

The CHAIRMAN: They were purchased at their par value of \$508,800, which resulted in a capital surplus, and now they wish to restore it to earned surplus, is that it?

Mr. EDISON: That is correct, sir.

Senator SMITH (*Queens-Shelburne*): What is the situation with regard to outstanding warrants for the purchase of common shares?

Mr. EDISON: I think they have all been taken up. Perhaps I could ask Mr. Waugh, President of the company, to answer your question.

**Mr. Leslie C. Waugh, President and General Manager, The Algoma Central and Hudson Bay Railway Company:** Roughly, there are about 128,000 warrants outstanding. In other words, when the stock was split five for one there remained 25,600 warrants outstanding.

Senator HAYDEN: Were these shares that were redeemed redeemed out of liquid funds? I am thinking of the provisions of the Companies Act, and this is an analogous procedure here where, in the first instance, the result of redemption, since you used funds other than capital to redeem, would be to create a capital surplus, and now you are seeking to reduce that to earned or distributable surplus.

Mr. EDISON: They were all obtained from the current earnings of the company over the years. Clauses 2, 3 and 4 really relate to the same matter, sir.

The CHAIRMAN: Shall section 3 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Section 4, decrease of capital. What does section 4 cover—the future redemptions of preferred shares, doesn't it?

Mr. EDISON: Yes. It provides that if in the future—while there is no present intention to issue any more preferred shares—they are issued and subsequently redeemed or converted, the same accounting procedures can take place as we are providing for in the case of shares already dealt with in that way, so we do not have to come back to Parliament again to ask for this remedial measure.

Senator BOUFFARD: You still have about 170,000 preferred shares which have not been issued?

Mr. EDISON: Yes, sir.

Senator BOUFFARD: Do you intend at some time to issue them, and if you redeem them you want the same procedure to apply?

Mr. EDISON: Yes, sir.

Senator HAYDEN: It is to permit you to redeem out of capital?

Mr. EDISON: Yes, sir.

Senator MOLSON: This leaves a balance of 170,000 shares, roughly?

Mr. EDISON: Yes, Senator Molson.

The CHAIRMAN: Shall section 4 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Section 5 deals with the borrowing powers of the company, and provides in the usual language that the directors may at any time borrow money on the credit of the company, issue bonds, debentures, debenture stock or other securities of the company, and, in paragraph (c), mortgage, hypothecate, charge or pledge all or any of the real and personal property, undertaking and rights of the company to secure any such bonds, debentures, et cetera. It is in the usual language of a borrowing by-law.