

File No. 7356 Continued.

OPINION.

Trustee, all interest coupons from June 1, 1904, to December 1, 1910, inclusive, together with the right to the income applicable under the income mortgage to the payment of such coupons. It was provided, however, that this assignment should not merge or satisfy said interest or cancel said coupons, but that the Trustee should hold the coupons thus assigned upon certain trusts, which will be hereafter explained, until such time as the railroad shall have paid all the holders of income bonds all the instalments of interest of the same maturities as the coupons funded, and not until that is done will the surrendered coupons be cancelled.

When the plan was declared operative in the fall of 1906, the coupons from June 1, 1904, to June 1, 1906, inclusive, were surrendered, and in exchange therefor, the Maryland Trust Company issued the railroad's funding bonds, bearing a fixed interest of 5%, in an amount equal to the coupons surrendered, provided that amount was not less than \$100. As coupons thereafter became payable, the Trustee has received the surrender of such coupons (and will continue so to do down to and including the coupon payable December 1, 1910), and has issued (and will issue) in exchange therefor the said funding bonds to an amount equal to the coupons surrendered, provided such amount be not less than \$100. In cases where the coupons surrendered at any one time are less than \$100 in value, then the Trustee issues fractional scrip therefor, which bears no interest, but when this scrip aggregates \$100 in value, then it can be exchanged for an interest bearing funding bond.

The exact situation therefore, is as follows:-

At the time the funding agreement was entered into, there existed a dispute between the company and a large number of its income bondholders as to whether or not the company had earned any interest on these bonds. By the execution of the funding agreement, the income bondholders waived their right to receive cash for the interest covered by the period between June 1, 1904, and December 1, 1910, - a right which was not fixed, but which was doubtful and uncertain, depending upon whether or not such interest had been, or might be, earned, - and in exchange therefor they accepted the company's unconditional obligation, in the form of a funding bond, to pay such interest in cash at a future date, to wit: June 1, 1936, such obligation to bear interest in the meantime at 5% per an-