

Governor in Council shall be and is hereby authorised to carry into effect the arrangement provisionally entered into between the Government of Canada and the said Company, based upon the following terms, viz :—

“The said Company shall be authorised to issue preferential bonds to the extent of Two Millions of Pounds sterling. The holders of such bonds to have priority of claim therefor over the present first lien of the province.

“The proceeds of the said bonds shall be deposited with the provincial agents in London, and released to the Company on the certificates of the Receiver General, upon proof, to the satisfaction of the Governor in Council, of progress of the several works hereinafter mentioned.”

Shortly after the passing of this Act, subscriptions were solicited towards the first Preference Bonds in a circular signed by the Secretary of the Company, and dated the 9th of December, 1856, in which it was stated that “the holders of such Bonds are to have a *priority of claim over the present first lien of the province.*” In the same circular, the Act of 1856 was described as a *concession by the Government of “the first charge on the undertaking, amounting to upwards of three millions sterling.”* The last paragraph of the circular is in these words:—“It has been before mentioned that *these Debentures are to have priority of claim over the present first lien of the province, and THERE CANNOT, THEREFORE, BE ANY DOUBT AS TO THEIR SECURITY AND VALUE AS AN INVESTMENT.*”

In 1858, a further Relief Act was passed, under which the Second Preference Bonds were issued for £1,111,500, being the balance of the Province's lien beyond the two millions First Preference Bonds.

In a circular, dated 3rd March, 1859, signed by *all the London Directors*, and soliciting subscriptions for the Second Preference Bonds, the following statement appears :—“The sum of