

were to get one-tenth. As a matter of fact, when this matter was under discussion in the House, I had not made inquiry as to what the issued stock of the Canadian Northern railway was, and I said so, just three paragraphs before what I have just quoted. (Reading :)

Mr. German: Has the balance of the \$70,000,000 been issued?

Mr. White: I am unable to say, but I believe the balance of the issue has been issued, it is reported as issued.

I had not looked into the matter, as there was no occasion for me to do so. I said, therefore, that we were to
4 p.m. get one-tenth of the authorized capital of the Canadian Northern, which was \$70,000,000, and further that I was unable to say whether the balance of the \$70,000,000 had been issued or not.

Mr. PUGSLEY: On page 11724 my hon. friend is reported to have said:

I may say that there is \$25,000,000 of common stock of the \$70,000,000 issued by the Canadian Northern railway that is held in trust to be availed of, if they so elect, by the holders of the income charge convertible debenture stock outstanding.

Mr. WHITE: I was interrupted at that time, and the interrupter was evidently of the opinion that the \$25,000,000 was part of the \$70,000,000. What I had in mind was this: As a matter of fact, the \$25,000,000 which was held in trust for the income debenture holders of the Canadian Northern Railway Company was paid-up stock which had been placed in trust by Mackenzie, Mann and Company as security that the debenture holders would receive that stock if they desired to exercise the option which they held. Later on, the Canadian Northern would have to issue \$25,000,000 of stock because its indebtedness would be reduced to the amount of \$25,000,000 when its debenture bonds were surrendered for exchange. I explained this the other night, and I am sorry my hon. friend from St. John was not present, because if he had been he would never have raised this question to-day. I gave a very full explanation then, which I am sure would have satisfied as good a corporation lawyer and as intelligent a man as my hon. friend is. My hon. friend from Welland is also a lawyer, but not so good a corporation lawyer as my hon. friend from St. John, and that is hardly damning him with faint praise. I am going to take my hon. friend from St. John a step farther.

[Mr. W. T. White.]

Mr. McKENZIE: We are children in this thing. Perhaps the minister will explain to those of us who do not profess to be corporation lawyers—and I ask this in good faith—how does stock become paid-up by being issued in exchange for bonds?

Mr. WHITE: My hon. friend says, 'We are children.' I have never intimated, even by implication, that he was a child; he lacks the innocence of childhood.

Mr. McKENZIE: By the time we get through the minister will understand that we are not such children on corporation law.

Mr. WHITE: I never suggested that my hon. friend was a child in corporation law or anything else; that suggestion came from him. My hon. friend has an open and judicial mind, and I need not say—and I say this with absolute sincerity—that my hon. friend's approach to a question is a legal and judicial approach. He has asked me how does stock become fully paid up that is issued in exchange for bonds. Let me take this case, which will, I hope, illustrate the point to the satisfaction of my hon. friend. The Canadian Northern Railway Company has debentures outstanding in the hands of the English public to the amount of \$25,000,000. That, of course, represents indebtedness on the part of the Canadian Northern Railway Company to the English debenture holders. The Canadian Northern debentures holders, under the terms of the debentures which they hold, can surrender at any time those debentures for fully paid-up stock in the Canadian Northern of a like par value. Probably what perplexes my hon. friend is that he knows that the stock of the Canadian Northern is not at par to-day, and he probably cannot conceive what advantage it would be to the debenture holders to exercise that option. But the option is given on the expectation on the part of those who bought the debentures and the railway company that offered them that the stock some day might be worth par or more than par. Supposing that the stock of the company were worth above par a debenture holder with a debenture of \$1,000—which is worth \$1,000 and no more, because debentures do not appreciate like stock, instead of holding that \$1,000 debentures could exchange it for ten \$100 shares of stock, which might be worth \$110, and he would thereby make \$100 on the transaction. As far as the legal question is concerned, the exchange of author-