

The Seventh Article makes carefully protected provision for releasing portions of the property mortgaged when they become superfluous, for the application of the proceeds realizable thereon to the purchase of other property, and for bringing such substituted property within the mortgage charge.

The Eighth Article contains an exhaustive series of remedies exercisable by the holders of the bonds or by the trustee in case of default by the Company, either in payment of the bond and interest or in performance of its other covenants. These remedies include the taking possession and management of the property, as well as the sale or leasing of the property, but are not exercisable without the consent of the Government, so long as the Government continues to pay any bond interest in respect of which the Company makes default.

The Ninth Article makes proper provision for protecting and indemnifying the trustee, for the resignation or removal of the trustee and for the appointment of a new trustee.

The Tenth Article embodies a scheme for holding meetings of bondholders, and for the procedure in respect of such meetings. It defines the business which may be transacted, and fixes the voting strength of bondholders including the Government where the Government has paid out money upon its guarantee.

The Eleventh Article contains the trustees' acceptance of the trust, and provides for the execution of the mortgage and for its deposit with the Secretary of State as the sole method of registration necessary.

The mortgage is in my opinion entirely consistent with and nowhere either exceeds or fails to carry out the provisions of the agreements and Acts upon which it professes to be based, with the following exceptions:

(a.) The guarantee of interim bonds during the period of construction to be convertibly convertible into the guaranteed permanent bonds on the completion of the work of construction, which was the scheme for interim aid contemplated by the agreement of 1903. During the negotiations it was found impracticable to devise a workable scheme on the precise lines of the agreement, and there were found to be formidable market objections to bonds issued on the terms contemplated. The method adopted in the mortgage submitted is to provide for the immediate issue of permanent bonds, adding to the 50 year period of currency of such permanent bonds, which period was under the agreement to begin on the completion of the division, the 7 years limited by the agreement of 1901 for such completion, making the bonds at once 57 year bonds. The mortgage provides that the proceeds of these bonds as they are marketed from time to time are to be placed at the credit of the Minister of Finance and Receiver General in approved banks, and paid out from time to time with certain safeguards, as they are earned by construction work. During the period of construction the interest paid upon these bonds is added to and forms part of the cost of construction. During such period of construction, therefore, being presumably the seven years limited by the agreement of 1901, the permanent bonds now provided for perform the identical functions which the interim bonds would have performed under the original scheme. When the work of construction is completed, these bonds inherently ripen into the fifty year permanent bonds contemplated by the agreement of 1903, and from that date all the provisions of the two agreements relating to permanent bonds begin to operate upon them. The difference is in my opinion merely formal, and does not in any degree alter the substance of the rights and obligations of the parties.

(b.) There has been some amplification of detail in the definition of cost of construction given by the 15th paragraph of the agreement of 1903. This does not I think in substance add anything more to such cost than would have been added under the general words found in that paragraph, "and generally costs and expenses occasioned by the construction of the said division, whether of the same kind as or differing in kind from the classes of expenditure specially mentioned." I should further point out under this head that cost of material and supplies acquired for purposes of construction are permitted to enter into the estimate of cost of construction before they are actually delivered upon the work, provided they have been delivered in Canada, and upon such delivery in Canada they become at once a parcel of the property covered by the mort-