

for this purpose and Northwestern Power Company was formed. In 1930 Northwestern Power Company sold \$10,000,000. of 6% First Mortgage bonds which were guaranteed by Winnipeg Electric. Business had already declined however and to make matters worse the City Hydro decided to develop power at Slave Falls where it owned a power site capable of developing 96,000 H.P. and by 1932 24,000 H.P. had been installed, and were ready for delivery to the City Hydro. In the same year Manitoba Paper Company closed its plant and is not at present taking any power from Manitoba Power Company. At present Northwestern Power is capable of producing 42,000 H.P. but none of this is being sold and the \$10,000,000. of 6% bonds are in default of interest.

Under the terms of the Trust Deed made by Northwestern Power no additional bonds in excess of the \$10,000,000. now issued may be issued unless the earnings of Northwestern Power for twelve consecutive months during the preceding fourteen months have been one and a half times bond interest requirements on the total of the \$10,000,000. of bonds now outstanding plus the additional amount proposed to be issued.

The amount of such additional issue shall furthermore be not more than 80% of the cost or fair value of the properties to be constructed or acquired with the proceeds of such issue.

It is therefore clear that even if the total 42,000 H.P. now available could be sold at \$15. a H.P. the gross revenue would only be \$630,000. with which to pay \$600,000. of bond interest. This, of course, allows nothing for operating expenses.

Under the terms of the guarantee the bondholders of the Northwestern Power can, of course, put the Winnipeg Electric Company in bankruptcy and attempt to recoup themselves in part for the loss which faces them. The Winnipeg Electric Company, however, is itself in a precarious position and such an action would gain very little more for the Northwestern Power bondholders. At present it is understood that the Winnipeg Electric is negotiating with the City Hydro and the Municipal Authorities on the following basis:-

The City to lease the Winnipeg Electric Company and its subsidiaries as going concerns with all their assets for 99 years, with the option to purchase at various times and at gradually ascending prices during that period, as set forth hereunder:-