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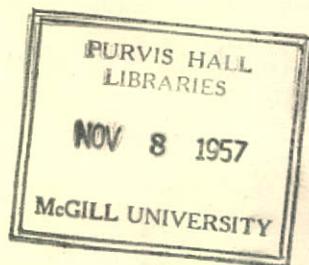
EASTERN STEEL PRODUCTS, LIMITED

PLAN

OF

COMPROMISE OR ARRANGEMENT

Under the Companies Creditors Arrangement Act of Canada



PLAN OF COMPROMISE OR ARRANGEMENT

Under the Companies Creditors Arrangement Act of Canada

BETWEEN:

EASTERN STEEL PRODUCTS, LIMITED, (hereinafter referred to as the "Company"), a company incorporated under the laws of Canada, and having its head office in the City of Toronto in the Province of Ontario, Canada,

— and —

THE HOLDERS OF its outstanding First Secured Debentures issued under a Deed of Trust and Mortgage and Supplemental Deed of Trust and Mortgage dated as of the 1st day of April, 1946, and Supplementary Trust Deed of Hypothec, Mortgage and Pledge dated the 12th day of April, 1946 (hereinafter collectively referred to as the "Existing First Mortgage Trust Deed") made between the Company and Chartered Trust and Executor Company (now Chartered Trust Company) as Trustee, and the said Chartered Trust Company as Trustee under the Existing First Mortgage Trust Deed (hereinafter referred to as the "Trustee")

— and —

THE UNSECURED CREDITORS of the Company having claims in excess of \$100 in amount but excluding creditors whose claims would be entitled to priority of payment under the Bankruptcy Act of Canada

DIVISION I

Introduction

1. Pursuant to the Existing First Mortgage Trust Deed and secured thereby there are presently outstanding First Secured Debentures of the Company as follows:

First Secured 3 $\frac{3}{4}$ % Serial Debentures, Series A, maturing \$50,000 annually on April 1 in each of the years 1958 to 1961, inclusive.....	\$ 200,000
First Secured 4% Twenty-year Sinking Fund Debentures, Series A, maturing April 1, 1966.....	850,000
First Secured 4% Twenty-year Sinking Fund Debentures, Series B, maturing April 1, 1966.....	260,000
	<hr/> \$1,310,000

All of the foregoing Debentures are hereinafter collectively referred to as the "First Secured Debentures".

2. By Order of the Supreme Court of Ontario dated the 28th day of August, 1957, made in an action brought by the Trustee as Plaintiff against the Company as Defendant, Robert Baldwin Dale-Harris (hereinafter referred to as the "Receiver and Manager") was appointed Receiver and Manager on behalf of the Plaintiff and all holders of First Secured Debentures of all the undertaking, property and assets of the Company comprised in or subject to the security or charge created by the Existing First Mortgage Trust Deed, and also to manage the undertaking and business of the Company, and was authorized to borrow up to the principal amount of \$200,000 as a revolving credit and issue Receiver's Certificates to secure such borrowings in order to carry on the said business, and by further Order of the said Court dated the 27th day of September, 1957, the Receiver and Manager was authorized to borrow a further \$350,000 and issue Receiver's Certificates therefor.
3. The Receiver and Manager entered into possession of the property and assets of the Company on the 29th day of August, 1957, and has continued the operations of the Company on a limited basis, restricting the purchase of materials to those required for work in process and to fill orders in prospect.

4. On the 10th day of October, 1957, the previous indebtedness of the Company to The Royal Bank of Canada secured by the assignment of the accounts receivable and by the inventory of the Company had been paid off and in carrying on the business of the Company the Receiver and Manager had outstanding Receiver's Certificates to the total amount of \$176,861. The Receiver and Manager estimates that it will be necessary to issue approximately \$100,000 additional Receiver's Certificates to carry on the business of the Company until the Effective Date hereinafter stipulated.

5. On the 4th day of October, 1957 (being the date of the last completed weekly summary of the Receiver and Manager) the Receiver and Manager had estimated the value of the assets of the Company, but only as a going concern, to be as follows:

Cash in hands of Receiver and Manager.....	\$ 25,986
Accounts Receivable (after giving effect to repayment of the secured indebtedness of The Royal Bank of Canada).....	803,829
Inventories and work in process.....	1,022,800
Cash held by Trustee as part of Mortgaged Premises.....	176,307

The records of the Company show that fixed assets valued substantially at cost, less accumulated depreciation, amount to..... \$ 608,872

On the 4th day of October, 1957, the liabilities of the Company and of the Receiver and Manager had been estimated by the Receiver and Manager to be as follows:

Principal amount of Receiver's Certificates.....	\$ 176,861
Total principal amount of First Secured Debentures (as shown in paragraph 1 above).....	1,310,000
Debenture Interest due October 1, 1957.....	25,950
Liabilities of the Company incurred prior to the appointment of the Receiver and Manager:	
Claims entitled to priority of payment under the Bankruptcy Act.....	209,672
Other Unsecured Creditors including provision of \$15,000 for claims not admitted by the Company.....	747,927

6. The capital stock of the Company is as follows:

Authorized — 400,000 shares without nominal or par value
Issued — 288,150 shares without nominal or par value shown by the books of the Company to have been issued for an aggregate consideration of \$990,538

7. The Company has authorized the creation and issue of General Mortgage Debentures to be dated November 1, 1957, to mature November 1, 1967, to be secured by a trust indenture (hereinafter referred to as the "Trust Indenture") in favour of Crown Trust Company as Trustee, constituting a fixed and specific mortgage, pledge and charge on all real and immovable property and other fixed assets of the Company now owned or hereafter acquired, and a floating charge on the undertaking, property and assets of the Company both present and future, which said fixed and specific mortgage, pledge and charge and floating charge shall be subject only to the first fixed and specific mortgage, pledge and charge and the first floating charge created by the Existing First Mortgage Trust Deed. The aforesaid floating charge shall not prevent the Company from pledging, assigning or giving security or securities on the subject matters of such floating charge to any bank or banks under the Bank Act (Canada) for present or future liabilities of the Company to such bank or banks.

General Mortgage Debentures to be designated as "General Mortgage Debentures, Series A" will be authorized to an aggregate principal amount required to be issued to the Unsecured Creditors of the Company in accordance with the proposal hereinafter set out in Division III hereof provided that such aggregate principal amount shall not in any event exceed \$500,000. The Series A Debentures will bear interest from the 1st day of November, 1958, at the rate of 6% per annum payable on the 1st days of May and November in each year commencing with the 1st day of May, 1959, and will not be convertible into shares of the Company. The Company will covenant in the Trust Indenture to establish a sinking fund for the retirement of the Series A Debentures into which the Company will pay on or before the 1st day of November in each year, commencing with the 1st day of November, 1959, an amount equal to 10% of the net profits of the Company after taxes (as to be defined in the Trust Indenture) for the preceding fiscal year of the Company.

\$500,000 principal amount of the General Mortgage Debentures will be designated "General Mortgage Debentures, Series B", will bear interest from the 1st day of November, 1957, at the rate of

6% per annum payable on the 1st days of May and November in each year commencing with the 1st day of May, 1958, and will be convertible at any time before maturity into shares of the Company as reconstituted after the grant of Supplementary Letters Patent hereinafter referred to, on the basis of 1 share for each \$1.00 principal amount of Series B Debentures. The Company will covenant in the Trust Indenture to establish a sinking fund for the retirement of the Series B Debentures into which the Company will pay on or before the 1st day of November in each year, commencing with the 1st day of November, 1959, an amount equal to 10% of the net profits of the Company after taxes (as to be defined in the Trust Indenture) for the preceding fiscal year of the Company.

In all other respects the Series A and Series B Debentures will rank pari passu.

8. On the 7th day of October, 1957, the directors of the Company enacted By-law "R" of the by-laws of the Company which by-law provides for an application for Supplementary Letters Patent under the Companies Act of Canada providing that the existing 288,150 issued and 111,850 unissued shares without nominal or par value be consolidated into 28,815 issued shares and 11,185 unissued shares without nominal or par value, respectively, on the basis of 1 new share for each 10 present shares, and that the authorized capital be increased to 750,000 shares without nominal or par value by the creation of an additional 710,000 shares without nominal or par value. The Company has authorized the calling of a special general meeting of shareholders to consider and if thought fit sanction the foregoing by-law.
9. By letter agreement dated September 30, 1957, accepted by the Company on October 7, 1957, Mr. Samuel Lunenfeld of Toronto has agreed to purchase \$200,000 principal amount of General Mortgage Debentures, Series B, provided he is given an option to purchase at the principal amount thereof all or any part of the balance of \$300,000 of Series B Debentures at any time up to the stated maturity date thereof, all subject to the terms and conditions contained in the said agreement which terms and conditions involve the acceptance of the proposals made by the Company as hereinafter set out.
10. On or about the 8th day of August, 1957, petitions were filed in the Supreme Court of Ontario in Bankruptcy by R. Laidlaw Lumber Company Limited and by The Royal Bank of Canada and the hearing in respect of the said petitions has been adjourned by order of the said Court until the 30th day of October, 1957.

DIVISION II

Proposal in Regard to the First Secured Debentures

1. The Company offers the following compromise or arrangement under the Companies Creditors Arrangement Act of Canada between the Company and the holders of the existing First Secured Debentures and the Trustee, the whole upon and subject to the terms and provisions and conditions hereinafter set out.
 - (a) The Company will pay on the Effective Date hereinafter stipulated the interest due October 1, 1957, on all the presently outstanding First Secured Debentures in full settlement of such interest and any interest accrued thereon;
 - (b) The Company will pay or cause to be paid on the Effective Date hereinafter stipulated to the holders of Receiver's Certificates outstanding on such date the full principal amount thereof with interest accrued thereon to such date;
 - (c) The Company will pay within 30 days after the Effective Date hereinafter stipulated the remuneration and expenses of the Trustee in respect of these proceedings, including the costs in the Supreme Court of Ontario hereinafter referred to and including the amount payable to the Receiver and Manager in respect of his management of the affairs of the Company to the date of his discharge;
 - (d) The Company will enter into a Supplemental Trust Deed with the Trustee amending the Existing First Mortgage Trust Deed to provide that interest on all the outstanding First Secured Debentures of each Series of the Company will be increased to the rate of 6% per annum from the 1st day of October, 1957, payable half-yearly on the 1st days of April and October in each year commencing with the 1st day of April, 1958;
 - (e) The Trustee will release to the Company the sum of \$176,307 with interest, if any, thereon now held by the Trustee under the provisions of the Existing First Mortgage Trust Deed to be used by the Company for capital expenditures for its plant at Preston, Ontario, and for general corporate purposes, provided, however, that the Trustee may in its sole discretion withhold from such sum such amount as may be required to pay the remuneration and expenses referred to in sub-paragraph (c) above;

(f) The Trustee shall waive without any condition whatsoever, except the conditions herein set out, any and all default existing pursuant to the terms of the Existing First Mortgage Trust Deed, and consent to the termination of the action in the Supreme Court of Ontario between the Trustee as Plaintiff and the Company as Defendant, and execute one or more supplemental indentures in form and terms satisfactory to the Trustee to give effect to the foregoing proposals and to amend the Existing First Mortgage Trust Deed in accordance therewith.

DIVISION III

Proposal in Regard to the Unsecured Creditors

1. The Company offers the following compromise or arrangement under the Companies Creditors Arrangement Act of Canada between the Company and its Unsecured Creditors having claims in excess of \$100 in amount but excluding creditors whose claims would be entitled to priority of payment under the Bankruptcy Act of Canada, the whole upon and subject to the terms, provisions and conditions hereinafter set out.
 - (a) The Company will pay in full the claims of all creditors whose claims would be entitled to priority of payment under the Bankruptcy Act of Canada within 10 days after the Effective Date hereinafter stipulated;
 - (b) The Company will pay the claims of all Unsecured Creditors having claims of \$100 or less within 10 days after the Effective Date hereinafter stipulated;
 - (c) The Company will deliver within 10 days after the Effective Date hereinafter stipulated to all other Unsecured Creditors in full settlement of their claims, General Mortgage Debentures, Series A, on the basis of 50¢ principal amount of such Debentures for every \$1.00 of such claims. The Company may increase or decrease any such claims by not more than \$1.00 to avoid the issue of Debentures in fractional dollar amounts and will deliver General Mortgage Debentures, Series A, in fully registered form only, to such Unsecured Creditors by registered mail to their last address as shown by the books of the Company or to such other address as any such creditor may specify.

DIVISION IV

Compromise or Arrangement Becoming Effective

1. The compromise or arrangement herein contained is conditional upon fulfilment not later than the 15th day of December, 1957, of the following conditions, namely;
 - (a) that the compromise or arrangement herein contained be effectively agreed to pursuant to the provisions of the Companies Creditors Arrangement Act of Canada,
 - (i) at a meeting of the holders of the First Secured Debentures called and held under the said Companies Creditors Arrangement Act, and
 - (ii) at a meeting of the Unsecured Creditors having claims in excess of \$100 in amount, but excluding creditors whose claims would be entitled to priority of payment under the Bankruptcy Act of Canada, called and held under the said Companies Creditors Arrangement Act.

and that such compromise or arrangement has received the sanction of the Supreme Court of Ontario under the provisions of the said Act;

- (b) that Supplementary Letters Patent be issued to the Company under the Companies Act of Canada consolidating the existing 288,150 issued and 111,850 unissued shares without nominal or par value into 28,815 issued and 11,185 unissued shares without nominal or par value on the basis of 1 new share for each 10 present shares, and increasing the authorized capital of the Company to 750,000 shares without nominal or par value by the creation of an additional 710,000 shares without nominal or par value;
- (c) that the Receiver and Manager hereinbefore referred to redeliver to the Company the undertaking, property and assets of the Company in his possession or under his control;
- (d) that the proceedings in bankruptcy commenced against the Company hereinbefore referred to be terminated and there shall be no proceedings in bankruptcy pending against the Company;

(e) that after the fulfilment of the preceding conditions (a) to (d) inclusive, Mr. Samuel Lunenfeld purchase and pay for \$200,000 principal amount of General Mortgage Debentures, Series B, at the principal amount thereof and accrued interest.

If any of the foregoing conditions be not fulfilled before the time hereinabove provided for the fulfilment thereof, this Plan of Compromise or Arrangement shall be null and void and be of no further force or effect.

2. As and when the foregoing conditions have been fulfilled to the satisfaction of Chartered Trust Company, which shall be entitled to rely in that respect on the opinion of counsel, Chartered Trust Company shall give notice to that effect by advertising once in a daily newspaper published in the City of Toronto (such advertisement being conclusive evidence of such conditions having been fulfilled) and the Plan of Compromise or Arrangement shall thereupon become unconditional and operative. The date upon which such advertisement appears in such daily newspaper published in the City of Toronto is stipulated to be the "Effective Date".
3. The Company covenants and undertakes that if the foregoing conditions be fulfilled in the time provided for such fulfilment then the Company will make such payments and take such action as may be necessary to be taken by it to carry into effect all the terms and provisions of this Plan of Compromise or Arrangement.

DATED this 10th day of October, 1957.

EASTERN STEEL PRODUCTS, LIMITED

Per: "C. F. W. BURNS"
Vice-President

(C.S.)

"R. MICHAEL BUTLER"
Secretary.

