

Bonds for Trustee Investments

We will be pleased to forward upon request a list of high grade securities suitable for the investment of trust funds.

Correspondence Invited.

Wood, Gundy & Company

"Any system or organization we may adopt must be engrafted upon the existing conditions. We cannot impair the usefulness of existing banks, or take away from them any of their functions. If we are to have an organization outside of them, and outside of the present clearing houses, it must be one that will be servant and not master of existing organizations. We must remember that, after all, monetary science is not an exact science. Political economy has no laws that can be applied to every community successfully, nor to every community under all circumstances. That system is best for any country which best responds to the needs and requirements of its people."

The United States Monetary Commission will publish several books and reports on the Canadian Banking System. A sub-committee of the Commission visited Canada a few weeks ago.

NOVA SCOTIA STEEL AND COAL.

Analysis of the Company's Position—Recent Financing—Available Ore.

Monetary Times Office,
Montreal, December 9th.

The general situation regarding Nova Scotia Steel and Coal, and more especially the recent action of the directors in declaring the 20 per cent. stock dividend and 1 per cent. cash dividend, continues to form a subject of conversation and criticism. Brokers find in it a prolific source of material for their weekly letters. Messrs. F. B. McCurdy & Company, brokers, of Montreal and Halifax, have compiled statistics showing the evolution of the company and its present condition. These have not heretofore been published and are unusually interesting. The companies acquired by the Nova Scotia Steel & Coal Company have been:—

	Established	Acquired	Cash Invested
The Nova Scotia Forge Co...	1872	1889	
Nova Scotia Steel Company...	1882	1889	\$400,000
New Glasgow Iron, Coal & Ry. Company	1891	1895	255,000
Wabana iron properties.....	1893		
General Mining Association ..	1829	1900	
The cash paid into the treasury of the company from time to time has been:			
From original shareholders of Nova Scotia Steel & Forge Company and New Glasgow I.C. & Railway Company, as above.....			\$ 655,000
From sale of \$1,030,000 8 per cent. preferred cumulative stock at 90			918,000
Sale of \$2,000,000 common stock at 92½.....			1,850,000
Sale of Belle Isle property to D. I. & S. Co.....			1,000,000
From earnings now at credit of reserve and undivided profits			2,868,835
From sale of \$3,500,000 5 per cent. bonds and \$1,000,000 6 per cent. debenture stock.....			4,230,000
Total			\$11,521,835
From this total should be deducted the difference between price realized by company on its old 6 per cent. bonds and premium at which they were retired, say			\$ 817,500
			\$10,704,335
The securities outstanding are:			
5 per cent. bonds	\$3,500,000		
6 per cent. debenture stock.....	1,000,000		
Preferred stock	1,030,000		5,530,000
			\$ 5,174,335

Against the present outstanding issue of \$5,000,000 common stock, which is to be increased to \$6,000,000 this month.

Notices have been received by the shareholders of the company calling a special general meeting of shareholders

to be held at New Glasgow on Wednesday. The statements made by Mr. Robert E. Harris, K.C., president of the company, in the circular referred to, are answer to many recent criticisms. He says: "During the past eight years, the directors have expended a sum exceeding \$1,500,000 out of the earnings of the company for improvements and extensions, which in the ordinary course would be payable out of capital account. This expenditure of earnings on capital account necessitated sometimes a reduction and at other times a suspension of dividends on common stock. Your directors, however, believed, and still believe, that the course pursued was the one best calculated to promote the interest of the shareholders."

It requires but little calculation to learn at what price this new stock is being issued to shareholders. The company has received \$1,500,000 in money, by its action in not paying dividends, and it now issues 1,000,000 of new stock, as a bonus, to present shareholders. The criticism that it is increasing its stock without receiving a quid pro quo, in view of the president's statement, falls, the stock having really been issued at a premium of 50 per cent. above par and 100 per cent. above the late selling price. As compared with their previous position, the shareholders have been presented with an acknowledgment in the shape of 20 per cent. new stock.

As to Methods of Financing.

A further paragraph of the notice furnishes an answer to the criticism that the directors, after taking counsel with Montreal and Toronto financiers, preferred to adopt the course they have taken. The inference from that objection is apparently that the directors had made a mull of their financial attempts. It is said on excellent authority that the financial plan proposed to them was to issue 5 per cent. debenture stock at 90 or 91. What they actually did is told in the paragraph referred to:

"The board desires to avail itself of the present opportunity of informing the shareholders of the greatly improved condition of the finances of the company. Of the \$6,000,000 of 5 per cent. bonds and \$1,000,000 of 6 per cent. debenture stock authorized, \$3,500,000 of the bonds and all the debenture stock have been disposed of in Canada at prices which, after payment of expenses of every kind connected with the issues, netted the company over 94 per cent. of par."

That is, instead of 6 per cents. at 90 to 91, they issued 5 per cents. at 94. It is understood that the balance of the bonds can be issued in England at between 93 and 94 per cent. whenever their sale becomes desirable.

Output and Profit.

The Monetary Times was this week shown letters, plans and calculations of an official nature, from which it is evident that not only is Scotia's potentiality unascertainable by many millions, one way or the other, but that the company's earnings, even within the near future, show large increases. Here is a portion of a letter dealing with the iron ore output of the company and the profits thereon, the profits being manifestly actual and not estimated:

"Regarding the iron ore, there is an output of 460,000 tons per year and a plant having a capacity of handling 600,000 tons per year is being installed. The profit on the ore is from \$1 to \$1.50 per ton."

Regarding the coal is the following statement: "The present output of coal is 800,000 tons per year and the output contemplated for the near future is 1,000,000 tons per year. On the portion of the output sold, the profit is about 50c. per ton."

These statements apply to the present or the near future—possibly next year—and show a profit of, say, \$750,000 per year on ore and \$500,000 on coal. Leaving out the odd quarter million, one million remains. The interest and dividends on the present bonds, debenture stock and preferred stock, amounts to \$317,400 per year, so that a balance of \$682,600 would remain against dividends on the new capitalization of \$6,000,000—over 10 per cent. The remainder of the bonds, when issued, and the debenture stock, if increased, would draw further upon earnings; but in the above estimate the profits on the iron and steel

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