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IN THE MATTER OF

Abitibi Power & Paper Company
Limited

SECOND REPORT
of Receiver and Manager

April, 1934

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Abitibi Power & Paper Company Limited

SECOND REPORT of Receiver and Manager

By Order of the Supreme Court of Ontario the undersigned was on September 10th, 1932, appointed Receiver and Manager of Abitibi Power & Paper Company Limited, and under date of February 28th, 1933, a report was issued to the Bondholders, Creditors and Shareholders of the Company in respect to the state of its affairs as of date September 10th, 1932.

As of date September 10th, 1932, Abitibi Power & Paper Company Limited owned directly, and through subsidiaries, eight newsprint paper mills in the Provinces of Ontario, Manitoba and Quebec, while in addition it was under contract to purchase the capital stock of Thunder Bay Paper Company Limited, which owned a mill at Port Arthur, Ontario. The rated annual capacity of such mills was reported to be as follows:

(a) Iroquois Falls (Ontario) mill.....	186,000 tons	
(b) Pine Falls (Manitoba) mill.....	78,000 "	
(c) Ste. Anne (Quebec) mill.....	78,000 "	
(d) Thunder Bay (Ontario) mill.....	78,000 "	
(Subject to payment of balance of purchase price for the capital stock of Thunder Bay Paper Company Limited)		
(e) Sault Ste. Marie (Ontario) mill.....	78,000 "	
(f) Fort William (Ontario) mill.....	52,000 "	
		550,000 tons
Mills reported to be inefficient -		
(g) Murray Bay (Quebec) mill.....	34,000 tons	
(h) Sturgeon Falls (Ontario) mill.....	46,000 "	
(i) Espanola (Ontario) mill.....	100,000 "	
		180,000 tons
TOTAL.....		730,000 tons

Sales of newsprint paper then being made by Abitibi amounted to slightly in excess of 200,000 tons per annum, and such paper was being produced by operation of the Sault Ste. Marie mill to approximately 100% of capacity, and the Iroquois Falls and Thunder Bay mills to partial capacity. The other newsprint paper mills, at Pine Falls, Ste. Anne, Murray Bay, Fort William, Sturgeon Falls and Espanola, were closed down. Supplies of pulpwood were on hand for the operation of the mills at Port Arthur, Iroquois Falls and Sault Ste. Marie, and for the Ste. Anne mill. Substantial quantities of pulpwood were available to the Espanola and Sturgeon Falls mills, but with high costs of conversion at such mills opinion was that such wood could not be manufactured there so as to salvage any return from it. Pulpwood on hand at the Pine Falls mill and at Murray Bay was insufficient in quantity to permit the operation of such mills for the production of newsprint paper.

In addition to the newsprint mills above mentioned Abitibi Power & Paper Company Limited also owns a Sulphite mill at Smooth Rock Falls, Ontario, which has a rated capacity of about 60,000 tons per annum of high grade sulphite, and at such mill 50,700 cords of pulpwood were estimated to be on hand and available for operation at the date of receivership. Demands for sulphite pulp and the market price of the same were reduced at the date of receivership and the mill was reported to be operating at a loss of about \$125,000 per annum.

Hydro electric properties owned by Abitibi Power & Paper Company Limited, other than those which produce electrical power for the sole use of the Company's mills, were comprised of a development (owned by Abitibi Electric Development Company Limited) at Island Falls on the Abitibi River in Northern Ontario, and a development (owned by Kaministiquia Power Company Limited) on the Kaministiquia River, adjacent to Fort William at the head of the Great Lakes, in the Province of Ontario, both of which Companies are wholly owned subsidiaries. Abitibi Electric Development Company Limited was at the time supplying the Hydro Electric Power Commission of Ontario with 25,000 electrical h.p., while the remainder of the power generated by its development was being used in the Iroquois Falls mill of Abitibi Power & Paper Company Limited. The Kaministiquia Power Company's development was supplying power to certain customers in the City of Fort William from whom revenue was being received, while 9,500 h.p. had been contracted to be sold to the Fort William mill of Abitibi Power & Paper Company Limited: such mill was closed down at the time and no other satisfactory market for the power appeared to be available.

Attached hereto is a Balance Sheet of Abitibi Power & Paper Company Limited as of date December 31st, 1933, and a Consolidated Operating Account of such Company, its wholly owned Subsidiaries and the Thunder Bay Paper Company Limited for the period of the receivership between September 10th, 1932, and December 31st, 1933, both of which statements are certified by Messrs. Price, Waterhouse & Company, Chartered Accountants, of Toronto, Canada. Set opposite such Balance Sheet, for comparative purposes, is a Balance Sheet of date September 10th, 1932, based on the statement contained in the Report made to Bondholders and Shareholders under date of February 28th, 1933. Attached, also, are Balance Sheets and Profit and Loss Accounts of the Manitoba Paper Company Limited, Ste. Anne Paper Company Limited, Abitibi Electric Development Company Limited, and Kaministiquia Power Company Limited, all wholly owned Subsidiaries; of Thunder Bay Paper Company Limited, the whole of the capital stock of which Abitibi Power & Paper Company Limited is under contract to purchase, and of Provincial Paper Limited, the whole of the common capital stock of which is owned by Abitibi Power & Paper Company Limited but the earnings of which are not included in the Consolidated Operating Account. These Balance Sheets and Profit and Loss Accounts are also certified by Messrs. Price, Waterhouse & Company.

In respect of the Balance Sheet of Abitibi Power & Paper Company Limited, of date December 31st, 1933, and of the items therein contained, the following report is made:

CURRENT ASSETS, INCLUDING SHARES OF SALES COMPANY ACQUIRED BY RECEIVER AND MANAGER.

At the date of the receivership obligations payable in priority to the claims of Bondholders, including amounts estimated as required to be paid to protect the investments of the Company in subsidiary corporations, and reserves set up to cover credits necessary to be given to customers, amounted to \$1,105,301, in addition to which \$76,152 was owing in respect of accrued and unpaid wages, making a total of \$1,181,453. Subsequently \$200,000 of the reserves set up were written back leaving the balance of the items so payable at the amount of.....\$981,453

Current and trading assets, comprised largely of mill and townsite supplies, which passed into the hands of the Receiver and Manager, amounted to.....	\$765,286	
to which there was later added.....	164,184	
representing certain inventories of sulphur and coal claimed to be pledged to The Royal Bank of Canada, which claim was not admitted.....		929,470
Preferred liabilities therefore exceeded such assets by ..		\$ 51,983

Inasmuch as the inventories mentioned were largely of a non readily realizable character, this meant that on September 10th, 1932, Abitibi Power & Paper Company Limited was without any cash resources of importance and had preferred liabilities of \$981,000, which had to be provided for, and have been paid or adjusted.

Current and trading assets in the hands of the Receiver on December 31st, 1933, together with the capital stock (taken at its purchase price) of the G. H. Mead Company, which was acquired by the Receiver and Manager, with the approval of the Court, and is later herein referred to, amounted to.....	\$3,336,133	
Forward.....	\$3,336,133	\$ 51,983

Forward.....	\$3,336,133	\$ 51,983
as opposed to which the liabilities of the Receiver and Manager, including \$95,983, set up as reserves against contingencies, amounted to.....	2,923,746	
leaving a surplus of.....		412,387
and showing an improvement (including the Mead Company shares) for the period, of.....		\$464,370

Such improvement was obtained after net advances of \$1,014,377 had been made to subsidiary corporations (including Thunder Bay Paper Company Limited) to enable them to pay liabilities and cover operating losses and/or the costs of carrying their properties shut down—also the payment of \$316,076 principal and interest upon a contract for the purchase of the capital stock of the Thunder Bay Paper Company Limited and the expenditure of \$39,164 on improvements to properties of Abitibi Power & Paper Company Limited.

Preferred liabilities payable in priority to the claims of Bondholders and banking advances obtained prior to the receivership and secured upon assets of the Company, amounted at the date of receivership to—

(a) Liabilities payable in priority to Bondholders.....	\$981,453	
(b) Payable to The Royal Bank of Canada in respect of advances made prior to the receivership.....	4,261,038	\$5,242,491
while as of date December 31st, 1933,		
(c) the liabilities of the Receiver and Manager amounted to.....	\$2,923,746	
and (d) the amount remaining payable to The Royal Bank of Canada in respect of advances made prior to the receivership was.....	1,297,138	
	4,220,884	
Less—Amount owing by Receiver and Manager to Bank and contained in item (c) but not deducted from item (d).....	231,466	\$3,989,418
indicating a reduction in secured liabilities and those ranking in priority to Bondholders of.....		\$1,253,073

The above reduction in liabilities was obtained after payment of the items in the previous paragraph mentioned—amounting to \$1,369,617—and the payment (partly in cash and the balance by the issue of Receiver's Certificates) of \$750,000 in purchase of the capital stock of the G. H. Mead Company.

ADVANCES MADE BY THE ROYAL BANK OF CANADA PRIOR TO RECEIVERSHIP, WHICH WERE SECURED UPON ASSETS OF THE COMPANY:

As of date September 10th, 1932, Abitibi Power & Paper Company Limited was indebted to The Royal Bank of Canada in the amount of.....	\$4,261,038
for loans made prior to the receivership, and as security for the payment of such advances the Bank claimed to hold liens upon assets of the Company (including 100,000 shares of the Common capital stock of Provincial Paper Limited taken at the arbitrary value of \$1,500,000) amounting to.....	\$5,646,032
Subsequently it was contended that certain inventories of coal and sulphur included therein and amounting to.....	164,184
were not pledged to the Bank and they were accordingly transferred to the inventories which passed to the Receiver and Manager leaving the nominal value of the assets pledged.....	\$5,481,848
and the nominal equity therein.....	\$1,220,810

In a Report issued by the undersigned under date of February 28th, 1933, the sum of \$76,152 was shown as payable by the Bank out of the proceeds of the assets pledged to it, but subsequently

Counsel advised that the securities so pledged were not chargeable with such claims; accordingly they have been added, as hereinbefore shown, to the amount of obligations payable in priority to the claims of Bondholders.

Following the receivership the validity of the liens held by The Royal Bank of Canada was investigated by Counsel for the Receiver and Manager and also by Counsel for the Bondholders' Committee, both of whom gave it as their opinion that such liens were valid and effective: such opinions were submitted to the Court which authorized the Receiver and Manager to admit the validity of the liens and empowered him to enter into an arrangement with the Bank looking to the collection of receivables and the conversion of the trading assets covered by the pledges, which was done. As of date December 31st, 1933, the amount remaining payable to the Bank in respect of its advances, with interest paid to date, was..... \$1,297,138

as against which securities remaining to be realized (including the Common shares of Provincial Paper Limited, taken at the arbitrary value of \$1,500,000) amounted to 2,556,732

leaving a nominal equity of..... \$1,259,594
this after payment, out of realizations, of interest of \$138,388.

Included in the assets standing pledged to the Bank at the date of receivership were certain accounts receivable which were valued at \$1,754,805; in respect of \$75,507 of such receivables set-offs were found to exist, or credits were required to be given to customers to meet market reductions in the price of newsprint paper. Towards the latter part of 1933, also, certain substantial losses developed in accounts owing at the date of receivership by customers, and it was felt advisable to set up reserves of \$283,292 to cover the same: to the extent of \$121,386 these losses were offset by exchange and other credits received.

Also included in the liens held by the Bank were pledges covering pulpwood in the Spanish River, tributary to the Espanola paper mill of the Company. In the Balance Sheet of September 10th, 1932, no value was attributed to such pulpwood by reason of report that with the high costs of conversion at the Espanola mill it could not be manufactured there so as to obtain any recovery from it. During 1933 approximately 109,000 cords of such wood were driven to the mouth of the Spanish River and towed to Sault Ste. Marie, Ontario, where it is now being converted in the Company's mill there. As the result of such operations approximately \$350,650 will be recovered from such wood. A further \$62,730 was in 1933 added to the value of the assets pledged to the Bank in respect of pulpwood on hand on September 10th, 1932, in excess of the amounts estimated on such date.

The above write-offs in respect of receivables and increases in the value of the pulpwood inventories have been deducted from and/or added to the surplus of the Company as at the date of receivership.

INVESTMENTS IN SHARES OF AND ADVANCES TO CORPORATIONS WHICH ARE NOT WHOLLY OWNED SUBSIDIARIES:

In the Balance Sheet of September 10th, 1932, these were included at the amount of \$875,374, and to the extent of \$696,736 the item represented payments (less certain amounts written off) made by Abitibi Power & Paper Company Limited on subscriptions for shares of Newsprint Bond and Share Company Limited; while \$152,889 represented advances to and investments in shares (less certain amounts written off) of the Hebecourt Corporation. In the Report of February 28th, 1933, it was stated that the realizable value of such investments was uncertain, but that it would not likely exceed a small proportion of book costs. Information subsequently obtained appearing to confirm this view, the sum of \$873,738 was written off the item and deducted from the surplus of Abitibi Power & Paper Company Limited as it existed at the date of receivership.

INVESTMENTS IN THE SECURITIES OF AND ADVANCES TO WHOLLY OWNED SUBSIDIARIES.

At the date of Receivership and according to the books of the Company, Abitibi Power & Paper Company Limited had investments in bonds and shares of and had made advances to wholly owned subsidiaries to the amount of..... \$45,214,592

and included therein was the sum of..... 4,921,718

as having been invested in the shares of Thunder Bay Paper Company Limited, which item is herein reported upon separately.

Investments in and advances at such date to other subsidiaries were therefore \$40,292,874

Forward.....	\$40,292,874
In the Balance Sheet of December 31st, 1933, the amount of such investments and advances is shown as.....	37,342,126
a reduction of.....	\$ 2,950,748

This difference is attributable to the following:—

Reductions—	
Book loss arising from sale of Murray Bay Paper Company Limited	\$5,799,150
Investments in and advances to Ontario Power Service Corporation Limited—written off.....	160,475
Repayment of advances by subsidiary companies (net).....	114,839
	<u>\$ 6,074,464</u>

As against the above reductions—

The net surplus of wholly owned subsidiaries brought on to the books of and added to the surplus of Abitibi Power & Paper Company Limited as of date September 10th, 1932, amounted to....	\$2,733,232
Profits (net) of subsidiaries during the period of Receivership similarly added, amounted to.....	390.484

3,123,716

Leaving Net reduction in these investments, as above..... \$ 2,950,748

Included in the investments and advances as of date September 10th, 1932, was the sum of \$5,783,916 representing the investment of Abitibi Power & Paper Company Limited in and its advances to Murray Bay Company Limited as follows:—

(a) First Mortgage Gold Bonds due June 1st, 1968.....	\$2,670,000	
Interest accrued thereon to August 31st, 1932.....	33,375	\$ 2,703,375
(b) Advances by Abitibi Power & Paper Company Limited.....		2,830,541
(c) Capital Stock owned—Book value thereof.....		250,000
TOTAL (as of date September 10th, 1932).....		<u>\$ 5,783,916</u>

In the report of February 28th, 1933, the following statement was contained:

"Murray Bay Paper Company Limited is the owner of a newsprint paper mill located at Murray Bay, Province of Quebec, with a rated annual capacity of about 34,000 tons; such paper mill, which was equipped in part with secondhand paper machines acquired from a mill in the United States, has not been operated since the date of its construction. A groundwood pulp mill, necessary to operation of the paper mill, and certain timber limits (estimated to contain about 2,300,000 cords of pulpwood) are reported to be held by the Company under a lease expiring in 1946, at a rental cost—plus certain other charges required to be paid—of approximately \$150,000 per annum. Payment of such rentals is claimed to have been guaranteed by Abitibi Power & Paper Company Limited. Power for the operation of the pulp mill and paper mill is obtained under a contract from Quebec Power Company at an approximate cost of \$98,400 per annum, while in addition it is alleged that Murray Bay Paper Company Limited is obligated to pay \$22,697 annually, for a period of fourteen years, to Quebec Power Company in connection with the construction of a power line to its properties. Additional costs of carrying the property closed down amount to approximately \$40,600 per annum, while the Company may also be under liability to pay \$35,200 in connection with the purchase of certain houses, and owes \$47,000 of other overdue liabilities. Question arises as to whether under existing conditions, Abitibi Power & Paper Company Limited is justified in maintaining the property and lease at a carrying cost estimated at upwards of \$323,000 per annum."

Following report from the operating officials of Abitibi Power & Paper Company Limited, that it would not be possible for that Company to operate the Murray Bay Mill otherwise than at a loss under any market conditions which were likely—in their opinion—to develop, the property was in 1933, with the approval of the Court, sold to Messrs. Donohue Bros. Limited, Quebec, for \$75,751, and after payment thereof of tax, preferred, and secured claims, the sum of \$5,799,150, including the costs of carrying the property, was written off investment account. With such sale Abitibi was released from a guarantee covering the payment of rental and other charges of about \$150,000 per annum under a lease expiring in 1946, and also from certain guarantees given to Banque Canadienne Nationale.

INVESTMENT IN SHARES OF AND ADVANCES TO THUNDER BAY PAPER CO., LIMITED

In 1929 a corporation known as General Power & Paper Company Limited, which was owned jointly and in equal proportions by Abitibi Power & Paper Company Limited and Canada Power & Paper Company Limited, entered into an agreement with Consolidated Water Power & Paper Company, of Wisconsin Rapids, Wisconsin, for the purchase of 20,000 shares, being the entire capital stock of Thunder Bay Paper Company Limited, which owned a newsprint paper mill with a rated capacity of about 78,000 tons per annum in the City of Port Arthur, and also certain current assets; in addition it owned a timber concession in the Province of Ontario. The price agreed to be paid for the shares of the Thunder Bay Paper Company Limited is reported to have been approximately \$14,100,000, and a substantial portion of such purchase price was paid in cash, while the balance was spread over time. As security for the payment of such deferred instalments the shares of Thunder Bay Paper Company Limited were pledged with the right in the Vendor to realize upon them in the event of default in the payment of any instalment. On or about January 1st, 1932, (and prior to Receivership of Abitibi Power & Paper Company Limited,) Canada Power & Paper Company Limited failed to contribute its proportion of an instalment which matured under the contract, thereby producing default, and giving the Vendor the right to dispose of the shares of Thunder Bay Paper Company Limited, upon the purchase of which it is reported that approximately \$12,720,000 of principal and interest had then been paid. Following such default Abitibi Power & Paper Company Limited entered into an agreement (dated January 27th, 1932) with the Vendor to purchase the shares for the amount remaining to be paid under the original contract—\$3,090,000—payable \$215,000 in cash and the balance in monthly instalments with interest payable semi-annually over a period of ten years; under such agreement it was provided that Abitibi Power & Paper Company Limited should maintain the Thunder Bay Company properties, free of tax liens, and the current assets of such Company equal to or in excess of its current liabilities. Failing observance of any of these conditions and/or payment—when the same became due—of interest and instalments of principal on the purchase price, the Vendor had the right to sell the shares contracted to be purchased.

At the date of Receivership the investment of Abitibi Power & Paper Company Limited in the shares of Thunder Bay Paper Company Limited was, according to its books, as follows:

Moneys advanced to General Power & Paper Company Limited prior to January 1st, 1932, in respect of the purchase by such Company of shares of Thunder Bay Paper Co. Limited with interest thereon to September 10th, 1932.....	\$6,360,320
Amounts paid by Abitibi Power & Paper Company Limited, in the period between January 1st, 1932, and September 10th, 1932, in respect to the subsequent direct purchase by it of the capital stock of Thunder Bay Paper Company Limited.....	294,546
A total of.....	\$6,654,866
of which there had been written off by Abitibi Power & Paper Company Limited	1,733,148
leaving a net book investment of.....	\$4,921,718

while \$2,795,455 of principal, and the interest thereon remained to be paid before purchase of the shares would be completed and delivery of them could be obtained. In addition advances made direct by Abitibi to the Thunder Bay Company amounted to \$168,271.

In September 1932 Thunder Bay Paper Company Limited stood obligated under two power contracts, with the Public Utilities Commission of the City of Port Arthur, to pay approximately

(a) \$53,000 per annum as a minimum charge for electric power held available for supply to the Current River mill of Thunder Bay Paper Company Limited (this contract did not in its terms, expire until August 1934, but it was—as is hereinafter mentioned—cancelled in June 1933, as from February 1st of that year), and

(b) \$225,000 per annum for electric power held available for supply to the Bare Point mill of Thunder Bay Paper Company Limited (this contract does not expire until May, 1937).

On September 10th, 1932, Thunder Bay Paper Company Limited was in arrear in respect of the payment of such power bills to the amount of \$305,522, while its current liabilities (including such power bills) were in excess of its current assets. Abitibi Power & Paper Company was therefore in default under the purchase agreement of January 27th, 1932, and the Vendor was entitled to take steps to sell the shares of Thunder Bay Paper Company Limited unless such default was cured within

sixty days of receipt of notice of their intention to do so. Notice of such intention to sell was given to Abitibi Power & Paper Company Limited on or about November 5th, 1933.

The Thunder Bay mill is believed to be an efficient unit and one which is capable, when operated to full capacity, of producing newsprint paper on a competitive basis when compared with the majority of other Canadian mills; it is suitably located to supply territories where a large proportion of the business controlled by Abitibi is done, and situated as it is at the head of the Great Lakes, with water facilities available, it provides important advantages in the saving of freight charges to lake ports. In September 1932 and in the year 1933 the volume of business controlled by Abitibi was such that it might have provided tonnage sufficient to operate the Thunder Bay mill to full capacity; other Abitibi mills were able to manufacture newsprint paper at lower costs, however, while it was also necessary to convert pulpwood inventories at certain points in order to recover the values therein. With such the case it was apparent that if the investment of Abitibi Power & Paper Company Limited in the shares of Thunder Bay Paper Company were to be protected it would not be in the interests of Abitibi to operate the Thunder Bay mill to full capacity but losses from operating it to partial capacity and/or the costs of carrying it closed down would require to be provided for. Estimate was that such losses and costs might amount to \$400,000 per annum.

With receipt of notice from the Vendor of its intention to sell the shares of Thunder Bay Paper Company Limited, Abitibi was—under the above conditions—faced with one of the most difficult and serious problems found necessary to be dealt with in connection with its affairs, for to cure the default and protect the investment meant providing approximately \$300,000 to pay overdue power bills and further funds to permit current assets of Thunder Bay Paper Company Limited to be balanced with its current liabilities. In addition Abitibi would have to lend Thunder Bay Paper Company Limited such amounts as were necessary from time to time to meet operating losses and/or costs of carrying the property idle. In the alternative, if the default was not cured, Abitibi stood to lose its entire investment of \$6,654,000 in the Thunder Bay Paper Company Limited shares, following which ownership of the mill would return to the vendor or pass into the hands of other persons when it could enter into direct competition with Abitibi in the territories where the principal business of the latter was being done. In so competing there appeared to be little or no prospect, with conditions as they were at the time, that the mill would be able to obtain sufficient business at current market prices to enable it to operate to within any reasonable degree of capacity, but indications were that it would probably have to cut prices substantially in order to obtain such an amount of business, and this the Vendor could—if it desired—afford to do and still effect substantial savings as compared with the expenses it would be called upon to pay were it to leave the mill closed down. Belief was that if any substantial reductions in price were—under such conditions—to be offered by the Thunder Bay mill, Abitibi would risk the possibility of a serious loss of income in protecting the 200,000 tons of business controlled by it; in the alternative should it refuse to meet reductions so made it would risk the loss of business controlled by it.

Serious consideration was given to the above conditions by the members of the Bondholders' Committee and the Receiver and Manager following which opinion was reached that less loss was likely to be met with by Abitibi in protecting the investment than would probably be sustained should the property be given up and the mill in the hands of new owners enter into direct competition with it. It was felt that with an adjustment of power rates (which it is believed will ultimately have to be made) and a reasonable improvement in the demands for newsprint paper the mill will prove to be an important and valuable unit in the Abitibi chain; with stabilization of the industry essential to the interests of Abitibi it was also considered advisable that it should maintain control of the property. The matter was accordingly brought before the Court for its consideration following which an Order was made authorizing the Receiver and Manager to advance moneys to Thunder Bay Paper Company Limited to permit it to liquidate the power bills mentioned and allow it to balance its current assets with its current liabilities; also authorizing and empowering the Receiver and Manager to pay principal and interest upon the purchase contract and to continue to do so until further Order of the Court.

Following the making of the Order of Court mentioned, the sum of \$67,538 was paid in liquidation of overdue and maturing instalments of principal moneys payable under the purchase contract: \$32,784 of interest accrued to September 10th, 1932, and \$215,754 of interest which matured during the period of Receivership has also been paid. The \$32,784 mentioned has been deducted from the Surplus Account of Abitibi Power & Paper Company Limited as of date September 10th, 1932, while the interest of \$215,754 has been charged as an operating expense during the period of Receivership.

In February 1933 an arrangement was made with Consolidated Water Power & Paper Company, of Wisconsin Rapids, Wisconsin—the Vendor under the Purchase Agreement of January

27th, 1932—by which the payment of each instalment of purchase money maturing after February 1st, 1933, was put forward and extended for a period of three years. As a result of such arrangement Abitibi Power & Paper Company Limited is now relieved from the necessity of providing for the payments of such instalments over such period of time but is required to pay interest quarterly upon the balance of the principal moneys (\$2,727,917) outstanding.

Moneys advanced by the Receiver and Manager to Thunder Bay Paper Company Limited to enable it to pay the power bills in arrear at the date of receivership and to balance its current assets with its current liabilities amounted on December 31st, 1933, to \$456,463, and in the opinion of Counsel for the Receiver and Manager such sums are recoverable from Thunder Bay Paper Company Limited in the event that Abitibi Power & Paper Company Limited should fail to complete the purchase of the shares of such Company; this contention is not admitted by the Vendor. Of such \$456,463, the sum of \$305,284 has been deducted from the surplus of Abitibi Power & Paper Company Limited as of date September 10th, 1932, representing as it does an increase in the deficit of Thunder Bay Paper Company Limited arising from inventory and other adjustments prior to that date.

Operating losses of the Thunder Bay Paper Company Limited and costs of carrying the property closed down amounted during the period of receivership to \$467,937, included in which was approximately \$45,000 credited to Abitibi Power & Paper Company Limited in respect of tonnage transferred from its other mills, and interest upon advances made prior to the date of receivership. Such \$467,937 has been included as an expense in the Consolidated Operating Account, covering the period of receivership, which is attached hereto. Moneys to cover such costs were advanced to Thunder Bay Paper Company Limited and opinion of Counsel for the Receiver and Manager is that they are recoverable in the event that Abitibi Power & Paper Company Limited shall fail to complete the purchase of the shares of Thunder Bay Paper Company Limited; this contention is not admitted by the Vendor.

Following the receivership of Abitibi Power & Paper Company Limited negotiations were conducted with the Utilities Commission of the City of Port Arthur in an effort to obtain an adjustment of the Power contracts before mentioned but it was not found possible to effect any arrangement or obtain any concession at the time; operations of the Thunder Bay mill were accordingly closed down on December 23rd, 1932. In or about June 1933 the Utilities Commission agreed to cancel the Current River contract for the period between February 1st, 1933, and August 1st, 1934 (when the contract expired) if operations of the mill were recommenced and continued for a period of nine months to convert pulpwood then on hand. As the cancellation of such contract relieved Thunder Bay Paper Company Limited from a substantial liability such arrangement was agreed to; it also permitted the conversion of pulpwood, which was deteriorating, and the reduction of Bank advances, upon which interest was payable. An order of Court was obtained approving of the arrangement.

With cancellation of the power contract mentioned, economies effected and reliefs obtained, estimate is that future costs of carrying the property idle will amount to about \$350,000 per annum, exclusive of interest payable to Abitibi Power & Paper Company Limited and the Receiver and Manager thereof in respect of advances made.

RE SUBSIDIARY CORPORATIONS

The following information is given relative to the affairs of subsidiary corporations:—

RE MANITOBA PAPER COMPANY LIMITED—

Manitoba Paper Company Limited is the owner of a newsprint paper mill located at Pine Falls, Manitoba; also certain timber concessions and an undeveloped water power in the Province of Manitoba. At the date of receivership the Pine Falls mill was closed down, with no supplies of pulpwood on hand to permit operations. During the period of receivership the mill has remained idle.

The situation regarding the Company is substantially the same as recorded in the Receiver's Report dated February 28th, 1933, except that under legislation of the Manitoba Government in 1933 power was purported to be given to the Province to impose an annual tax on this Company's properties. The Company was able to arrange to purchase 20,000 cords of pulpwood in Manitoba during the winter season 1933/34 instead of paying such tax and the Receiver was authorized by the Court to advance moneys to Manitoba Paper Company Limited to enable it to complete such purchase.

Manitoba Paper Company Limited is under contract—which according to its terms expires on December 31st, 1936—to purchase electrical power from Manitoba Power Company Limited for use in the Pine Falls mill, and the minimum amount required to be paid annually for such power is approximately \$264,000: On September 10th, 1932, Manitoba Paper Company Limited was also indebted to Manitoba Power Company Limited in approximately \$83,800 for power previously supplied and not paid for. In 1933 the sum of \$37,500 was paid to Manitoba Power Company Limited in full settlement of such overdue power bills and an agreement was entered into under the terms of which Manitoba Paper Company Limited was for a period of two years from March 1st, 1933, relieved from obligation to pay for power excepting such as it might require to use in connection with the heating and caretaking of the mill. The power contract was, under such arrangement, extended for a period of time equal to that during which the mill had been shut down and shall remain idle.

Costs of carrying the properties of the Company, closed down, have amounted — over the period of receivership—to \$115,632. Advances by the Receiver and Manager to the Company, during such period, were \$97,868.

RE STE. ANNE PAPER COMPANY LIMITED—

At the date of receivership of Abitibi Power & Paper Company Limited the newsprint paper mill belonging to Ste. Anne Paper Company Limited at Beauré, Quebec, was closed down, and has remained closed down during the period of receivership.

At the date of receivership pulpwood on hand and in rivers and streams, adjacent to the mill, was estimated to amount to approximately 100,000 cords, and report was that such wood was in reasonably good physical condition and worth \$7.50 a cord. At the time \$265,708 was written off the book value of the wood to reduce its value to the figure mentioned but subsequently it became apparent that greater deterioration existed than had been understood and accordingly a further amount of \$476,725 was written off book values reducing the same as of date December 31st, 1933, to \$276,476.

In September 1932 Ste. Anne Paper Company Limited was indebted to Banque Canadienne Nationale in the amount of \$265,000—which advances were secured upon the inventories of pulpwood on hand, while they were also guaranteed by Abitibi Power & Paper Company Limited which had certain deposits with the Bank. Repayment of these advances was required by the Bank and during the period of receivership \$200,000 of principal has been paid. Liabilities to other Creditors of the Company have been liquidated, compromised or adjusted.

The Ste. Anne Paper Company Limited is under contract (which in its terms expires on January 1st, 1952) with Shawinigan Water & Power Company, to take power for the use of the Ste. Anne mill and to pay a minimum of approximately \$327,000 annually therefor. As of date September 30th, 1932, and in order to avoid the costs and expenses of a bankruptcy of The Ste. Anne Paper Company Limited an arrangement was made between it and Shawinigan Water & Power Company, under the terms of which the payment of such minimum was waived for a period of four years in consideration of the Ste. Anne Paper Company Limited agreeing to pay an annual stand-by charge, and also for such power as it should take and use in connection with the caretaking of its mill; under such arrangement the term of the power contract was extended for four years and a liability of \$150,718 for overdue and unpaid power bills was compromised at \$75,000, which amount has been paid.

Costs of carrying the Ste. Anne properties, closed down, together with interest upon Bank advances, amounted during the period of receivership to \$146,379. In order to permit payment of the liabilities before mentioned and the costs of carrying the property, the Receiver and Manager has, during the period of receivership, advanced the sum of \$375,738 to The Ste. Anne Paper Company Limited.

RE ABITIBI ELECTRIC DEVELOPMENT COMPANY LIMITED—

Abitibi Electric Development Company Limited is a wholly owned subsidiary of Abitibi Power & Paper Company Limited which holds \$5,155,000 of First Mortgage Five Per cent. Bonds (with interest thereon from June 1st, 1932) covering the assets of the Company. In addition Abitibi had, prior to receivership, made substantial advances to the Company, which advances, with interest thereon, amounted on December 31st, 1933, to \$1,332,861. 20,005 shares, being the whole of the capital stock of the Company, are owned by Abitibi Power & Paper Company Limited.

Abitibi Electric Development Company Limited was in September 1932 supplying 25,000 electrical horse power to the Hydro-Electric Power Commission of Ontario at the price of \$13 per h.p. per annum. The contract for supply of such power terminated on September 30th, 1932, and thereafter the Commission continued to take 16,000 h.p. on a monthly basis at the same rate until May 25th, 1933, when it obtained its supply from the Abitibi Canyon development, hereinafter referred to. Since such time electrical power produced at the Island Falls plant has been used in the Iroquois Falls newsprint paper mill of Abitibi.

During the period of receivership of Abitibi Power & Paper Company Limited earnings of Abitibi Electric Development Company Limited (prior to depreciation and bond interest) amounted to \$206,173.

Under date of October 1st, 1931—and in connection with certain arrangements affecting Ontario Power Service Corporation Limited, hereinafter referred to — Abitibi Electric Development Company Limited contracted to buy 35,000 h.p. per annum for a period of forty years from the Hydro-Electric Power Commission of Ontario at the price of \$13 per h.p. per annum, delivered at or near Abitibi Canyon, Ontario. It is reported that the obligation of the Hydro-Electric Power Commission of Ontario to deliver such power, and of Abitibi Electric Development Company Limited to take and pay for it, was deferred and put forward until such time as the Abitibi Canyon development (formerly owned by Ontario Power Service Corporation Limited and now owned by the Province of Ontario) was completed to an extent sufficient to permit it (the Canyon development) to make delivery of power to the Commission, and the Commission, in turn, to deliver 35,000 h.p. to Abitibi Electric Development Company Limited. The Canyon development having been completed to such extent the Hydro-Electric Power Commission has—as from May 24th, 1933—billed Abitibi Electric Development Company Limited for the 35,000 h.p. to be taken by it under the contract mentioned; delivery of such power has not been taken by Abitibi Electric Development Company Limited and payment of such bills has not been made.

RE KAMINISTIGUIA POWER CO., LIMITED—

Kaministiquia Power Company Limited is a wholly owned subsidiary of Abitibi Power & Paper Company Limited which owns the whole of the capital stock of the Company and also owns \$3,500,000 of Five Per cent. First Mortgage Bonds (with interest thereon from June 1st, 1932) covering the assets of the Company.

Kaministiquia Power Company Limited is the owner of a hydro-electric development at Kakabeka Falls on the Kaministiquia River, near Fort William, Ontario, which development is said to be capable of producing approximately 35,000 electrical horse power. The Company is the owner of franchises permitting it to operate in the City of Fort William and vicinity where it supplies power for commercial purposes to about forty customers, while, also, under a contract with Abitibi Power & Paper Company Limited, it supplies power to the Fort William paper mill owned by that corporation. As of date September 10th, 1932, Abitibi Power & Paper Company Limited was indebted to Kaministiquia Power Company Limited in the amount of \$428,493, and during the period of receivership this indebtedness increased by \$232,880, being the amount chargeable to Abitibi (but not to the Receiver and Manager) for power held available, but not taken, under the contract mentioned. Accounts chargeable to the Receiver and Manager for power supplied to him and moneys of the Company collected and retained by him amounted—in addition—to \$212,018.

In the period between September 10th, 1932, and December 31st, 1933, earnings of Kaministiquia Power Company Limited, prior to depreciation and bond interest, amounted to \$446,796, included in which was \$232,880 chargeable to Abitibi, as before mentioned.

RE ONTARIO POWER SERVICE CORPORATION LIMITED—

At the date of receivership of Abitibi Power & Paper Company Limited its investment in and advances to Ontario Power Service Corporation Limited amounted, according to its books, to \$160,475. At such time it was claimed that Abitibi Power & Paper Company Limited was obligated under contract to provide or secure the moneys necessary to complete the construction of the hydro electric development owned by Ontario Power Service Corporation Limited at Abitibi Canyon, Ontario, and this it had failed to do; also Abitibi Power & Paper Company Limited had entered into an agreement to purchase power from Ontario Power Service Corporation Limited and to pay such amounts therefor as would ensure Ontario Power Service Corporation Limited of net earnings in excess of the amounts required to meet interest and sinking funds on \$20,000,000 of bonds issued by it and outstanding. In November 1932 Ontario Power Service Corporation Limited went into

receivership, following which its assets, including the contracts mentioned, were purchased by the Hydro-Electric Power Commission of Ontario (acting for the Province of Ontario) for a price insufficient to permit payment of the \$20,000,000 of Ontario Power Service Corporation bonds. Under the above circumstances the investment of Abitibi Power & Paper Company Limited, as above mentioned, is of no immediately realizable value and has been written off the surplus of the Company prior to receivership.

RE PROVINCIAL PAPER LIMITED—

Provincial Paper Limited is the owner of four Specialty paper mills, at Port Arthur, Georgetown, Thorold and Mille Roches, in the Province of Ontario; also of certain timber concessions. Bonds issued by the Company and outstanding in the hands of the public on December 31st, 1933, amounted to \$3,874,500; also issued and outstanding in the hands of the public was \$3,500,000 par value of Seven Per cent. Cumulative Preferred stock, while Abitibi Power & Paper Company Limited is the owner of the whole of the Common capital stock of the Company, which is comprised of 100,000 shares without nominal or par value. Such Common shares stand pledged to The Royal Bank of Canada as security for the balance owing upon advances made prior to receivership, and in the statement of the securities held by such Bank as collateral to such advances they are included at the arbitrary value of \$1,500,000. The shares were acquired by Abitibi on or about January 1st, 1930, in exchange for 100,000 of its own Common shares which had a market value at the time of approximately \$35 per share; as of date December 31st, 1933, and according to the books of Provincial Paper Limited, the 100,000 shares of such Company had behind them the following:

(a) 100,000 shares of Common stock, without nominal or par value.....	\$100,000
(b) General reserve.....	1,259,286
(c) Surplus.....	688,098
TOTAL.....	\$2,047,384

The Balance Sheet of Provincial Paper Limited as of date December 31st, 1933, indicates that it is in a sound financial position, with \$2,461,698 of current assets as against current liabilities of \$321,146.

For the calendar year ending December 31st, 1932, earnings of the Provincial Company amounted to \$614,687, and after charge of \$100,000 for depreciation and \$239,314 for bond interest (with exchange thereon) a balance of \$275,364 remained out of which dividends amounting to \$245,000 were paid on the preferred shares of the Company; in such year, also, \$100,000 of dividends on the Common stock owned by Abitibi Power & Paper Company Limited were paid and charged to the surplus of the Company. This \$100,000 was, prior to receivership of Abitibi Power & Paper Company Limited, paid to The Royal Bank of Canada and applied by it in reduction of loans made by it to Abitibi Power & Paper Company Limited.

For the year ending December 31st, 1933, profits of the Provincial Company amounted to \$580,864, and after provision of \$100,000 for depreciation and the payment of \$230,701 interest on bonds (with exchange thereon) a balance of \$250,163 remained out of which dividends on preferred shares to the amount of \$245,000 were paid; the balance of \$5,163 being added to the Surplus of the Provincial Company. During the year the sum of \$225,000 was transferred from General Reserve account to Depreciation Reserve.

RE PURCHASE OF THE G. H. MEAD COMPANY

Abitibi Power & Paper Company Limited commenced the manufacture of newsprint paper in the year 1915 and for a number of years thereafter Mr. George H. Mead of Dayton, Ohio, or corporations controlled by him, acted as agents for Abitibi in connection with sale of the same. In or about the year 1919 such arrangement was varied by contract and thereafter Abitibi sold newsprint paper direct to The G. H. Mead Company, which corporation in turn sold the same to its customers. In recent years tonnage supplied to Canadian consumers has been sold direct to them by Abitibi. Of date December 11th, 1930, an agreement was entered into between Abitibi Power & Paper Company Limited and G. H. Mead Company, under the terms of which the latter agreed to buy, and Abitibi to sell, for a period of ten years from January 1st, 1931, the whole output of newsprint paper manufactured in the Abitibi mills for sale in the United States. Under such contract the Mead Company was required, however, to purchase only such amounts of paper as it was able to sell to its customers, and for the same it agreed to pay current market prices less a specified discount.

At the date of Receivership of Abitibi Power & Paper Company Limited when approximately 85% of all newsprint paper manufactured by Abitibi was being supplied to G. H. Mead Company under the contract above mentioned, the Receiver and Manager had the option of either continuing the contract of December 11th, 1930, or in the alternative of refusing to do so. Had continuation of the contract been refused the Mead Company could have obtained a supply of newsprint paper from other sources sufficient to meet the demands of its customers, in which case Abitibi would have been left with a minor amount of business in Canada only, and would have been confronted with the immediate closing down of its newsprint paper mills. With this the case continuation of the contract was considered necessary in the interests of Abitibi. Such continuation meant, however, that the ability of Abitibi to proceed with the operation of those of its mills which were in production depended upon continuity of the business, first between the Mead Company and its customers, and then, in turn, between the Mead Company and Abitibi; it also meant that if any outside interest should obtain control of the G. H. Mead Company, the latter might not be able to provide Abitibi with business sufficient to enable it to continue operation of those of its mills which were in production.

Faced with the above conditions the Receiver and Manager entered into negotiations for the purchase of the capital stock of G. H. Mead Company and ultimately with the approval of the Court and the Bondholders' Committee, acquired the same at the price of \$750,000, payable partly in cash and the balance by the issue of Receiver's Certificates. At the same time contracts were entered into whereby the principal Officers of the Mead Company agreed to remain in its employ and use their best efforts on its behalf for a period of years.

With completion of the agreement of purchase Abitibi Power & Paper Company Limited is now the owner of the capital stock of G. H. Mead Company, subject to completion of certain payments therefor.

INVESTMENTS IN MILLS AND EQUIPMENT, RAILWAYS, WATER POWERS, TOWNSITES AND BUILDINGS.

Particulars of these investments, as they existed at the date of Receivership, are contained in the report of February 28th, 1933, when according to the books of the Company, and after deduction of reserves applied thereagainst, they amounted to..... \$47,997,753

On December 31st, 1933, they amounted to..... 48,074,787

an increase of..... \$ 77,034

which was attributable to capital expenditures made on improvements to the properties to the amount of \$39,164 and to certain adjustments. During the period of Receivership the properties of the Company and those of its wholly owned subsidiaries have been adequately maintained.

Anticipation is that during the year 1934 the sum of approximately \$200,000 will require to be spent on improvements and additions to the Smooth Rock Falls pulp mill owned by the Company; economies expected to be effected as a result of such expenditures will, it is believed, return a large portion of the cost of the same within a period of eighteen months or less.

TIMBER CONCESSIONS AND FREEHOLD TIMBER OWNED:

Particulars of these assets as at the date of Receivership are set out in the report of February 28th, 1933, when after application of certain reserves against the book investments therein, they amounted to..... \$20,005,794

In the Balance Sheet of December 31st, 1933, the item is carried at..... 19,961,439

a reduction of..... \$ 44,355

which is attributable to amounts charged and written off for depletion in respect of pulpwood cut and taken from the properties during the period of Receivership.

Ground rent and taxes which have accrued during the period of Receivership in respect of timber concessions held by the Company and/or its subsidiaries have with the approval of the Court been paid by the Receiver and Manager. Such payments have been included as expenses of operation during the period of Receivership. As mentioned in the report of February 28th, 1933, a number of the timber concessions controlled by the Company and its subsidiaries are in default.

RECONCILIATION OF SURPLUS ACCOUNT OF COMPANY.

Based upon the statement of the assets and liabilities contained in the report of February 28th, 1933, in which revaluations were made of certain trading and current assets, but physical properties,

timber concessions and the investments in subsidiaries were carried (after application of reserves thereagainst) at net book values, the nominal surplus of assets over liabilities of the Company as of date September 10th, 1932, was..... \$10,397,134

Subsequently such surplus was increased by the following:

(a) Reserves for contingencies—written back.....	\$100,000	
(b) Reserves for liabilities of subsidiary Companies—written back.....	100,000	
(c) Deposit with Banque Canadienne Nationale omitted from assets.....	29,083	
(d) Increase in book value of Jacksonboro property over amount included therefor in the Receiver's statement.....	37,870	
(e) Prepaid Expenses omitted.....	7,500	
(f) Value of pulpwood and other inventories in excess of estimates thereof on September 10th, 1932, and amount recovered in 1933 from Espanola pulpwood.....	618,437	
(g) Reductions in liabilities at September 10th, 1932.....	37,772	
(h) Amount charged to Thunder Bay Paper Company Limited and credited to Abitibi for tonnage supplied prior to Receivership.....	31,209	
(i) Reserve for investments not required.....	10,166	972,037
		<u>\$11,369,171</u>

while the following amounts have been deducted from such surplus, namely:

(j) Book loss on sale of Murray Bay Paper Company Ltd.	\$5,799,150	
(k) Written off investments in shares of Newsprint Bond & Share Company Limited and in shares of and advances to Hebecourt Corporation Limited.....	873,738	
(l) Written off investment in and advances to Ontario Power Service Corporation Limited.....	160,475	
(m) Interest to September 10th, 1932, on investment in shares of Thunder Bay Paper Co. Ltd.....	32,784	
(n) Additional reserves set up in 1933 in respect of accounts receivable owing on Sept. 10th, 1932.....	300,000	
(o) Interest paid to The Royal Bank of Canada on loans made prior to the date of Receivership.....	138,388	
(p) Interest on Crown Dues payable prior to date of Receivership.....	9,489	
(q) Out of pocket expenses of Bondholders' Committee prior to Receivership, payment of which was approved and authorized by the Court.....	50,319	
(r) Increase in liabilities of Company over those shown on its books at the date of Receivership.....	32,551	
(s) Sundry minor adjustments.....	14,748	\$7,411,642
		<u>\$3,957,529</u>
Leaving a balance of.....		\$3,957,529

To the above has been added the net surplus of wholly owned subsidiaries as adjusted to the date of Receivership, as follows:

Manitoba Paper Company Limited.....	\$2,346,367	
Abitibi Electric Development Company Limited.....	1,195,061	
Kaministiquia Power Company Limited.....	544,947	
Mattagami Railroad Company.....	89,003	
Iroquois Falls Drug Company Limited.....	21,595	
		<u>\$4,196,973</u>
Forward.....	\$4,196,973	\$3,957,529

Forward.....	\$4,196,973	\$3,957,529
<i>Less</i> —Deficit at date of Receivership of Ste. Anne Paper Company Limited, and Ste. Anne Power Company.....	1,463,740	
	<u>\$2,733,233</u>	
<i>Deduct</i> —Adjustments at date of Receivership in Deficit of Thunder Bay Paper Company Limited represented by write-downs of inventory values, etc.....	305,284	
		<u>\$2,427,949</u>
Leaving a nominal surplus — as adjusted and as of date September 10th, 1932,— of.....		<u>\$6,385,478</u>

CONSOLIDATED OPERATING ACCOUNT

Attached hereto is a Consolidated Operating Account for the period of fifteen and two-thirds months between September 10th, 1932, and December 31st, 1933, of Abitibi Power & Paper Company Limited, its wholly owned subsidiaries and Thunder Bay Paper Company Limited. In compiling such statement no credits have been included for increases and adjustments in the values of pulpwood and other assets in excess of the valuations attached thereto on September 10th, 1932; neither, per contra, have the operations been charged with capital losses, increased reserves necessary to be set up in respect of receivables existing at the date of receivership, or for interest accruing upon loans made to the Company prior to the date of receivership. These items have been added to or deducted from the nominal surplus of the Company as it existed at the date of receivership as is indicated in the Surplus Reconciliation statement in the preceding clause set out.

INCOME OF THE COMPANY

The income of the Company and its subsidiaries during the period of receivership amounted to—		
From Sales of newsprint and pulp.....	\$10,189,193	
From Sales of power.....	657,984	
		<u>\$10,847,177</u>
as against which operating costs, including Administration, Superintendence and general expenses, but excluding depreciation and bond interest and the expenses of carrying idle mills, were.....		9,205,048
leaving.....		<u>\$1,642,129</u>
in addition to which		
Exchange was received on sales in the United States, to the amount of	\$649,588	
and		
Interest and discount earned, including interest on advances to Thunder Bay Paper Company Limited, was.....	73,145	722,733
		<u>\$2,364,862</u>
GROSS INCOME.....		<u>\$2,364,862</u>

INCOME FROM SALES OF NEWSPRINT AND PULP:

In September 1932 the nominal contract price for newsprint paper was said to be \$53 per ton delivered but there is reason to believe that concessions in such price were being made by manufacturers in a number of instances. In the middle of September 1932 the \$53 price was openly reduced by one of the larger Companies to \$47.50 per ton, and shortly thereafter it was still further reduced by another of the Companies to \$46 a ton at inland points and \$45 at ocean and lake ports. In the early part of 1933 the price was \$41 delivered at inland points and \$40 at ocean and lake ports but indications were that manufacturers had in a number of instances entered into contracts at lower

rates and/or offered to supply paper at substantially lower prices. As a consequence of these conditions the income of Abitibi Power & Paper Company Limited was reduced to a very serious degree as compared with what it would have been if the September 1932 prices had been maintained.

In September, 1932, contracts for newsprint paper being supplied by Abitibi to its customers amounted to about 207,000 tons per annum; subsequent to the receivership the Company lost a minor amount of business to competitors who obtained the same by granting substantial concessions in price, while for reasons which appeared justifiable the renewal of certain other business was not taken. Business so lost or relinquished has been substantially offset by new business obtained and with recent improved demands it is expected that the volume of business which will be done in 1934 will exceed that done in either of 1932 or 1933.

At the date of receivership with reduced demands and low prices for sulphite pulp the Smooth Rock Falls pulp mill was operating at a loss estimated at \$125,000 per annum. With improved demands and higher prices for sulphite pulp the mill is now operating at a profit. With certain improvements contemplated to be made to the mill reduced costs of manufacture and an improved quality in the products of the mill are looked to be obtained. A contract under negotiation with the Hydro Electric Power Commission of Ontario for the supply of electrical power to the mill for use in place of coal for the production of steam, will, it is expected, produce certain further savings in costs of manufacture.

INCOME FROM POWER:

In September, 1932, Abitibi Electric Development Company Limited was, as is hereinbefore mentioned, supplying the Hydro Electric Power Commission of Ontario with 25,000 h.p. at a price of \$13 per h.p. per annum, while the balance of power generated at its plant was being delivered to the Iroquois Falls paper mill of Abitibi Power & Paper Company Limited. In 1933, the Commission ceased to take power from Abitibi and since that time all power generated by Abitibi Electric Development Company Limited has been supplied to the Iroquois Falls mill. The earnings of Abitibi Electric Development Company Limited, prior to depreciation and bond interest, amounted during the period of receivership and up to December 31st, 1933, to \$206,173.

Earnings of Kaministiquia Power Company Limited, prior to depreciation and the payment of bond interest, amounted in the period of receivership to \$446,796, of which \$232,880 was comprised of a charge to Abitibi Power & Paper Company Limited (but not the Receiver and Manager thereof) for power held available under contract for the use of the Fort William mill.

EXCHANGE RECEIVED:

During the period of receivership exchange received on payments from customers in the United States amounted to \$649,588. At the present time, following devaluation of the American dollar, Canadian funds are close to par and with such the case no income of importance is presently being received in respect of American exchange.

INTEREST AND DISCOUNT EARNED:

Interest and discount earned amounted to \$73,145, included in which was \$53,572 on advances to Thunder Bay Paper Company Limited; this amount is included in the losses and costs of carrying the Thunder Bay mill, which are charged as an expense of Abitibi operations during the period of receivership.

EXPENDITURES

The following charges against gross income were made, namely:

Interest on Receiver's Certificates and Overdraft.....	\$ 84,389
Sundry minor operating losses.....	473
Costs of issue of Receiver's first Report.....	3,211
Company's proportion of expenses of Beatty Committee.....	30,249
Interest on contract covering purchase of shares of Thunder Bay Paper Company Limited.....	215,754

COSTS OF CARRYING IDLE MILLS AND TIMBER CONCESSIONS TRIBUTARY THERETO:

Mill idle costs, including caretaking and Insurance.....	\$589,401	
Taxes on mills and townsites.....	106,483	
Forward	\$695,884	\$334,076

	Forward.....	\$695,884	\$334,076
Timber concessions—taxes, licences and fees.....		125,777	
Interest charges and other minor expenses.....		61,128	
			882,789
Legal, audit and special accounting expenses.....			48,110
Receiver's remuneration and sundry expenses.....			63,325
TOTAL.....			\$1,328,300

and in respect of such expenditures the following comments are made:

INTEREST ON RECEIVER'S CERTIFICATES:

At the date of receivership practically all readily realizable assets of Abitibi Power & Paper Company Limited were pledged to the Royal Bank of Canada to secure advances made prior to the date of receivership, while liabilities of approximately \$981,453 were outstanding and had to be paid in priority to the claims of Bondholders; the Receiver and Manager was compelled to borrow to make payment of such liabilities. Later, as accounts receivable and pulpwood on hand at the date of receivership were realized, moneys so collected had to be paid over to the Royal Bank of Canada in reduction of the advances mentioned, and this required borrowings by the Receiver in order to provide supplies of pulpwood for future operations and to cover credits given to customers which are outstanding as accounts receivable in the hands of the Receiver and Manager. Interest paid in respect of borrowings amounted to December 31st, 1933, to \$84,389.

PROPORTION OF EXPENSES OF BEATTY COMMITTEE:

Prior to the date of receivership a Committee had, at the request of a number of Canadian news-print manufacturers, been formed for the purpose of investigating the condition of the industry and determining what steps, if any, could properly be taken to stabilize and improve the condition of the same. Such Committee was known as the Beatty Committee and the Chairman of it was Mr. E. W. Beatty, President of the Canadian Pacific Railway Company. The activities of the Committee extended over a long period of months, during which time examination was made into many matters affecting the industry by persons who were employed by the Committee for such purpose. The Receiver and Manager was authorized by the Court to contribute to the expenses of such Committee and the sum of \$30,249 was paid as representing the proportion properly chargeable to Abitibi Power & Paper Company Limited.

INTEREST ON CONTRACT COVERING PURCHASE OF SHARES OF THUNDER BAY PAPER CO., LIMITED:

Conditions which existed relative to the purchase by Abitibi of the entire capital stock of Thunder Bay Paper Company Limited are dealt with hereinbefore. During the period of receivership the sum of \$215,754 paid as interest upon the amount remaining due on the purchase price of such shares, was written off as an operating expense.

COSTS OF CARRYING IDLE MILLS AND TIMBER CONCESSIONS TRIBUTARY THERETO:

These amounted to \$882,789, and included therein are the costs of carrying the Thunder Bay mill during the period when it was not operating but remained idle.

Details of such costs of carrying idle mills during the period of receivership are as follows:

RE THUNDER BAY MILL—

Costs of carrying the Thunder Bay mill, over the period of time when it remained idle, were as follows:

Power costs and those for caretaking, and protection, including insurance.....	\$189,361
Taxes.....	15,286
Charges re timber concessions.....	8,686
Interest upon advances by Royal Bank of Canada and Abitibi Power & Paper Company Limited.....	45,833
TOTAL.....	\$259,166

Charges for electrical power not used but required to be paid are included in such expenses to the amount of about \$108,000. The Thunder Bay mill was in partial operation on December 31st, 1933, and is at the date of this report.

RE MANITOBA PAPER COMPANY LIMITED—

Expenses of carrying the Pine Falls mill of the Company, idle, amounted, during the period of receivership to December 31st, 1933, to \$115,632, comprised of—

Costs of caretaking and protecting mill, including insurance and power costs.....	\$ 84,077
Taxes.....	12,191
Charges re timber concessions.....	18,864
Losses on realizations.....	500
TOTAL.....	\$115,632

In September, 1932, the costs of carrying the property were approximately \$27,900 per month, included in which was \$21,800 required to be paid to the Manitoba Power Company for power; in December, 1933, with the relief obtained in respect of power charges as hereinbefore mentioned, the costs of carrying the property amounted to about \$5,600 per month.

RE STE. ANNE PAPER COMPANY LIMITED—

The costs of carrying the Ste. Anne mill, idle, amounted, during the period of receivership to December 31st, 1933, to \$146,379, comprised of—

Expenses of protecting and caretaking mill, including insurance and power costs.....	\$ 95,987
Taxes.....	4,857
Charges re timber concessions.....	31,020
Interest paid on advances.....	14,515
TOTAL.....	\$146,379

In September, 1932, the costs of carrying the property were approximately \$35,900 per month, included in which was \$27,300 required to be paid under the then existing power contracts; in December, 1933, with relief obtained in respect of power charges, the costs amounted to approximately \$9,100 per month, included in which was \$3,400 required to be paid for power.

RE FORT WILLIAM MILL—

Abitibi Power & Paper Company Limited is under contract with the Kaministiquia Power Company Limited, a wholly owned subsidiary, to pay a minimum amount of approximately \$200,000 per annum for power supplied to or held available for the use of the Fort William mill belonging to Abitibi Power & Paper Company Limited. Including such costs for power, the expenses of carrying the Fort William mill during the period of receivership to December 31st, 1933, were as follows:—

Costs of unused power required to be paid for by Abitibi under contract with Kaministiquia Power Company Limited.....	\$232,880
Expenses of maintaining and protecting mill, including costs of insurance.....	74,846
Taxes.....	7,913
Charges re timber concessions.....	15,732
Other minor costs.....	229
TOTAL.....	\$331,600

With Kaministiquia Power Company Limited, a wholly owned subsidiary of Abitibi Power & Paper Company Limited, the costs of power mentioned are returnable to Abitibi and in such light do not involve a cash outlay; deducting them, the cash outlay made in carrying the Fort William mill during the period of receivership was \$98,720.

The costs of carrying the property, including those for coal and power used in heating the mill, were, it is estimated, about \$2,000 per month less in December, 1933, than they were in the corresponding month in 1932.

RE ESPANOLA MILL—

Costs of carrying the Espanola mill, idle, during the period of receivership to December 31st, 1933, amounted to \$131,609, comprised of—

Expenses of caretaking and protecting the property, including insurance premiums	\$ 81,361
Taxes.....	13,976
Charges re timber concessions.....	36,272
TOTAL.....	\$131,609

In September, 1932, monthly costs of carrying the property were approximately \$11,300 and in December, 1933, they amounted to about \$5,200.

Certain negotiations are being conducted relative to the sale of electrical power from the hydro electric development at the Espanola mill and with certain other economies recently effected it is hoped that the future costs of carrying the property will be further reduced.

RE STURGEON FALLS MILL—

Costs of carrying the Sturgeon Falls mill, idle, during the period of receivership to December 31st, 1933, amounted to \$131,283, comprised of—

Costs of caretaking and protecting the mill, including insurance premiums.....	\$ 63,769
Taxes.....	52,260
Charges re timber concessions.....	15,203
Other minor costs.....	51
TOTAL.....	\$131,283

In September, 1932, the monthly costs of carrying the property were approximately \$9,600, and in December, 1933, they had been reduced to about \$7,500 per month.

Taxes payable in respect of this property are extremely heavy and the assessment was the subject of an appeal in 1932—so far no adequate relief in respect of such taxes has been obtained.

LEGAL, AUDIT AND SPECIAL ACCOUNTING EXPENSES:

During the period of receivership steps were taken to reorganize the methods of accounting and reporting between the various mills and the Toronto Office of the Company, in order to obtain increased efficiency and a saving in expense. Under Order of Court Messrs. Price, Waterhouse & Co. were also appointed to audit the accounts and the receipts and disbursements of the Receiver and Manager and to report periodically to the Court in respect thereto. Certain payments made to Counsel during the period are subject to taxation before the Court.

RECEIVER'S REMUNERATION AND SUNDRY EXPENSES:

The sum of \$4,000 per month on account of his remuneration is being drawn by the Receiver and Manager, with the approval of Court and the Bondholders' Committee.

SUMMARY

With deduction of the expenditures of \$1,328,300 above mentioned from the gross income of \$2,364,862, a balance of \$1,036,562 remained as of date December 31st, 1933, available towards depreciation on the properties of the Company and its subsidiaries and towards bond interest.

MARKET CONDITIONS

At the date of receivership and from such time forward the productive capacity of Canadian and United States newsprint mills has very largely exceeded the demands of customers. In September, 1932, the nominal (but not actual) contract price for newsprint was \$53 a ton and in the early part of 1933 the price had been generally reduced to \$40 and \$41 per ton, while report was that in certain instances newsprint paper was being offered at \$35 a ton or less. These reductions in price were attributable to the competition of various mills to obtain business and after the mid-year of 1933, price-cutting was such as threatened to demoralize the market.

The National Industrial Recovery Act having become law in the United States and a code having been presented there in respect of the newsprint paper industry Canadian and United States manufacturers were invited by the Administrator of N.I.R.A. to attend a meeting in Washington on October 24th, 1933, when the condition of the industry in the United States was discussed. After

such meeting the price became stabilized at \$40 at ocean and lake ports and \$41 at inland points. Later and in order to permit Canadian newsprint manufacturers to cooperate in attaining the objects of N.I.R.A. (in respect of the newsprint code in the United States) an association known as Newsprint Export Manufacturers of Canada was formed in which practically all Canadian mills became members or agreed to cooperate. Recommendations covering trade practices to be observed were then drawn up as a supplement to the newsprint paper code in the United States, also an agreement between Newsprint Export Manufacturers of Canada and the Association of Newsprint Manufacturers of the United States relative to observance of such recommendations by the members of the respective Associations. Such recommendations and the agreement were approved by the Canadian and American Associations and have been submitted by the Code Authorities of the American Association to the Administrator of N.I.R.A. for his consideration; the matter is now under consideration by the Administrator of N.I.R.A. Abitibi Power & Paper Company Limited is represented on the Executive Committee of Newsprint Export Manufacturers Association of Canada and also upon a joint Committee comprised of members of the Committees of the Canadian and American Associations.

ORGANIZATION

During the period of receivership a substantial reduction has been made in Executive, Administrative and Departmental costs and with the active cooperation and assistance of the Officials of the Company the methods of accounting and reporting between the various mills and the Toronto office have been improved and a reorganization of the personnel in charge of certain departmental operations has been effected. As presently constituted the Company is believed to have an efficient and competent organization and one which is capable of promoting and protecting its interests and the services rendered during the receivership by members of all branches of the organization are worthy of commendation. Mr. L. R. Wilson—General Manager of the Company, prior to receivership—has remained with it in an advisory position. Mr. W. H. Smith, Assistant General Manager, has rendered important and valuable assistance to the Receiver and Manager. With the approval of Court the services of Mr. S. R. Armstrong—an independent expert with a wide knowledge and long experience in newsprint and pulp production—were secured, and Mr. Armstrong has assisted the Receiver and Manager in general oversight of the mills and business of the Company.

RELATIVE TO REORGANIZATION OF COMPANY

The Bondholders' Committee and the Preferred Stockholders' Committee have requested the Receiver and Manager to forward copies of this report directly to the holders who have deposited their securities with such Committees. The Bondholders' Committee has also requested that I inform, as far as possible, all parties interested, of the opinion expressed by that Committee to the effect that the present is not the appropriate time to consider a reorganization in view of the many problems which remain to be worked out. A similar opinion has been expressed by other important Security holders.

The Duty of the Receiver and Manager, as an Officer of the Court, is to manage and administer the assets of the Company in accordance with the directions of the Court. Accordingly, the undersigned desires not to express any opinion on the general question of reorganization, except to state that he has no disagreement with the opinion expressed by the Bondholders' Committee and by other important Security holders. The Bondholders' Committee has been kept fully advised on the situation with which the Company is confronted and with the present unsettled conditions in the newsprint industry, and the undersigned considers that its opinion, therefore, is entitled to considerable weight.

The undersigned desires to express his appreciation of the continued service and assistance rendered by the Bondholders' Committee in connection with the many problems with which he has been, and continues to be, faced in connection with the Receivership.

This report is supplemental to the report of the undersigned issued under date of February 28th, 1933. In preparing the foregoing the undersigned has had in mind the desirability of providing information—as certified to by Auditors' reports—relative to the results of operations for the period of Receivership between September 10th, 1932, and December 31st, 1933; also, of giving in a general manner a broad view of matters with which he has been called upon to deal and the steps taken in connection therewith. It is not intended, however, that the report should exhaustively enter into all the numerous questions which have arisen in connection with the affairs of Abitibi Power & Paper Company Limited, or those of subsidiary corporations, or to make any representations or convey the impression that all matters which have or may prove to have a bearing upon the affairs of the Companies are made mention of in the report. The statements attached and the figures mentioned in the report are accurate so far as the undersigned has been able to ascertain, but he does not represent or guarantee their correctness.

Toronto, April 30th, 1934.

G. T. CLARKSON,
Receiver and Manager.

IN THE MATTER OF

ABITIBI POWER & PAPER COMPANY LIMITED

G. T. CLARKSON, Receiver and Manager

AND

SUBSIDIARY COMPANIES

FINANCIAL STATEMENTS

DECEMBER 31, 1933

INDEX TO EXHIBITS

In the Matter of

ABITIBI POWER & PAPER COMPANY LIMITED,

G. T. CLARKSON, Receiver and Manager.

Balance Sheet, December 31, 1933..... (showing also for comparative purposes the assets and liabilities at September 10, 1932, the date of Receivership, as shown by the Receiver's estimated statement thereof contained in his report dated February 28, 1933).	Exhibit 1
Statement of Nominal Surplus for period prior to Receivership as shown by balance sheet as at December 31, 1933.....	Exhibit 1-A
Statement showing results from operations during the period from September 10, 1932 to December 31, 1933..... (including also the results of wholly owned subsidiaries)	Exhibit 1-B
MANITOBA PAPER COMPANY LIMITED AND ITS SUBSIDIARIES:	
Consolidated Balance Sheet, December 31, 1933.....	Exhibit 2
Consolidated Statement of Surplus and Profit and Loss for the period from September 1, 1932, to December 31, 1933.....	Exhibit 2-A
STE. ANNE PAPER COMPANY LIMITED AND ITS SUBSIDIARIES:	
Consolidated Balance Sheet, December 31, 1933.....	Exhibit 3
Consolidated Deficit Account for the period from September 1, 1932, to December 31, 1933.....	Exhibit 3-A
ABITIBI ELECTRIC DEVELOPMENT COMPANY LIMITED:	
Balance Sheet, December 31, 1933.....	Exhibit 4
Surplus and Profit and Loss Account for the period from September 1, 1932, to December 31, 1933.....	Exhibit 4-A
KAMINISTIQUE PAPER CO., LIMITED:	
Balance Sheet, December 31, 1933.....	Exhibit 5
Surplus and Profit and Loss Account for the period from September 1, 1932, to December 31, 1933.....	Exhibit 5-A
MATTAGAMI RAILROAD COMPANY:	
Balance Sheet, December 31, 1933.....	Exhibit 6
Surplus and Profit and Loss Account for the period from September 1, 1932, to December 31, 1933.....	Exhibit 6-A
THUNDER BAY PAPER CO., LIMITED:	
Auditors' Report to G. T. Clarkson, Receiver and Manager, Abitibi Power & Paper Company Limited.....	Exhibit 7
Balance Sheet, December 31, 1933.....	Exhibit 7-A
Deficit Account for the period from September 1, 1932, to December 31, 1933.....	Exhibit 7-B
PROVINCIAL PAPER LIMITED:	
Balance Sheet, December 31, 1933.....	Exhibit 8
Surplus and Profit and Loss Account for the year ending December 31, 1933.....	Exhibit 8-A

AUDITORS' CERTIFICATE

PRICE, WATERHOUSE & CO.

ROYAL BANK BUILDING,
TORONTO,

February 28, 1934.

G. T. CLARKSON, Esq., Receiver and Manager,
ABITIBI POWER & PAPER COMPANY LIMITED.

Dear Sir:

We have made an examination of the books and accounts of Abitibi Power & Paper Company Limited, G. T. Clarkson, Receiver and Manager, for the period from September 10, 1932, (the date of the Receivership) to December 31, 1933, and have been furnished with all information and explanations we have required.

The investments in the securities of subsidiary companies (including Thunder Bay Paper Co. Limited) are stated in the attached balance sheet at December 31, 1933, on the basis of cost adjusted to give effect to surpluses or deficits of such subsidiary companies before providing for depreciation of fixed assets. The investments in plant, machinery and equipment and in lands, timber limits, undeveloped water powers, etc. are stated in the attached balance sheet at net book values.

Under existing conditions in the newsprint industry it would appear to be impossible to ascertain the sound value of the investments in subsidiary companies and in buildings, equipment and properties.

Provision has not been made for interest accruing since September 10, 1932, on the Five Per Cent. First Mortgage Gold Bonds nor for accruing depreciation of buildings and equipment.

Subject to the foregoing remarks, we report that in our opinion the accompanying balance sheet and notes thereon show the true financial position as at December 31, 1933, of Abitibi Power & Paper Company Limited, G. T. Clarkson, Receiver and Manager, according to the best of our information and the explanations given us and as shown by the books.

Yours very truly,

PRICE, WATERHOUSE & CO.

ABITIBI POWER & PA
BALANCE SHEET
G. T. CLARKSON, RECEIVER AND MANAGER

(showing also for comparative purposes
1932, the date of the Receivership, as
ment thereof contained in his report dated February 28, 1933)

PER COMPANY LIMITED

DECEMBER 31, 1933

the assets and liabilities at September 10,
shown by Receiver's estimated state-
report dated February 28, 1933)

ASSETS			
	September 10, 1932	December 31, 1933	
RECEIVER'S CURRENT ASSETS:			
Cash on hand and on deposit.....	\$ 53,369.53	\$ 24,811.44	
Accounts receivable.....	—	1,100,616.39	
Inventories of paper, pulp, wood and supplies.....	630,669.30	1,379,920.57	
Fire losses collectible.....	8,147.66	—	
Investments in bonds.....	40,000.00	39,300.00	
	<u>\$ 732,186.49</u>	<u>\$ 2,544,648.40</u>	
DEPOSITS WITH TRUSTEE FOR BOND- HOLDERS:	33,099.61	41,484.52	
	<u>\$ 765,286.10</u>	<u>\$ 2,586,132.92</u>	
INVESTMENT BY RECEIVER IN PUR- CHASE OF SHARES OF SALES COMPANY:	—	750,000.00	
	<u>\$ 765,286.10</u>	<u>\$ 3,336,132.92</u>	
ASSETS PLEDGED TO ROYAL BANK PRIOR TO RECEIVERSHIP:			
Deposits in hands of bankers.....	\$ 599,610.91	\$ —	
Receivables assigned.....	1,754,805.26	360,243.61	
Paper, pulp and supplies.....	1,791,616.21	465,022.33	
Shares of Provincial Paper Limited at arbitrary value of.....	1,500,000.00	1,500,000.00	
Payable by Receiver for above assets converted.....	—	231,466.19	
	<u>5,646,032.38</u>	<u>2,556,732.13</u>	
INVESTMENTS IN THE SECURITIES OF AND ADVANCES TO WHOLLY OWNED SUBSIDIARIES:	\$45,214,591.69	\$37,342,125.96	
Less—Investments in shares of and advances to Thunder Bay Paper Co. Limited included therein.....	4,921,717.74	—	
	<u>40,292,873.95</u>	<u>37,342,125.96</u>	
INVESTMENT IN SHARES OF AND AD- VANCES TO THUNDER BAY PAPER CO. LIMITED:	\$ 6,654,865.87	\$ 7,646,804.06	
Balance owing on contract for pur- chase of such shares.....	2,828,238.61	2,727,916.67	
	<u>\$ 9,483,104.48</u>	<u>\$10,374,720.73</u>	
Less—Amounts written off re period prior to Receivership.....	1,733,148.13	2,038,431.70	
Amounts charged to Receiver's operations to cover operating loss- es and costs of carrying property shut down.....	—	467,937.01	
	<u>7,749,956.35</u>	<u>7,868,352.02</u>	
Forward.....	<u>\$54,454,148.78</u>	<u>\$51,103,343.03</u>	

LIABILITIES			
	September 10, 1932	December 31, 1933	
SUNDRY LIABILITIES OF RECEIVER:			
Wages accrued and payable.....	\$ 76,151.97	\$ 46,566.95	
Reserves for contingencies.....	—	95,983.08	
Sundry accounts payable.....	—	331,534.81	
Payable for Banker's securities realized.....	—	231,466.19	
Items payable in priority to bond- holders.....	905,301.02	—	
Receiver's certificates and Royal Bank overdraft.....	—	2,218,195.37	
	<u>\$ 981,452.99</u>	<u>\$ 2,923,746.40</u>	
PAYABLE TO ROYAL BANK IN RESPECT OF LOANS MADE PRIOR TO RECEIVER- SHIP:			
(secured, per contra).....	4,261,038.36	1,297,137.80	
AMOUNT OWING ON CONTRACT TO PURCHASE SHARES OF THUNDER BAY PAPER CO. LIMITED.....	\$ 2,795,454.52	2,727,916.67	
Interest accrued thereon.....	32,784.09	—	
(the shares are held by a de- positary pending payment of this balance).....	<u>2,828,238.61</u>	<u>2,727,916.67</u>	
Forward.....	<u>\$ 8,070,729.96</u>	<u>\$ 6,948,800.87</u>	

ABITIBI POWER & PAPER COMPANY LIMITED

BALANCE SHEET

G. T. CLARKSON, RECEIVER AND MANAGER

DECEMBER 31, 1933

	A S S E T S	
	September 10, 1932	December 31, 1933
FORWARD	\$ 54,454,148.78	\$ 51,103,343.03
INVESTMENTS IN SHARES OF AND ADVANCES TO CORPORATIONS OTHER THAN WHOLLY OWNED SUBSIDIARIES	875,374.38	4,159.92
INVESTMENTS IN MILLS AND EQUIPMENT, RAILWAYS, WATER- POWERS, TOWNSITES AND BUILDINGS (after deducting reserves for depreciation created prior to receivership).....	47,997,752.93	48,074,787.07
TIMBER CONCESSIONS AND FREE- HOLD TIMBER OWNED (after deducting depletion and other reserves).....	20,005,794.45	19,961,439.02
REAL ESTATE AND OFFICE BUILDINGS.....	328,623.35	326,704.34
CHATELLETS AND EQUIPMENT.....	35,602.17	32,303.82
PREPAID EXPENSES.....	270,683.90	186,343.74
	<u>\$123,967,979.96</u>	<u>\$119,689,080.94</u>

	LIABILITIES	
	September 10, 1932	December 31, 1933
FORWARD	\$ 8,070,729.96	\$ 6,948,800.87
GENERAL CREDITORS' CLAIMS IN- CURRED PRIOR TO RECEIVERSHIP:	291,689.20	309,817.58
FIVE PER CENT. FIRST MORTGAGE GOLD BONDS:		
Outstanding.....	\$ 48,267,000.00	\$ 48,267,000.00
Interest accrued to September 10, 1932.....	1,877,050.00	1,877,050.00
Reserve for tax rebates.....	17,641.66	17,636.41
	50,161,691.66	50,161,686.41
CAPITAL STOCK:		
10,000 shares 7% Cumulative Preferred Stock of \$100.00 each.....	\$ 1,000,000.00	\$ 1,000,000.00
348,818 shares 6% Cumulative Preferred Stock of \$100.00 each (includes 789 shares deposited for exchange of shares of The Spanish River Pulp and Paper Mills Limited).....	34,881,800.00	34,881,800.00
1,088,117 shares of Common Stock without nominal or par value (including 1,891 shares deposited for exchange of shares of subsidiary com- panies).....	18,964,935.43	18,964,935.43
	54,846,735.43	54,846,735.43
NOMINAL SURPLUS OF PERIOD PRIOR TO RECEIVERSHIP	\$ 10,397,133.71	6,385,478.65
RESERVE FOR LIABILITIES OF SUBSIDIARIES.....	100,000.00	—
RESERVE FOR CONTINGENCIES..	100,000.00	—
	10,597,133.71	6,385,478.65
AMOUNT AVAILABLE TOWARDS DEPRECIATION AND BOND IN- TEREST FROM OPERATIONS DURING RECEIVERSHIP PERIOD.....	—	1,036,562.00
	<u>\$123,967,979.96</u>	<u>\$119,689,080.94</u>

NOTES —

- I—With the object of showing the net amount of the Investments in and Advances to wholly owned Subsidiary Companies (including Thunder Bay Paper Co. Limited), the advances and charges by the Abitibi Company and by the Receiver and Manager of the Abitibi Company to such Subsidiaries are added to and grouped with the Investments in the Subsidiaries; similarly the Accounts Payable to the Subsidiaries are deducted from the Investments in the securities thereof. During the period of the receivership the Receiver and Manager has advanced \$1,401,834.89 to Subsidiary Companies (including Thunder Bay) to cover losses in operations and/or costs of carrying shut down mills—also to permit such companies to liquidate liabilities. At December 31, 1933, the Receiver and Manager was indebted to other Subsidiaries for \$387,457.59, chiefly for power supplied.
- II—Dividends on 7% Cumulative Preferred Stock are paid to September 30, 1931. Dividends on 6% Cumulative Preferred Stock are paid to March 31, 1931.

CONTINGENT AND CONTRACTUAL LIABILITIES OUTSTANDING AND INCURRED PRIOR TO RECEIVERSHIP:

1. Obligations in connection with subscription for shares of Newsprint Bond & Share Company.
2. Obligations in connection with Ontario Power Service Corporation Limited.
3. Possible obligation for purchase of power from The Hydro Electric Power Commission of Ontario.
4. To Banque Canadienne Nationale, Quebec, re guarantee of advances to Ste. Anne Paper Company Limited.
5. Claim re price adjustment on newsprint shipments in 1918.

This balance sheet is issued subject to the important questions as to values of certain of the assets as referred to in our report dated February 28, 1934.

PRICE, WATERHOUSE & CO.
Auditors.

IN THE MATTER OF

ABITIBI POWER & PAPER COMPANY LIMITED

G. T. CLARKSON, Receiver and Manager

STATEMENT OF NOMINAL SURPLUS FOR PERIOD PRIOR TO RECEIVERSHIP AS SHOWN
BY BALANCE SHEET AS AT DECEMBER 31, 1933

PARTICULARS	AMOUNT	
Surplus at September 10, 1932 based upon Receiver's report of February 28, 1933.....		\$10,397,133.71
Additions thereto:		
Reserve for contingencies, written back.....	\$ 100,000.00	
Reserve for liabilities of subsidiary companies, written back.....	100,000.00	
Deposits—Banque Canadienne Nationale, not included.....	29,083.55	
Increase in book value of Jacksonville property.....	37,870.14	
Prepaid expenses not included.....	7,500.00	
Adjustments in inventory values of pulpwood (net) at September 10, 1932.....	618,437.18	
Reductions in liabilities at September 10, 1932.....	37,772.22	
Tonnage allowance by Thunder Bay Paper Co. Limited.....	31,208.66	
Reserve for investments not required.....	10,165.77	972,037.52
		<u>\$11,369,171.23</u>
Deductions therefrom:		
Book loss on sale of Murray Bay Paper Company Limited.....	\$5,799,149.95	
Written off sundry investments.....	873,738.38	
Written off investments in and advances to Ontario Power Service Corporation Limited.....	160,474.65	
Interest on investment in shares of Thunder Bay Paper Co. Limited September 10, 1932.....	32,784.09	
Additional reserve for bad debts.....	300,000.00	
Interest on Royal Bank loan made prior to Receivership.....	138,388.11	
Other interest prior to Receivership (on Crown dues).....	9,488.46	
Expenses of Bondholders' Committee prior to Receivership, payment of which was approved by court.....	50,319.39	
Further liabilities.....	32,551.40	
Sundry adjustments (net).....	14,747.54	7,411,641.97
		<u>\$ 3,957,529.26</u>
BALANCE OF SURPLUS.....		
Add—Surpluses (net) of wholly owned subsidiary companies as adjusted, as of date of Receivership:		
Manitoba Paper Company Limited.....	\$2,346,367.06	
Abitibi Electric Development Company Limited.....	1,195,061.07	
Kaministiquia Power Company Limited.....	544,946.44	
Mattagami Railroad Company.....	89,003.29	
Iroquois Falls Drug Company Limited.....	21,595.29	
	<u>\$4,196,973.15</u>	
Less—Deficit at date of Receivership of Ste. Anne Paper Company Limited and Ste. Anne Power Company.....	1,463,740.19	
	<u>\$2,733,232.96</u>	
Deduct—Adjustments at date of Receivership in deficit of Thunder Bay Paper Co. Limited represented by write-downs of inventory values etc.	305,283.57	2,427,949.39
		<u><u>\$ 6,385,478.65</u></u>
NOMINAL SURPLUS FOR PERIOD PRIOR TO SEPTEMBER 10, 1932, AS PER BALANCE SHEET AT DECEMBER 31, 1933.....		

ABITIBI POWER & PAPER COMPANY LIMITED

G. T. CLARKSON, Receiver and Manager

STATEMENT SHOWING THE RESULTS FROM OPERATIONS DURING THE PERIOD
FROM SEPTEMBER 10, 1932, TO DECEMBER 31, 1933

(including also the results of wholly owned subsidiaries)

	PARTICULARS	AMOUNT	
INCOME:			
	Sales of newsprint and pulp.....	\$10,189,192.63	
	Sales of power.....	657,984.35	
		<hr/>	
		\$10,847,176.98	
	<i>Less</i> —Operating costs including administration, superintendence and general expenses, but excluding depreciation and bond interest.....	9,205,048.01	
		<hr/>	\$1,642,128.97
	<i>Add</i> —U.S. exchange received.....	\$ 649,587.74	
	Interest and discount earned including interest on advances to Thunder Bay Paper Co. Limited.....	73,145.26	722,733.00
		<hr/>	<hr/>
			\$2,364,861.97
DEDUCT—			
	Interest on Receiver's certificates and overdraft.....	\$ 84,388.69	
	Sundry minor operating losses.....	473.61	
	Costs of issue of Receiver's first report.....	3,210.95	
	Company's proportion of expenses of Beatty Committee.....	30,248.77	
	Interest on contract covering purchase of shares of Thunder Bay Paper Co. Limited.....	215,754.25	
	Costs of carrying idle mills and timber concessions tributary thereto—		
	Mill idle costs including caretaking and insurance.....	\$589,401.19	
	Taxes on mills and townsites.....	106,483.59	
	Timber concessions — taxes, licenses and fees.....	125,776.47	
	Interest charges and other minor expenses.....	61,127.80	
		<hr/>	
		882,789.05	
	Legal, audit and special accounting expenses.....	48,109.84	
	Receiver's remuneration and sundry expenses.....	63,324.81	1,328,299.97
		<hr/>	<hr/>
	BALANCE AVAILABLE FOR DEPRECIATION OF MILLS AND PROPERTIES AND TOWARDS BOND INTEREST.....		\$1,036,562.00

MANITOBA PAPER COMPANY LIMITED

AND ITS
PINE FALLS HOTEL COMPANY LIMITED
PINE FALLS HOSPITAL LIMITED

CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT ASSETS:			
Cash on hand and on deposit.....	\$	8,399.07	
Sundry accounts receivable, less reserves.....		18,008.33	
Inventories (less reserves)			
Paper, pulp, materials and supplies	\$195,770.08		
Logs and expenditures on logging.....	13,792.85	209,562.93	
			\$ 235,970.33
OTHER ASSETS AND DEFERRED CHARGES:			
Deposits with Trustee for Bondholders.....	\$	5,271.00	
Claims for pulpstones.....		7,333.26	
Unexpired insurance, royalty charges, etc.....		13,301.62	
			25,905.88
FIXED ASSETS:			
Plant, machinery and equipment, at cost.....	\$9,880,860.82		
Lands, timber limits, undeveloped water power, etc.....	6,151,313.69		
			16,032,174.51

\$16,294,050.72

NOTE—Investments in and advances to Manitoba Paper Company Limited are carried on the books of Abitibi Power & Paper Company Limited and on the books of the Receiver and Manager thereof, as follows:

	As at September 10, 1932	As at December 31, 1933
Investment—		
5% First Mortgage Bonds with interest accrued thereon to August 31, 1932.....	\$ 7,011,562.50	7,011,562.50
Capital stock (35,000 shares).....	1,500,000.00	1,500,000.00
Balance in Earned Surplus Account.....	2,346,367.06	2,230,735.11
	\$10,857,929.56	10,742,297.61
Add—Balances owing by Manitoba Paper Company Limited to—		
Abitibi Power & Paper Company Limited.....	1,590,853.07	1,591,926.58
Receiver and Manager of Abitibi Power & Paper Company Limited.....	—	97,867.99
	<u>\$12,448,782.63</u>	<u>\$12,432,092.18</u>

DECEMBER 31, 1933

LIABILITIES

SUNDRY ACCOUNTS PAYABLE.....		\$ 16,918.73
OWING TO AFFILIATED COMPANIES:		
Abitibi Power & Paper Company Limited.....	\$1,591,926.58	
G. T. Clarkson, Receiver and Manager of Abitibi Power & Paper Company Limited for current advances to enable Manitoba Paper Company Limited to liquidate liabilities and to meet expenses of carrying shut down properties, etc.....	97,867.99	
Thunder Bay Paper Co. Limited.....	6,308.90	1,696,103.47
FUNDED DEBT:		
5% First Mortgage Gold Bonds:		
Due June 1, 1968.....	\$6,500,000.00	
Due June 1, 1971.....	425,000.00	
	\$6,925,000.00	
Interest accrued thereon to August 31, 1932.....	86,562.50	7,011,562.50
NOTE—As a result of non-payment of bond interest due June 1, 1932, the company is in default under terms of Indenture and Mortgage dated June 1, 1928. These bonds are owned by Abitibi Power & Paper Company Limited and are held as security by the Trustee under the Indenture and Mortgage dated June 1, 1928, securing the issue of First Mortgage Gold Bonds of that company.		
RESERVES:		
Depreciation.....	\$ 775,862.20	
Depletion.....	7,390.46	
		783,252.66
COMMON STOCK AND SURPLUS:		
Common shares—		
Represented by shares without nominal or par value		
Authorized and issued—35,000 shares.....	\$1,500,000.00	
Capital Surplus.....	3,055,478.25	
Earned Surplus, per statement attached.....	2,230,735.11	6,786,213.36
		<u>\$16,294,050.72</u>

G. T. CLARKSON, Receiver and Manager
ABITIBI POWER & PAPER COMPANY LIMITED:

We have examined the books and accounts of the Manitoba Paper Company Limited kept at the Toronto office for the period from September 1, 1932, to December 31, 1933, and have obtained all the information and explanations which we have required. No provision has been made during the period from September 1, 1932, to December 31, 1933, for interest accruing on the 5% First Mortgage Gold Bonds nor has any reserve been created for depreciation of fixed assets. Under present conditions in the newsprint industry it would appear to be impossible to obtain a fair valuation of the company's plant and property. Subject to these remarks we report that, in our opinion, the above consolidated balance sheet as at December 31, 1933, is properly drawn up so as to exhibit a true and correct view of the state of the company's affairs according to the best of our information and the explanations given to us and as shown by the books.

TORONTO, February 28, 1934

PRICE, WATERHOUSE & CO.
Auditors.

MANITOBA PAPER COMPANY LIMITED

AND ITS SUBSIDIARIES

PINE FALLS HOTEL COMPANY LIMITED

PINE FALLS HOSPITAL LIMITED

CONSOLIDATED STATEMENT OF SURPLUS AND PROFIT AND LOSS FOR THE PERIOD
FROM SEPTEMBER 1, 1932, TO DECEMBER 31, 1933

PARTICULARS	AMOUNT
Surplus at August 31, 1932.....	\$2,394,059.30
DEDUCT—	
Write downs to reduce inventories of pulpwood and supplies, etc. at August 31, 1932, to the estimated replacement or salvage value at that date.....	\$ 74,136.26
Sundry assets written off, etc.....	19,829.86
	<u>\$ 93,966.12</u>
Less—Adjustment of liability for power supplied during period prior to August 31, 1932.....	46,273.88
	<u>47,692.24</u>
BALANCE.....	\$2,346,367.06
DEDUCT—	
Expenses incurred in carrying shut down properties for the period from September 1, 1932, to December 31, 1933, before providing for depreciation or bond interest:	
Mill expenses.....	\$ 96,991.06
Woods expenses.....	18,864.15
	<u>\$115,855.21</u>
Less—Interest and discount received.....	223.26
	<u>115,631.95</u>
BALANCE AT DECEMBER 31, 1933.....	<u><u>\$2,230,735.11</u></u>

STE. ANNE PAPER COMPANY LIMITED
and its Subsidiaries

Balance Sheet and
Profit and Loss Account

STE. ANNE PAPER COMPANY LIMITED
AND ITS SUBSIDIARIES
ST. ANNE POWER COMPANY AND BAIE ST. PAUL LUMBER COMPANY LIMITED

Exhibit 3

CONSOLIDATED BALANCE SHEET
ASSETS

CURRENT ASSETS:		
Cash on hand and on deposit.....	\$ 507.79	
Sundry accounts receivable, less reserves.....	4,358.48	
Inventories (less reserves):		
Paper, pulp, materials and supplies.....	\$160,417.11	
Logs and expenditures on logging.....	244,914.00	
	<u>405,331.11</u>	
		\$ 410,197.38
OTHER ASSETS AND DEFERRED CHARGES:		
Deposits with Trustee for Bondholders.....	\$ 29,485.40	
Unexpired insurance, royalty charges, etc.....	19,735.16	
	<u>49,220.56</u>	
		49,220.56
FIXED ASSETS:		
Plant, machinery and equipment, at cost.....	\$9,302,135.92	
Lands, timber limits, and cutting rights.....	4,602,975.00	
	<u>13,905,110.92</u>	
		13,905,110.92
		<u>\$14,364,528.86</u>
TOTAL ASSETS.....		\$14,364,528.86
DEFICIT, as per statement attached.....		1,610,119.52

\$15,974,648.38

NOTE—Investments in and advances to Ste. Anne Paper Company Limited and its subsidiary companies are carried on the books of Abitibi Power & Paper Company Limited and on the books of the Receiver and Manager thereof, as follows:

	As at September 10, 1932	As at December 31, 1933
Investment:		
5% First Mortgage Bonds with interest accrued thereon to August 31, 1932.....	\$ 7,993,687.50	\$ 7,993,687.50
Capital stock (100,000 shares).....	500,000.00	500,000.00
	<u>\$ 8,493,687.50</u>	<u>\$ 8,493,687.50</u>
Less—Balance in Deficit Account.....	1,463,740.19	1,610,119.52
	<u>\$ 7,029,947.31</u>	<u>\$ 6,883,567.98</u>
Add—Balances owing by Ste. Anne Paper Company Limited to—		
Abitibi Power & Paper Company Limited.....	5,125,005.18	5,121,605.27
Receiver and Manager of Abitibi Power & Paper Company Limited.....	—	375,738.17
	<u>\$12,154,952.49</u>	<u>\$12,380,911.42</u>

DECEMBER 31, 1933
LIABILITIES

BANK LOAN; (secured under Section 88 and letter of guarantee executed by Abitibi Power & Paper Company Limited).....		
Less—Deposits claimed to be held thereagainst.....	\$ 65,000.00 15,565.44	
	<u>\$ 49,434.56</u>	
SUNDRY ACCOUNTS PAYABLE.....		10,467.82
OWING TO AFFILIATED COMPANY:		
Abitibi Power & Paper Company Limited.....	\$5,121,605.27	
G. T. Clarkson, Receiver and Manager of Abitibi Power & Paper Company Limited—for advances to enable Ste. Anne Paper Company Limited and its subsidiaries to liquidate liabilities and for costs of carrying shut down properties.....	375,738.17	
	<u>5,497,343.44</u>	
FUNDED DEBT:		
5% First Mortgage Gold Bonds		
Due June 1, 1968.....	\$7,500,000.00	
Due June 1, 1971.....	395,000.00	
	<u>\$7,895,000.00</u>	
Accrued interest thereon to August 31, 1932.....	98,687.50	
	<u>7,993,687.50</u>	
NOTE—As a result of non-payment of bond interest due June 1, 1932, the company is in default under terms of Indenture and Mortgage dated June 1, 1928. These bonds are owned by Abitibi Power & Paper Company Limited and are held as security by the Trustee under the Indenture and Mortgage dated June 1, 1928, securing the issue of First Mortgage Gold Bonds of that company.		
RESERVES:		
Depreciation.....	\$ 651,628.20	
Depletion.....	226,582.26	
	<u>878,210.46</u>	
CAPITAL STOCK AND SURPLUS		
(before considering Deficit—as per contra):		
Common Shares—		
Represented by shares without nominal or par value		
Authorized and issued—100,000 shares.....	\$ 500,000.00	
Capital Surplus.....	1,045,504.60	1,545,504.60
	<u>\$15,974,648.38</u>	<u>\$15,974,648.38</u>

**G. T. CLARKSON, Receiver and Manager,
ABITIBI POWER & PAPER COMPANY LIMITED:**

We have examined the books and accounts of the Ste. Anne Paper Company Limited and its subsidiary companies St. Anne Power Company and Baie St. Paul Lumber Company Limited kept at the Toronto office for the period from September 1, 1932, to December 31, 1933, and have obtained all the information and explanations which we have required. No provision has been made during the period from September 1, 1932, to December 31, 1933, for interest accruing on the 5% First Mortgage Gold Bonds nor has any reserve been created for depreciation of fixed assets. Under present conditions in the newsprint industry it would appear to be impossible to obtain a fair valuation of the companies' plant and property. Subject to these remarks, we report that in our opinion the above consolidated balance sheet at December 31, 1933, is properly drawn up so as to exhibit a true and correct view of the state of the companies' affairs according to the best of our information and the explanations given to us and as shown by the books of the companies.

PRICE, WATERHOUSE & CO.,
Auditors.

TORONTO, February 28, 1934.

STE. ANNE PAPER COMPANY LIMITED

AND ITS SUBSIDIARIES

ST. ANNE POWER COMPANY

BAIE ST. PAUL LUMBER COMPANY LIMITED

CONSOLIDATED DEFICIT ACCOUNT
FOR THE PERIOD FROM SEPTEMBER 1, 1932,
TO DECEMBER 31, 1933

PARTICULARS	AMOUNT
Deficit at August 31, 1932.....	\$ 648,994.36
Add—	
Write downs in inventories of pulpwood and supplies, etc. at August 31, 1932, to reduce to estimated replacement or salvage values.....	\$850,557.10
Additional reserves provided for bad and doubtful debts	13,868.88
	<u>\$864,425.98</u>
Less—Adjustment of liability for power supplied during period prior to August 31, 1932.....	49,680.15
	<u>814,745.83</u>
	\$1,463,740.19
Add—	
Expenses incurred in carrying shut-down properties for the period from September 1, 1932 to December 31, 1933, before providing for depreciation or bond interest:	
Mill expenses.....	\$100,844.09
Woods expenses.....	31,020.10
	<u>\$131,864.19</u>
Interest on bank loan, etc.....	14,515.14
	<u>146,379.33</u>
DEFICIT AT DECEMBER 31, 1933.....	<u>\$1,610,119.52</u>

ABITIBI ELECTRIC DEVELOPMENT
COMPANY LIMITED

Balance Sheet and
Profit and Loss Account

ABITIBI ELECTRIC DEVELOPMENT COMPANY LIMITED

BALANCE SHEET

DECEMBER 31, 1933

ASSETS

CASH ON HAND AND ON DEPOSIT.....	\$	350.00
AMOUNT DUE BY G. T. CLARKSON, RECEIVER AND MANAGER OF ABITIBI POWER & PAPER COMPANY LIMITED— For electric power supplied and collections retained.....		173,030.00
SUNDRY ACCOUNTS RECEIVABLE.....		369.43
INVENTORIES OF SUPPLIES, ETC. (less reserves).....		5,536.34
ADVANCE PAYMENTS FOR EQUIPMENT.....		20,763.50
UNEXPIRED INSURANCE, PREPAID CHARGES, ETC.....		1,168.78
FIXED ASSETS:		
Power plant transmission line, etc.....	\$7,813,466.05	
Speeders, camp buildings and equipment.....	39,957.94	
Horses, vehicles and livestock.....	1,118.70	
		7,854,542.69
		<u>\$8,055,760.74</u>

NOTE—Investments in and advances to Abitibi Electric Development Company Limited are carried on the books of Abitibi Power & Paper Company Limited and on the books of the Receiver and Manager thereof, as follows:

	As at September 10, 1932	As at December 31, 1933
Investment—		
5% First Mortgage Bonds with interest accrued thereon to August 31, 1932.....	\$5,219,437.50	\$5,219,437.50
Capital stock—(20,005 shares).....	100,005.00	100,005.00
Balance in Earned Surplus Account.....	1,195,061.07	1,401,233.82
	\$6,514,503.57	\$6,720,676.32
Add—Balance owing by Abitibi Electric Development Company Limited to Abitibi Power & Paper Company Limited.....	1,319,269.74	1,332,860.85
	\$7,833,773.31	\$8,053,537.17
Less—Balance owing to Abitibi Electric Development Company Limited by Receiver and Manager of Abitibi Power & Paper Company Limited.....	—	173,030.00
	<u>\$7,833,773.31</u>	<u>\$7,880,507.17</u>

LIABILITIES

SUNDRY ACCOUNTS PAYABLE.....	\$	2,223.57
ABITIBI POWER & PAPER COMPANY LIMITED.....		1,332,860.85
FIVE PER CENT. FIRST MORTGAGE GOLD BONDS:		
Due June 1, 1968.....	\$5,000,000.00	
Due June 1, 1971.....	155,000.00	
	\$5,155,000.00	
Interest accrued thereon to August 31, 1932.....	64,437.50	
		5,219,437.50
NOTE—As a result of non-payment of bond interest due June 1, 1932, the company is in default under terms of Indenture and Mortgage dated June 1, 1928. These bonds are all owned by Abitibi Power & Paper Company Limited and are held as security by the Trustee under the Indenture and Mortgage dated June 1, 1928, securing the issue of First Mortgage Gold Bonds of that company.		
CAPITAL STOCK AND SURPLUS:		
Common Shares—		
Represented by shares without nominal or par value		
Authorized—50,000 shares		
Issued—20,005 shares.....	\$	100,005.00
Earned Surplus—		
As per statement attached.....	1,401,233.82	
		1,501,238.82
NOTE—Provision has not been made for any possible liability under arrangement to take power from The Hydro-Electric Power Commission of Ontario.		
		<u>\$8,055,760.74</u>

G. T. CLARKSON, Receiver and Manager,
ABITIBI POWER & PAPER COMPANY LIMITED:

We have examined the books and accounts of the Abitibi Electric Development Company Limited for the period from September 1, 1932, to December 31, 1933, and have obtained all the information and explanations which we have required. No provision has been made for interest accrued during the period from September 1, 1932, to December 31, 1933, on the 5% First Mortgage Gold Bonds outstanding, nor has any reserve been made for Depreciation of Plant and Equipment. Subject thereto we report that in our opinion the above balance sheet is properly drawn up so as to exhibit a true and correct view of the state of the company's affairs according to the best of our information and the explanations given to us and as shown by the books of the company.

PRICE, WATERHOUSE & CO.,
Auditors.

TORONTO, February 28, 1934.

ABITIBI ELECTRIC DEVELOPMENT COMPANY LIMITED

SURPLUS AND PROFIT AND LOSS ACCOUNT FOR THE PERIOD FROM SEPTEMBER 1, 1932, TO DECEMBER 31, 1933

PARTICULARS	AMOUNT
Balance at August 31, 1932.....	\$1,214,119.89
DEDUCT—	
Adjustment re power billings during period prior to August 31, 1932.....	\$ 13,566.11
Reserves provided against inventories of supplies, etc., at August 31, 1932.....	4,943.49
Additional reserve for bad debts.....	549.22
	<u>19,058.82</u>
	\$1,195,061.07
ADD—	
Profit from operations for the period from September 1, 1932, to December 31, 1933, before providing for depreciation or bond interest—	
Sales.....	\$332,841.93
Operating expenses.....	126,764.25
	<u>\$206,077.68</u>
ADD—	
Interest and discount received.....	95.07
	<u>206,172.75</u>
BALANCE AT DECEMBER 31, 1933.....	<u><u>\$1,401,233.82</u></u>

KAMINISTIQUEIA POWER CO., LIMITED

Balance Sheet and
Profit and Loss Account

KAMINISTIQUEIA POWER CO., LIMITED

Exhibit 5

BALANCE SHEET

ASSETS

CASH ON HAND AND ON DEPOSIT.....	\$1,000.00	
SUNDRY CUSTOMERS' ACCOUNTS, less reserves.....	8,081.15	\$ 9,081.15
INVESTMENT, less reserve:		
Fort William Hotel Company Limited.....		1.00
OWING BY AFFILIATED COMPANIES:		
Abitibi Power & Paper Company Limited—		
Balance owing in respect of period prior		
to Receivership.....	\$428,493.38	
Portion of power billings during period Sep-		
tember 10, 1932, to December 31, 1933,		
being the excess of charges under power		
contract, over power used which is charged		
to Receiver and Manager as below.....	232,879.81	
	<u>\$661,373.19</u>	
Amount owing by G. T. Clarkson, Receiver		
and Manager of Abitibi Power & Paper		
Company Limited for power used and		
for collections retained, etc.....	212,018.35	\$873,391.54
Thunder Bay Paper Co. Limited.....		1,116.37
		<u>874,507.91</u>
DEFERRED CHARGES:		
Unexpired insurance, etc.....		346.94
FIXED ASSETS:		
Waterpowers, lands, buildings, etc.....		6,379,998.46
		<u>\$7,263,935.46</u>

NOTE—Investments in and advances to Kaministiquia Power Company Limited are carried on the books of Abitibi Power & Paper Company Limited and on the books of the Receiver and Manager thereof, as follows:

	As at September 10, 1932	As at December 31, 1933
Investment—		
5% First Mortgage Bonds with interest accrued thereon to		
August 31, 1932.....	\$3,543,750.00	\$3,543,750.00
Capital stock (40,000 shares).....	950,000.00	950,000.00
Balance in Earned Surplus Account.....	544,946.44	991,742.16
	<u>\$5,038,696.44</u>	<u>\$5,485,492.16</u>
Less—Balances owing to Kaministiquia Power Company Limited		
by—Abitibi Power & Paper Company Limited.....	428,246.60	661,373.19
Receiver and Manager of Abitibi Power & Paper		
Company Limited.....	—	212,018.35
	<u>\$4,610,449.84</u>	<u>\$4,612,100.62</u>

DECEMBER 31, 1933

LIABILITIES

SUNDRY ACCOUNTS PAYABLE.....		\$ 1,091.71
FUNDED DEBT:		
5% First Mortgage Gold Bonds, due 1968.....	\$3,500,000.00	
Interest accrued thereon to August 31, 1932.....	43,750.00	3,543,750.00
NOTE—As a result of non-payment of bond interest due June 1, 1932,		
the company may be in technical default under terms of		
Indenture and Mortgage dated June 1, 1928. These bonds		
are all owned by Abitibi Power & Paper Company Limited		
and are held as security by the Trustee under the Indenture		
and Mortgage dated June 1, 1928, securing the issue of First		
Mortgage Gold Bonds of that company.		
RESERVE FOR DEPRECIATION OF PLANT.....		1,179,964.51
CAPITAL STOCK AND SURPLUS:		
Represented by shares without nominal or par value		
Authorized and issued—		
Class "A" Non-Voting 30,750 shares		\$ 950,000.00
Class "B" Voting 9,250 shares		597,387.08
Capital Surplus.....		<u>\$1,547,387.08</u>
Earned Surplus		
As per attached statement.....	991,742.16	2,539,129.24
		<u>\$7,263,935.46</u>

G. T. CLARKSON, Receiver and Manager,
ABITIBI POWER & PAPER COMPANY LIMITED:

We have examined the books and accounts of the Kaministiquia Power Co., Limited for the period from September 1, 1932, to December 31, 1933, and have obtained all the information and explanations which we have required. No provisions have been made during the period from September 1, 1932, to December 31, 1933, for interest accruing on the 5% First Mortgage Gold Bonds outstanding nor for depreciation of fixed assets, and no provision has been established against the account receivable from Abitibi Power & Paper Company Limited which if not collected will reduce the surplus shown by the balance sheet. Subject thereto, we report that, in our opinion, the above balance sheet at December 31, 1933, is properly drawn up so as to exhibit a true and correct view of the state of the company's affairs according to the best of our information and the explanations given to us and as shown by the books of the company.

PRICE, WATERHOUSE & CO.,
Auditors.

TORONTO, February 27, 1934.

KAMINISTIKUIA POWER CO., LIMITED

SURPLUS AND PROFIT AND LOSS ACCOUNT FOR THE PERIOD FROM SEPTEMBER 1, 1932, TO DECEMBER 31, 1933

PARTICULARS	AMOUNT
Balance at August 31, 1932.....	\$547,457.44
DEDUCT—	
Reserve provided against investment.....	2,511.00
	<u>\$544,946.44</u>
ADD—	
Profit from operations for the period from September 1, 1932, to December 31, 1933, before providing for depreciation or bond interest.....	\$446,026.73
Interest and discount received.....	768.99
	<u>446,795.72</u>
BALANCE AT DECEMBER 31, 1933.....	<u><u>\$991,742.16</u></u>

MATTAGAMI RAILROAD COMPANY

Balance Sheet and Profit and Loss Account

MATTAGAMI RAILROAD COMPANY

BALANCE SHEET

ASSETS

SUNDRY ASSETS:		
Cash on hand and on deposit.....	\$ 500.00	
Accounts receivable.....	3,459.69	
Inventory of coal.....	1,876.64	
	<u>5,836.33</u>	\$ 5,836.33
OWING BY AFFILIATED COMPANY:		
Abitibi Power & Paper Company Limited.....		97,460.12
DEFERRED CHARGES:		
Unexpired insurance.....		712.61
FIXED ASSETS:		
Rolling stock, rails, equipment, etc.....		239,192.67
		<u>\$343,201.73</u>

NOTE—Investments in and advances to Mattagami Railroad Company are carried on the books of Abitibi Power & Paper Company Limited and on the books of the Receiver and Manager thereof, as follows:

	As at September 10, 1932	As at December 31, 1933
Investment—		
Capital stock (2,500 shares).....	\$250,000.00	\$250,000.00
Balance in Earned Surplus account.....	89,003.29	88,626.58
	<u>\$339,003.29</u>	<u>\$338,626.58</u>
Less—Balances owing to Mattagami Railroad Company by Abitibi Power & Paper Company Limited.....		
	97,781.90	97,460.12
	<u>\$241,221.39</u>	<u>\$241,166.46</u>
Add—Advances by Receiver and Manager of Abitibi Power & Paper Company Limited.....		
		4,073.39
	<u>\$241,221.39</u>	<u>\$245,239.85</u>

DECEMBER 31, 1933

LIABILITIES

SUNDRY ACCOUNTS PAYABLE:.....	\$ 501.76
OWING TO AFFILIATED COMPANY:	
G. T. Clarkson, Receiver and Manager of Abitibi Power & Paper Company Limited	4,073.39
CAPITAL STOCK AND SURPLUS:	
Common shares	
Authorized—	
10,000 shares of \$100.00 each.....	<u>\$1,000,000.00</u>
Issued—	
2,500 shares of \$100.00 each.....	\$ 250,000.00
Earned surplus—	
As per statement attached.....	<u>88,626.58</u>
	338,626.58
	<u>\$343,201.73</u>

G. T. CLARKSON, Receiver and Manager,

ABITIBI POWER & PAPER COMPANY LIMITED:

We have examined the books and accounts of the Mattagami Railroad Company for the period from September 1, 1932, to December 31, 1933, and have obtained all the information and explanations which we have required. No provision has been established against the account receivable from Abitibi Power & Paper Company Limited which if not collected will reduce the surplus shown by the balance sheet, nor has any reserve been made for depreciation of rolling stock, rails and equipment, etc. Subject to these remarks, we report that, in our opinion, the above balance sheet at December 31, 1933, is properly drawn up so as to exhibit a true and correct view of the state of the company's affairs according to the best of our information and the explanations given to us, and as shown by the books of the company.

PRICE, WATERHOUSE & CO.,
Auditors.

TORONTO, February 27, 1934.

MATTAGAMI RAILROAD COMPANY

SURPLUS AND PROFIT AND LOSS ACCOUNT FOR THE PERIOD FROM SEPTEMBER 1, 1932 TO DECEMBER 31, 1933

PARTICULARS		AMOUNT
Balance at August 31, 1932.....		\$89,076.79
DEDUCT—		
Taxes applicable to period prior to August 31, 1932		73.50
		<u>\$89,003.29</u>
DEDUCT—		
Loss from operations for the period from Sep- tember 1, 1932, to December 31, 1933, before providing for depreciation:		
Revenue.....	\$35,382.62	
Expenditure.....	35,762.69	
	<u> </u>	\$380.07
Less—Interest and discount received.....		3.36
		<u> </u>
		376.71
BALANCE, DECEMBER 31, 1933.....		<u><u>\$88,626.58</u></u>

AUDITORS' REPORT
ON THE ACCOUNTS OF
THUNDER BAY PAPER CO., LIMITED

PRICE, WATERHOUSE & CO.

ROYAL BANK BUILDING,
TORONTO

February 28, 1934.

G. T. CLARKSON, Receiver and Manager,
ABITIBI POWER & PAPER COMPANY LIMITED.

We have examined the books and accounts of Thunder Bay Paper Co. Limited for the period from September 1, 1932, to December 31, 1933, and report thereon as follows:

The amount of \$391,320.05 appearing on the attached balance sheet for inventories, represents the book inventories at December 31, 1933, valued on the basis of cost prices as summarized in the statements furnished to the Toronto office by the mill office at Port Arthur. Provision has not been made for whatever shortages in quantities of pulpwood may be disclosed when the present stocks are exhausted. The reserve of \$73,428.62 for inventories of pulpwood is to reduce the value of pulpwood to the basis of replacement values as estimated by the management; this reserve has not been deducted from the inventories in the attached balance sheet as the management desires that the current assets should be shown "figured at cost" in accordance with an agreement dated January 27, 1932, between Consolidated Water Power and Paper Company of Wisconsin Rapids and Abitibi Power & Paper Company Limited. No provision was made during the year in respect of depreciation of plant and equipment. The provisions for depreciation made during recent years were based on the tonnage of newsprint produced and, as a result of the low volume of production during these years, the total depreciation provided has, in our opinion, been inadequate. We did not visit Port Arthur for the purpose of examining the records at the mill office as at December 31, 1933, and our examination was limited to the books at the Toronto office. We did, however, visit the mill during the latter part of the year for the purpose of examining the detailed transactions up to August 31, 1933. Subject to the foregoing remarks, we report that in our opinion the attached balance sheet is drawn up so as to exhibit a true and correct view of the state of the company's affairs as at December 31, 1933, according to the best of our information and the explanations given to us and as shown by the books of the company.

PRICE, WATERHOUSE & CO.

THUNDER BAY PAPER CO., LIMITED

Exhibit 7-A

BALANCE SHEET

ASSETS

CURRENT ASSETS:		
Inventories of pulpwood, paper, materials and supplies, at cost, as certified to by the management.....	\$ 391,320.05	
Customers' accounts, less reserves.....	211,364.14	
Cash on hand and on deposit.....	64,283.65	
	<u> </u>	\$ 666,967.84
OTHER ASSETS AND DEFERRED CHARGES:		
Cash deposit on timber limit.....	\$ 50,000.00	
Unexpired insurance and other prepaid expenses.....	14,639.95	
	<u> </u>	64,639.95
FIXED ASSETS:		
Real estate.....	\$ 44,812.98	
Plant, machinery and equipment.....	5,849,015.50	
Office fixtures.....	2,287.68	
	<u> </u>	5,896,116.16
		<u> </u>
		<u><u>\$6,627,723.95</u></u>

NOTE—The notes payable of \$1,078,465.35 to Abitibi Power & Paper Company Limited and the Receiver and Manager thereof, and the capital and surplus are represented on the books of Abitibi Power & Paper Company Limited, and on the books of the Receiver and Manager, as follows:

	As at September 10, 1932	As at December 31, 1933
Investment in shares and advances.....	\$6,654,865.87	\$7,646,804.06
Balance owing on contract for purchase of such shares.....	2,828,238.61	2,727,916.67
	<u> </u>	<u> </u>
	\$9,483,104.48	\$10,374,720.73
<i>Less</i> —Amounts written off		
For period prior to Receivership.....	\$1,733,148.13	\$2,038,431.70
For operating losses and costs of carrying properties shut down during period of Receivership.....	—	467,937.01
	<u> </u>	<u> </u>
	\$1,733,148.13	\$2,506,368.71
Net balance carried as investments and advances.....	\$7,749,956.35	\$7,868,352.02
<i>Add</i> —Accounts pledged to bankers prior to Receivership.....	225,271.33	211,310.01
	<u> </u>	<u> </u>
	\$7,975,227.68	\$8,079,662.03
	<u> </u>	<u> </u>

DECEMBER 31, 1933

LIABILITIES

CURRENT LIABILITIES:		
Bank loans (secured under Section 88 and by assignment of book debts).....	\$ 470,000.00	
Accounts payable.....	52,358.92	
Owing to affiliated companies.....	4,473.40	
General Power and Paper Company Limited.....	124,317.53	
Accrued wages.....	11,755.11	
	<u> </u>	\$ 662,904.96
DEFERRED LIABILITIES:		
Notes payable (due 1935-1937) to		
Abitibi Power & Paper Company Limited.....	\$ 154,310.01	
G. T. Clarkson, Receiver and Manager of Abitibi Power & Paper Company Limited, for funds provided to pay liabilities, to meet losses in operations, costs of carrying shut down properties, etc.....	924,155.34	
	<u> </u>	1,078,465.35
RESERVES:		
Inventories of pulpwood.....	\$ 73,428.62	
Depreciation.....	615,491.91	
	<u> </u>	688,920.53
CAPITAL STOCK:		
Common shares:		
Authorized and issued—		
20,000 shares of \$100.00 each.....	\$2,000,000.00	
Capital Surplus.....	3,253,438.15	
	<u> </u>	\$5,253,438.15
<i>Deduct</i> —Deficit as per attached statement.....	1,056,005.04	
	<u> </u>	4,197,433.11
		<u><u>\$6,627,723.95</u></u>

Submitted with our report dated February 28, 1934, to G. T. Clarkson, Receiver and Manager of Abitibi Power & Paper Company Limited.

PRICE, WATERHOUSE & CO.,
Auditors.

THUNDER BAY PAPER CO., LIMITED

DEFICIT ACCOUNT FOR THE PERIOD FROM SEPTEMBER 1, 1932, TO DECEMBER 31, 1933

PARTICULARS	AMOUNT
Deficit at August 31, 1932.....	\$ 282,784.46
ADD—	
Reduction in pulpwood inventory values as of August 31, 1932,	\$112,816.44
Adjustment of power charges in respect of period prior to August 31, 1932, with interest thereon.....	76,302.87
Allowance to Abitibi Power & Paper Company Limited for tonnage up to August 31, 1932.....	28,204.56
Adjustments in reserves carried against accounts receivable as at August 31, 1932, etc.....	66,042.06
Sundry charges applicable to prior periods.....	21,917.64
	<u>305,283.57</u>
	\$ 588,068.03
ADD—	
Loss from operations during the period from September 1, 1932, to December 31, 1933, after deducting U.S. exchange realized but before providing for depreciation.....	\$137,949.50
Expenses incurred in carrying properties during shut down periods.....	213,333.60
Interest charges, including interest paid on bank loans and interest credited to the Receiver and Manager of Abitibi Power & Paper Company Limited for advances.....	116,653.91
Loss for the period, before providing for depreciation.....	<u>467,937.01</u>
NOTE—Loss from operations is after charging wood to manufacture on the basis of the reduced values after giving effect to reserves provided thereagainst in 1931 and 1932.	
DEFICIT AT DECEMBER 31, 1933.....	<u><u>\$1,056,005.04</u></u>

PROVINCIAL PAPER LIMITED



Balance Sheet and
Profit and Loss Account

PROVINCIAL PAPER LIMITED

Exhibit 8

BALANCE SHEET

DECEMBER 31, 1933

ASSETS

CURRENT ASSETS:	
Cash on hand and in banks.....	\$397,030.07
Government bonds (par value \$600,000.00).....	598,560.00
Accounts and bills receivable, less reserve for doubtful accounts	695,674.93
Inventories of paper, stock, supplies, prepaid charges and pulp- wood including advances on 1934 operations.....	770,433.12
	<u>\$2,461,698.12</u>
OTHER ASSETS:	
Government deposit on timber limits.....	\$ 18,000.00
Investments.....	61,631.25
	<u>79,631.23</u>
PROPERTY AND PLANT:	
Real estate, buildings, equipment, etc.....	9,126,700.33
	<u><u>\$11,668,029.68</u></u>

NOTE -- The investment in shares of Provincial Paper Limited is carried on the books of Abitibi Power & Paper Company Limited and on the books of the Receiver and Manager thereof, as follows:

	As at September 10, 1932	As at December 31, 1933
100,000 shares common stock without nominal or par value, carried at arbitrary value of..... (Included with assets pledged to bankers prior to Receivership).	\$1,500,000.00	\$1,500,000.00

LIABILITIES

CURRENT LIABILITIES:	
Accounts payable and accrued charges.....	\$ 224,380.16
Dividend on preferred stock 13/4% payable January 2, 1934.....	61,250.00
Bond interest accrued.....	35,516.24
	<u>\$ 321,146.40</u>
MORTGAGE DEBT:	
5 3/4% First Mortgage Sinking Fund Bonds, due 1947:	
Authorized.....	<u>\$10,000,000.00</u>
Issued.....	\$5,300,000.00
Less—Redeemed and cancelled.....	1,425,000.00
	<u>\$3,875,000.00</u>
Less—Purchased and held by the company.....	500.00
	<u>3,874,500.00</u>
RESERVE FOR DEPRECIATION OF PLANT AND BUILDINGS.....	1,925,000.00
GENERAL RESERVE.....	1,259,285.63
CAPITAL STOCK:	
Authorized and issued—	
35,000 shares 7% cumulative preferred stock of \$100.00 each	\$3,500,000.00
100,000 shares common stock without nominal or par value	100,000.00
	<u>3,600,000.00</u>
SURPLUS.....	688,097.65
	<u><u>\$11,668,029.68</u></u>

AUDITORS' REPORT TO THE SHAREHOLDERS:

We have examined the books and accounts of Provincial Paper Limited for the year ending December 31, 1933, and have obtained all the information and explanations which we have required. An amount of \$100,000.00 has been provided from Profit and Loss account and the sum of \$225,000.00 has been transferred from General Reserve in respect of depreciation of plant during the year; on this basis, we report, that in our opinion the above balance sheet at December 31, 1933, exhibits a true and correct view of the state of the company's affairs according to the best of our information and the explanations given to us and as shown by the books of the company. All our requirements as auditors have been complied with.

PRICE, WATERHOUSE & CO.,
Auditors.

TORONTO, February 7, 1934.

PROVINCIAL PAPER LIMITED

SURPLUS AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDING DECEMBER 31, 1933

PARTICULARS		AMOUNT
Profit for the year ending December 31, 1933, before providing for depreciation and interest.....		\$553,849.05
Profit on company's own bonds cancelled.....		27,015.12
		<hr/>
		\$580,864.17
DEDUCT—		
Provision for depreciation.....	\$100,000.00	
Interest on mortgage debt.....	\$213,097.50	
United States exchange thereon.....	17,603.42	230,700.92
	<hr/>	<hr/>
		330,700.92
		<hr/>
		\$250,163.25
Surplus as at December 31, 1932.....		682,934.40
		<hr/>
		\$933,097.65
DEDUCT—		
Dividends on 7% cumulative preferred stock.....		245,000.00
		<hr/>
SURPLUS AS AT DECEMBER 31, 1933.....		\$688,097.65
		<hr/> <hr/>

