

"All or any of the Stock and/or Bonds may be issued absolutely or may be issued pledged charged or hypothecated from time to time by the Company as security for advances or loans to or for indebtedness or other obligations of the company and when re-delivered to the company or its nominees on or without payment satisfaction release or discharge in whole or in part of any of such advances loans indebtedness or obligations shall whilst the company remains entitled thereto be treated as unissued stock and/or bonds and accordingly may be issued or re-issued pledged charged hypothecated sold or otherwise disposed of as and when the company may think fit or at its option may be cancelled and fresh Certificates to the like amount and in like form may be issued in lieu thereof and all such Certificates so issued re-issued or substituted shall from time to time rank as stock and/or bonds of this issue".

Your particular attention is directed to the distinction between stock issued absolutely and stock issued, pledged, charged or hypothecated; the latter item of which shall be treated as unissued stock when re-delivered to the company upon payment of debt under which it may have been pledged, and this is exactly what occurred in 1926^{as} to the \$7,801,600 Debentures which were redeemed and cancelled at that time; consequently the following words in Article 30 -

"The same equal to $1\frac{1}{2}$ upon the amount of the stock which may for the time being have been issued"

should be interpreted as referring only to Debentures issued absolutely and not to Debentures only temporarily issued by way of pledge and, consequently released from the pledge and not re-issued by the company.

We are now asking the 5% Debenture holders to waive sinking fund payments until such time as the normal $1\frac{1}{2}$ % payments on \$7,120,506 absorb such overpayment which will be during 1937, and thereafter accept sinking fund payments at such rate as will retire the balance outstanding at maturity.

The value of the property pledged under the lien of our 5% Consolidated First Mortgage Debentures after depreciation to date of December 31, 1931 is as follows:

44 steamships	-	\$11,039,271
Miscellaneous property including new terminals, Toronto	-	5,426,164
Machinery, Equipment, Office furniture, etc.	-	345,984
Securities (practically all on Davie Shipbuilding & Repairing Co., Quebec)	-	<u>2,350,329</u>
		<u>\$19,161,748</u>

As the amount of 5's outstanding is \$2,351,221, you will see that the value of the pledged property is 8.15 times that of the outstanding Debentures.

The necessity of our approaching holders of our 5% Debentures on the matter of sinking fund payments is that during the last three years our gross revenue has fallen from \$17,662,000 to about \$8,000,000 or over fifty per cent, while during the same period the net results of our operations have shrunk from an income of \$1,348,000 in 1928 to a net loss of about \$2,600,000 in 1932, or a net reduction of nearly \$4,000,000, under which circumstances we find ourselves unable to continue sinking fund payments on our 5% Debentures at the existing rate.

Not only must the company have relief from its 5% Debenture sinking fund, but also from its 6% First and General Mortgage Bond interest and sinking fund in which position you will doubtless concur upon reading the following statement:

Result of Operations, 1932, after interest but before any sinking fund payments - Loss of	\$2,600,000
From which deduct Depreciation & Discount Reserves	<u>1,738,000</u>
Balance, representing cash loss after interest	862,000
Deduct: 6% Bond Interest	<u>1,060,000</u>
Cash gain before 6% interest	\$ 198,000