Hon. Mr. HUGHES: Did I understand you to say as to the $1,000,000 subscribed by the Dominion Government, and the $1,000,000 of loans made to the farmers, and the $1,000,000 of bonds issued, that the bond holders would have any claim in the event of the mortgages not paying the bonds—would have any claim on the money subscribed by the Dominion Government?

Mr. FINLAYSON: To the extent of the full subscription. The Government becomes liable on subscription for $5,000,000.

Hon. Mr. HUGHES: In the event of the mortgages not taking care of the bonds?

Mr. FINLAYSON: Yes. It is in the same position as an ordinary shareholder of a loan company. If the bonds of a loan company go to default the shareholder may have to pay up.

Hon. Mr. BELCOURT: Under the similar systems which have been in practice in Europe, is there in any of these cases a state guarantee at all?

Mr. FINLAYSON: No, sir, except to this extent: in some of these schemes in operation all the funds are supplied by the Government.

Hon. Mr. BEIQUE: Here, under this clause 5, the Government has a guarantee to the extent of the dividend on the amount it has subscribed.

Mr. FINLAYSON: Of 5 per cent after three years.

Hon. Mr. BEIQUE: But the repayment of the capital is very remote.

Mr. FINLAYSON: Contingent on net profits.

Hon. Mr. BEIQUE: Very contingent. It is to be made, it can be made, only out of net profits, and after the payment of the interest.

Mr. FINLAYSON: After the 5 per cent is paid, and the expense of operation, which will be deducted in order to arrive at net profits, then from those net profits 25 per cent must be set aside as reserve; and out of the balance of 75 per cent of the net profits repayment can be made.

Hon. Mr. BEIQUE: It is very, very contingent.

Right Hon. Sir GEORGE E. FOSTER: At the best it becomes a perpetual investment.

Hon. Mr. BEIQUE: I think we may take it that way.

Hon. Mr. DANDURAND: It all depends on the extension of the system.

Mr. FINLAYSON: Quite. In the United States, you see, the capital has already been largely repaid out of the net profits.

Hon. Mr. BEIQUE: That will lead me to put another question later on. Now, I would like to understand what is the bearing of paragraph (*a*).

Right Hon. Sir GEORGE E. FOSTER: How far may we go?

Hon. Mr. BEIQUE: Yes, how far this may go. Suppose that the initial loans amount to, say $10,000,000, which will be paid within thirty years. The Government will have to subscribe 5 per cent of that. Now, will the Government have to subscribe successively 5 per cent of all loans made?

Mr. FINLAYSON: That is the object.

Hon. Mr. BEIQUE: Or should it not be limited to 5 per cent of the amount outstanding at any time?

Mr. FINLAYSON: The wording adopted here is intended to make it clear, so that the total amount subscribed under this paragraph shall equal at any time, as nearly as may be, 5 per cent of the total loans theretofore made and not fully repaid.

Hon. W. B. ROSS: That is, outstanding?

Mr. FINLAYSON: It is not the net amount of principal outstanding.

Hon. Mr. BEIQUE: But not fully repaid?