

*By Mr. Montgomery:*

Q. Now, the item "discount on bonds" is not an unfamiliar item in balance sheets?—A. No, sir.

Q. It is quite an ordinary item in the balance sheets of manufacturing and industrial companies, is it not?—A. Yes, sir.

Q. You are not, I hope, treating that as anything improper?—A. No, sir.

Q. Or as being what the Chairman has referred to as water?

The CHAIRMAN: A term approved of by you, Mr. Montgomery, not by me.

The WITNESS: I think the expression "water" usually refers to items of a strictly intangible nature. The \$3,000,000 discount may fall under that classification.

*By Mr. Montgomery:*

Q. What I am getting at, Mr. King, is this—and perhaps you can help me—you see nothing improper?—A. Absolutely nothing.

Mr. JACOBS: Everything is pure.

The WITNESS: 10 per cent is not unusual.

*By Mr. Montgomery:*

Q. 10 per cent discount on bonds is not unusual?—A. No, sir.

*By the Chairman:*

Q. Would it be fair to put it this way, that the discount on the bonds and securities of any venture is governed by the hazard?—A. Yes, sir.

*By Mr. Montgomery:*

Q. We have it in evidence that these are second charge debentures with the permission to put \$50,000,000 ahead of them.

Mr. JACOBS: I think they got a very high price for their bonds.

Mr. WHITE: It did not please Mr. Jones.

*By Mr. Montgomery:*

Q. Now, the issue of a stock bonus with a second charge security is not unusual, is it? I should say perhaps particularly with a second charge security?—A. I do not know, sir.

Q. So you are not in a position to either commend or criticize?—A. No, sir.

Hon. Mr. MACKENZIE: What item is that?

Mr. MONTGOMERY: That is \$770,000. I have not bothered with the item of \$200,000 for Sterling because we have had Sterling ad nauseum. I think that covers practically every figure that makes up the \$7,000,000.

*By the Chairman:*

Q. Mr. King, I am not very good at figures myself but I have the impression in my mind that in addition to the \$30,000,000 of bonds that were first issued, and in addition to the dealings with the Class A Common Shares, the company at a subsequent time authorized the issue of up to \$50,000,000 worth of another class of security, and it is by their dealings with those securities through the agencies, I believe, of the banks or Trust companies, that they are presently carrying on their operations, is that right?—A. That is correct, sir. The \$3,500,000 that I mentioned a while ago was borrowed from the banks on this security which you refer to.

Q. Yes. And am I correct in this; that from time to time as the company presently is requiring moneys for their work the transaction is that they increase