

question of the purchase of the Paris building, and also in connection with the financing, as to whether we should finance this through the syndicate, or take a loan on the building, carrying the property in the name of the Canadian National Railways, and when I say in the name of the Canadian National Railways I mean through one of the subsidiary companies. I arrived in London about the middle of August; I had cabled Mr. Aronovici to meet me there, and we proceeded to take up the question of the transfer of this building. He differed a little from me at the start whether it would be good policy for the railway to take it over, or whether it would not be better to leave the property with him. He contended he could give the railway the space required at a reasonable rental, and that he could more advantageously rent the balance of the building than if we took it over. Various discussions took place at that time in London and later on in Paris, and I found he was working up a scheme to lease to a subsidiary company, an hotel company, three of the upper floors, and from a money-making standpoint I think possibly it was a very good thing. Personally I thought it would be rather objectionable to have that hotel in the same building where we had our offices, and while I thought he might possibly make a little more money out of it from a rental standpoint than he would renting it for offices, I could not agree with him. Naturally, if he had gone on and exploited the building, even if the railway had got their space for nothing I think he would have made considerable money himself if he had handled this thing properly, because I think it lends itself for rental purposes to considerable advantage to the people who own it. However, I came to the conclusion, and in communication with the Chairman he agreed with me and I also had the advice of one of the ablest lawyers in Paris, Mr. Archibald, who was a Canadian from Montreal. He has probably one of the largest practices, and is one of the most reputable lawyers in Paris. I also had the advantage of the advice of our lawyer in London, Mr. Brown. I might say for your information that Mr. Archibald is a son of Judge Archibald of Montreal, and a brother of Doctor Archibald. I was in very close touch with him; practically no move was made from that time on without Mr. Archibald's advice and counsel. After considerable negotiation Mr. Aronovici made the statement that he did not want to make any money out of this; he agreed that he was acting for the railway, said that he did not want to make any money out of it, and he was willing to transfer this building to any company or syndicate that we might decide on, and do so in any form we might ask him to. It was therefore decided—first of all we abandoned the idea of the syndicate, because the taxes were going to run up so high, and the transfers to this syndicate were going to run up so high it did not pay us to do it. It was decided instead to form a company with a capital of 30,000,000 francs, and immediately upon its formation the company—the company was to consist of Canadian National officers, two, I think, from the Prudential Insurance Company, Mr. Archibald, and one of Mr. Archibald's partners. The company was formed, I was appointed president, and I brought Mr. Young, a Canadian, from our London office, whom I had known in the old days, a man in whose ability I had considerable confidence. I brought him to Paris and appointed him to the directorate, and made him general manager. The company was duly formed, and Mr. Aronovici immediately transferred his shares to the company. I have forgotten what the charge was, but I think it is about one per cent, which it cost us for the transfer, where if we had made the regular transfer it would have cost us 12 per cent. Taxes in France are very high. If you buy a million dollar property, they charge you 12 per cent on the transfer. If you put a 60 per cent mortgage on, or any mortgage, no matter what it is, they charge you another 11 per cent on that, and there are various other charges, so when you get through with the transfer of a piece of property in Paris, you have paid from 25 per cent to 30 per cent of the total value of the property. So it was most important that we should have