

\$ 50,000. INTERNATIONAL PAPER COMPANY REFUNDING 6% 1955.
 These bonds are outstanding to the extent of \$19,977,000. and are junior to subsidiary issues of \$77,350,000. The assets of International Paper Company consists of the Common Stock of Canadian International Paper Company, from which no revenue can be expected and certain American properties that are not as a whole in a favourable competitive position. Earnings, after depreciation of \$3,128,400, failed to cover bond interest by \$1,120,824 in 1931. At the end of 1931 the company had no less than \$20,710,625 notes payable and \$6,087,680 accounts payable. Quick assets consisted of \$2,499,930 cash and \$15,270,880 accounts receivable.

With the resignation of Mr. Wiggin from the Chase National Bank, future relations of the company with the New York Banks are likely to be radically different than has been the case in the past and bankruptcy is more than probable. If this occurs there is likely to be little if anything available for the International Paper Refunding 6s because of the heavy bank indebtedness and the large amount of senior securities to these bonds that are outstanding.

For this reason we strongly recommend the sale of these bonds at the present time even though the price is only 13-1/2.

\$ 25,000. INTERNATIONAL POWER & PAPER COMPANY OF NFLD. LTD. 1ST MTGE. 5%, 1968.
 This bond we believe to be sound inasmuch as the company is the lowest cost unit in the International Paper group. The first mortgage is a small issue of \$1,000,000 and precedes two \$2,000,000 debenture issues, one of which is guaranteed by the Government of Newfoundland and the other by the Government of Great Britain. This lends considerable strategic strength to the first mortgage bonds. Despite the rather unsatisfactory current position due to heavy bank indebtedness and considerable advances due to the parent company which will be a constant drain on the cash, earnings are satisfactory and were over 9 times first mortgage bond interest in 1931.

\$ 50,000. LAKE ST. JOHN POWER & PAPER CO. LIMITED 1ST MTGE. 6 $\frac{1}{2}$ % 1947.
 This situation appears reasonably hopeful despite the fact that the company is not paying bond interest. This appears to have been caused by three reasons -

1. Working Capital position was unsatisfactory.	
At the end of 1931 Current Assets were	\$ 2,239,540
Current Liabs. were	1,905,156
Net working capital	\$ 334,384

2. The company has important contracts from the Hearst syndicate who paid them largely by notes instead of cash. This increased bank loans to a point where the banks did not feel justified in advancing more funds and seriously embarrassed the company.
3. The Quebec Government claims for \$500,000 for timber limits due to an error in the size of the timber limits contracted for by the company. Lake St. John Power and Paper Company was unable to finance this. It is expected that some way out of this tangle can be reached by arbitration.

No formal reorganization has taken place but bondholders have formed committees friendly to the company to watch over its operations and have given the right to waive bond interest for 2-1/2 years and to issue a prior lien issue if they deem this advisable.

The company has averaged 67% production in 1932 and is now operating at 78%. Earnings for 11 months after depletion (which was \$92,000 in 1931) but before depreciation (which was \$170,000 in 1931) failed to meet bond and debenture interest requirements of roughly \$500,000. by \$100,000. As this interest is not being paid at present, it follows that the company is at present operating in a way to permit the improvement of its cash position and this should tend to improve the position of the bonds.