

January 26th, 1933.

The Royal Institution for the Advancement of Learning

	<u>Cost</u>	<u>Present Price</u>
Re: \$120,000. Price Bros. & Company Ltd. First 6s due 1st Feb. 1943	99.60	30

Interest due 1st August 1932 on Price Brothers bonds is in default and a bondholders' committee has been formed consisting of three Canadians and three representatives of the Chase-Harris Forbes group.

Modification of the trust deed of Price Brothers first 6s requires the affirmative vote of holders of 75% of the bonds outstanding but it is understood that substantially less than this percentage has been deposited with the committee.

It is said that Canadian Insurance Companies have refrained from deposit due to the fact that Canadian members do not constitute a majority of the protective committee but it may be that holders of the bonds who have not deposited also hold preferred and common stock and would like to be assured that the protective committee for the bondholders are not intent upon eliminating junior equities.

In any case, until it is decided who is to control the situation, the tenure of operating executives will remain precarious. In these circumstances, executives are working under a heavy handicap and cannot compete effectively against units, which, if not adequately financed, are able to take the initiative if interests in control agree.

Accordingly, it would not be surprising to see operating conditions go from bad to worse until some group is in control; presumably retrograde progress would not be unacceptable to the bondholders' protective committee, since the worse conditions become, the stronger the argument becomes to support the committee.

The contract to purchase from Duke-Price Power Company hydro-electric power over a long term is a liability rather than an asset, and while the liability is understood to be unsecured, presumably Duke-Price, in case of default in paying for power, could file a claim upon the estate for the capitalized value of the payments. The prospects for the bondholders probably depend at the moment on the value of the assets pledged under the trust deed, the more valuable of which may be assumed to be as follows:-

	<u>Arbitrary Value</u>
236 square miles (151,040 acres) freehold, \$5. per acre	\$ 755,200.
9400 " " (6,016,000 ") leasehold, 50¢ per acre	3,008,000.
33 " " (21,120 ") right-of-cut, 50¢ per acre	<u>10,560.</u>
	\$3,773,760.
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Therefore, if it be considered that mills capable of producing 1060 tons of newsprint, 60 tons of cardboard and 345,000 board feet of lumber per day, as well as 63,250 developed and 61,000 potential horsepower, are, in the aggregate, of no value, leasehold and freehold property at a conservative valuation, represent over 29% of bonds outstanding, namely, \$11,061,000., as compared with the current price of 30.

However, if the assets do not come under some form of unified control, there is some risk that the present executives may not have the power to maintain the properties intact.

We should like, therefore, to draw the attention of the Committee to the factors of uncertainty affecting Price Bros. & Company, Ltd., and suggest that the Investment Committee take into consideration the advisability of disposing of part of their holdings of the first 6s of 1943 as a hedge against future developments.

A.J.L. Haskell
G.W. Spinney
H.A. Craig
B. Outerbridge
E.D. Glassco