

To Holders of First Mortgage Bonds of Western Canada Power Company, Limited

The Western Canada Power Company has announced that it is unable to meet the coupons on its first mortgage bonds maturing on January 1st, 1916, and suggests that two years' coupons be exchanged for preferred stock.

This proposal should be rejected. The three-year notes of Western Canada Public Utilities, Limited, which are secured by a majority of the ordinary shares and all of the \$4,000,000 of second mortgage bonds of Western Canada Power Company, Limited, are in default as to the interest payable on September 1st, last, and mature as to principal on March 1st, 1916.

A protective committee has been formed by the holders of notes of Western Canada Public Utilities, Limited, for the purpose of effective co-operation in the protection of their interests.

The undersigned, owning and representing a large amount of the first mortgage bonds, have formed a committee for the protection of the interests of the holders thereof with power in the event of default by the company to enforce the rights of the bondholders, and if advisable to formulate a plan for the reorganization of the company or to consider any reorganization plan affecting the rights of the bondholders, which may be submitted to the committee.

To the end that the fullest co-operation of the bondholders may be secured, the undersigned committee requests the holders of the first mortgage bonds to deposit their bonds, with coupons maturing on and after January 1st, 1916, with the Montreal Trust Company, 142 Notre Dame St., W., Montreal, or with the Equitable Trust of London, Limited, 3 Lombard St., London, E.C., as depositaries, who will issue their certificates of deposit therefor, under the agreement of deposit, dated 30th December, 1915, under which this committee has been formed.

The committee has arranged with Royal Securities Corporation, Limited, to make advances to and to co-operate with the committee, and the committee will advance to the bondholders who may deposit under this agreement, the amount of the unpaid instalment of interest, if defaulted on January 1st, 1916, but it should be clearly understood, that such advance constitutes a loan secured by the bonds and

coupons deposited. The offer to advance interest on deposited bonds, is intended merely for convenience of depositors, who should realize that the acceptance of such advance is optional with them. Depositors who do not care to accept will be at no disadvantage, since any reorganization terms must apply equitably to all depositors under the agreement.

Copies of the agreement of deposit may be obtained from the depositaries, and from Royal Securities Corporation, Limited, 164 St. James Street, Montreal. The agreement provides that depositing bondholders may withdraw in case any plan of reorganization recommended by the committee be not approved by them; and limits the contribution to the expenses of such reorganization of the bondholders who so withdraw, to one per cent. of the face amount of their bonds. Application will be made in due course to list the certificates of deposit on the Montreal Stock Exchange.

Montreal, December 31st, 1915.

FAYETTE BROWN, Chairman, Director Montreal Trust Company, Montreal.

W. M. AITKEN, Chairman Equitable Trust of London, Limited.

VESEY BOSWELL, Vice-President Quebec Bank, Quebec.
ROBERT FLEMING, Robert Fleming & Company, London, Eng.

I. W. KILLAM, President Royal Securities Corporation, Limited, Montreal.

HECTOR MCINNES, President Eastern Trust Company, Halifax.

R. W. LEONARD, Director Toronto General Trusts Corporation, St. Catharines.

W. D. ROSS, Director Bank of Nova Scotia, Toronto.

GEORGE H. SMITHERS, Burnett & Company, Montreal.

THOS. HOOD, Secretary.

MCGIBBON, CASGRAIN, MITCHELL & CASGRAIN, Counsel.

MONTREAL TRUST COMPANY,
Montreal.

EQUITABLE TRUST OF LONDON,
LIMITED, } Depositaries.

To Holders of First Mortgage Bonds of Western Canada Power Company, Limited

As all of the \$5,000,000 of first mortgage bonds of the Western Canada Power Company were placed by us with investors in Canada and in Great Britain, we have given serious consideration to the announcement of the company that it will be unable to meet its January interest, and its proposal that the bondholders exchange two years' interest coupons for preference shares.

This proposal should be rejected.

An issue of notes of Western Canada Public Utilities, Limited, secured by second mortgage bonds and stock of Western Canada Power Company, Limited, is in default as to interest, and will be in default as to principal on March first next.

The trust deed securing the first mortgage bonds provides that the mortgage security is not enforceable until a default in payment of interest shall be continued for a period of six months. Consequently, the first mortgage bondholders may have to wait until July 1st for payment of the interest due January 1st, should the company not see fit to make payment at an earlier date.

In our opinion, not only are the monthly earnings of the company now sufficient to pay the interest on the \$5,000,000 first mortgage bonds, but with the installation of additional machinery already ordered and partly paid for, will be sufficient to provide a surplus, after paying interest on the

further moneys required for the extinction of the present floating debt and the installation of the additional machinery.

The burden of any further financing should, in our opinion, rest upon the holders of the notes of Western Canada Public Utilities, Limited, which are secured by second mortgage bonds and the control of the common stock of the Western Canada Power Company, and upon the other common stockholders of the company.

The noteholders and the ordinary shareholders should mutually arrange a plan of reorganization which will finance the enterprise on a business basis. Such reorganization is most desirable. It can be carried out without being allowed in any manner to prejudice the interests of the first mortgage bondholders. We are prepared to finance it if necessary.

In view of these circumstances a protective committee has been formed to safeguard the interests of the bondholders.

We recommend that the holders of the bonds co-operate with this committee, and deposit their bonds with one of the two depositaries, viz., Montreal Trust Company, or Equitable Trust of London, Limited.

For the convenience of bondholders, it has been arranged that the committee will advance to the bondholders who may deposit under the agreement of deposit dated December 30th, 1915, the amount of the coupon maturing January 1st, 1916.

Montreal, December 31st, 1915.

Royal Securities Corporation, Limited

Canadian bondholders should forward their bonds to the Montreal Trust Company, Montreal, Toronto or Halifax, as promptly as possible.