

CANADA STEAMSHIP LINES LIMITED

P.O. Box 2430

Office of the President

MONTREAL,

January 18, 1933.

Mr. G. W. Spinney,
c/o Bank of Montreal,
MONTREAL.

Re: Sinking Fund - 5% Consolidated
First Mortgage Debenture Stock

Dear Mr. Spinney:

Following my talk of yesterday afternoon with you as Chairman of the Investment Committee of McGill University, I have much pleasure in handing you the following information in respect of this issue:

The original authorization of our 5% Consolidated First Mortgage Debenture Stock and/or Bonds was in amount of	\$9,000,000
Of such authorization there was issued up to 1917 the amount of	7,120,506
Of such issued amount there was sold to the public the amount of	6,522,106
Thus leaving in the treasury of the Company for use as collateral the amount of	598,400

As this latter figure of \$598,400 was intended to be sold we have included it as forming a part of the total issue of \$7,120,506 upon which our sinking fund calculation is based; but as such amount of \$598,400 was actually retired and cancelled in 1926 it is obvious that the total outstanding issue to be retired by sinking fund operation by 1943 as per indenture, is not the above figure of \$7,120,506 but only \$6,522,106.

The sinking fund provision of this indenture requires one and one-half per cent of the total issue to be retired each year during the life of the indenture which, together with interest on bonds kept alive in the sinking fund, retires the entire amount of \$6,522,106 in 1943.

In addition to the above amount of \$598,400 used as collateral prior to 1917, there was issued a further amount of \$7,801,600 in 1921 which, added to the first named item, provided the \$8,400,000 collateral used under the 7% Collateral Trust Mortgage of 1921 which proved largely unsalable and was retired in 1922 at which time a new 7% Collateral Trust Mortgage was issued and sold in amount of \$6,000,000, the \$8,400,000 of Treasury Debentures being pledged under this lien.

As part of this transaction the bankers insisted that the annual sinking fund requirement of the 5% Debenture Mortgage be increased by one and one half per cent on the \$8,400,000 Debentures pledged as collateral as above, and sinking fund payments have been made on that basis from 1922 until February 15, 1932 notwithstanding the fact that the \$8,400,000 of Collateral Debentures were retired and cancelled in 1926 when the mortgage under which they were pledged was paid off.

Not only, therefore, have we paid the sinking fund on bonds used as collateral only from 1922 to 1926, but from 1926 to 1932 we have continued such sinking fund payments on the above amount of bonds which were actually retired and cancelled in 1926.

The result of this policy is that on February 15, 1932, the date of the last sinking fund payment, such sinking fund was overpaid in amount of \$1,156,656, which rate of payment if continued would retire all 5% Debentures by 1936 instead of 1943, or seven years before maturity.

The legal opinion now furnished to us is that we have overpaid the sinking fund in the above amount and in this connection we refer you to Article 10 of the 5% Trust Deed, reading as follows: