

# CANADA PERMANENT Loan & Savings Company

## THIRTY-FOURTH ANNUAL REPORT,

DECEMBER 31ST, 1888.

Subscribed Capital, - - -	\$ 4,500,000
Paid-up Capital, - - -	2,500,000
Reserve Fund, - - -	1,320,000
Total Assets, - - -	10,586,619

### Directors:

J. HERBERT MASON,  
PRESIDENT AND MANAGING DIRECTOR.  
EDWARD HOOPER, VICE-PRESIDENT.

S. NORRHEIMER, HENRY CAWTHRA,  
W. M. SPITTE, JUDGE BOYD,  
W. W. GODDARDHAM, KALPH K. BURGESS.

ALFRED J. MASON, ASSISTANT MANAGER.  
RUFUS S. HUDSON, SUPERINTENDENT.

JONES BROS. & MACKENZIE, SOLICITORS.

### Bankers in Canada:

BANK OF TORONTO, | BANK OF COMMERCE,  
MERCHANTS' BANK, | STANDARD BANK,  
ONTARIO BANK.

### Bankers in Great Britain:

THE CITY BANK, LIMITED, LONDON.  
THE BRITISH LINES COMPANY BANK, EDINBURGH.

### OFFICE:

Company's Buildings, Toronto Street, Toronto.

The Copps, Clark Company, Ltd., Printers, Colborne St., Toronto.

# REPORT OF THE DIRECTORS

OF THE

## CANADA PERMANENT LOAN AND SAVINGS COMPANY,

FOR THE YEAR 1888.

It is with much satisfaction that the Directors present their thirty-fourth Annual Report of the affairs of the Canada Permanent Loan and Savings Company, and direct attention to the accompanying duly audited Financial Statements. The volume of business transacted exceeded that of any preceding year, and the results were such as to bring the Company to the position of a well established and successful institution.

The Cash Receipts for the year were \$3,613,510. Of this no less than \$1,910,937 were received from borrowers and on account of mortgage loans. A new and important item appears among the receipts of the year, that of Perpetual Debenture Stock. As foreshadowed in last year's report, the first issue of £100,000 sterling of this 4 per cent. guaranteed Stock was offered in London in June last, and was all subscribed for at the issue price. A small amount, £1,850, in excess of the issue has been taken by Debenture holders in exchange for terminable Debentures. The reception of this large sum in July compelled the Directors, till towards the close of the year, to stop accepting supplies of money on Deposit and Debenture, which were freely offered both here and in Great Britain. Notwithstanding this restriction there were received on Deposit \$301,585 and on Debenture \$590,928. To keep within the borrowing powers limited by Statute, it became necessary to issue one million dollars of additional Capital Stock upon which twenty per cent. was called in. This was allotted to the Shareholders pro rata, at a premium of fifty per cent., and largely taken by the allottees. With the exception of a small sum since received, the call, together with the premium, was fully paid. The shares not taken were sold at a considerable advance on the issue price.

The demand for money throughout the year was active, and loans on Real Estate to the amount of \$2,081,525 were effected. Rates of interest averaged about the same as in the previous year. As the lending rate has now reached the lowest line at which money can be profitably imported, it may be assumed that no further material reduction will take place, at least for some years.

The profits of the year enabled the Directors, after providing for all expenses, and the Discount and other charges, necessarily heavy, connected with the first issue of Debenture Stock, to declare the usual half-yearly dividends of six per cent. each, to pay the Shareholder's Income tax thereon, and to add a considerable sum to the Reserve Fund, which now amounts to \$1,320,000. With the Contingent Fund of \$114,089, the sum now reserved to insure the maintenance in the future of the customary dividends, exceeds fifty-seven per cent. on the paid-up Capital.

The general aspect of affairs in the two Provinces of Ontario and Manitoba, to which the loaning business of the Company is confined, has improved during the past year. The Directors see no reason to doubt that the constantly progressive development of the rich natural resources of these Provinces and other parts of the Dominion, will continue to afford employment for all the funds the Company can supply, at rates of interest which, while much lower than those that prevailed a few years ago, will yield a fairly remunerative profit to the Institution.

With a view to make provision for necessary changes in the internal management of the Company, the Directors have made certain alterations in the By-laws, which will be submitted to this meeting for confirmation.

In consequence of prolonged absence, Mr. Henry Cawthra tendered his resignation as a Director. The vacancy was filled by the election of Mr. Ralph K. Burgess to the position.

The Directors regret to have to record the decease of one of their number, Mr. Joseph Robinson, who has held a seat at the Board for the last twenty-two years, and who was announced as coming forward for re-election at this Meeting.

All which is respectfully submitted.

J. HERBERT MASON, *President.*



## Proceedings of the Thirty-Fourth Annual Meeting.

The Thirty-fourth Annual Meeting was held in the Company's Building on the 20th February, 1889, at 12 o'clock noon.

The President, J. Herbert Mason, Esq., occupied the chair, and the following Stockholders were present: Messrs. S. Alcorn, R. K. Burgess, John Boyd, W. T. Boyd, Jacob Bull, Phillip Browne, George Blackbird, William Cook, Miles W. Cook, A. T. Crombie, E. Corner, B. H. Dixon, J. Ellerby, Wm. Gooderham, Henry Gooderham, Robert T. Gooderham, Col. Gzowski, C. S. Gzowski, Jr., Edward Hooper, C. E. Hooper, Rev. A. Hart, Richard Heather, R. S. Hudson, Beverley Jones, Clarkson Jones, Dr. Moffatt, G. A. Mackenzie, P. L. Mason, A. J. Mason, Samuel Nordheimer, Dr. U. Ogden, M. O'Donnell, Dr. Parsons, D. Prentice, John Phipps, P. F. Ridout, John Ramsden, T. M. Rowland, A. M. Smith, W. A. Sampson, James Scott, Rev. C. E. Thomson, Rev. F. Tremayne, W. H. VanderSmisssen, and John W. West.

At the suggestion of the President, the Assistant-Manager being engaged on the Company's business elsewhere, Mr. R. S. Hudson was appointed Secretary of the Meeting.

The President said:—

GENTLEMEN,—Before proceeding with the business of the day, I ask the privilege of making a few remarks of a personal character. You will all, I am sure, regret that in consequence of advanced age, being now in his eighty-first year, our venerable friend, Mr. Hooper, has felt it incumbent upon him to retire from the Presidency of the Institution. Mr. Hooper is one of the earliest shareholders, and as a Director for twenty-seven years, during the last five of which he has filled the President's chair, has brought to bear on the Company's affairs that caution and good judgment which have distinguished him through life in the successful conduct of his own business. I trust, as we all do, that Mr. Hooper may long be spared to us, and that as Vice-President he may continue to be able to discharge duties which have become familiar to him. Our late Vice-President, Mr. Nordheimer, one of the original, as he is also one of the largest shareholders, has very kindly retired from the Vice-Presidency in favor of Mr. Hooper, who desired to, and can better spare the necessary time for the discharge of these duties. Mr. Nordheimer's voluntary and disinterested action will be appreciated by the shareholders, as it is by the associates on the Board.

In accepting the position of President, unanimously tendered to me by my co-directors, which I esteem as under the circumstances a very high honor, the most gratifying that could be conferred upon me, I have not been actuated by ambitious motives.

After forty years of close application to business pursuits, thirty-four of which have been spent in the organization and management of this Company, I feel that in justice to myself as well as to the permanent interests of the Institution, I should be relieved of many of the minor duties which have hitherto devolved upon me. Should the Shareholders and Directors continue me in this high office, it is my ambition as it will be my endeavor, to promote the adoption of such arrangements and appointments as will ensure that the affairs of the Company shall be efficiently carried on by a well-trained staff of competent and trustworthy officers, whether my life and health be continued to me or not. This Institution is now become too important for its welfare to be dependent upon the presence of any one or two men, whoever they may be.

Of all those who took part in the organization of the Company, only two, Mr. Thomas Maclear, who is here to-day, and myself remain. Mr. Maclear was a member of the Board for the first six years, and on his retirement Mr. Hooper took his place. They therefore, with myself, form a continuous line from the commencement.

During the last few days, I regret to say, we have again had a reminder of the changes sooner or later brought about by time, in the removal by death of another old member of the Board, Mr. Joseph Robinson, whose conscientious attention to the duties of his position merited the confidence of the shareholders, and whose unvarying courtesy won for him the esteem of his colleagues.

At the request of the President, the Secretary read the Directors' Report.

The President then said:—

GENTLEMEN,—In moving the adoption of the Directors' Report, I desire to call your attention to some of the more salient features of the Financial Statement for the past year.

The year 1888 will always stand out in bold relief as a red letter year in the history of the Company, from the extent of business done, exceeding in volume that of any preceding year; from the addition to the Assets of upwards of one million dollars, an increase only equalled in two previous years; and from the fact that the first instalment of £100,000 of our contemplated issue of £500,000 of four per cent. Debenture Stock was, through the good offices of our Bankers and Agents in London, at once taken up, and has since been listed and quoted on the London Stock Exchange. The importance of placing a portion of the Company's Liabilities in this shape will be appreciated when it is remembered that one-tenth of our Terminable Debentures mature every six months, and the Company must be prepared to pay them. If the money is not called up we have the expense of renewal, and frequently loss in interest and exchange on money remitted to England, which if it turns out is not required and has to be sent back. Besides this there is the risk of the disturbance to our business which might arise if a large sum should happen to fall due at a time of monetary panic. A perpetual Debenture Stock is free from these contingencies. An Office for the Registry and Transfer of Debenture Stock has been opened in Edinburgh, and Messrs. Myne & Campbell, who have represented the Company for nearly fourteen years, have been appointed Agents therefor.

The net profit result is shown in the distribution of Dividends on Capital Stock to the amount of \$276,000, and the addition of \$40,000 to the Reserve Fund.

The conduct of all this additional business, with the attainment of these very satisfactory results, while it has occasioned much anxious thought, and has taxed the energies of the Directors and officers to a more than usual degree, has been accomplished without haste or undue strain, and without material addition to our efficient staff, or to the expense of Management, except in the item of commissions. It has been the practice of this Company to write off all charges on money received or lent in the year in which they were incurred. It has been the practice of this Company to write off all charges on money received or lent in the year in which they were incurred, although the transactions are made for several years. In this first issue of Debenture Stock, which is perpetual, the initial charges might fairly have been spread over a long period. But we have not departed from previous usage, and have not only wiped them all off, but have also, as will be seen by the profit and loss account, written off the discount of one per cent., at which the stock was issued, and which, of course, we never received.

In a business so extensive as this, spread over the whole country, and where the loans are made for long terms of years, it is inevitable that from death, disappointment, and other causes, instances of default will happen, and occasionally the Company has no resource but to proceed to the sale of the property mortgaged. These cases throw much unremunerative labour on the Company's officers, and I am happy to say amount to only a small percentage on the number of loans effected. At the end of each year some of these properties remain on our hands for sale, and sometimes, through the original advance having been a little too liberal, or from deterioration, or from reduction in value, or from our having yielded too indulgently to importunity, and not pressed with sufficient promptness, or perhaps from all these causes combined, we are unable to realize the full claim of the Company. Our excellent staff of inspectors is constantly employed in examining and looking after our securities, in minimising losses, and in revising the work of our local appraisers. Every property in default is carefully examined, and wherever a doubt exists as to the full amount of the debt being recovered, no interest is charged, and if necessary the claim is written down. So rigidly is this rule observed, that in Ontario in the past, as in several previous years, the amount of these deductions has been nearly or quite counterbalanced by previously written off deductions, which on closing the transactions were found to be unnecessary, and have therefore been credited back to profit and loss.

Even in Manitoba, which has not yet recovered from the effects of the "boom," as it is called, we are beginning to find this to be the case. It will be remembered that three years ago we wrote of Manitoba Securities all the surplus profits of the year, amounting to more than \$18,000. The hope was expressed at the time that much of that sum would be recovered. Last year, a beginning in that direction has been made. The amount of property in the Company's hands for sale at the end of the year was less than the year previous, the most of it is yielding rental, and the average amount at which it stands on the Company's books is considerably less than we expect to get, or would now accept for it.

With the commencement of the current year the Manitoba business has been placed on a more permanent footing than previously. Mr. J. H. Brock, who with his partner, Mr. Carruthers, has represented the Company in Winnipeg for the past eight years, has been appointed agent of the Company for Manitoba. An office has been opened in Winnipeg, where the books and papers of the Manitoba business will be kept.

Several requests to extend the operations of the Company to the Maritime Provinces, to the North-West Territories, and to British Columbia have been received, but no action has been taken thereon. Numerous similar applications have also been received from the Western States of the American Union, and tempting inducements in the shape of high rates of interest have been offered; but the one invariable reply to these overtures has been, that the Company's Charter does not permit of its lending money on properties outside the Dominion of Canada.

The wide extent to which the business of this Company has reached, and the high position it has so long maintained among the financial institutions of the Dominion, suggest the question of the economic value of Loan or Land Mortgage Companies generally. With your permission, gentlemen, I purpose availing myself of this opportunity to offer a few observations on this subject.

It is customary in some quarters to treat slightly the functions of land mortgage companies, to assume that they are only resorted to by the ignorant, unthrifty and unpeunious, and that they are gradually absorbing the real property of the country; to speak of their growth, if not as an evil, as an unavourable omen, and of their prosperity as an evidence of decadence on the part of their customers. Those who are better informed know that these assumptions are not true; and a little consideration and a reference to well authenticated statistics, will convince even superficial observers that they are not founded on fact.

To develop the resources and carry on the business of this or any country, two things are essential:—First, individual labor, intelligence and skill; and second, capital, or the accumulated results of labor. Progress is necessarily slow where capital is scarce, whether it be in commerce, manufacturing industries, agriculture, or the building up of cities and towns. For supplying this capital, banking institutions are to commerce, and personal property interests generally, what land mortgage institutions are to agriculture, building, and other real property interests. To a great extent they run on parallel lines and do not cross each other's paths. The bank is the merchant's loan company. The loan company is the landowner's bank. When banking institutions are prosperous it is not to be inferred that commerce is unprofitable, and the mercantile community approaching insolvency. On the contrary, increase in the amount of indebtedness to the banks in the shape of discounts is, within reasonable limits, held to be an indication of healthy activity in trade. And the same holds good with respect to loan companies and real property. Neither banks nor land mortgage companies can be permanently prosperous where the interests they are respectively identified with are the reverse. Although the Company holds and relies on real property as the main basis of its security, and is therefore not so entirely dependent as the Bank on the character of those it lends to, both endeavor to avoid shiftless, improvident customers, and transactions that are likely to result unpleasantly or unprofitably to the persons concerned.

In order to carry on their business profitably both classes of institutions have to become borrowers as well as lenders. It is their aim generally, and by stress of competition, the especial aim of each institution in particular, to be able to supply money at the lowest possible rates, consistently with safety and profit. On the credit which their high character and large assets secure, they obtain capital on the best terms and in the cheapest markets, and are thus enabled to furnish it more conveniently and cheaper than could be done by individual lenders, who have only their own funds to invest. This fact accounts for the expansion of land mortgage companies in the last fourteen years, the period during which cheap money from Great Britain has been chiefly obtained by Canadian loan companies. At the beginning of that period, this Company was paying for money deposited with us here, as high a rate of interest as we now are able to lend at, and the supply even then was very limited. That rate (six per cent.) is now freely offered in the Atlantic cities of the American Union by companies doing business in the Western States.

The total assets of Loan Companies in the Province of Ontario at the end of 1874 was \$14,082,380. In 1886 it amounted to \$94,072,221. Ready access to Capital has not only stimulated improvements, but has given a marketable value to property in many districts where it was before almost unsaleable. During that period it appears from the Official Report of the Bureau of Statistics for Ontario that the assessed value for Municipal Taxation of Real Estate increased from \$325,484,116 in 1874 to \$632,140,062 in 1886. A larger proportion of this increase appears in rural districts than in cities and towns, the former showing an increase from \$206,892,278 to \$424,830,202, the latter from \$118,591,838 to \$207,309,860. The actual value of real estate is much greater than the assessed value, as appears from the same return, which gives the value of farm property in 1886 at \$831,738,040, nearly double the assessed value. These figures do not include the value of live stock and farm implements, amounting to \$137,739,871, nor the value of crops and produce. The value of urban property is not given in the report, but assuming it to be twenty-five per cent. more than its assessed value—or \$259,387,925, and adding thereto \$831,738,040, the value of farm lands, the total value of Real Estate in 1886 was \$1,091,145,365. From the Official Returns it appears that the Mortgages held by Land Mortgage Companies doing business in Ontario in 1886 was \$80,400,076. Of this sum about \$10,000,000 was lent on lands situate in Manitoba and other Provinces, so that the total interest of Land Mortgage Companies in all the Real property in this Province, valued at more than One Thousand Millions of Dollars, was Seventy Millions of Dollars, or six and one-half per cent. of the actual value; a sum considerably less than half the value of farm implements and live stock alone! These figures show conclusively, I think, that the capital controlled by Canadian Land Mortgage Companies, even supplemented as it is by that of private lenders, Insurance Companies, and other uncertain and irregular sources, is not more than sufficient to furnish necessary facilities for buying and selling, and for improving and in otherwise promoting, the vast and extending Real Estate interests of the Province. In the discharge of these their legitimate functions, Canadian Land Mortgage Institutions supply an indispensable need, and do good service to the community.

In Ontario and throughout the Dominion the ownership of the soil is widely distributed. Tenant farmers as a class are unknown. Farmer, or Practical Agriculturist, and Land-owner are almost synonymous terms. A smaller but still considerable proportion of the inhabitants of cities, towns and villages are also land-owners. The enhanced value, or "unearned increment," as it is termed, of land, which results from increase in wealth and population, and which in less favoured communities enriches the absentee landlord, in Canada is enjoyed by those who, by their occupation and labour, contribute to it. A mortgagee, as distinguished from a lessee, has all the advantages of ownership, subject to repayment of the debt. It is a mistake to suppose that all, or a large proportion of land mortgaged is permanently encumbered. The larger proportion of advances are repaid by instalments spread over from two to twenty years. In a great majority of cases the property is redeemed by the owner. This is more especially the case with loans made on the sinking fund plan, which, though decried, is believed to be the best system ever devised for repayment of a mortgage debt. The sinking fund plan has made more than thirty thousand loans, of which two-thirds have been paid off, and about one-third remain on our books. Last year we made 1,534 loans, but far more than that number of other loans were reduced, and 895 were entirely paid off and the mortgagees discharged. As, with the exception of its office premises, we cannot own real estate, the Company holds no real property except as mortgagee, liable to be redeemed by payment of the debt.

In conclusion, gentlemen, it may be expected that I should give some indication of what are the prospects of the Company in the near future. I have always been anxious to avoid giving encouragement to over-sanguine expectations, preferring to appeal to the recorded accomplishments of past years, and let shareholders and the public draw their own conclusions. But I think it only right to say that in my judgment of the profit-earning capacity of the Company has not been so great at any time for several years as it is now, and that the augmentation of our Reserved Funds, reduced *pro rata* expenses, increased efficiency in management, arising from enlarged experience and the sub-division of labour which is only practicable in large concerns, together with our improved facilities for obtaining low-priced money, equalize the loss from the decrease in the rates of interest obtained. So that the comparatively low rates at which money is now lent are as remunerative to the Stockholders as the higher rates which formerly prevailed; while borrowers are better able to meet their diminished engagements, and we get a better class of customers and securities, there is less default and less necessity for resort to compulsory proceedings. If, therefore, you continue to elect as Directors, men of high character and business ability, chosen for their special fitness for the position, and the management be conducted on the same progressive and yet conservative lines as hitherto, from all that appears, the dividend paid last year, which is the average amount paid during the past thirty-four years, may be considered assured. And I am not without hope that we may also be able, from time to time, to make still further additions to that sheet anchor of our position, the Reserved Funds.

If any shareholder present desires any further information I shall be happy to furnish it.

The President then moved the adoption of the Directors' Report, which was seconded by the Vice-President, Mr. Hooper, and unanimously adopted.

It was moved by COL. GZOWSKI, A.D.C. to the Queen, seconded by CLARKSON JONES, ESQ.:

That the thanks of this meeting be given to the President, Vice-President and Directors for the care and attention they have given to the Company's business during the past year, and that the same sum be voted to them as compensation as was voted last year.—*Carried.*

In moving the resolution, COL. GZOWSKI said:

Before moving the resolution which has been placed in my hands, Mr. President, I take the liberty of expressing my own satisfaction, and I think the satisfaction of every shareholder of the Company, at seeing you in that chair. The position you have acquired is so well deserved that there can be but one opinion among those interested in the Company. It has been earned by long, successful, able, faithful attention to the interests of the Company, which I heard a friend of mine the other day call "your child," and it was your child. You have brought it to maturity; not only to maturity but to strength and health in that maturity.

The arrangement that was made by your colleagues to place you in that chair deserves, I think, the thanks of the shareholders also, and it is evidence that not only you, but the interests of the Company induced them, after the long services they have given to the Company, to place a man in the chair who so thoroughly deserves it as you do. I think I express this as the feeling of all the shareholders; there is none here who can differ from me.

A word more, Sir, as a shareholder who, perhaps, not quite so old in the Company as those you have mentioned, but not very far behind, for I have been a shareholder in it for more than a quarter of a century. I may venture to remark that I was very much pleased in finding that you are preparing by-laws by which able assistance will be afforded you. To fill the offices of President and Managing Director of so enormous a Company, is a strain that no one mind can be entrusted with, and be preserved in that health and vigor required for the management of the Company. The arrangement proposed will also ensure that some one will be on hand to take your place when either from inability or from any other reason your chair may be vacant for the time being. I cannot help giving you a little story, which is a professional one from an Engineer. It was brought to my mind the other day when in conversation with you, Mr. President, on the subject of your having grown up with the Company. A viaduct, 180 feet in height, was being built and a man was on the top of it. A friend of his, also a mechanic, came up and wished to see him, and he said: "Come up." "Why," he said, "I would not come up, the subject of your having grown up with the Company, my head would give out." The man on top of the viaduct replied: "My dear fellow, I, for a thousand pounds, because I cannot do it; my head would give out." (Pointing to the President). There is the man. To us, Gentlemen, who are deeply interested in this Company it is very important we should have such a man, and for our own sake it is very important that he should be assisted as he needs it.

With regard to the Report I think it would be unnecessary to make any further remarks than these; that it is extremely satisfactory, and that we are greatly indebted to the guardians we have placed in charge of our interests, not only for the good management of last year, but also for the future you held out to us.

In reply to an enquiry from Mr. Clarkson Jones, the President said that several transfers of Debenture Stock had taken place; the latest quotation being 101 to 103.

It was moved by DR. U. OGDEN, seconded by the REV. C. E. THOMSON:

That the thanks of the Shareholders are due and are hereby presented to the Managing Director, Assistant Manager, and Staff of the Office, to the Solicitors and Appraisers, and to the Agents of the Company for their services in the successful management of the Company during the past year.—*Carried.*

A vote of thanks was passed to the Auditors, who were re-appointed.

A Resolution was passed confirming the alterations made by the Directors in the Rules of the Company.

The election of the Directors was then held, and resulted in the unanimous election of MESSRS S. NORDHEIMER, His Honor JUDGE BOYD, HENRY CAWTHRA and J. HERBERT MASON; after which the meeting adjourned.

At a subsequent meeting of the Board, J. HERBERT MASON, ESQ., was re-elected President, and EDWARD HOOPER, ESQ., Vice-President.