

MEMO FOR ADVISORY COMMITTEE

ROYAL INSTITUTION FOR THE ADVANCEMENT OF LEARNING

Preliminary Survey of Paper Bonds

- \$250,000. ABITIBI POWER AND PAPER COMPANY LIMITED 5% 1953 .
This Company having passed through receivership, Mr. G.T. Clarkson has been appointed Receiver and Manager. The \$50,000,000. first mortgage bonds outstanding have a present market of 15 or a total value at present market of \$7,500,000. Total capacity is in excess of 600,000 tons of paper per annum. I understand that at \$52. per ton the company can make enough money from its Iroquois Falls Mill alone - excluding its 4 other plants altogether - to cover the bond interest on its whole first mortgage issue before depreciation. Paper is now only \$45 per ton and the company is not making money. It would not take a large rise in the price of paper, however, to show a material improvement in the position of this issue. We are getting in touch with Mr. Clarkson and endeavouring to get a Receiver's report on the company and also the latest statements.
- \$ 50,000. CANADA PAPER COMPANY 6% 1945.
Further study will have to be given to this situation. It is felt that perhaps the bonds are not as strong as those of the parent company, Howard Smith Paper Mills, Ltd.
- \$ 50,000. CANADIAN INTERNATIONAL PAPER COMPANY 1st MTGE. 6% 1949.
Company earned bond interest over two times in 1931. No information is available for 1932 but results will almost certainly be not so good. Company does not publish statements as all the stock is owned by International Power and Paper Company. This is a great danger since it is powerless to prevent inroads made should the parent company choose to do so and the position of the parent company is exceedingly precarious. Mr. Graustein, testifying before the Federal Trade Commission, said - "There is no dodging the fact that the Association considers the whole system more important than any of its units".
- \$ 26,000. CANADIAN PULP AND PAPER RESEARCH 6% 1947.
We have not yet been able to obtain any information on this situation.
- \$370,375. CONSOLIDATED PAPER CORPORATION, LTD. 1st MTGE. 5 $\frac{1}{2}$ % 1961.
We understand that Mr. Belnap is working out the problems of this company with considerable success and that, operating at only 25% of capacity, the company is now covering operating expenses, interest on bank indebtedness and interest on Wayagamack News bonds and earning a little something over; and that during the past year and a half the company has succeeded in reducing nearly \$10,000,000 from the peak of its indebtedness by earnings, compromising on certain agreements in connection with leases and otherwise and by the sale of certain assets. Should the paper industry improve, the company may be rather slow in coming back because of the large amount of bank indebtedness still outstanding and the poor reputation the company received in former years.
- \$125,000. FRASER COMPANIES LTD. 1st MTGE. 6% 1952
52,000. FRASER COMPANIES LTD. 6 $\frac{1}{2}$ % DEBENTURES. Now exchanged to Com. Stk.
This company is in a very bad way and has steadily lost money since its reorganization. Operating and administrative expenses are being covered but not interest on bank advances which amounts to about \$500,000. per annum. This is on top of a working capital deficit of over \$3,000,000. A large part of the company's difficulties arises out of its lumbering operations which can only be conducted at a substantial loss due to the ruinous competition from the Scandinavian countries and Russia, made possible because of heavy depreciation in the currencies of the former and monopolistic nature of the export business of the latter. It is difficult to see how this situation can be prevented from getting worse and no one can tell what the outcome will be. On the other hand the First Mortgage bonds have a nominal quotation of 10 but command no real market, while the common stock has no market, real or imaginary.