modification by the debenture stockholders or the bondholders. The powers given by the scheme to the Bondholders Re-organization Committee would have been of doubtful validity under a scheme effected by extraordinary resolution only. The following is a summary of the effect of the plan taken from The Financial Post Corporation Service of March 29, 1938.

In April, 1936, the bondholders' protective committee for the 6 per cent first and general mortgage bonds issued a plan of reorganization, which proposed the creation of new first and general mortgage bonds, new preference and new common shares, with no change being made in the 5 per cent first mortgage debenture stock. This plan did not meet the approval of the directors, however, and changes were suggested which included the redemption of the 5 per cent consolidated mortgage debenture stock, thus making the 6 per cent first and general mortgage bonds a first charge on the company's assets.

The final reorganization plan which was approved by security holders on Jan. 21, 1937, provided for the following:

(1) The redemption of the existing 5 per cent consolidated mortgage debenture stock on Aug. 15, 1937. This stock, amounting to $2,128,616 at Dec. 31, 1936, was redeemed out of the company's cash resources.

(2) The creation of the following new securities which were distributed to holders of the old securities as shown below:

(a) An issue of $10,500,000 of 5 per cent bonds, due Jan. 2, 1957, being part of an authorized issue of $17,500,000 which became first mortgage bonds when the old consolidated mortgage debenture stock was redeemed.

(*b*) An issue of 5 per cent preference shares, 229,250 shares of $50 par value, making a total of $11,462,500.

(c) An issue of 300,000 no par value shares, with a book value of $3,391,500.

*Basis of Distribution:*

The new securities were distributed as follows:

(1) Holders of old 6 per cent first and general mortgage bonds received $600 principal amount of new 5 per cent bonds, 13 1/10 shares ($655 principal amount) of new preference stock and 3 new common shares (a total of 52,500 shares) for each $1,000 principal amount of old bonds held. Arrears of interest on the old bonds were extinguished.

(2) Holders of old 6 per cent preference shares received 1 1/4 new common shares for each old preference share held, a total of 187,500 new common shares. Arrears of preference dividends were extinguished.

(3) Holders of old common shares received one-half of one new common share for each share held, a total of 60,000 shares.

*Revaluation of Assets:*

Under the plan the paid-up capital was reduced from $18,084,523 to $14,-854,000; total deficit as at Dec. 31, 1936, was eliminated and certain fixed assets revalued.

*Savings to be Realized:*

Savings to be realized from adoption of the plan were estimated as follows:

Elimination of annual interest and sinking fund on the debentures to be retired, $462,000;

Saving in depreciation charges from writing down of assets, $507,000.

Saving in interest charges from new 5 per cent bonds, $525,000;

Additional reduction in annual charges, $275,000;

Total estimated savings, $1,769,000 per annum, of which $1,419,000 would go to improve the company's net income.

[Mr. W. Kaspar Fraser, K.C.]