

## DOLEFUL STORY OF AMALGAMATED ASBESTOS.

One of the First Big Mergers in Canada is Not in the Best of Positions—Bonds Sold at Low Point This Week.

Monetary Times Office,  
Montreal, Sept. 27th.

The sale of \$10,000 of the bonds of the Amalgamated Asbestos Corporation on the Montreal Stock Exchange, at 40, this week, calls attention to one of the most unfortunate flotations of any considerable magnitude which has ever been made in Canada. The previous low point was reached some time ago when some of the bonds sold at 50.

It is now about a year since there arose apprehension that the dividends on the preferred stock of the Corporation would be passed. Up to that time only one annual report had been submitted, and this report indicated that the company had not been doing any too well, but that at the same time it had been earning far more than its bond interest. It even went to show that the preferred dividends were being earned.

About this time, also, the preferred stock commenced to break, indicating that for some reason or other insiders were getting out. Messrs. Cramp, Mitchell & Shober, of Philadelphia, the syndicate underwriters, in September last, advised the subscribers that they would have to take up their securities which were being carried in the Royal Trust Company. All this coming at the one time caused holders of the Amalgamated Asbestos bonds and stocks to feel pessimistic. It was not till the next financial report of the company was issued that the holders of the securities became appraised of the seriousness of the situation. This report was issued at what corresponded to the second annual meeting, although in reality it was for a period of but seven months, this being for the purpose of changing the financial year of the company. It was then shown that the company, for the period under revision, had earned about \$30,000 less than its bond interest.

### Reorganization Was Commenced.

Something in the nature of reorganization took place in the company some months ago. Mr. E. B. Greenshields, who first was president, retired last year and his place was taken by Mr. Thomas McDougall of the Quebec Bank. Later on, other changes were made in the directorate and also in the management of the company's properties. A policy of retrenchment was introduced and it was understood that the situation had greatly improved. The fact that the bonds stayed around 50 to 60 still showed that they were not regarded as a very advantageous purchase.

Altogether the Amalgamated Asbestos affair has been unfortunate from the start. There is now talk of reorganization in connection with the securities of the company. The holders of the preferred and common stocks are apprehensive as to what may happen, and even the bondholders are not very comfortable.

The Amalgamated Asbestos Corporation was formed in the spring of 1909 and was the first of the many mergers which have taken place in Canada during the past few years. The securities at that time were:

	Authorized.	Issued.
Bonds, 5 per cent. ....	\$15,000,000	\$7,500,000
Preferred cumulative, 7 per cent. ....	1,875,000	1,875,000
Common stock .....	8,125,000	8,125,000

Later on, \$300,000 more bonds were issued, making a total of \$7,800,000.

The underwriting was offered to the public at par for the bonds, a bonus of 25 per cent. preferred and 25 per cent. common stock accompanying the purchase. The issue was a pronounced success, it having been necessary for the subscribers to pay down 20 per cent. only in cash. Arrangements were made to have the Royal Trust Company carry the rest for a certain length of time.

### Subscribers Signed Agreement.

Each of the subscribers signed an agreement, whereby Messrs. Cramp, Mitchell & Shober, of Philadelphia, had the privilege, subject to certain conditions, to dispose of their bonds at no less than 88 per cent. of par; and the expenses were to be a charge against the bonds.

The first annual report issued by the company showed net earnings of \$517,960. The bond interest amounted to \$375,000. That is, the net earnings, as shown by the company during its first year's operations, were largely in excess of the requirements for bond interest.

At the present price of 40 for the bonds, the value of the issue becomes reduced from \$7,800,000, par, to a market value of \$3,120,000. It is claimed that the company has liquid assets in manufactured asbestos, etc., equal to \$1,000,000, which would reduce the risk on the bonds to \$2,120,000, on a basis of to-day's prices. It is stated that the properties cost the company over \$6,000,000, but it is doubtful if this could be regarded as a legitimate valuation, inasmuch as the whole deal seems to have been upon a wrong basis from the inception.

Many say that the properties were taken over at far more than their actual value. However, at 40, it would certainly seem that the bonds ought to be good enough value. The common stock sold as high as 33 in 1909, the preferred selling at the same time at 61½. The common continued to decline during 1910 and is now quoted at anywhere from \$3 to \$4 a share. The preferred sold highest in the spring of 1910, when 98 was touched. To-day, it is quoted at \$20 a share.

All this simply goes to show how difficult it is to know when a deal is right.

### Names on the Directorate.

The array of names on the directorate of the Amalgamated Asbestos Corporation was as fine as could be desired, including, as it did, several prominent Montreal men, as well as well-known New York and Philadelphia people. The names of the Bank of Montreal, the Bank of Commerce and the Royal Trust Company were used somewhat freely, and although these in no way guaranteed the deal, conclusions were drawn which are costing the subscribers dearly. It is not impossible that, given time, the Amalgamated Asbestos Corporation may pull out and make good, as it owns fine properties in the Black Lake district and, together with one or two other companies, has practically a monopoly of certain grades of asbestos. At present there seems to be a little friction between some of the companies, and it may be that the rivalry is forcing prices to a level which will not permit them to show profits which would justify even bond interest.

### NORTHERN EXPLORATION COMPANY.

The managers of the Ontario Exploration Company have been moved by the repeated requests for information which have come from this side. The directors have decided to issue to shareholders an interim report and statement of accounts up to June 30.

In response to a specific request for details of the company's position, the following information has been furnished a Toronto firm:—

- (1) Up to September 12, 1911, there had been issued 110,425 shares of one pound each of the company's capital.
- (2) Options are outstanding on the balance of the unissued capital, namely 280,523 shares.
- (3) There is no stock in the treasury free from options.
- (4) The Northern Exploration Company still owns 6,000 shares of Hollinger.
- (5) The company also owns 165,008 shares of Ontario Porcupine Gold Fields Development, fully paid, also 17,250 shares on which fifteen shillings per share is paid up, and 95,590 shares on which ten shillings per share is paid up.
- (6) The company has cash on hand of 85,000 pounds, or approximately \$425,000.

The position of the wrecked freighter Joliet, which was rammed and sunk in the St. Clair River last week by the steamer Phipps, is such a difficult one that the Pittsburgh Steamship Company, which owns the boat, has offered to donate her to anyone who will agree to remove her from the channel at once, and will furnish a bond to that effect satisfactory to the government. The Joliet is 282 feet long, and is loaded with iron ore. If the steamship company's offer is not accepted the Joliet will be blown up with dynamite as she lies.

The Springfield Republican emphasizes the need of popular education on fire hazards and fire prevention by the following, taking as its text this item: "A woman poured a quart of gasoline into the marble wash bowl of the toilet room and placed a silk waist in it. She closed the door and returned in about ten minutes. She rubbed the silk between her hands. This generated sufficient electricity to make a spark. The gasoline exploded, the house burned and the woman lost her life. If the woman had known that gasoline evaporates rapidly, that the gas it makes is seven times more dangerous than gunpowder, that a single spark would cause a terrible explosion and that one may generate an electrical spark by rubbing silk cloth—if the woman had known all this there would have been no fire in the house and she would probably be alive to-day."