

Ladies and Gentlemen,—

Through the temporary absence from Canada of our respected president the honor of presiding over the annual meeting of the shareholders of this corporation has again been conferred on me.

The business of the past year has, on the whole, proved satisfactory, but there are good reasons for believing that the records of the year on which we have now entered will prove much more so. In consequence of the delay in completing the new offices we were unable to bring our staff together in one building until late in the year. The business of the company could not, therefore, be carried on so effectively or so economically as it will be henceforward. It is well known that owing to the several years of extreme depression in the selling value of real property which immediately preceded the formation of this corporation, a great number of properties were on the hands of the several companies which were parties to the amalgamation. Although a large proportion of these were producing rentals, and that generally they were taken over at safe and conservative valuations, the care of these properties and the collection of rentals involved much labor and added to the expense of management, which, together with the frequent outlays for taxes, insurance, and repairs, rendered them undesirable assets for the company to hold. Our main efforts during the past year were, therefore, directed to the disposal of these securities, with the result, as stated in the report, of reducing them by more than one-half. In a great many cases they were sold at a profit on the sums they were taken at on our books, on others loss was sustained, all of which was written off from the profits of last year. The effect of these sales will be to add to the earning power during the current year. Since the closing of the books the sales effected have been more than double what they were in the same period in 1901, and if present indications are realized by the close of the present year, that class of assets will be reduced to a figure so small as to cease to have any appreciable effect on the general profits. Until that is the case, the normal profit-earning power of the Company will not have been reached. The marvelous expansion of Canada's foreign commerce and manufacturing industries within the last few years, together with the rapid and successful development of the agricultural and mineral resources of the Dominion, justify the confidence the directors feel that not only will present expectations as to the disposal of properties be realized, but that the field for the profitable investment of the company's capital will be still further extended and improved.

It is gratifying to notice the large and growing amount of Canadian Capital invested in the Company's Currency Bonds, evidencing not only the accumulation of wealth in this community, but also that safe securities are preferred by prudent investors to investments offering a higher rate of interest, but not so entirely free from risk or fluctuation in value.

Since the last annual meeting a branch office has been opened in Edmonton, N.W.T. The several Branches of the Corporation, extending from the Atlantic to the Pacific Ocean, though attended with some additional expense, bring our business into touch with every part of the Dominion where Capital is needed and good securities are offered, and insure the steady employment of the Company's funds at remunerative rates of interest.

The recent death of the General Manager, Mr. Walter S. Lee, was as unexpected as it is deplored. During the two years I had the pleasure of being his colleague in the management of the Company, I had learnt to appreciate, more than I had ever done before, his genial disposition and kindly consideration. No one was more ready to do an act of kindness than our departed friend, whose loss we all feel.

I beg leave to move: That the Report of the Directors be received and adopted, and, together with the General Statement, be printed and a copy sent to each Shareholder.

The 2nd Vice-President, Mr. W. H. Beatty, said:—

In seconding the adoption of the report, which it gives me very great pleasure to do, it is not my intention to take up your time but for a very few moments. There may be, however, some matters in connection with the business of the Company that it will be interesting for you to hear. You will remember last year that I stated to you what it was proposed to be done about the properties on hand, and the course then outlined has been carried out. A very great many properties have been disposed of, amounting to a very large sum, and generally at satisfactory prices. In cases where losses have been made, they have been written off. The sales amounted to a very much greater amount than we could have anticipated. The mortgages taken as security are now bearing interest, but it will be the policy of the Company not to take credit for the interest on all these sales until they find they are quite sure that it is in each case safe to do so, and it has not been done; and not only do they not take credit for the interest in such cases, but they deal in a similar manner with all others where there is the slightest doubt as to their being absolutely good. In the years gone by, when the present managing director, Mr. Mason, was president of the old Canada Permanent, it used to be told of him that he had some sort of reserve that did not appear in his statement, and I am quite sure now that he is taking the same precautions that he has always done, and not showing anything that is not absolutely good, and that there is some more that is probably good, although not taken credit for in the statement submitted. If you gentlemen had known last year what your directors had to face and know what has been done, it would be a matter of great surprise to you. I am one of those directors who believe it is not necessary to state in detail all that is done, or how it has been done, or what is intended to be done, but to do the best that can be done. In this company the directors were not only looking after your interest as shareholders, but while they were looking after yours they were also deeply concerned in looking after their own interests as shareholders. Perhaps some of you may know it, but there are some of you who do not know it, that the directors themselves are shareholders to a very large amount. The Toronto directors represent among themselves their own individual holdings, and that of their respective families, and as trustees for others, over \$1,200,000 of the stock of the company, that is, over one-

fifth of the total stock, and beyond this are holders of the bonds and debentures of the company or on deposit receipt to an extent of about \$500,000, so that you may be sure everything will be watched and everything done to promote the company's good. I desire again to allude to what was mentioned to you at the last meeting of the shareholders. The same policy is being pursued this year as to the properties still remaining on hand. The committee of the directors specially named, including some who are not on the Executive Committee, look after the disposal of the properties and report periodically to the Executive Committee. We trust by the end of the year the properties on hand will be reduced to much smaller dimensions, so as to have nearly all of our money bearing interest, although the full benefit of this will not be reaped probably until some time during next year. Immediately after the annual meeting last year, when you were good enough to elect me as a Director, and the Directors elected me as one of the Vice-Presidents, I decided, as the Company had loaned a very large sum in Manitoba, and intended loaning there as much more as possible so as to secure the higher rate of interest, that I would visit the Province of Manitoba, the North-West Territories, and British Columbia, and it was arranged that the late General Manager should go there with me, so that we might get a better knowledge of the country, and see the officers, agents and appraisers of the Company. This was done not for the purpose of making an inspection of the loans, except in a few cases in the City of Winnipeg, but to obtain a general knowledge of the country. We found the affairs of the Company in good shape, in short, efficiently looked after and managed. It is needless for me to say anything about Manitoba, so much has been said, so well and so often. I may, however, say this, that in some years past people used to look upon the lands in Manitoba, that section number one was as good as section number two, and that section number three was as good as section number one, and that all lands were good alike. I was driven by one of the agents through a part of Manitoba supposed to be as good as any of it, and there I found the lands as variable as they could be found any place, and you would find a quarter section of land which was probably, with the improvements on it, worth from three to four thousand dollars, and the adjoining quarter section not worth as many hundreds, being sand hills, showing to me how careful the appraisers must be in making their valuations. Before leaving for Manitoba I asked Mr. Harris, the former manager of the Canada Permanent at Winnipeg, to give me a list of the districts, classifying them as first-class, second-class, third-class, and a class not to be loaned in, and whenever I met any of the agents, appraisers, or inspectors, and after a full consideration with the manager, Mr. Fisher, and the chief inspector of the company, I found Mr. Harris' view of the parts of the province on which we should lend was absolutely correct, and on my return I asked Mr. Harris to make me a map showing this, and marking the first class blue, the second class red, and the third class yellow, and others marked green not to be loaned on. And if any of you gentlemen desire to more fully investigate this after the meeting you can look at the map which I have here. We proceeded to Calgary, and had intended going up to Edmonton to look over the country as to opening a new branch there, but unfortunately just at that time the road had been blocked for several days, and was in an unsafe state, and we proceeded west to British Columbia. Subsequently the manager at Winnipeg went over the ground to ascertain where was the best place to open an agency in the North-West Territories, and decided it was Edmonton, where, as you are aware from the remarks of the chairman, an agency has been opened, and we are doing a fair amount of business, and at good rates. British Columbia did not strike me as a very good field for investing the money of the corporation. Perhaps it may be that I was there at a time when everything was terribly depressed, and the miners' strike was on, and there were very few of the mines paying dividend. They had a fishermen's strike, and everything looked blue, and everybody felt blue. Things have somewhat improved since, but we are proceeding there with very great caution.

I cannot close my remarks to you without expressing my very great regret in alluding to the loss the company has sustained in the death of Mr. Walter S. Lee, the late general manager of the company. You all knew him and knew how much he was respected, and travelling with him through the West I found he had a most intimate knowledge of the country and a complete grasp of the company's affairs. We shall all miss him, both for his business qualities as well as those which endeared him to all who knew him. In this connection let me say that it was most fortunate for the company that Mr. Mason, the present managing director, was in such good health that upon the directors requesting him to take the reins again, and become managing director, he took the matter into his consideration, and accepted the position, having before accepting consulted the heads of the departments under him, and upon their expressing their desire that he should become managing director, and promising him the most loyal support, and that he should be relieved in every possible way from doing any more detailed work than was absolutely necessary, he decided to accept. I called his attention to a speech made by Andrew Carnegie, as to his simply holding the reins, or holding the wheel, and doing the driving, and not doing any too much work himself. Beyond this it was of very great importance that we should have in that position a gentleman who had the confidence of the community, as well as the Scottish and English agents. As you well know, gentlemen, we are not simply loaners of money, we are borrowers of money to loan again and make a profit on it, and unless we are able to retain the moneys that we have borrowed on deposits, on sterling debentures, and currency debentures, our business would not prosper. The agents in Britain with one accord wrote to Mr. Mason congratulating him and congratulating the Company on his appointment, at the same time desiring him not to overtax his strength. In consequence of the war principally, we have not been able to get the rate of interest upon our debentures as low as we would have liked, and you will consider it a singular thing when I inform you that we have borrowed money in this country cheaper than we have been borrowing it in England.

I have much pleasure in seconding the motion for the adoption of the directors' report.

The report was unanimously adopted.