

These and all other subsequent arrangements were conducted under the advice and scrutiny of the legal department of the National Railway System.

The arrangement with Mr. Aronovici was that he should look after all of the details of acquiring the property, such as examination of title, legal proceedings, taxes, and, what was particularly important difficult, the negotiations for the vacation of the property by existing tenants. He was also to have plans prepared for the rearrangement of the property to suit the requirements of the Canadian National Railways and other tenants, and, broadly speaking, to do all that was necessary in connection with the purchase of the building, its rearrangement and subsequent administration. In return for these services Mr. Aronovici was to receive a commission of ten per cent on the purchase price in the event of the property being taken over by some such machinery as that indicated above within a period of five years, and this was to be full compensation for all of his services in connection with the acquisition and administration of the property.

It is proper to say that some time after the purchase, consideration was given to the development of a European organization, and Mr. Aronovici was asked to accept, and did accept, the post of General Continental Agent. His qualifications were his previous experience with such work in a similar capacity with the Great Eastern Railway of England, his wide and fluent acquaintance with European language, and his general knowledge of European conditions. He was engaged at a salary of \$15,000 per annum.

About the middle of May, 1923, Mr. Aronovici returned to Europe to carry out the details with respect to the purchase of the property and shortly thereafter negotiations were entered into with one of the large insurance companies of England for the purpose of financing the deal. This company was prepared to furnish, on terms to be subsequently arranged, approximately £700,000.

By Sir Henry Drayton:

Q. I suppose that is the Prudential Insurance Company?—A. Yes.

A French Company was to be formed which would take over the title. Subsequently, the purchasing syndicate scheme was changed so as to provide for a loan made by the above mentioned insurance company to a subsidiary Canadian Northern Company upon an issue of the subsidiary company's debenture stock charged upon the capital stock of the French company which latter company was to hold the title to the Hotel Scribe. The amended scheme had the advantage of avoiding duplication of taxes and was largely directed towards that end, but the falling of European money values and legal conditions affecting the registration in France, with resulting high taxes, led to the abandonment of this proposition, and it was ultimately decided, after much investigation and discussion, that the most advantageous arrangement would be for the Canadian National Railway itself to take over the property. This opinion was further confirmed as it soon became evident that the rentals to be secured from outside sources would more than carry the capital invested and the transaction would then become more profitable to the railway company than was originally contemplated. Under these circumstances there seemed no reason why an outside syndicate should reap the benefit of the company's foresight.

As the transaction stands at present, the property is in the name of the French company, but all of the stock of that company is held on behalf of the railway by the Canadian Northern Realities Company Limited. The railway will have the full management and operation of the building and, as a result, will have acquired at a reasonable rental a site of constantly increasing value on which can be assembled, without undue expense, any Government offices which may choose to avail themselves of the opportunity.

In the latter part of 1923 it was found that the services of Dr. W. J. Black, former Deputy Minister of Immigration and a man of outstanding capacity and