

ment to guarantee need be entered upon them but when the Government wish to convert them into money I have no doubt the Government will be able to deal with them by guaranteeing them or otherwise, without affecting their validity as constituting a charge under the mortgage upon the mortgaged premises. These bonds were originally provided for as forty year bonds, dating at once from the period of seven years plus three years (equal ten years) from the date of completion of construction, the seven years being the period during which the Government pays the interest without recourse and the three years being the period during which the Company is permitted to defer payment. To this period of ten years would be added the arbitrary seven years during which the work of construction is expected to be proceeding, making in all a period of seventeen years. If this period of seventeen years is deducted from the 57 years during which the bonds have to run, these terms for capitalized interest are left practically 40 year bonds, as the original agreement contemplated.

Another matter which it is proper to mention is that counsel for the proposing bondholders and this and the second mortgage have raised a question as to what the result may be if the bonds issued under both mortgages together exceed the limit then prescribed by sec. 14 of the Companies Act of incorporation, 3 Edw. VII, cap. 122.

In my view this limitation it should be exceeded in the working out of the two agreements by means of the first and second mortgages, would be so exceeded by reason of the Company exercising the powers necessary to carry into effect the two agreements.

The Act 4 Edw. VII, cap. 80, which validates the two agreements, expressly confers by sec. 1 all such powers. I do not therefore see any force in the suggestion.

Wherever it has seemed expedient or possible, having regard to the fundamental differences, the form of the security approved in the case of the aid given to the Canadian Northern Railway Company has been adopted. The most striking departure from this form, in respect of the method of authenticating the Government guarantee, though this it seems to me is rather a difference in form than in substance. In the case of the Canadian Northern mortgage the method of guarantee was the execution and delivery to the trustee of a general instrument of guarantee, a copy of which was printed upon each individual bond. The counsel acting for the English purchasers made a point of having what is really an original guarantee endorsed upon each individual bond, the method of signature being an engraved signature of the Minister of Finance having the force of an original signature. At the same time, letters to the Messrs. Rothschild, who are issuing the partial issue of these bonds, and to the Company are provided for, stating that the engraved signature upon each bond is duly authorized.

There is nothing else I think in the first mortgage under consideration requiring precaution. There is I think no other question that can be raised suggesting any excess in this instrument of the provisions of the agreements of 1903 and 1904 and of the validating Acts of Parliament.

II

SECOND MORTGAGE GIVEN TO SECURE BONDS GUARANTEED BY THE GRAND TRUNK RAILWAY COMPANY

The Agreements upon this subject required the balance of the funds necessary for the payment of cost of construction to be provided by bonds guaranteed by the Grand Trunk Railway Company and secured by second mortgage, and the assent or approval of the Government to the form of this mortgage is much necessary. The instrument prepared for that purpose is I think entirely unobjectionable in form, and provision has been made in it, of a most ample kind, subjecting the security effected by it to the security effected by the first mortgage in which the Government is directly interested. I see no reason, therefore, why the approval of the Government should not be given to this second mortgage.