

Hon. SENATORS: Carried.

The CHAIRMAN: Subsection 2 is simply to make clear that notwithstanding the change in name the obligations of the company remain the same.

Section 2, capital decreased. This is simply to provide that the capital stock of the company shall be decreased.

Senator ASELTINE: Could we have some explanation as to why this is necessary?

Mr. John G. Edison, Q.C., Special Counsel, The Algoma Central and Hudson Bay Railway Company: Mr. Chairman and honourable senators, the capital of this company was by Act of Parliament in 1958 increased by the creation of 250,000 preferred shares, and 80,000 of those were sold to the public at that time. The affairs of the railway company have been successful and prosperous since that date, and some of those shares have been redeemed by the company, and the larger part of the shares have been converted into common shares in the capital stock of the company in accordance with the provisions attaching to the preference shares when they were issued. The result is now that none of the preferred shares are outstanding. By virtue of the statutory nature of this corporation and the terms of its enabling statutes there is no provision for cancelling those preference shares which are no longer outstanding without amending legislation. The situation is analogous to those that honourable senators who are lawyers or familiar with the Companies Act or the new Canada Corporations Act are familiar with. Before the passing of the new Canada Corporations Act it was necessary to get Supplementary Letters Patent in cases where preference shares had been redeemed or converted. Under the provisions of the new act I believe it is possible for companies to take that action without coming back to get Supplementary Letters Patent. I hope that explanation is satisfactory.

Senator ISNOR: What is the difference between the amount redeemed and the number cancelled?

Mr. EDISON: The actual number was 10,176 shares that were redeemed, and the balance were converted into common shares.

Senator BOUFFARD: There are none outstanding at the present time?

Mr. EDISON: No, the balance of the 250,000 are authorized but none are outstanding at the present time.

The CHAIRMAN: Does that explanation satisfy you, Senator Aseltine?

Senator ASELTINE: Yes.

The CHAIRMAN: Shall section 2 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Section 3, capital surplus. I gather what happened here, Mr. Edison, was that the company purchased from the public some of these preferred shares on a discount from their par value, and that has resulted in a capital surplus of \$508,800, which you now restore to earned surplus?

Mr. EDISON: That is essentially it. They were not purchased at a discount, but a provision of the previous legislation dealing with the creation of these preferred shares specified that the capital must not be reduced by the redemption thereof, so the amount has been set up in the capital surplus account. This, again, corresponds with the procedure that takes place under the Companies Act and allows the company to restore that amount to earned surplus.

Senator CROLL: Did I understand you to say they were not purchased at a discount?

Mr. EDISON: No, they were not. They were purchased at par or better.