own responsibility, accepted the amount £900,000; accompanying this statement with an expression of assurance, “that in this they would have the ready concurrence and sanction of the shareholders.” The debenture-holders, whose interests solely were affected by the transaction, were not even alluded to, although, without their “consent in writing,” the money could not be legally received by the Company. The question, however, was one, under any circumstances, *ultra vires of an Ordinary Meeting.*

The effect which this loan, had on the interests of the debenture holders, was concealed, by false and deceptive statements.

The Report sets forth, that by the acceptance of the loan “an additional preferential charge is created to the extent of the interest upon that proportion of the amount reserved,” “which if the reserve had been taken up, would have been represented in shares.”

According to item (B) the “amount reserved” £837,600 was composed of £279,200 Debenture-Capital, and £558,400 Share-Capital. This latter sum, was therefore, “the proportion of the amount reserved, which if the reserve had been taken up, would have been represented in shares.” By the acceptance of the loan, according to the Report, “an additional preferential charge” was

created, to the extent of the interest upon this amount ; or in other words, the Debenture-Debt, the only preference charge, at that date, of which any facts were made known to the public, in the documents submitted by the directors, was increased by a sum of £558,400. The directors, made that statement, knowing at the time, that by the Act of Parliament under which the money was advanced, the whole of the £900,000, was not only to have preference rights to the *Share Capital*, but that it was to be “a first charge” “hypothee, and lien upon the whole of the amalgamated “Grand Trunk Railway Company of Canada.” (*)

Thus were the creditors of the Company subjected to a second act of most outrageous wrong, and in this case, in order to make good a deficiency in the capital, arising out of the failure of a proceeding, which ought never to have had origin.

In 1856 the Legislature passed an Act—19 & 20 Vict. C 11, whereby the prior rights of the Government claims, in respect to the total amount advanced to the Company, were withdrawn, and the “lien of the Province placed to rank as to dividend or interest “with that of the Company’s bondholders.”

This Act further empowers the Company to issue debentures, amounting to £2,000,000, having Preference rights ; in fact, to take the place, to that extent, occupied by the government money, previous to the passing of the Act.

Here then, in the creation of these debentures, was it first made known, that any of the borrowed monies, possessed prior rights to the rest.

This information was withheld, *until all the instalments of the quota to the loan, contributed by private individuals had been paid up in full.*

The framers of this Act, attempted to give to its provisions a semblance of justice, for while the Act empowers the Company to issue debentures, having Preference rights to the Original Debentures issued, it at the same time annuls, the priority of the claims of the Government, in respect to the several sums advanced, in loan, to the Company. It was, however, *by the suppression of the existence of such prior claims, and misrepresentation in the statements given to the public, that the individuals who lent their money to the company were wronged.*

This Act the Shareholders were called upon “to accept” at an *Annual Ordinary Meeting.*

In 1857, An Act of Parliament was passed 20 Vict. c. 11. By this Act, the powers of the Government to appoint members on the

(*) The above transaction could have no legal validity, as the Act under which the money was advanced, did not repeal the Amendment Act. It is needless, however, to talk of law, in reference to proceedings, in which law and principle were alike trampled upon; and the Royal Assent used as an engine to rob and defraud.

direction of the Company were repealed. This Act also places the claims of the Government, in respect to the £3,111,500, in abeyance, until the earnings of the company, shall be found adequate to pay the interest on all the other borrowed monies, and a dividend at the rate of 6 per cent per annum on the subscribed share-capital

In 1858, An Act of Parliament was passed 22 Vict. c. 52. This Act formally *repudiates* the rights of the Original Loan, in conferring powers on the Company to raise Preference Bonds to *any amount*, upon a resolution of the directors, sanctioned and approved of by two thirds, at least, of the votes of the shareholders given in person or by proxy at a special general meeting called for that purpose.

The rights of the original creditors of the Company—of those who lent their money upon express conditions, formally set forth, are by this Act annulled, and the shareholders, the borrowers, are empowered to raise any further amount of money, giving to it prior claims to the money which constituted THE COMPANY'S ORIGINAL LOAN.

In speaking in reference to this REPUDIATION-ACT, the Solicitor General, the President of the Company, in his report dated Dec. 1858 says, "that the directors cannot omit this opportunity of reminding the shareholders of the continued interest of the Provincial Legislature, in the complete and successful development of the Grand Trunk Railway, as evinced by their Act passed last session with the view of facilitating, during a period of great financial depression, the operations of the Company."

To proceed to raise money under the provisions of an Act of Parliament,—an Act repudiating the rights of money already raised,—the directors were barred from pursuing any course, having the slightest possible chance of success, that would lead to the knowledge of the actual position of affairs. They resorted to the publication, and issue of Reports, containing false and deceptive statements.

I may here incidentally mention, that to check proceedings of this character, the British Legislature passed an Act of Parliament in 1857, 20 & 21 Vict. c. 54, commonly called "The Fraudulent Trustees Act."

In calling attention to the date 1855, at which the Government loans, were increased from £2,211,500 to £3,111,500 by the irregular issue, and improper acceptance of £900,000, in bonds of the Province, I adverted to two reports, dated 7th Feb and 8th March of last year.

In the former of these documents, prefixed to which is a notice for a Special General Meeting to be held at Toronto on the 23rd

March, "for the purpose of approving a resolution of the directors " for increasing the capital of the Company by the sum of " £1,411,500, and for raising that sum by Preferential Bonds," the following paragraph appears.

" The amount of Capital proposed to be created at this meeting " is £1,411,500. This, with the two millions of preference " capital created in 1856, is equal to the amount of the debentures issued to the Company by the Province of Canada, or " £3,111,500. This amount originally formed the first charge " on the undertaking, but as the shareholders are aware, the " Government and Legislature of Canada have sanctioned the postponement of the payment by the Company of any interest upon " this £3,111,500 until a dividend at the rate of 6 per cent per annum shall have been paid upon all the consolidated stock of the " Company. By the creation, therefore, and issue of additional " preferential Capital to the extent of £1,411,500, which it is " proposed shall rank next in priority after the two millions above " referred to, the position of the ordinary debentures of the Company will not be in any respect affected or altered from that " which these securities occupied at the time of their original issue, " when the interest on the Provincial debentures formed the first " charge on the revenues of the Company."

" The position" of the first debentures issued, or as they are called in the foregoing extract "the ordinary debentures," as represented by the directors, when they solicited, and obtained the money for these "securities," was, as shown by the items and extracts given from the Prospectus, that of constituting a portion of the Amalgamated Company's debenture-debt—"the entire mortgage debt of the Company" "all the Capital that was intended to be raised by debentures."— A position giving to them prior rights of the most absolute character.

The actual "position" which these "securities" occupied, and which was secured to them by the Act—18 vict. c. 33,— was that of being a second mortgage to the Government loans, amounting to £2,211,500. This amount was increased to the £3,111,500 by the improper and illegal proceedings on the part of the Government, in advancing to the directors, in a covert and clandestine manner, £900,000, in 1855,— that is two years after the creation of the original debenture debt of the Company.

In the face of these facts, the directors here deliberately state, that a sum of £3,111,500 "originally formed the first charge " on the undertaking"— the object of the misrepresentation being, as is evident, to deceive the public into the belief, that their measure for raising the additional Capital, was a just and equitable one.

They make that statement, to use the words of the Report in question, after "having anxiously considered the various methods " which suggested themselves for obtaining the above amount of " Capital."

And they further state, in the subsequent Report dated 8th March, in speaking with reference to the proposed issue of these new Bonds, that they "feel" that they have adopted "the best and " most equitable mode for raising the necessary funds by the pro- " posed new issue of 1,111,500 Second Preference debentures, " which, with the 2,000,000 of First Preference already issued, " assume the position originally occupied by the Provincial deben- " tures of £3,111,500."

I have here traced the course of procedure pursued by the Government, and the directors, in reference to THE ORIGINAL LOAN contracted by the Grand Trunk Railway Company of Canada, and have established by documentary evidence of the most incontrovertible character, a case to which it would be difficult to find a parallel — a case commencing with misrepresentation, and after a series of proceedings, in which no regard has been had, for truthful statement, Legislative enactment, or the principles of public faith, finally ending in *Repudiation*—making it manifest, that money lent to public undertakings, in the Province, possesses in reality no security.

As one, of many, whose interests have been prejudiced by these proceedings, I place them here in detail under the notice of your Excellency.

The Government are in possession of the several documents to which reference has been made, there can be no difficulty, therefore, in testing and verifying, the accuracy of the extracts given.

I have the honor, &c., &c., &c.

(Signed) JOHN BASS.

To His Excellency the Right Hon.
SIR EDMUND WALKER HEAD, Bart.,
Governor General of Canada,
&c., &c., &c.

By the fraudulent course of procedure here detailed, a sum of £3,111,500 has already been placed, having Preference rights to the Original Loan. On £2,000,000 of the amount the interest was paid on the 30th June, leaving no residue to pay the interest on the Original Loan.

Spencer Wood, Quebec.

Feb. 15, 1860.

Sir,

I have this evening had the honor of receiving your letter of January 27 relating to the affairs of the Grand Trunk Railway, which I hasten to acknowledge.

Yours obed^t. serv^t.

EDMUND W. HEAD.

J. BASS, Esq^{re}.

Rue Royale, 36, Boulogne-sur-mer.

Feb. 6, 1860.

MY LORD DUKE,

Herewith I beg to forward to your Grace, a copy of a letter which I addressed to His Excellency the Governor General of Canada.

The case to which it refers, is one of great public importance, not solely on account of the large interests at stake, but the principles involved in the proceedings themselves, are such, as to be, not only wholly incompatible with the relations of the two countries, but totally destructive of all security.

The necessity for the adoption of some measures, to prevent the recurrence of a public wrong of a similar character, will not fail to suggest itself to your Grace, as it would be a most abnormal state of things, if parties contracting Loans in England, upon express conditions formally set forth, could obtain Acts of Parliament from a Colonial Assembly, annulling these conditions — Repudiation-Acts.

In the instance of the Grand Trunk Railway Company of Canada, the interests of British holders, of Bonds representing nearly two millions of money, have already been largely prejudiced by the proceedings detailed in my letter; and would have been still more seriously affected, had it not been for the unfavorable state of the money market, which rendered abortive, an attempt made last year, by the directors, to raise, under the provisions of the Repudiation, — Act, — 22 vict., c. 52. — a further Sum, in loan, giving to it Preference rights to the Company's Original Loan.

In my letter to His Excellency, I have given, in detail, the course of procedure pursued by the directors on that occasion, by which they have rendered themselves amenable to the provisions of the Fraudulent Trustees Act; as I presume, the provisions of that Act, apply to all cases of false statements, published, and issued, in England.

I have the honor, &c., &c.

(Signed) JOHN BASS

To His Grace the Duke of Newcastle,
Secretary of State for the Colonies.

Downing Street.
17th Febraary 1860.

Sir,

I am directed by the Duke of Newcastle to acknowledge the receipt of your letter of the 6th instant, enclosing a copy of one which you have addressed to the Governor of Canada on the subject of the affairs of the Grand Trunk Railway of that Province.

I am, &c., &c.

C. FORTESCUE.

JOHN BASS, Esq^r.

9, Montpelier Street, Brompton.
21 June 1860.

MY LORD DUKE,

I had the honor of addressing a letter to Your Grace, on the 6th Feb. referring to an enclosure then forwarded — a copy of a letter, which I wrote to His Excellency, the Governor-General of Canada, having reference to the course of procedure pursued by the Canadian Government, in raising the capital, for the construction of the Grand Trunk Railway of Canada.

From the great importance of the case, Your Grace, will no doubt, have had an inquiry instituted into the allegations contained in my letter to the Governor General.

In my letter to Your Grace, I adverted to an attempt made by the directors, in the early part of last year — and which then proved abortive — to issue a second series of Preference Bonds, which would have had the effect of further prejudicing the interests of those, who originally advanced money in loan, to the Company; on the faith of the statements, set forth in the Prospectus, by members of the Canadian Government, and the other directors. These Bonds amounting to £1,111,500 have been created, and recently sold by tender; increasing the loss of those who contributed to the original Loan — by depreciating the value of the original Bonds — to a sum, little short of a million of money. They were created under the provisions of the Repudiation-Act, and the assent for their creation, was obtained, by false and deceptive statements, set forth in Reports, issued by the directors; copies of which are here forwarded.

The false character of the statement, that the £3,111,500 advanced by the Government, in loan, to the Company “originally formed the first charge on the undertaking” will be seen by reference to the Company’s amendment Act— 18 Vict, c. 33, s. 20.

By that Act the Government Loans were then limited to £2,211,500 including £400,000, advanced to the St. Laurence and Atlantic Railway Company, one of the Companies Amalgamated. But that even such an amount, or that any amount, should have had a *prior lien*, was a fraud upon those, who lent their money to the Grand Trunk Company, for the fact was not only suppressed, but the total borrowed money—“*the entire mortgage debt of the Company*,” was represented to consist of monies raised, and to be raised, on the *Bonds of the Companies amalgamated*; as shown in my letter to the Governor General. The above amount was increased to the £3,111,500 in 1855, by the improper proceedings of the Government—violating their obligations formally contracted, and contravening the express provisions of the Act just referred to, by advancing, in a covert manner, to the *Directors*, a sum of £900,000; a condition of the loan being, that the amount was to form “a first charge hypothec and lien” “upon the whole of the Amalgamated “Grand Trunk Railway-Company of Canada”—that is to override the rights of money contributed, in loan, *two years before*, by *private individuals*—Sec VII of the Amendment Act, provides that nothing shall be done in the increasing of the Capital of the Company to “affect or impair or postpone the security by bond or mortgage of any individual upon the said road without his consent in “writing.” The Canadian Government having had no respect for the principles of integrity, would not allow themselves to be barred in their course by legislative enactment.

The case has now become one of so serious a character—the public having been defrauded out of millions of money— that I respectfully submit to Your Grace, that the parties aggrieved are entitled to the intervention of Her Majesty’s Government, to obtain a reparation of the wrongs to which they have been subjected. The entire proceedings, both as regards the raising of the share-capital, and borrowed money, present a worse case, than any to be found on record; when the means employed to give to them effect are taken into consideration—in the carrying of them into execution, even the Royal Assent, has been trailed into the infamy of REPUDIATION.

For the Government of Canada, to have constructed the line of Railway to develop the resources of the Province, would have been a legitimate undertaking—to place the project as it was put before the British public, was a flagraney of the most gigantic proportions.

It is the first instance, I believe, of one of the colonies deliberately defrauding the mother country, and its gravity is enhanced by the fact, that Canada enjoys so large an amount of public confidence, and public credit in this country, while the Canadian Government have shown themselves wholly unworthy of trust—the pro-

fligate course of procedure, which they have pursued, making manifest, as flagrant a disregard for the principles of public faith as has ever been exhibited.

I have the honor, &c., &c.

(Signed) JOHN BASS.

To His Grace the Duke of Newcastle,
Secretary of State for the Colonies,
&c., &c., &c.

Downing Street,
7 July 1860.

Sir,

I am directed by the Duke of Newcastle to acknowledge the receipt of your letter of the 27 June, alleging certain grievances in connection with the affairs of the Company of the Grand Trunk Railway in Canada.

The subject is not one in which Her Majesty's Government are concerned, or on which they can express an opinion — your letter has therefore been forwarded for the information of the Governor of Canada.

I am, &c., &c.

T. F. ELLIOT.

JOHN BASS, Esq.

It has not been made known, what steps the Governor General has taken in this matter.

The Bondholders, however, have a clear case; there should be no compromise on their part *The money was received for a Loan, the conditions of which, as represented, could not co-exist with the then actual state of things.*

The Shareholders and Bondholders should unite, and appoint a Committee of Inquiry.

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