MONTREAL SECTION

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LIGHT, POWER AND TRAMWAYS SITUATION.

Forces Meeting at Montreal—Result of Loan Flotation.

Monetary Times Office,
Montreal, November 26.

A circular has been issued by the directors of the Mexican Light, Heat & Power Co., calling a special general meeting of shareholders for noon on December 30, at the head offices of the company, Montreal, for the purpose of considering the leasing of the properties of the company to the Mexico Tramways Company and to consider the repealing or amending of the by-law No. 54, dealing with the powers of the directors to borrow money upon the credit of the company, and to issue securities of the company or borrow upon them.

The circular adds that the repeal of the by-law mentioned would prevent the directors keeping faith with the creditors of the company and imperil the financial position of the company, thus, possibly, forcing the acceptance of the lease proposed by the Mexico Tramways Company. Notwithstanding that the proposal has been dropped by Dr. Pearson, president of the Mexico Tramways Company, owing to the nature of its reception, the directors of the Mexican Light and Power Company deem it advisable to state on what terms it was proposed to hand over the Mexican Light and Power Company to the Mexico Tramways Company. The lease was to be irrevocable by the Mexican Light and Power Company, but revocable at any time, on six months' notice, by the Mexico Tramways Company. During the continuance of the lease, the Mexico Tramways Company would receive for expenditures made by it in its sole discretion, on liabilities or extensions of the Mexican Light and Power Company, second mortgage bonds or preference shares of the Mexican Light and Power Company, as the Mexico Tramways Company might elect, at a price to yield 7 per cent., which securities the Mexico Tramways Company might sell.

Notes of Proposed Financing.

The latter company would guarantee payment, out of the Mexican Light and Power Company's earnings, of the interest on the bonds of the Mexican Light and Power Company and of the Electric Light Company., and 7 per cent. per annum on Mexican Light and Power Company's shares, but would not become responsible for payment of the principal of the bonds of those companies. The Mexico Tramways Company would guarantee payment of $180,000, or such sum as necessary, in respect of sinking fund on first mortgage bonds of the Mexican Light and Power Company and Electric Light Company, which payments might be made from the proceeds of the sale of a further issue of second mortgage bonds of the company. The Mexico Tramways Company would also pay the Mexican Light and Power Company, annually, 4 per cent. on ordinary shares and $15,000 additional; but as the Mexican Light and Power Company would have to pay certain expenses out of these receipts, there was no assurance that the Mexican Light and Power Company could lawfully declare even 4 per cent. in its ordinary stock. The Mexico Tramways Company might pay out of the Mexican Light and Power Company's gross earnings, any sums for renewals, replacements and maintenance.

After payment of the foregoing the Mexico Tramways Company would be entitled to half the surplus net earnings of the Mexican Light and Power Company, in such manner that after payment of sinking fund out of earnings, the Mexico Tramways Company shall receive $150,000, gold, per annum, before the Mexican Light and Power Company shall receive its share of surplus net earnings. The Mexico Tramways Company might also contract with any other power company, at any terms, for a supply of electric power for the Mexican Light and Power Co. business. Should the Mexico Tramways Company terminate the lease, the Mexican Light and Power Company would be compelled to carry out any contract, no matter how onerous, entered into previously by the Mexico Tramways Company, and must also continue to supply for three years the Mexico Tramways Company, or its assigns, for three years after the termination of the lease, such power as required by it and at the price fixed, no matter what the conditions. On terminating the lease, the Mexico Tramways Company would forfeit $500,000.

The directors then conclude by stating that the Mexican Light and Power Company's net earnings are now on a basis of $2,587,500 per annum, or equal to 7 per cent. on the common stock, after providing for all fixed charges and interest on loans; while the last official report which was recently issued to the public by the Mexico Tramways Company, covering the 18 months ending December 31, 1907, discloses net earnings of $212,000, gold, or at the rate of less than 2 1-2 per cent per annum on its capital stock, the first nine months of 1908 showing an increase of $162,000 over the corresponding months of 1907.

The representatives here of the English shareholders of the Power Company on Thursday made public a circular, in reply to the above, in which they said the Tramways Company were prepared to make the lease revocable by either company. They also pointed out that early next year the Power Company would have a floating indebtedness of $3,500,000, which sum the Tramways Company had arranged to meet, as well as to provide $2,500,000 additional to carry on extensions, etc. They pointed out that the directors' estimates of earnings were based on October earnings, which were a record, but the lease guaranteed 7 per cent. for preferred stock and 4 per cent. for common, in addition to fixed charges. The circular also states that contrary to the statement in the directors' circular, the repeal of the by-law mentioned does not imperil the company's financial position.

The forces now lining up in Montreal are Mr. C. H. Cahan, of the Mexican Light and Power Company, Dr. F. S. Pearson, to the Mexico Tramways Company, Sir Edward Stacey and Mackay Edgar, of Sperling & Co., the latter three being in the interests of the lease proposition. The Canadian Gazette says that, on the assumption that the negotiations will succeed, the Mexico Tramways Company is preparing for an issue for $6,250,000 of 6 per cent, 50-year, second mortgage bonds, which it is understood have been underwritten on terms which will leave the company 90 per cent. of the par value, the issue price being 96 1-2, brokerage 2 1-2 per cent and underwriting 4 per cent. The Gazette considers these conditions so onerous that it is difficult to believe that the Mexico Tramways Company can be serious. In Montreal, it seems to be the general view than the lease promoters, who apparently have a majority of the stock behind them, will not force upon the directors the acceptance of terms to which the latter object so strenuously, as, in such case, the resignation of the whole board might follow. This would cause a bad market for both issues and would defeat the interests of both companies.

Montreal's Two Millions Loan.

Messrs. Hanson Bros. were the successful tenderers for the Montreal City loan, referred to at some length in this column a week ago. The loan or sale of stock—for it consisted of a sale of stock—aggregated $2,000,000. Instead of following the customary course of offering this stock through a bank, the financial committee decided to try the experiment of offering direct, by means of advertising for tenders, and thus putting to the test the contention that there was a sufficient amount of money open for safe investment at home to absorb the entire offerings. Accordingly, the city offered to sell in lots of $5,000 and over, the price being fixed at par and the stock carrying interest at 4 per cent. and being for a term of forty years.

The result was that three offers were received for the entire amount, these being, from R. Wilson-Smith, for £100.17, the Royal Bank, for £100.125, and from Hanson Bros., for £100.2541. A fourth tender for the entire amount and at a higher figure than the others, was received just after the committee opened the first mentioned offers. Under the circumstances, it was deemed inadvisable to receive it. The tender of Hanson Bros. was favored, one alderman dissenting and favoring the Royal Bank tender. In view of the acceptance of a tender for the entire loan, it would seem that the contention of the bond houses, referred to a week ago, that the public subscription would never suffice to absorb it, was justified.

Surprise at the Result.

The result was in every way one which could have hardly been anticipated and would seem to have been due to some change in plans, inasmuch as the advertisement was clearly addressed to "investors and the public generally" and offered the stock at par, whereas the only replies made public came from large financial institutions, all of which offered the city more than was asked in the advertisement. This was to the advantage of the city which will thus only have