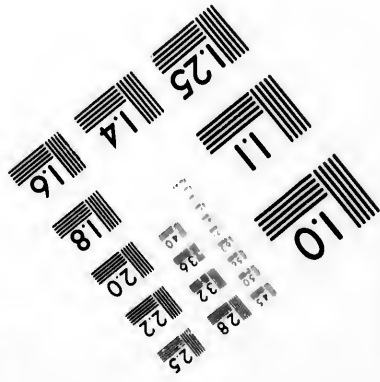


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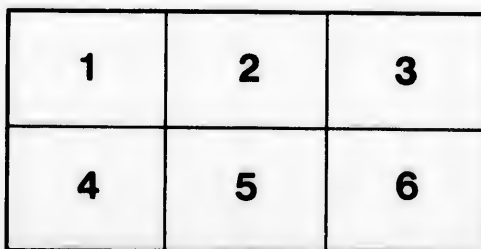
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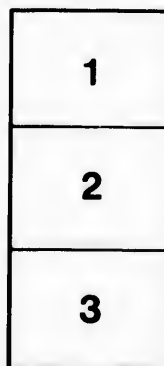
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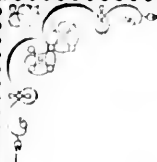
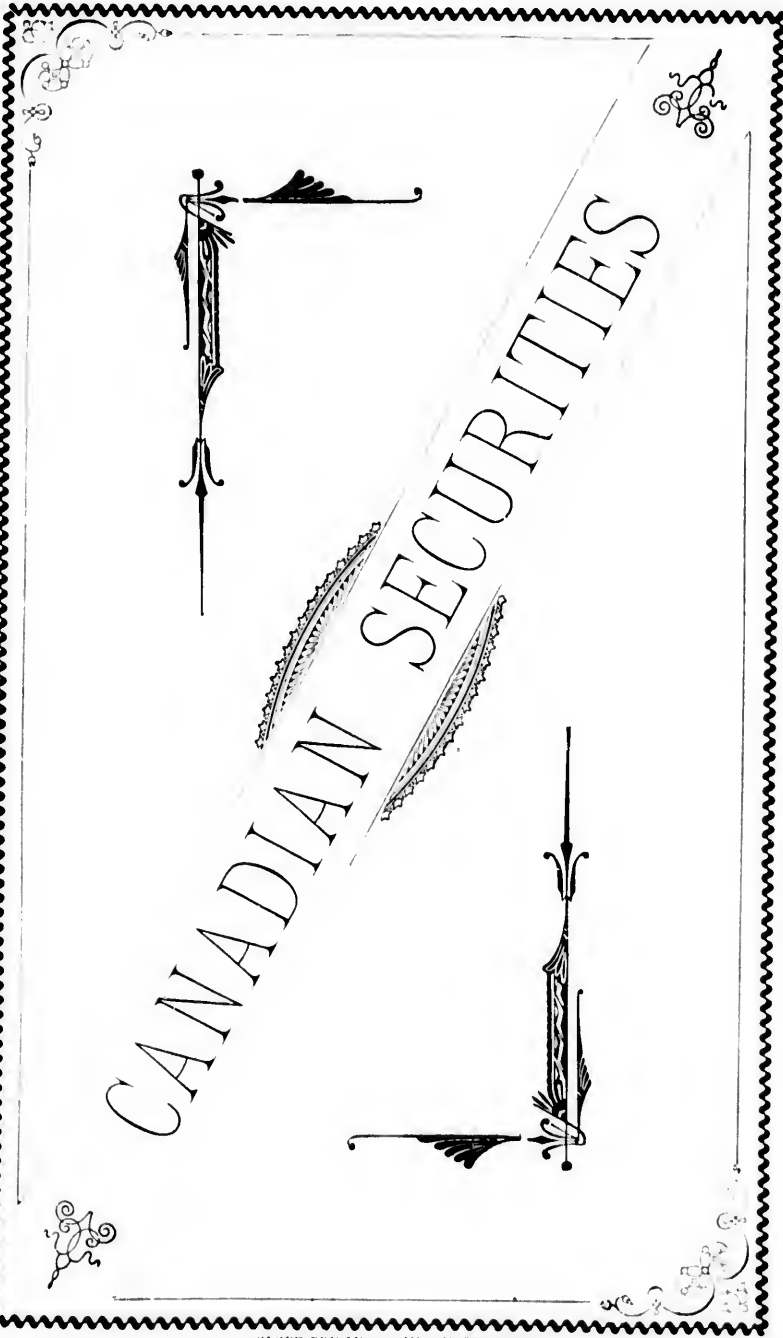




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CANADIAN SECURITIES

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Canadian Securities

MEMORANDA

EXPLAINING THE NATURE OF CANADIAN
SECURITIES MORE IN DEMAND FOR
ENGLISH INVESTMENT

BY

MESSRS. PELLATT & OSLER

NORTH OF SCOTLAND CHAMBERS, 18 KING ST. WEST
TORONTO

NOVEMBER, 1879

1879

(10)

MEMORANDA
OF
CANADIAN SECURITIES,

*Explaining the nature of those more in demand for English
Investment.*

BANK STOCKS.

These, with similar stocks all over the world, during the past few years have not been favorite securities in consequence of large losses sustained by shrinkage in merchantable values, and the long depression in every department of trade.

There are now gratifying signs of returning prosperity, and those Banks in condition to take advantage of it—and many of them are—will do a more profitable business, and their shares in consequence will become more valuable.

All Bank shares, with one or two minor exceptions, are fully paid up, and in case of failure carry only a further liability equal to the face or par amount of shares severally held, and are not therefore responsible for default on the part of impecunious shareholders; *e.g.*, the holder of a share of \$50 is only liable to pay \$50 more.

LOAN COMPANIES STOCK.

These have always been deservedly popular investments, and for years have been advancing in value, owing chiefly to careful management and the continued growth and influx of settlers taking up land. Most of the Companies have accumulated large reserves, enabling them to declare steady and profitable dividends, ranging from 7 to 12 per cent.

Their resources—paid up capital, deposits, and proceeds of debentures sold—with the exception of a proper and expedient amount kept in more readily convertible securities, are invested in first mortgages upon real estate, principally farm property, and loans rarely exceed one half the value thereof, and would probably average only £300 stg.

The subscribed capital as a rule is fully paid up, and shareholders have no further liability.

DOMINION GOVERNMENT SECURITIES.

These are so readily purchased in Great Britain and the United States, that they are rarely obtainable in this country. They return the holder from 4 to $4\frac{3}{4}$ per cent.

ONTARIO GOVERNMENT SECURITIES.

The Province of Ontario—undoubtedly the “Garner” of the Dominion—has no stock or debenture debt. It however issues aid to railways which may run to the inland waters and through the back country, thus to a certain extent becoming colonization roads and forerunners of emigration and settlement. The Government has no interest in the profit or maintenance of the roads.

The “aid” is in the shape of scrip for from \$2,000 to \$4,000 per mile, spread over fifteen to twenty years, payable half yearly without interest, and can be purchased—by in effect discounting them—to realize from 5 to $5\frac{1}{4}$ per cent. per annum. They are difficult to get, as there are always greedy purchasers whenever they appear in the market.

They are drawn payable to a certain railway, and by Act of Parliament become “scrip to bearer” after endorsement by the Railway Company, and the owner's name can be registered at Government if desired.

MUNICIPAL BONDS OR DEBENTURES.

These are issued to "bearer" by counties, townships, cities and villages, for the construction of public improvements, aid to adjacent railways, or encouragement to manufacturing industries.

The former (public improvements), such as Water or Gas Works, are often self-sustaining, and will in addition return a profit as wealth and population increase. The aid to railways in most cases has returned advantages to the municipality of much greater value than any money consideration.

The debenture debt thus in many instances is more than covered by the value of public works and municipal property, without reference to taxation, while the whole assessable property—private and public—is liable for the debentures, and it will therefore be readily recognized why they rank in the highest class.

County and township debentures are the favorites, principally for the reason that fires cannot destroy property to the same extent as in towns or villages, and it is generally known that no county or township in Ontario ever made default either in interest or principal.

The bonds of the larger cities are next in favor and rank as first-class, more particularly those of the Cities of Toronto and Montreal, whose population and business have made great progress in the last few years.

The following table of assessable property, debenture debt, &c., in a few cases is compiled from official statements, to show the absolute safety of these securities :

City of Toronto Assessment.....	\$49,748,774 00
" Debt.....	5,800,405 85
Estimated value of property owned by the City Corporation.....	5,000,000 00
" Revenue other than Taxation.....	268,000 00

	Amt. of Assessment.	Total Debt.
County of Perth.....	\$15,373,245 00	\$164,000 00
" Carlton.....	9,759,424 00	80,000 00
" Essex.....	7,451,676 00	21,600 00
" Prince Edward.....	7,211,082 00	60,000 00
* Township of Mornington.....	1,657,727 00	40,500 00
" Elma.....	1,323,775 00	13,000 00
" Elderslie.....	1,747,434 00	35,000 00
" Normanby.....	1,000,872 00	80,000 00
" Amabel.....	800,000 00	40,000 00
" Keppel.....	467,500 00	30,000 00

In addition to above, in most instances the municipalities own property to considerable value; as, for example, the City of Toronto owns its Water Works, costing \$2,500,000, and city property, real estate, the Esplanade, &c., worth probably \$2,500,000 more.

The following memorandum from an eminent Counsel explains the Municipal Acts by which bonds or debentures are created :

* Townships contain from 50,000 acres, upwards.

MEMORANDA

*For MESSRS. PELLATT & OSLER as to Municipal Securities
in the Province of Ontario.*

The basis upon which all these securities rests is the Assessment Roll.

A separate Assessment Roll is made for each municipality, except counties.

On this Assessment Roll is set down all the real and personal property liable to taxation within the municipality.

The Roll is required to be sworn to, and an appeal lies to the Court of Revision of the Municipality, and afterwards to the Judge of the County Court, against errors in and omissions from Roll.

A new Roll is made every year, and notwithstanding any error or omission committed in or with respect to it after revision, it is conclusive upon every person concerned.

All assessments for the year, and all assessments necessary to meet payments on account of debentures, are made upon the basis of the Assessment Roll as finally revised.

It is made the duty of the Council to levy on the whole ratable property of the municipality a sufficient sum in each year to pay all valid debts, whether of principal or

interest, of the Corporation falling due within the year, but the Council are limited to levying more than an aggregate of two cents on the dollar of the actual value of the property, exclusive of school rates; but this can never operate to the prejudice of the debenture holder, because his debt is a first charge upon the property of the municipality.

The Council have no right, without the consent of the ratepayers, to borrow upon the credit of the municipality, except some temporary loans which can be made in certain cases to meet the expenses of the year, until the collection of the taxes for the year.

The power of borrowing by the issue and sale of debentures extending over a number of years is *vested in the ratepayers of the municipality* who are *freeholders*,* or who are *leaseholders the terms of whose leases extend beyond the period prescribed for payment* of the principal and interest secured by the debentures. Other ratepayers have no right to vote on these by-laws.

A majority of the votes polled, if cast in favour of the by-law, is sufficient to carry it.

Careful provision is made for a scrutiny into the validity of the vote within a certain time after it has been taken.

* Nearly the whole of the land in Canada is owned by the farmers who till the soil. A leasehold farm is quite an exception.

Publication of a notice to the electors of the time when the vote will be taken is required to be made a considerable time before it is taken.

The by-law itself must recite correctly the whole amount of the debt of the municipality, the amount of the assessment, and on the face of it provide for the payment of principal and interest within the period prescribed, which must not be more than twenty years at farthest from the time when the by-law takes effect.

The debentures are issued and disposed of under the direction of the Council, and will pass from hand to hand, as all negotiable instruments do.

The method of collecting the amounts to meet the sums payable under the debentures for principal and interest is the following :

In each year the Clerk of the Municipality makes out a Collector's Roll, on which he enters, along with the other rates of the year, the special rate for the debentures.

This rate is collected and returned to the Treasurer of the Municipality, who is required to keep it separate from the other funds of the municipality.

It is not possible to refuse to levy this rate, as the performance of this duty will be enforced by our Courts of justice, and the money levied will be treated as a trust fund which can be followed.

In practice, I believe no difficulty has ever occurred in reference to the levying of these rates.

No by-law creating a debt can be repealed.

The debt secured by the debentures are made a charge upon the whole of the property of the municipality.

Sometimes the money borrowed is for the purpose of a locality in the municipality, and then it is a charge upon the particular locality.

This will always appear from the by-law under which the debentures are issued.

All that I have hitherto stated applies only to municipalities other than counties.

County municipalities, which are governed by representatives from each of the minor municipalities, make no Assessment Roll, but they take all the Assessment Rolls of the union municipalities,* and after equalization, so that the various different assessments may be brought into harmony with each other, they levy the sums necessary to be levied for county purposes upon the whole of the minor municipalities, and the sums which they thus levy are collected the same as the rates of the local municipality.

Where County Councils desire to borrow sums exceeding in any one year \$20,000, the by-laws for borrowing must

* For this reason the townships have an interest in keeping their assessment valuation as low as possible.

be submitted to the same class of ratepayers who have the power in reference to the loans of minor municipalities in all the minor municipalities composing the county, and must be carried by a majority of their votes; and all that I have already written will apply to such loans to the County Corporations.

JAMES BETHUNE, Q.C.

16th Oct., 1879.

The above bonds—counties, townships and cities—can be purchased to return a net interest to the English investor of about $5\frac{1}{2}$ to 6 per cent. per annum, even after taking into consideration the cost of transmitting the purchase money and collecting the interest, which as a rule is payable half yearly.

Orders for the purchase of any Canadian securities may be sent to us direct or through our Agents, and money can be remitted by bank draft on London, payable to our order, or may be deposited with either the National Bank of Scotland, London or Edinburgh, or with the Bank of Montreal, 9 Birchen Lane, London, for credit of our Bankers in Canada.

The Canadian *monetary standard* is gold, and the equivalent of £1 is \$4.86 $\frac{2}{3}$, at which rate all conversions are made.

Thus, an investment of \$10,000 in Canadian securities would cost £2,054 15s. 11*d.* This invested in Bonds, at *par*, yielding 6 per cent. interest, would give \$600=£123 5s. 9*d.*; deduct cost of collecting and remitting money, say *at outside* 1½ per cent.—£1 17s.—would leave a net return of £121 8s. 9*d.*, equal to 5·91 per cent. on the investment.

Investments in stocks or other securities would of course give a higher or lower return according to rate of interest and price.

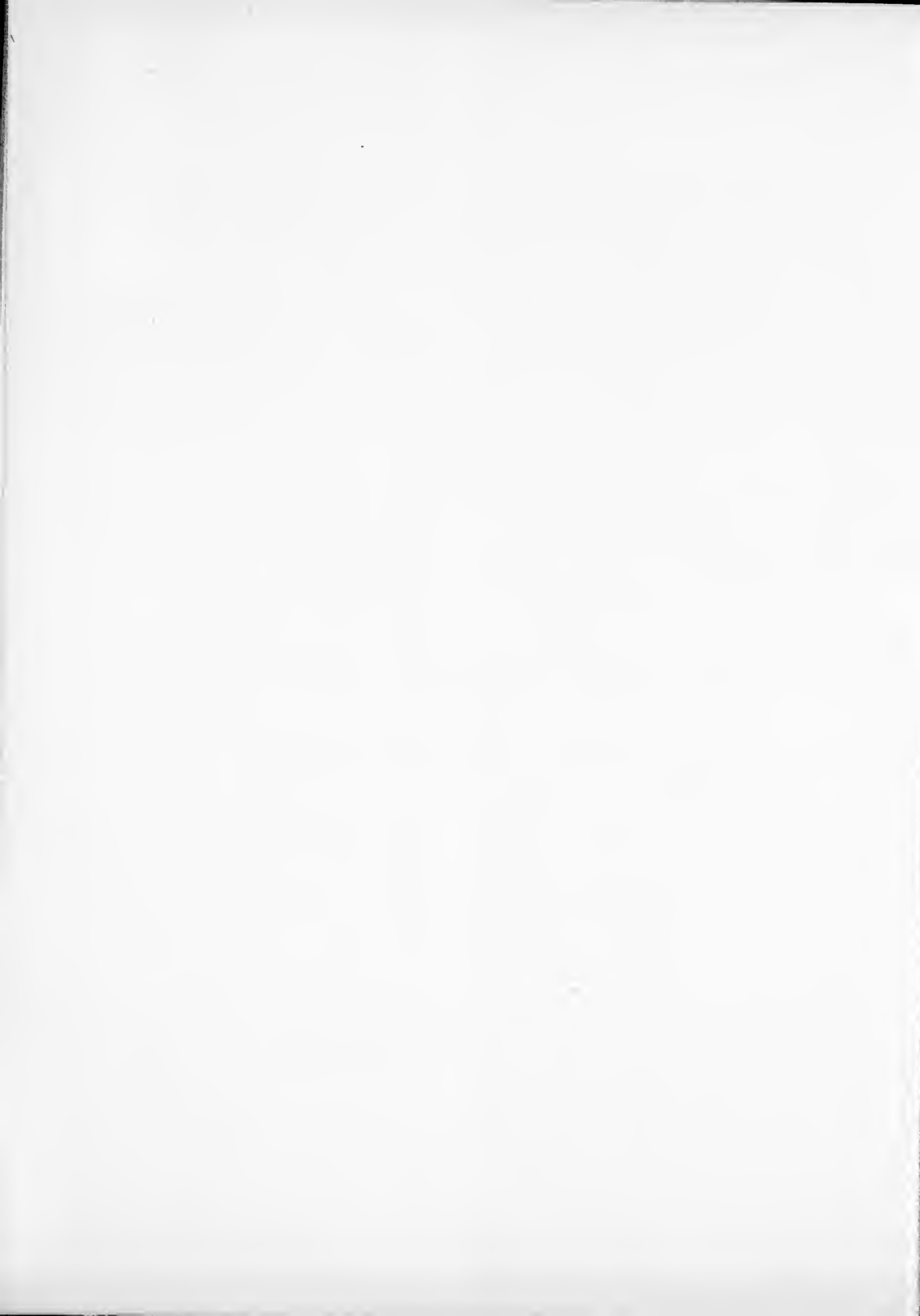
We collect coupons and dividends, making remittance by bank draft on London, and the cost will in no case exceed 1½ per cent.

Our Bankers in Canada are "THE DOMINION BANK" and "THE BANK OF MONTREAL;" and their Bankers in Britain are the "NATIONAL BANK OF SCOTLAND," and the "BANK OF MONTREAL" in London.

PELLATT & OSLER,

North of Scotland Chambers,

18 KING STREET WEST, Toronto.



THE NORTH OF SCOTLAND CANADIAN MORTGAGE COMPANY LIMITED.

CAPITAL Authorized—75,000 Shares of £10, . . . - £750,000.
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 CAPITAL Paid Up, 100,000.

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TERMS OFFERED FOR LOANS.

The Company offers for Money (in sums of £50 and upwards) on Loan :—

- 3½ per cent. per annum for One Year ;
- 4 per cent. per annum for Three Years ;
- 4½ per cent. per annum for Five Years ; and
- 5 per cent. per annum for Six or Seven Years.

The Company encashes Bonds, Coupons, and Interest Warrants, payable in Canada, and acts as Agents for the investment or collection of money there.

By its Articles of Association the Company's borrowing power is limited not to exceed the amount for which the Shareholders remain liable on their Shares, whilst the money borrowed must be exclusively employed in Loans on Heritable or Leasehold Estate *situated in Canada*, and no Loan is to exceed half the value of the property mortgaged.

Lenders have thus the security of,

- 1ST—The Shareholders ; who are liable on their Shares for an amount as large as the Company can borrow ;
- 2ND—The Estates mortgaged to the Company ; worth at least twice the amount of the Mortgages ; and
- 3RD—The Paid-up Capital of the Company.

89 UNION STREET, ABERDEEN,
January, 1879.

