

costs and expenses referred to below. It will also be noted that the suggested settlement is subject to parliamentary approval, and is made without prejudice to, and without admission of any liability by, Canadian National Railways.

We are now in a position to set before you the alternatives which appear to be open to you:—

1. To endeavour by legal process to establish a claim against the Canadian National Railway Company and/or the Canadian Northern Railway Company. The trustees cannot recommend this course. Legal proceedings would be very expensive and would probably be of a protracted character, and their success cannot be predicted with certainty. The trustees would be most unwilling to embark on such proceedings, and would certainly not do so unless they were first fully indemnified by the stockholders against all expenses that might be incurred.

2. To instruct the Receiver to take steps to foreclose the security for your debenture stock and to realize the same to the best advantage. After considering this alternative fully with our directors in Canada and with the Receiver, we cannot, having regard to the suggested settlement made by the Canadian National Railways, recommend its adoption. From the year 1922 onwards the company showed substantial losses on operation before providing interest on your debenture stock. It is certain that the property cannot possibly be successfully operated as a railway company and will have to be dismantled and sold. The assets upon which your debenture stock is secured are briefly as follows:—

(i) Right-of-way, rails, stations, rolling-stock, electrical transmission lines, substations and equipment, car barns, amusement park, etc. The committee appointed by us in Canada consider that the dismantlement and sale of these properties is unlikely, even under normal conditions which do not exist to-day, to realize as much as	\$115,000
and if realization were long deferred, as would probably be the case, heavy expenses would be incurred for insurance, taxes, etc., which would considerably reduce the amount realized.	
(ii) Cash in hands of trustees with interest accrued to 31st May, 1933, approximately	56,000
(iii) Dominion of Canada and Dominion government guaranteed securities in the hands of the trustees estimated to have a present market value of approximately	142,000
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	\$313,000
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—at \$4.90 to the £1 Sterling, say	£63,877
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a sum which, even if realized, would amount only to 11·83 per cent, i.e., £11 16s. 7d. per £100 of your debenture stock, which could only be collected over a long period of time and would certainly be subject to deduction of heavy expenses.

3. To authorize the trustees to make a settlement with the Canadian National Railways upon terms which would enable the trustees to distribute to you a cash payment of 25 per cent of the £540,000 of outstanding 4½ per cent first mortgage debenture stock i.e., a sum of £135,000 clear of all expenses, and as part of such settlement to surrender to Canadian National Railways the whole of the then remaining property and assets upon which your debenture stock is secured. Such settlement would compare favourably with the estimated realization figure of £63,877 referred to in paragraph 2 above.

It will be noted that the suggestion of the Canadian National Railways covers the payment by them of certain expenses and disbursements aggregating