

any, there is between the retaining share of the bank—that is, \$289 million—and any assets transferred to the subsidiary in California.

The third paragraph deals with participation certificates. As I said, those were prospective, as was the bill and agreement. I should like to know whether the participation certificates were issued, and if so, whether we can have a sample of them. I should like to know the ranking of the persons who had participated, which is very important to the inquiry. I should like to know what the status of the undivided interest is in the assets—that is, the undivided assets that were to result from the issuance of those participation certificates.

The schedule to the participation agreement is found at the top of page 3. That also refers to the CCB portion.

The fourth paragraph states:

The Inspector General of Banks will designate two persons, with the concurrence of the members of the Support Group who shall act as representatives of the Inspector General. CCB will co-operate fully with these representatives—

and so forth.

My questions are: Were those representatives appointed? Who were they? Did they make reports pursuant to paragraph 4 of the Memorandum of Intent? And, if so, may we see copies of those reports?

Paragraph 5 deals with what effect receipts with respect to payment on any of the assets in the portfolio will have. My question, very simply, is: Were any payments made on the loans which made up the Support Group portion of the portfolio?

The sixth paragraph deals with payments on account of loan losses. This is treated quite differently. It provides that the CCB shall pay annually, but in quarterly instalments, to each member of the support group other than the CDIC, in proportion to the participation of such member, an amount such that the total of the amounts paid to such members is equal to 50 per cent of the income of CCB before provision for income taxes. I suspect that no such payments for loan losses were made, but there is provision for quarterly payments, and I think we should know about that.

Paragraph 7 deals with dividends and discusses the question of priority. It stipulates that there shall be no payment of dividends and no redemption or purchase of any common or preferred shares until such time as CCB has paid to the Support Group the full amounts paid to them for their participation certificates. Were any steps taken under that paragraph? I suspect the answer will be no, because it would have been improper if there had been.

Paragraph 8 deals with share warrants. Were the share warrants issued? There is a provision that the authorized capital of CCB was to be altered in order to give effect to the first part of paragraph 8, which dealt with the proportion of share warrants which were to be issued at 25 cents, and to the fact that the rights under the warrants were to last ten years past the date of full repayment. Were those warrants issued

and was the authorized capital altered in accordance with the provisions of that paragraph?

Paragraph 9 deals with income tax treatment. I asked the minister about the special treatment the bank was going to get with regard to writing off losses. They were to be the judges of whether they were within the reasonable requirements of the bank, and the minister gave an answer to that. If necessary, that can be pursued. I am not asking for anything under paragraph 9.

Under paragraph 10, it is a condition of this memorandum that the Inspector General of Banks shall have delivered a letter to the Support Group confirming his opinion that, upon receipt by CCB of the purchase price for the participation certificates, CCB will be solvent. That is a condition precedent. I should like to know if that letter of opinion, which is a condition precedent to the memorandum, was, in fact, delivered and if we can have a copy.

Paragraph 11 is, again, a condition precedent and a question of priorities and deals with the Support Group—that is, the taxpayers we represent. That paragraph states:

The undertakings of the Support Group herein to purchase Participation Certificates shall be subject to the condition that all holders of bank debentures of CCB shall first have agreed in writing to waive or forgo all payments of principal and interest on their debentures until such time as the members of the Support Group have received from CCB an amount of money equal to the full amount paid by them for Participation Certificates. For this purpose the debenture holders shall enter into an instrument of subordination with the members of the Support Group in form and content acceptable to the members of the Support Group.

There have been some conflicting—to me, in any event—items on the news about the position of debenture holders regarding what position they took and how they end up in terms of priority. Therefore, I am asking: Were those agreements signed; was the undertaking given; and was the instrument of subordination by the debenture holders and others in fact signed? There was also the necessity of passing a resolution approving those agreements, and we should have that resolution if it did take place. That also comes under paragraph 11.

I am sure honourable senators understand that all of these matters I am asking about the government did not know about at the time we passed the bill. The government predicted that certain things would happen, and I am now asking whether they did.

● (1420)

As is outlined on page 8, the participation agreement was to include provisions relating to the administration of the portfolio by the CCB, the reporting by the CCB to the Support Group with respect to the portfolio, the giving of directions by the Support Group to the CCB with respect to the administration of the portfolio, full disclosure by the CCB, further assurances by the CCB and like matters.