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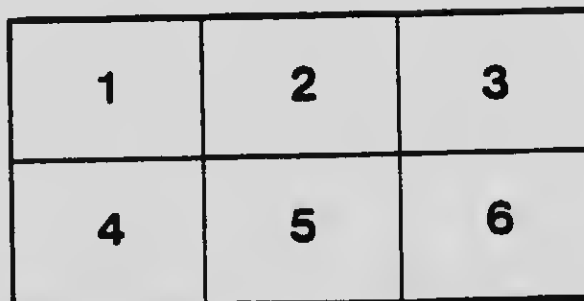
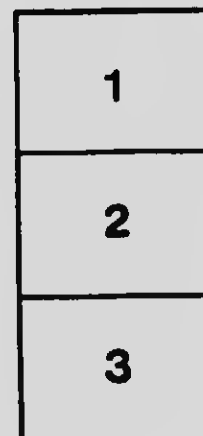
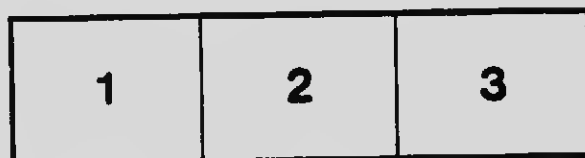
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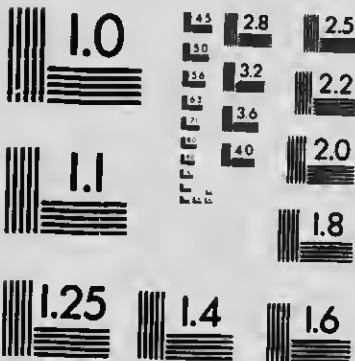
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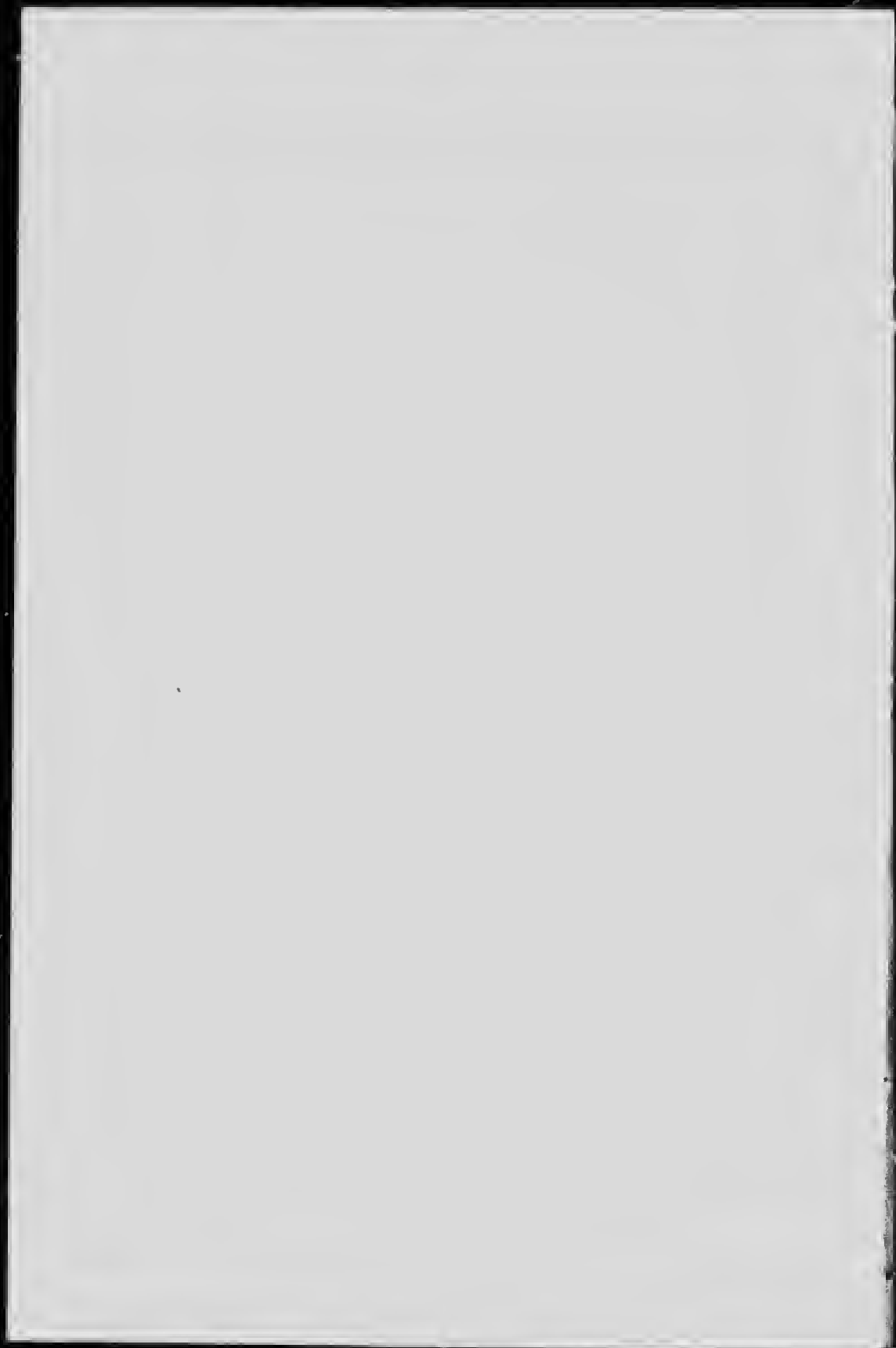
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The Western Canada Cement & Coal Company

OTTAWA, DEC. 31st, 1910.

TO THE CREDITORS:—

From time to time, the writer has deemed it proper to address the Hon. W. C. Edwards, President of the Canada Cement Company, on matters relating to that Company and the Western Cement and Coal Company.

In view of the impending sale on January 1st, of the Western Cement Manufacturing property at Exshaw, the matter has become most urgent, and as the writer desires to furnish full information to those entitled to it, the following letters are submitted:—

WINTERBOLME,

OTTAWA, DEC. 21th, 1910.

DEAR MR. EDWARDS:—

In acknowledging the receipt of your letter of the 22nd, in reply to mine of the previous date, while I much regret that you take an adverse view of my request, I never loose hope that right will eventually be done in some way.

In my letter to you of Dec. 17th, you will find a prospectus outlined of a new Company, at one time proposed, the Exshaw Cement Company (see page five). The fifth clause is designed to meet the present case, and provide for the liquidation of the outstanding indebtedness in a manner which would not be seriously felt by anyone.

Had you seen the way to allow the subject of my letter to you, to be brought before the Directors in Board meeting, I would have deemed it my duty to suggest to them, the expediency of dealing with the Exshaw creditors in a similar spirit and manner.

I cannot think it will be regarded as too late to bring this subject up at any coming meeting of the Board, if you feel so inclined. Meanwhile, I feel that I cannot longer del., furnishing all the Exshaw creditors with the fullest information, and for that purpose, I have placed much that I have submitted to you in the printer's hands for circulation amongst them.

Believe me,

Yours truly,

SANDFORD FLEMING.

HON. W. C. EDWARDS,

President, Canada Cement Company.

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WINTERHOLME,
OTTAWA, 17th DECEMBER, 1910.

HON. W. C. EDWARDS,
President, Canada Cement Company.

DEAR MR. EDWARDS:

I addressed you on December 6th respecting the unsecured claims of the creditors of the Western Canada Cement and Coal Company, who in all fairness and on first principles of business rectitude should be considered and afforded protection and relief.

I have before me a list of 129 such claimants, of various amounts, for machinery, supplies, labor, wages, salaries, loans, interest and miscellaneous, amounting in all to upwards of \$690,000.

The importance and urgency of the matter are obvious, in view of the impending sale of the Exshaw property on the 18th January next, and my association with the Boards of both Companies, coupled with my earnest desire that justice be done, renders my position increasingly difficult.

I have received no reply to my letter to you of 6th December, and it is daily becoming apparent that possibly it will be incumbent upon me to afford these creditors a statement of facts and of steps taken to protect their interests. I am accordingly addressing you the enclosed formal communication in the hope that you will bring it to the earnest attention of each director, and in the hope that the Board will see fit to take such action thereon as will render similar explanations on my part to the unsecured creditors quite unnecessary.

Yours truly,

SANDFORD FLEMING.

OTTAWA, DECEMBER 17th, 1910.

*To the President and Directors of
The Canada Cement Company, Limited:—*

GENTLEMEN:

As President of the Western Canada Cement and Coal Company, Limited, and also as Honorary President of the Canada Cement Company, Limited, I am constrained at the present juncture to address this communication to you, in the confident hope that the Board of the Canada Cement Company and its individual Directors, will give the subject matter of this letter most careful consideration, with a view to remedying the grave injustice which is likely to befall the unsecured creditors of the Western Canada Cement and Coal Company at Exshaw.

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For the purpose of appreciating the position from such standpoint, it is necessary to review, as succinctly as possible, the circumstances leading to the present regrettable state of affairs.

The works of the Western Company at Exshaw, were established on the Canadian Pacific Railway, between Calgary and Banff, in Province of Alberta, at a point where the best materials for the manufacture of cement are obtainable in unlimited quantity. A site was selected at a place named Exshaw, where cheap power so desirable in the process of manufacture, and where by means of existing railway connections the products of the works may be transmitted to all parts of the Northwest of Canada. By this means, a vast field is open for the delivery of cement between Manitoba and British Columbia, and from the international boundary northward to Edmonton. Indeed, these works in the situation named, will command the whole region lying between Vancouver and Prince Rupert on the west, and Winnipeg and Hudson Bay on the east.

The works were established mainly on the issue of bonds, but owing to various circumstances, the issue was insufficient. The works were established on a gigantic scale, a new village with all its necessities had to be built up, the cost of introducing material and machinery by railway to Exshaw, a point so distant from Eastern Canada, was very great, and in consequence, various debts, beyond the bonded capital, were incurred. Among other difficulties, a strike of the railway employees for a considerable period arose and followed by a long strike among miners both involved much delay and heavy loss.

In the summer of 1909, a movement was inaugurated to merge into one company, the various cement mills of Canada. Being about the best constructed and most efficiently equipped on the continent, the Exshaw mills were among the first to be considered, and in the prospectus of the Canada Cement Company, it was proposed that they should be acquired. For many months, negotiations were continued, and various propositions were from time to time, made and tentatively agreed upon. The terms of union were again and again revised and re-arranged, until towards the end of October, 1910, those controlling the Western Company were led to believe that the merging of that Company with the Canada Cement Company, was on the eve of being accomplished. At that date, however, it became known that a counter movement had been on foot, and that the Canada Cement Company without the knowledge or suspicion of those in Canada associated with the Western Company, proposed to take other means of acquiring possession of the property at Exshaw.

On Saturday, October 29th, 1910, it incidentally became known in Ottawa, that the Canada Cement Company had agencies in London, who were endeavoring to acquire the debentures held by the English Bondholders; that in fact through the agencies employed, they had almost succeeded in inducing certain of the English Bond-

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holders to part with the debentures of the Western Cement Company in exchange for Bonds of the Canada Cement Company.

In the interest of all the creditors of the Western Company, the Chairman of the Bondholders' Committee in London, was immediately asked by cable to suspend further action until full information could be laid before the Committee. From October 31st onwards, the English Bondholders' Committee were frequently cabled and urgently entreated to do nothing hastily; they were informed that means were being taken in Canada by which not only the whole indebted debt with interest would be made secure but all outstanding indebtedness to creditors of the Western Company would be provided for. Aware that under the terms of the Mortgage Trust Deed, a majority of the Bondholders were enabled to control the situation, a letter was sent Mr. H. W. Pirks, the Chairman of the Voluntary Committee of English Bondholders, which is here quoted in part:

DEAR SIR:

OTTAWA, NOVEMBER 5th, 1910.

"In connection with the subject of the cable-telegrams, which have passed between us during the past few days, I feel it my duty to address you as follows, for the information of yourself and those associated with you. For many months, negotiations have been going on to merge the Western Canada Cement and Coal Company, with the Canada Cement Company of Montreal. The terms of union were arranged and re-arranged, again and again, until those acting for the Western Company were led to believe that the merging of the two Companies was at length on the eve of being accomplished. Only on October 29th scarcely a week back, it was, however, learned that an adverse movement was on foot, by which, if successful, the Canada Cement Company, would obtain possession of the bonds at a reduced figure, and all the creditors of the Western Company would be wiped out.

Mr. Dunsford and Mr. Middleton, both bondholders, have been in Canada during the past season, and they are both well aware of the accuracy of the facts stated, and the terms upon which the two Companies were to be merged. They will also aver that the much regretted delay in closing the matter was caused by those controlling the Canada Cement Company there remained but one alternative, the character of which was indicated to you by cable, first on October 31st, and again on November 2nd and 3rd.

The proposition is, to organise here in Canada, a new Company, to continue with the utmost vigor, the manufacture of cement at Exshaw. We think it due to you and your Committee, as representing the Bondholders, that we should apprise you of our intention. We are perfectly satisfied that the profits will be very large, even after meeting interest in full on the borrowed capital and liquidating

all indebtedness, so that the new stockholders will eventually secure a handsome return.

I enclose for your information, an outline of the prospectus of the new Company with explanations respecting it. I shall be glad to learn that it meets with your approval.

Yours most truly,

SANDFORD FLEMING.

THE EXSHAW CEMENT COMPANY, LIMITED.

PROSPECTUS.

This Company is formed for the express purpose of continuing the manufacture of cement at the mills established at Exshaw, in the Province of Alberta, and for some time worked by the Western Canada Cement and Coal Company, Limited.

1. The Exshaw Cement Company is organized to raise an authorised capital of \$500,000 preferred seven per cent. cumulative stock, to be employed as working capital and other purposes.
2. The Exshaw Company undertakes to assume the whole bonded debt by an issue of 6% First Mortgage Debentures of an amount sufficient to take up the present First and Second Mortgage Debentures at par. That is to say the new Company will authorise an issue of \$1,550,000 First Mortgage 6% twenty year Debentures.
3. The Exshaw Company shall continue the manufacture of cement at the mills above referred to and shall dispose of the same to the best advantage.
4. The proceeds from the sales shall, after defraying working expenses, maintenance and interest on bonds, be used in paying dividend on the new preferred shares up to seven per cent.
5. After paying interest on the bonded debt and dividend on preferred stock, the profits shall be employed in the liquidation of the outstanding indebtedness of the old Company as set forth in the appended sheet.
6. When all interest on bonded debt and all outstanding indebtedness is liquidated, the profits shall be due and payable to the preferred shareholders of the new Exshaw Company.

In explanation of the foregoing, it may be stated that the business reports for the past twelve months go to show that the demand for cement is very great in the northwest of Canada. Cement to meet the demand has now to be imported from Ontario, and owing to the excessive haulage, the price has ranged very high. Moreover, it is impossible to meet the demand from those distant sources and in consequence public departments in the Provinces, contractors and individuals are hampered, and building operations are delayed. The price of cement at Calgary, Edmonton and else-

where, in the northwest, has ranged from \$2.50 to \$3.07 per barrel. The evidence goes to show that the demand is constantly increasing and that it will continue to augment in a field so vast as that extending from Manitoba west to British Columbia, and from the International boundary north to the latitude of Prince Rupert, Edmonton and beyond.

Exshaw is centrally situated in this great field. The mills are capable of producing yearly from 100,000 to 500,000 barrels. Taking a conservative view of both price and annual yield, we may take 100,000 barrels at \$2.25, equal to \$900,000 as a reasonable estimate of the annual revenue of the mills as they stand today.

The actual cost per barrel of manufacturing cement at Exshaw is ascertained to be 80 to 90 cents. Taking the highest rate we have the cost at the mill of the assumed output of 100,000 barrels as \$360,000, which sum deducted from \$900,000 gives a net revenue of \$540,000 per annum.

As above set forth, the first charges on revenue would be :

6% interest on bonds.	\$93,000
Dividend on seven per cent. stock. . .	35,000
	\$ 128,000

which sum deducted from the estimated revenue of \$540,000 leaves \$412,000 as the earnings available yearly to meet sinking fund on debentures, maintenance and all outstanding indebtedness.

According to the terms of the prospectus, it is believed that in a few years the Exshaw Company would have liquidated every obligation, that it would find itself in a most flourishing condition, and that the matter of lowering the price of cement to the consumer might with perfect propriety be then considered and effected."

* * * * *

It should be stated that as the London Bondholders practically controlled the situation, the organization of the new Company awaited the Bondholders' approval. The London Committee met on November 28th, and at that meeting the Chairman explained the position of the Western Cement Company, and read a cable-telegram which he received that morning from the writer in reference to the proposal of the Canada Cement Company as follows:

OTTAWA, NOVEMBER 28th, 1910.

"Proposal (This refers to the offer of the Canada Cement Co'y.), before Committee adverse to honorable dealing and fraught with disaster. Aim of new Exshaw Company to meet all just debts and maintain fair name of business men should claim approval—receive earnest appeal of Canadian Bondholder."

SANDFORD FLEMING.

On the same day the Chairman telegraphed to Ottawa the final decision of the Committee as follows:

LONDON, NOVEMBER 28th, 1910

"Cable fully considered by Committee who regret arriving at decision that merger offer is best for Bondholders."

Legal formalities were immediately proceeded with both in England and in Canada, to effect the sale of the property at Exshaw, and gain a clear title to the Canada Cement Company of all the properties and undertakings of the Western Canada Cement and Coal Company. On December 1st, a printed circular was issued to this effect over the names of the six members of the Bondholders' Committee.

On the situation becoming known at Ottawa, the writer deemed it his duty to address the President of the Canada Cement Company, the letter which follows:

OTTAWA, DECEMBER 6th, 1910.

THE HON. W. C. EDWARDS,

President, Canada Cement Company.

DEAR SIR:

The proposals of the Canada Cement Company, set forth in their letter of offer of 21st November, to purchase all the property of the Western Canada Cement & Coal Company, Limited, for \$1,377,097 (of which \$120,097 is to be cash and the balance in Cement Company bonds), if approved at the forthcoming meeting of the bondholders on the 6th January next, the result will be that the Canada Cement Company will become the *outright* owners of all the property and assets of the Western Canada Company for the price mentioned, leaving the Western Canada Company without assets or property, but with unsecured liabilities of about \$700,000.

While the first and second mortgage debenture holders (by whom the property is to be sold under the decree of the Alberta Court on the 18th January, 1911), will thus be receiving less than the face amount of their debentures and accrued interest, the balance due such debenture holders will be wiped out by the proposed arrangement and sale to the Canada Cement Company; the unsecured creditors on the other hand, to the amount of about \$700,000 will be wholly unprovided for.

It is not to be forgotten that the original cement merger was predicated upon the fusion of the International Portland Cement Company and the Western Canada Company, and other kindred industries, those controlling the two former named companies being the actual initiators of the merger. Further, it is not to be overlooked that it was proposed by agreement of April 4th, 1910, that the Western Canada Company should be taken into the merger on terms by which all creditors of the Western Canada Company were amply

provided for. True, the agreement of 9th September, 1909, was not consummated, owing to no fault, however, of the Western Canada Company, but it is to be remembered that thereafter (and until a comparatively recent date), negotiations were continued by those representing both concerns for the absorption of the Western Canada Company into the merger, on equitable terms such as would have protected all creditors, secured and unsecured.

Now, at the eleventh hour, those interested are informed that nothing can be done but to proceed with the sale next month, under the Mortgage Trust Deed, and the recent offer of the Canada Cement Company will doubtless be accepted by the bondholders, thus leaving the unsecured creditors wholly unprovided for.

In these circumstances, and having regard to the fact that the present proposed purchasers, the Canada Cement Company, are no strangers to this whole transaction, it is felt that in all fairness and on first principles of business rectitude, the offer of the Canada Cement Company should be supplemented in such a way as to afford a measure of relief to the unsecured creditors whose claims amount to approximately \$700,000, and who had all along expected to have been accorded some measure of protection in any deal that might be ultimately concluded.

That the Canada Cement Company as the future purchasers of the Western Canada Company's property, can afford to be both just and generous in the premises, abundantly appears when the amount of the proposed purchase price is considered. The mills at Exshaw are capable of producing from 400,000 to 500,000 barrels of cement per annum, the cheap power available on the spot for manufacturing; the high selling price of cement throughout the vast region between Manitoba and British Columbia, all contribute to an enormous profit on the product of this industrial concern, a net revenue which may reasonably be reckoned at from twenty-five to thirty per cent per annum.

The Canada Cement Company will acquire the whole property for \$1,377,097, on which capitalization—relatively small—the future profits of the western undertaking; on even the most conservative basis, are bound to be such as to enable the purchasers to consider the just claims of the unsecured creditors of the concern.

Yours very truly,

SANDFORD FLEMING.

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