

the company in the most favorable position to get unlimited capital at the lowest possible cost. Against this enormous landed estate there is no obligation. The money raised on it in the past through the agency of the government has all been refunded. The people as represented by the government valued the lands and risked their credit on them to raise funds for the Canadian Pacific. But the promoters of that road could find no capitalists ready to accept these lands as security.

Special Income.

Since the company placed its special income under a separate head and commenced paying special dividends out of it the public has had more information furnished with regard to it. It will be remembered that out of earnings a dividend of seven per cent. per annum is paid to shareholders and out of "special income" a dividend of three per cent. Obviously this special income must represent extraordinary resources, and so it does. Accompanying this article is a table which shows the actual income as well as the sources from which it is derived. From subsidiary lines the annual revenue is \$2,328,988, and from interest on cash proceeds and deferred payments on land, together with interest on investments made, the income is \$2,828,797. These total \$5,158,585. To pay a dividend upon a capitalization of \$180,000,000 requires \$5,800,000. Special income last year, therefore, was not quite equal to dividend requirements, but there was a balance standing to its credit of \$2,702,205. With the aid of this sum a balance forward is made possible of \$2,460,790, and it constitutes a substantial contribution to the fund required for the three per cent. dividend for the current year. There does not appear to be the slightest prospect of the fund ever being short of requirements necessary to pay the three per cent.

Land is selling at higher figures and the company are particularly active in turning it to account. Moreover, the lines which are being nursed by the company are not by any means a burden to it. Some of them which do not contribute anything to "special income" will soon do so.

Capital and Special Income.

The securities listed in Table II. accompanying this article do not constitute the whole of those coming under the head of "acquired securities" in the balance sheet and which cost the company \$80,525,353, but only those from which a revenue is derived. The large sum, on the asset side of the balance sheet representing the cost of these securities, \$80,525,353, is more than one-sixth of the entire funded debt and share capital of the company. In acquiring control and possession of the properties listed in the company's report there may be every justification from a strategic or transportation standpoint. As far as can be judged from the figures given in the balance sheet the revenue from these roads, which have cost so much money, is not equal to the capital charges on the debentures of the company issued to acquire them. They may be worth the money as auxiliaries under control which divert traffic to the Canadian Pacific system. What direct revenue is obtained from them goes into special income and from there to the shareholders. The question arises as to whether further capital raised would not be devoted to the same purpose of acquiring control and possession of other roads, and of making investments other than building railroads in Canada, the proceeds from which go to the shareholders. Capitalized at four per cent. this special income of the company would be sufficient to take care of additional funded debt of \$145,000,000; if capitalized at 4½ per cent. it would take care of \$125,000,000 or twenty millions more than the company hope to raise by an issue of \$60,000,000 at a premium of 75 per cent.