

NEW CANADIAN PACIFIC TRUST FUND CREATED

Stockholders Will Be Offered Note Certificates at Eighty—What It Means—Record of "Rights" Given By the Corporation.

A trust fund, to be known as "The Special Investment Fund," made up of deferred payments on land sales and securities in which the cash proceeds of land sales are invested, to the aggregate of \$55,000,000, was created this week by the Canadian Pacific Railway at a regular meeting of the directors at Montreal. The Royal Trust Company of Montreal is named as trustees of the fund.

It was decided to offer the holders of the ordinary capital stock of record December 23, 1913, in proportion to their respective holdings, \$52,000,000, note certificates, carrying interest at the rate of 6 per cent. per annum, payable semi-annually, at the price of 80 per cent., of their par or face value.

The Canadian Pacific Railway engages and promises that the interest on the note certificates will be promptly paid and that all of the note certificates will be redeemed at their face value on or before March 2nd, 1924, but they may be redeemed in part, by drawings, at any time when the trustees have funds in hand for the purpose.

As to Amounts Accruing.

The amounts accruing from time to time, from deferred payments on lands heretofore sold, and the interest thereon, and from securities in which the proceeds of land sales have been invested, will be utilized by the trustees, in so far as may be necessary, or will be supplemented by the company, if required, to effect the payment of interest on the note certificates, and the repayment of the principal on, or before, maturity.

The creation of the new trust fund had a depressing effect on the stock markets. This may have been due to hasty conclusions as to the exact significance of the fund. A decline occurred in Canadian Pacific shares in the London market upon receipt of the announcement, one cable message stating that this was due to disappointment over the new scheme. The New York market followed suit and the shares opened nearly four points lower. The disappointment there was explained because the value of the subscription privilege to the new note issue was not greater. The stock also became weak in Berlin. The Montreal and Toronto markets acted in sympathy with the leading markets.

As the market had been prepared somewhat for the announcement, first by the address of Sir Thomas Shaughnessy at the recent annual meeting and a few days ago by a statement issued by Sir George Paish, which could have come only from Sir Thomas Shaughnessy, it is reasonable to suppose that the stock should recover rapidly. The trouble appears to be that market followers expected more than was given.

What Shaughnessy Says.

Discussing the new scheme, Sir Thomas Shaughnessy says: "Railway companies in the United States are required to segregate their railway earnings proper and their income from other sources, and, while there is as yet no similar legal requirement in Canada, we have, as you know, recently made such a change in our system of accounting as to practically conform to the practice of other railway companies, but we still include in the earnings of the railway the returns from our commercial telegraph system and our Pacific Coast steamships. In the next annual report the revenue from these sources will be treated as special income, and, of course, there will be a corresponding reduction in the gross and net earnings of the railway."

Instalments and Income.

"To prevent large areas of your land from being purchased and held for speculative purposes, regulations were adopted last autumn limiting sales to actual settlers, and, in order that it may be as easy as possible for settlers to purchase and develop lands, only one-twentieth part of the purchase price is required to be paid down and the balance is spread over a period of twenty years, with interest at six per cent. This policy should have the effect of bringing your lands under cultivation with increased rapidity, and, while the cash instalments will be less than heretofore, the deferred payments carrying interest will yield a larger income."

After explaining that the present estimated market value of these lands and townsites still belonging to the company was \$129,021,500, Sir Thomas continued:—

"Your directors have been considering the desirability of conveying these lands, townsites and other interests to a company in exchange for all its capital stock, to be held in your treasury and taken into the balance sheet with your other assets, but a conveyance of that description has its disadvantages, particularly with reference to the lands, and

it is probable that the same end may be accomplished by the creation of an investment fund to be administered by trustees or by officers of the company specially designated. In any event your directors will endeavor before the next annual report is published, to devise some plan for reconstructing the special income account and showing your extraneous assets in more definite and tangible form. Meantime, while the present policy, in dealing with your land sales, will remain unchanged and the proceeds will be conserved as heretofore, it is felt that the cash proceeds of sales in your townsites, which last year amounted to \$1,409,737.44, may, with propriety, be taken into special income, to be dealt with as the directors, in their discretion, deem best."

What the Fund Means.

In an interview at Toronto, Sir Edmund Osler, director of the Canadian Pacific Railway, said: "We are simply putting aside the deferred payments upon Canadian Pacific Railway lands already sold, together with the securities bought with money for lands already paid for, issuing \$52,000,000 ten-year notes against that security, allowing them to shareholders at 80 cents on the dollar, and netting the railway company some \$40,000,000. This fund is to be used for railway purposes. The Canadian Pacific Railway will require money. It is double-tracking the system, building tunnels, constructing branch lines, and so forth. The idea is to get the money needed for future work of this kind now."

"This plan was considered as a good way of raising money. It is the policy of the Canadian Pacific Railway always to look ahead, and always to have money. Where would the Canadian Pacific Railway have been this year if it hadn't had lots of money, with all the new works it has on hand, and the money market as it is? The man that waits to borrow money until he wants it has to pay dearly for it. The Canadian Pacific Railway always looks ahead and raises money before it is actually in need of it."

Ten Millions for Shareholders.

Sir Edmund explained that shareholders were offered these new notes at the ratio of one to five of their Canadian Pacific Railway shares. They would pay 80 for \$100 notes. So that if a Canadian Pacific Railway shareholder owned 100 shares of Canadian Pacific Railway valued at a par value of \$10,000 he could buy \$2,000 worth of notes for \$1,600. The notes bear interest of 6 per cent. on their par value, which is equal to 7½ per cent. on the money invested, as they are to be issued at 80. Thus the shareholder would get \$400 bonus if the notes could be sold at par, which bonus would be equal to 4 per cent. on the par value of his 100 shares of Canadian Pacific Railway stock. The total bonus to shareholders who take up the new trust fund notes will amount to \$10,400,000.

The notes, it is anticipated, will sell at about 95 when they are issued next March. The credit of the Canadian Pacific Railway is excellent, and, as the notes may be redeemed in part by drawings at any time, their market price is not likely to drop much below par. A speculative element is given in the fact that the investment return offered by subscription at \$80 is 7½ per cent. In ten years at the most the holder of the note receives par for it, and this appreciation of \$20 may come at any time, within one or two years, through the operation of the drawing plan.

Deferred payments on land and townsite sales, which are now to be capitalized, according to the last annual statement of the Canadian Pacific Railway, amounted to \$44,499,115, in addition to which are the securities held by the company in which the proceeds of land sales have been invested. Fuller details of the assets which will form the basis of the fund to be administered by the Royal Trust will be made known shortly.

The Grand Trunk Pacific are erecting their temporary depot at the head of Main Street, Moose Jaw, and will give a passenger and freight service. The company have their line completed forty miles north-west of the city and are hauling grain east over their new line. The Canadian Northern Railway have their buildings erected on their temporary station site on South Hill, and have made application for permission to operate on their new line from the south into the city and a daily service will be given immediately. The company are making headway on their viaducts across the Moose Jaw River. The work of making an entrance to the city has been hampered by the trestle work necessary in making the double crossing of the river.