Clarkson, McDonald, Currie & Co.

Sheet No. 3   *Date* 10/3/32   *To* Sir Arthur Currie, G.C.M.G.,
                                                   K.C.B., LL.D., D.C.L.

The Canadian public utility group of bonds includes bonds of two fundamentally different classes:

(A) First Mortgages.
(B) Collateral Trust Bonds secured by issues of subsidiary companies.

Bonds included in the first class are Duke-Price Power Company, West Kootenay Power Company and Gatineau Power Company 5's. An outstanding example of the Class B are Beauharnois Power Corporation 6's. An explanation of what can happen to such collateral debentures in the case of reorganization has been furnished by the history of the Canada Power & Paper debentures, which were secured by the common stock of the Laurentide Company.

Another comment which I wish to make on the Canadian public utility holdings of the University is that, although there is diversity as regards a large number of corporations, nevertheless in my opinion too many of these corporations are inter-related. For example, the University is shown to hold bonds of the Power Corporation of Canada. This corporation, I am informed, controls the following power companies whose bonds appear in the public utility list:

Canada Northern Power Company
East Kootenay Power Company
Manitoba Power Company
Montreal Island Power Company
Northwestern Power Company
Winnipeg Electric Company.

It also has substantial interest in the British Columbia Power Corporation and its subsidiary, Western Power of Canada. You will, therefore, note that the University's holdings of bonds of companies associated with the Power Corporation of Canada are very heavy and, in my opinion, diversity should cover ownership as well as corporate entity and location.

The list of Canadian industrials should be given very careful analysis. In my opinion, the bonds of the Canada Cement and St. Mary's Cement are good. On most of the others I have not sufficient information to give an opinion but I do not think that Eastern Dairies is the sort of bond that should be purchased by the University. As I