

" This opinion, in effect, amounts to this : that the First Preferential Bondholders are in the position of First Mortgagees on all the property of the Company, including the rolling stock, and that, consequently, no judgment against the Company can be enforced, except subject to the Preference Bondholders' prior claims.

" This view of the construction of the Acts has been confirmed by the opinion of eminent Counsel both in Upper and Lower Canada.

" No contrary opinion of English or Canadian Counsel has been produced ; and we have reason to assume, from what has passed, that none has been obtained which can justify the claim of the Judgment Creditors " to the power of seizure of the rolling stock."

" In accordance with the opinion of Counsel, proceedings have been commenced in Canada to have the rights of the Preference Bondholders settled and determined, and also to protect the property by the appointment of a Receiver in case of attack by Judgment Creditors, and those proceeding are now going on.

" Although the interest on the First Preference Bonds, which became due on the 1st January, 1861, was not met, the Directors, in their recent Report, dated 29th December, 1860, stated that they were applying the net earnings, beyond working expenses, in meeting pressing claims for *past expenditure* in rolling stock, &c. Conceiving that they were not justified in that course, we communicated with the Solicitor to the Company on the subject, and the following is an extract from a letter received from him in reply, dated the 17th January, 1861 :—

" I am instructed by the London Directors of the Grand Trunk Company to inform you, in reply to yours of the 5th and 14th inst., that they have passed a resolution calling upon the Canadian Board to apply the earnings of the undertaking in conformity with the opinions of Sir Hugh Cairns and Mr. Lloyd, and to *remit the balance to England towards payment of the interest to the Preference Bondholders* ; which course they trust will be satisfactory to your clients."

" By the resolution of the London Directors referred to in this letter, they admit that the Preference Bondholders have a first charge on the net proceeds, and that the Directors are *Receivers of such net proceeds in trust, in the first place, for the Preference Bondholders. This*