

Company bondholders were to permit it Howard Smith might advance funds against a prior lien issue of Canada Paper Company as Howard Smith would have no difficulty in raising a bank loan against this. Mr. Crabtree thought that it would be much more likely if Canada Paper Company fails to cover bond interest for it to stop paying it. A bondholders meeting would then be called and the situation frankly explained to the bondholders namely that the price of the company's product would not allow the company to earn enough to pay interest and the company is almost devoid of working capital. The bondholders were perfectly welcome to take over and operate the plant but it would probably be a costly undertaking and it would probably be better to arrive at an arrangement whereby Howard Smith would continue to supply the management of Canada Paper Company as they are now doing without cost to Canada Paper Company and Howard Smith should in return continue to hold undisturbed its common stock with the expectation that prices would eventually return to a sufficiently high level to permit servicing the bonds and give some value to the stock.

Mr. Crabtree said that to date Canada Paper Company had met all sinking fund requirements for their bonds but that they would require \$72,000 before the end of 1933. He asked that if the University were to decide to sell their holding that they approach him before offering them openly for sale as a block of \$50,000 offered on the market would unsettle the price and have a bad effect on the company. While the situation appears to be precarious and in our opinion is an undesirable holding for trustee funds evidently Mr. Crabtree hopes that the company will be able to work out successfully as he said that the Company had picked up \$18,000 of its bonds since the 1st of December 1932 and that he had bought a few bonds for his own account by maintaining a steady bid of 42 for the bonds.

I then asked Mr. Crabtree what the current position of Howard Smith Paper Mills was at the end of 1932 and whether it would show current assets of about 4 million dollars and current liabilities of about 3 millions. I made this guess on the supposition that current assets at the end of 1931 were just over 4 millions and current liabilities were \$1,865,000 including \$1,150,500 bank loans but excluding bank loans of \$1,200,000 previously carried as a deferred asset but this year to be included in current liabilities. Mr. Crabtree said that this about approximated the situation current assets would be a little less than 4 millions and current liabilities a little less than 3 millions since bank loans had been reduced to approximately \$1,400,000.

I asked Mr. Crabtree if he could see any possibility of the newsprint industry being able to solve its problems. He replied that he wished he could see a way but to be honest he could not see any escape from a series of bankruptcies, reorganisations, readjustments and compromises which would create a great unsettlement generally in the newsprint industry.

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