

IN THE MATTER OF

**Abitibi Power & Paper Company,  
Limited**

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**Thirteenth Report  
of Receiver and Manager**

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15th June, 1945

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# Abitibi Power & Paper Company, Limited

## THIRTEENTH REPORT of Receiver and Manager

1—Attached hereto as Exhibit I is audited Balance Sheet of Abitibi Power & Paper Company, Limited (hereinafter called Abitibi) of date December 31st, 1944, and—as Exhibit 1-C—consolidated operating account of Abitibi and its wholly-owned subsidiaries for the calendar year ending on such date.

### RELATIVE TO THE OPERATIONS OF ABITIBI AND ITS WHOLLY-OWNED SUBSIDIARIES IN THE YEAR 1944

2—(a) In 1944, operation of the properties of Abitibi and its wholly-owned subsidiaries continued to be conducted subject to the provisions of Order 222 of The Wartime Prices and Trade Board, and subsequent Orders (respecting administration of the Canadian Newsprint Industry) of such Board; also, to other Orders affecting the purchase of pulpwood/materials/supplies—the employment of labor and wages to be paid to the same—the employment of administrative/clerical and other assistance and the salaries paid to the same, and the acquisition of equipment and supplies for the maintenance of properties and facilities, and to meet other requirements.

(b) Shipments of newsprint by Canadian companies in the calendar year 1944—as compared with those of each of the years 1943 and 1942—were as follows:

|                           | In 1944        | In 1943        | In 1942        |
|---------------------------|----------------|----------------|----------------|
| To Canada.....            | 187,227 tons   | 192,820 tons   | 202,536 tons   |
| To The United States..... | 2,429,658 tons | 2,549,759 tons | 2,810,832 tons |
| To Overseas markets.....  | 383,723 tons   | 266,807 tons   | 195,312 tons   |
| Totals.....               | 3,000,608 tons | 3,009,386 tons | 3,208,680 tons |

(c) In 1944, 438,705 tons of newsprint were manufactured by the mills of Abitibi and its wholly-owned subsidiaries—this as compared with 470,750 tons manufactured in 1943 and 412,873 tons manufactured in 1942. Of the newsprint so manufactured by such companies, they were required—by the Newsprint Administrator—to provide

25,571 tons—in 1944  
64,687 tons—in 1943  
14,732 tons—in 1942

to the customers of other Canadian newsprint companies—this at the increment costs of such newsprint—and without profit to themselves.

(d) During 1944 the base price for newsprint in the United States remained at \$58. (United States funds) per ton, with freight prepaid/allowed to destination.

(e) The quantities of wood pulps produced by Abitibi mills in 1944—as compared with those produced in each of the years 1943 and 1942—were as follows:

|   | In 1944     | In 1943      | In 1942      |
|---|-------------|--------------|--------------|
| <i>At the Smooth Rock Falls (Ontario) pulp mill</i> |             |              |              |
| Sulphite pulps—bleached.....                        | 62,314 tons | 63,447 tons  | 63,025 tons  |
| —screenings.....                                    | 2,232 tons  | 2,577 tons   | 1,423 tons   |
|   | 64,546 tons | 66,024 tons  | 64,448 tons  |
| <i>At the newsprint mills of the Company</i>        |             |              |              |
| Sulphite pulps—newsgrade.....                       | —           | 42,393 tons  | 44,183 tons  |
| Groundwood pulps.....                               | 725 tons    | —            | 5,127 tons   |
| Total.....  | 65,271 tons | 108,417 tons | 113,758 tons |

Pulpwood inventories on hand at those of the newsprint mills of Abitibi/its wholly-owned subsidiaries which are equipped to produce newsgrade sulphite pulps for sale, were not sufficient, in 1944, to justify the then production of such pulps.

- (f) In the month of January and up to February 14th, 1944 the price obtained for bleached sulphite pulps—when shipped to the United States—was \$76. (per ton), in United States funds, with freight charges prepaid/allowed to destination. On February 14th, 1944, such price was increased by \$10. per ton, to \$86. per ton, and it continued at such level during the remainder of 1944.
- (g) As of date March 31st, 1945 pulpwood on hand at the mills of Abitibi and its subsidiaries, and cut in the bush, amounted to approximately 630,000 cords—this as compared with about 605,000 cords on March 31st, 1944 and 701,550 cords on March 31st, 1943. Uncertainty exists as to whether it will prove possible to obtain the delivery—to mills—in this Season—of approximately 70,000 cords of such wood as was on hand in the bush on March 31st, 1945—this by reason of various conditions not met with in the pulpwood cutting seasons which ended on March 31st, 1943 and 1944, respectively.

3—Audited statement of the consolidated earnings of Abitibi/its wholly-owned subsidiaries for the year ending December 31st, 1944 is attached hereto as Exhibit 1-C. Such statement shows such earnings to have been:

|  |                |                       |
|--|----------------|-----------------------|
| Excess of income over operating expenses prior to charges for depreciation, depletion, bond interest and income/excess profits taxes.....  |                | \$9,714,397.99        |
| <i>Less:</i>   |                |                       |
| Amounts provided   |                |                       |
| —for depreciation upon the properties of Abitibi and its wholly-owned subsidiaries.....  | \$4,000,000.00 |                       |
| —for depletion of timber areas.....  | 183,342.80     |                       |
| Amount reserved for  |                |                       |
| —Income and Excess Profits Taxes.....  | 1,250,000.00   |                       |
|  |                | <u>5,433,342.80</u>   |
|  |                | \$4,281,055.19        |
| Reserved for:  |                |                       |
| —Bond interest due and accrued in year.....  | \$1,500,150.75 |                       |
| —The amount, if any, which may require to be provided by Abitibi to permit the above interest to be paid in the equivalent of United States funds.....                                       | 165,016.59     |                       |
| —Interest upon overdue and unpaid bond interest.....   | 1,416,349.83   |                       |
| —The amount, if any, which may require to be provided by Abitibi to permit the above interest upon overdue and unpaid bond interest to be paid in the equivalent of United States funds..... | 155,798.48     |                       |
|  |                | <u>3,237,315.65</u>   |
| leaving a balance of.....  |                | <u>\$1,043,739.54</u> |

which was applied on December 31st, 1944 in reduction of "Deficit from operations during the period of Receivership".

4—The following comments are made with respect to items contained in the Statement of Income—for the year 1944—as set out in Exhibit 1-C hereto.

- (1) Income from sales of newsprint/wood pulps—in 1944—amounted to \$27,119,008.06, of which—it is estimated—approximately \$1,250,000 was recovered from newsprint supplied to customers of other Canadian newsprint companies, under the Orders of the Newsprint Administrator, upon an increment cost basis, and without profit to Abitibi/its wholly-owned subsidiaries;
- (2) Net premium recovered from sales of United States exchange in 1944—(but before deduction of the premiums paid by Abitibi to permit payments of principal/interest upon its bonds to be made in the equivalent of United States funds)—amounted to \$2,285,531.41. Included therein was the estimated amount of \$100,000. recovered in connection with sales of newsprint to the customers of other Canadian newsprint companies, as in (1) above mentioned;

- (3) Sales of electric power to the public—by Abitibi—and by wholly-owned subsidiaries of Abitibi to the public and to mills owned by Abitibi, amounted in 1944 to \$1,091,685.71—this as compared with \$1,266,792.01 in 1943;
- (4) The above sales aggregating \$28,210,693.77/exchange premiums of \$2,285,531.41 and the operating costs of \$20,486,793.56—set out in Exhibit I-C hereto—were reduced in the year by \$348,822.82, being the amount of adjustments required to be paid to the Commodity Prices Stabilization Corporation Limited in connection with the administration of the Canadian Newsprint Industry, by the Administrator thereof. For various reasons such \$348,822.82 could not be accurately allocated as between such sales/costs and exchange premiums.

5—*The following comments are made with respect to items contained in the 1944 operating expenditures of Abitibi/its wholly-owned subsidiaries/deductions from earnings, in the year—as set out on Exhibit I-C hereto.*

- (1) The amount provided, in 1944, for annual depreciation upon the properties of Abitibi/its wholly-owned subsidiaries was \$4,000,000.—this as compared with \$4,500,000. in 1943. The reduction of \$500,000. was partially attributable to adjustments in the values of properties/in the rates of annual depreciation thereon—as permitted for Income Tax purposes.
- (2) (a) In the years 1943 and 1944 investigations were made by representatives of the Department of National Revenue (Canada) into the methods and bases employed by Canadian pulp and paper companies (including Abitibi and its wholly-owned subsidiaries) in computing their annual incomes (as defined by the Income War Tax Act)—for taxation purposes. During such investigations, and having regard to the provisions of such Act/regulations of the Department in connection therewith, questions were raised by such representatives as to the right of Abitibi/its wholly-owned subsidiaries to deduct charges/allowances of certain kinds when computing their consolidated taxable incomes for each of the years 1940 to 1943, inclusive, and—also—as to the amounts which such companies were entitled to annually apply—in reduction of such incomes—in respect of charges/allowances of certain other kinds which are permitted to be so deducted under the provisions of such Act.  
  
(b) The above questions had, as of date December 31st, 1944, been largely settled as between Abitibi/its subsidiaries and the Department of National Revenue (this subject to confirmation thereof, in certain instances, by such Department). Question still remained outstanding, however, as to whether interest annually accruing due upon overdue and unpaid bond interest (to pay which Abitibi was held to be liable under an order of the Hon. Mr. Justice Kellock of The Supreme Court of Ontario) may or may not—under the provisions of the Income War Tax Act—be deducted in determining the annual consolidated taxable income of Abitibi/its wholly-owned subsidiaries, in each of the years 1940 to 1943 inclusive, and, presumably, in that of 1944, also. Contention of such representatives of the Department was that such interest may not be deducted in computing the taxable incomes for each of such years—a contention which—if correct—will serve to, relatively, largely increase such incomes and, also, to very largely increase the Income/Excess Profits Taxes payable thereon—this beyond the amounts reserved by Abitibi/its subsidiaries in respect of such taxes. Opinion of Counsel for Abitibi is that such contention is not in accord with the provisions of the Income War Tax Act.  
  
(c) Until the above question is settled and determined, it will not be (and was not on December 31st, 1944) possible for Abitibi/its wholly-owned subsidiaries to accurately determine their taxable incomes for each of the years 1940 to 1944 inclusive. Had it been possible for them so to do on December 31st, 1944, they would still have then remained unable to compute the Income/Excess Profits Taxes payable upon such incomes, with any certainty that the same would be correct—this because their Standard Profits still remained to be determined by the Board of Referees empowered to fix the same. (*Note:* The question of such Standard Profits came before such Board of Referees—for its consideration—on May 17th, 1945.)  
  
(d) Under the foregoing conditions, no certainty exists that the reserve of \$1,250,000.—set up on December 31st, 1944—in respect of the Income/Excess Profits Taxes payable by Abitibi/its wholly-owned subsidiaries upon their consolidated taxable income for the

year 1944—will be adequate to cover such taxes, or—per contra—that such reserve may not prove to be over-sufficient to do so—this when the questions hereinbefore mentioned have been settled and determined and the Standard Profits of Abitibi/its wholly-owned subsidiaries have been fixed.

- (3) With Abitibi obligated to pay bond interest, and interest upon overdue and unpaid bond interest, in the equivalent of United States funds, and to provide the premium, if any, for such exchange, at the rates prevailing at the time when each payment of such interest/interest upon overdue and unpaid bond interest was/is made, it was necessary for it to set up a reserve—on December 31st, 1944—to cover such premium, if any, as may require to be paid by it—in the then future—to permit the interest which accrued/became due in such year to be paid in the equivalent of United States funds. The reserve so set up amounted to \$320,815.07, being at the premium rate of 11% prevailing in 1944. No certainty prevails that such rate of premium, or any premium, will require to be paid when/if payment of such interest shall be made.
- (4) Expenditures for maintenance and repair of properties amounted to \$1,723,461.40 in 1944—this as compared with \$1,622,141.54 in 1943 and \$1,679,141.44 in 1942.
- (5) Costs of carrying idle mills/properties amounted to \$53,736.14 in 1944—as compared with \$81,385.39 in 1943.
- (6) Costs of protection of properties against sabotage amounted to \$20,937.92 in 1944, as compared with \$89,252.95 in 1943.
- (7) Payments to the Trustee for Bondholders—on account of services rendered—amounted, in 1944, to \$80,000.

COMMENTS WITH REGARD TO THE BALANCE SHEET OF  
THE COMPANY—AS OF DATE DECEMBER 31ST, 1944

- 6—(a) In the early part of the year 1944 certain issues were raised in The Supreme Court of Ontario between the Bondholders of Abitibi and the Unsecured Creditors and Stockholders of the Company as to whether Abitibi was or was not liable to pay interest upon overdue and unpaid bond interest and also as to the effect to be given to the provisions of the bonds and coupons and of the Indenture and Mortgage securing the same relating to payment in alternative currencies. Such issues having come before the Hon. Mr. Justice Kellock for adjudication, an order of the said Court was issued dated June 10th, 1944 deciding—
  - (a) that coupons unpaid at their respective due dates bear interest at the rate of 5% per annum from the respective due dates until payment and that such interest is secured by the Indenture and Mortgage; and
  - (b) that holders of the said bonds and coupons are entitled to payment of principal and interest and of any instalment or distribution on account thereof in whichever of the alternative currencies referred to in the said bonds and coupons and in the said Indenture and Mortgage is most favourable to them on the date of payment or distribution.Such order made it necessary to adjust—in the Balance Sheet of Abitibi as of date December 31st, 1944—the amounts of principal and interest previously shown as owing upon the bonds of the Company, to those which remained after reduction of the payments made thereon (in Canadian funds) to the equivalents thereof in United States funds, at the time of each such payment. It further necessitated adjustment of the amount of the Reserve set up—upon the books of Abitibi—in respect of the premiums which may require to be paid by Abitibi, in the future, to permit interest overdue and unpaid upon such bonds—and interest upon such overdue and unpaid interest—to be paid in the equivalent of United States funds, should the same continue to be the most favourable to Bondholders;
- (b) In 1944 and by reason of the adjustments in Section 5 (2) (b) hereof mentioned, the Reserve for Income and Excess Profits Taxes remaining to be paid as of date December 31st, 1943, was—with the approval of Court—increased by \$1,150,000.;
- (c) In 1944—and for the reasons hereinafter set forth—certain transfers were made as between the “Contingent Reserve” appearing under the heading “Sundry liabilities of Receiver” and the “Reserve for possible loss in collection of Receivables” later appearing in Exhibit 1;

- (d) Having regard to the above adjustments/changes in the Balance Sheet of December 31st, 1944, opinion of the Auditors of Abitibi, and of the undersigned, has been that no advantage would be gained by printing the Balance Sheet of December 31st, 1943 opposite to that of December 31st, 1944—in this Report. Accordingly such has not been done.

7—The following comments are made in respect of certain items appearing upon the Asset side of the Balance Sheet of December 31st, 1944:

- (a) Included in the Assets of the Company and its wholly-owned subsidiaries—as of date December 31st, 1944—were:

- (1) The obligations of certain Hearst Companies amounting in the aggregate to \$1,476,698 of which \$607,927.07 were of a current nature and \$868,770.93 were then non-current—that is to say, they did not mature within one year from December 31st, 1944.

As security for the payment of such obligations, and the claims of certain other Creditors, certain securities stand lodged with a corporate Trustee. Such securities are of such a character that no sound estimate can be made of their realizable value at this time.

Shown upon the Balance Sheet of December 31st, 1944, is a “Reserve for possible loss in collection of Receivables”—\$550,000. As in 8 (b) hereof mentioned, such reserve was—with the approval of Court—set up in 1938 (under the heading “Contingent Reserve”) in connection with the then indebtedness of the Hearst Companies to Abitibi/its wholly-owned subsidiaries. As of date December 31st, 1944 such reserve was considered to be more than sufficient to cover the requirements, if any, which then existed in respect of such indebtedness; and

- (2) Certain receivables shown under the heading of “Receiver’s Current Assets” at amounts aggregating \$2,897,858.07, and certain other receivables owing to wholly-owned subsidiaries of Abitibi, the amounts of which stood reflected in the “Net current assets of other subsidiaries”, \$3,845,364.14—also included under such heading.

The amounts at which such receivables were shown/were so reflected were those which remained after the deduction of reserves for the estimated bad debts therein, which reserves were—as of date December 31st, 1944—estimated to be approximately \$50,000. in excess of the requirements therefor.

|   |                 |
|---|-----------------|
| (b) Included in “Receiver’s Current Assets” is the amount of.....   | \$ 8,346,982.04 |
| in respect of inventories of paper/wood/materials and supplies on hand, and expenditures upon logging operations, as of date December 31st, 1944.                         |                 |
| Included in the current assets of wholly-owned subsidiaries of Abitibi, on such date, were assets of similar kinds to the aggregate amount of.....                        | 3,467,283.85    |
| the amount of which assets stood reflected in the “Net current assets of other subsidiaries” included in such “Receiver’s Current Assets” at the amount of \$3,845,364.14 |                 |
| a total of.....   | \$11,814,265.89 |

The foregoing amounts were after deduction of the following reserves:

- (1) \$300,000.00—being a reserve which was set up in prior years in respect of inventories of pulpwood. Such reserve was not believed to be required as of date December 31st, 1944;
- (2) \$204,477.68—being the aggregate of amounts which were paid to Abitibi/its subsidiaries in respect of pulpwood converted—in 1942, 1943 and 1944—under the Orders of the Newsprint Administrator. Such amount was being held for application in reduction of the higher costs of pulpwood which may be secured to replace that which was converted under such Orders; and
- (3) \$414,627.73—being reserves held by Abitibi/its wholly-owned subsidiaries in respect of their inventories of supplies and materials. As of date December 31st, 1944 estimate was that such reserves were required to reduce the costs of such supplies and materials to the then fair value of the same.

As set out in Section 8 (c) hereof a further reserve of \$1,500,000. was also held by Abitibi/its wholly-owned subsidiaries—on December 31st, 1944—in respect of such post-war reductions in value, if any, as such companies may then be called upon to face, in connection with their inventories of pulpwood and supplies.

- (c) Subject to the comments in (a) and (b) preceding mentioned and not taking into account:
- (1) the principal amount owing upon the bonds of Abitibi, which amount is due and payable, following the default made by the Company in respect of such bonds; and
  - (2) Interest overdue/accrued due and unpaid upon the above bonds; interest upon such overdue interest; and the premium, if any, which may require to be paid by Abitibi to permit the above interest to be paid in the equivalent of United States funds; and
  - (3) Such additional income/excess profits taxes (in excess of payments made in respect thereof/ reserves set up therefor), if any, as may ultimately prove to be payable by Abitibi/its wholly-owned subsidiaries in respect of their consolidated annual taxable incomes for each of the calendar years 1940 to 1944 inclusive—

*Current Assets* of Abitibi amounted to :

|   |                 |                 |
|---|-----------------|-----------------|
| —on December 31st, 1944.....  | \$28,221,787.35 |                 |
| <i>and</i>  |                 |                 |
| —on December 31st, 1943.....  | \$28,148,126.40 |                 |
| <i>less</i>   |                 |                 |
| —non-current note of the Hearst Companies included in the above .....       | 1,225,861.05    |                 |
|   | 26,922,265.35   |                 |
| showing an increase in current assets during the calendar year 1944 of..... |                 | \$ 1,299,522.00 |

*and*

*Current Liabilities* amounted to:

|   |                 |               |
|---|-----------------|---------------|
| —on December 31st, 1944.....  | \$ 3,961,654.65 |               |
| <i>and</i>  |                 |               |
| —on December 31st, 1943.....  | 2,616,140.92    |               |
|   | \$ 1,345,513.73 |               |
| <i>to which must be added</i>   |                 |               |
| —reduction in Contingent reserve from \$750,000 on December 31st, 1943 to \$200,000 on December 31st, 1944.....             | \$550,000       |               |
| <i>and be deducted</i>  |                 |               |
| —increase in reserves—set up in 1944—in respect of Income and Excess Profits Taxes remaining payable on December 31st, 1943 | \$1,150,000     |               |
|   | 600,000.00      |               |
| leaving a net increase in current liabilities in the year 1944 of.....  |                 | 745,513.73    |
| and an increase in net current assets in the calendar year 1944 of.....   |                 | \$ 554,008.27 |

—this after the payment, on December 27th, 1944, of the sum of \$8,036,455.50 (in Canadian funds) for distribution between the Bondholders of Abitibi.

- (d) The amounts of \$15,000. paid to the Trustee for Bondholders and \$11,728.86 paid in respect of costs of Privy Council Appeal—represent moneys paid—under the authority of Court—in connection with litigation. Such amounts are held in suspense pending determination by the Court as to whom they shall be charged, following which they will disappear, as assets, with their transfer to appropriate accounts.
- (e) Payments made and liabilities incurred in connection with capital improvements and additions to the mills and properties owned by Abitibi and its wholly-owned subsidiaries amounted, in the year, to \$215,188.71. Such payments were made/liabilities were incurred in pursuance of authorities granted by The Supreme Court of Ontario.
- (f) In 1944—and with the approval of Court—the book value of the investment of Abitibi in the shares of The G. H. Mead Company was reduced from \$400,000., as of date December 31st, 1943, to \$300,000., as of date December 31st, 1944—this having regard to the fact that the value of such shares is partially represented by assets of an intangible nature. Such write-



down of \$100,000. in the book value of such shares, and charge-back of the earnings of \$11,468.38 made by such Company in 1944 (which earnings are included in the consolidated earnings of Abitibi and its wholly-owned subsidiaries for such year) comprise the amount of \$111,468.38 which was applied—in the year—towards increase of the “Deficit from operations during the period of Receivership”—as is shown in Exhibit 1-B hereto.

- (g) Nominal deficit, of Abitibi, for the period prior to Receivership was increased from \$6,410,657.26 as of date December 31st, 1943 to \$6,496,549.49 as of date December 31st, 1944—this by reason of the adjustments as set forth in Exhibit 1-A attached. Such deficit—on December 31st, 1944—was after the charge of the amounts set out in Note V attached to Exhibit 1.
- (h) “Deficit from operations during the period of Receivership” was increased from \$13,297,376.17 as of date December 31st, 1943, to \$13,493,022.95 as of date December 31st, 1944—or by \$195,646.78 in the year. Such deficit—on December 31st, 1944—was after charge of the amounts set out in footnote VI to Exhibit 1.

8—The following comments are made with respect to certain items included in the Liability side of the Balance Sheet of December 31st, 1944:

- (a) Included under the heading “Sundry Liabilities of Receiver” is a Reserve of \$2,588,544.12 in respect of the Income/Excess Profits Taxes remaining to be paid by Abitibi/its wholly-owned subsidiaries on December 31st, 1944—this after the payment by such Companies of amounts aggregating \$2,161,455.88, in respect of such Taxes. For the reasons set out in Section 5 (2) hereof, no certainty existed on December 31st, 1944 that the Income/Excess Profits Taxes then remaining to be paid by Abitibi/its wholly-owned subsidiaries might not prove to be very widely in excess of such reserve of \$2,588,544.12

—this after determination of the Standard Profits of Abitibi/its wholly-owned subsidiaries, and if interest upon overdue and unpaid Abitibi bond interest should ultimately be held to be *non-deductible*, in computing the annual consolidated taxable incomes of such Companies for each of the years 1940 to 1944, inclusive,

or, per contra, that such reserve might not prove to be more than sufficient to cover the Income/Excess Profits Taxes remaining to be paid on such date

—this after determination of the Standard Profits of Abitibi/its wholly-owned subsidiaries, and if interest upon overdue and unpaid Abitibi bond interest should be held to be *deductible* in computing the annual consolidated taxable incomes of such Companies for each of the years 1940 to 1944, inclusive.

Such reserve of \$2,588,544.12 represents the best estimate, only, which Abitibi/its wholly-owned subsidiaries were able to make on December 31st, 1944 of the Income/Excess Profits Taxes then remaining to be paid by them—in respect of their annual taxable incomes for each of the years 1940 to 1944, inclusive—with:

- (1) such taxable incomes computed upon the bases which such Companies believe they are entitled to adopt;
- (2) Interest upon overdue and unpaid Abitibi bond interest deducted in computing the taxable incomes of each of the above mentioned years;
- (3) The Standard Profits of Abitibi/its wholly-owned subsidiaries taken at a certain specific and assumed amount; and
- (4) After deduction of payments of \$2,161,455.88 which had theretofore been made in respect of such Taxes.

- (b) In 1938—and with the approval of Court—a “Contingent Reserve” of \$750,000. was set up upon the books of Abitibi in respect of the obligations then owing by certain Hearst Companies to Abitibi/its subsidiaries and as a protection against certain possible liabilities—of a contingent nature—which then existed. In 1944 \$550,000. of such reserve was transferred to the credit of “Reserve for possible losses in collection of Receivables”. As of date December 31st, 1944 such reserve was believed to be more than sufficient to cover the reserves, if any, then required to cover estimated bad debts—this having regard to the conditions in Section 7 (a) hereof mentioned.

(c) As in Section 7 (b) hereof mentioned, "Reserve against inventories and other contingencies", carried in the Balance Sheet of December 31st, 1944 at the amount of \$1,500,000., was—with the approval of Court—set up in 1941, as a reserve against such reductions in the value of their inventories of pulpwood and supplies—if any—as Abitibi/its wholly-owned subsidiaries may be called upon to face in the post-war period.

(d) In the Balance Sheet of Abitibi as of date December 31st, 1943, the principal amount then owing upon its bonds was shown at..... \$48,267,000.00

*less*

|   |                |                 |
|---|----------------|-----------------|
| Payments made in Canadian funds in reduction thereof and credited on the following dates:   |                |                 |
| On October 15th, 1941.....  | \$6,274,710.00 |                 |
| On April 15th, 1942.....  | 4,826,700.00   |                 |
| On June 30th, 1943.....   | 9,170,730.00   |                 |
|   | 20,272,140.00  |                 |
| or at the net amount of .....   |                | \$27,994,860.00 |
| in addition to which was a reserve of.....  |                | 2,229,935.40    |
| for the amount, if any, which might require to be provided by Abitibi, to permit the above payments to be made in the equivalent of United States funds |                |                 |
| a total of.....   |                | \$30,224,795.40 |

Under the order of the Hon. Mr. Justice Kellock of The Supreme Court of Ontario hereinbefore mentioned it was held that Abitibi was entitled to credit for payment only of the amounts respectively by which the indebtedness outstanding on the bonds for principal would have been reduced had the undersigned applied the above sums in Canadian funds to the purchase of United States funds on the respective dates on which the payments were credited. Giving effect to such order the principal amount owing upon the Abitibi bonds on December 31st, 1943, was..... \$48,267,000.00

*less*

|   |                |                 |
|---|----------------|-----------------|
| Payments made in reduction thereof, at the then values thereof in United States funds:  |                |                 |
| On October 15th, 1941.....  | \$5,652,891.89 |                 |
| On April 15th, 1942.....  | 4,348,378.38   |                 |
| On June 30th, 1943.....   | 8,261,918.92   |                 |
|   | 18,263,189.19  |                 |
| leaving the balance owing on December 31st, 1943.....   |                | \$30,003,810.81 |
| or \$220,984.59 less than the \$30,224,795.40 included, as above mentioned, in the Balance Sheet as of date December 31st, 1943.  |                |                 |
| As of date December 27th, 1944, Abitibi made a payment—in reduction of the above amount—of \$3,097,776.06 (in Canadian funds)—the equivalent value of which payment, in United States funds, was..... |                | 2,790,789.24    |
| leaving the principal amount remaining to be paid upon such bonds—on December 31st, 1944—in Canadian/British or United States funds, at the options of the holders of such bonds.....                 |                | \$27,213,021.57 |

*Note:*

As of date April 17th, 1945, Abitibi made a further payment of \$2,078,859.69 in Canadian funds, the then equivalent of which, in United States funds, was \$1,872,846.57. Such payment—when distributed to Bondholders as of date June 1st, 1945—will reduce the above principal indebtedness to \$25,340,175.—equal to \$525. per \$1,000. bond of the \$48,267,000. of bonds outstanding.

(e) In the Balance Sheet of December 31st, 1943, interest due and accrued upon the bonds of the Company was shown at the amount of..... \$27,828,231.07

With increase in the principal amounts remaining owing upon such bonds in 1941/1942/1943—by reason of the reduction of payments made thereupon—in Canadian funds—to their then equivalents in United States funds—interest payable to December 31st, 1943, required to be increased by..... 130,750.29

Interest accrued due, and payable, in 1944 amounted to..... 1,500,150.75

a total of..... \$29,459,132.11

As of date December 27th, 1944 a payment of \$4,938,679.44—in Canadian funds—was made by Abitibi, in reduction of such interest, the amount of which payment in its then equivalent of United States funds was..... 4,449,260.75

which left the amount of interest owing—as of date December 31st, 1944..... \$25,009,871.36

as shown on the Balance Sheet of such date. Such interest was/is payable in Canadian/British and/or United States funds at the options of the holders of Abitibi bonds.

*Note:*

The above \$25,009,871.36 of interest was composed of :

\$24,133,500.00—interest overdue and accrued to June 1st, 1944—equal to \$500. per \$1,000. bond of the \$48,267,000. Abitibi bonds outstanding;

875,071.36 —interest from June 1st, 1944 to December 31st, 1944—this upon the balance of the principal amount of such \$48,267,000. bonds which still remained to be paid—in such period; and

1,300.00 —being the amount of bond interest coupons which had matured, were outstanding, and which had not been presented for payment, at the date of inception of the Receivership of Abitibi.

\$25,009,871.36 —total.

|  |                        |
|--|------------------------|
| (f) Interest upon overdue and unpaid bond interest amounted on December 31st, 1943 to.....                                     | \$ 8,402,752.59        |
| Interest upon overdue and unpaid bond interest for the 5 months' period January 1st, 1944 to June 1st, 1944 amounted to.....   | 579,878.15             |
| Interest adjustments necessary to be made by reason of the order of the Hon. Mr. Justice Kellock were.....                     | <u>3,719.32</u>        |
| a total, to June 1st, 1944 of.....   | \$ 8,986,350.06        |
| Interest upon overdue and unpaid bond interest for the 7 months' period June 1st, 1944 to December 31st, 1944 amounted to..... | <u>836,471.68</u>      |
| leaving the total amount of such interest upon overdue and unpaid bond interest—as of date December 31st, 1944.....            | <u>\$ 9,822,821.74</u> |

As hereinbefore mentioned the order of the Hon. Mr. Justice Kellock also provided that coupons pertaining to the Abitibi bonds and unpaid at their respective due dates bore interest at the rate of 5% per annum from their respective due dates until the date of payment and that such interest was secured by the Indenture and Mortgage.

Under the Plan of Reorganization of Abitibi—hereinafter referred to—it is proposed that interest upon overdue and unpaid bond interest shall be compromised at the amount of \$3,620,025.—as of date June 1st, 1944.

|  |                       |
|--|-----------------------|
| (g) Reserves included in the Balance Sheet of December 31st, 1943 to cover the premiums, if any, which Abitibi may require to pay to permit interest overdue and unpaid upon the Abitibi bonds, and interest upon such interest, to be paid in the equivalent of United States funds, amounted to— |                       |
| in respect of bond interest overdue and unpaid.....  | \$3,061,105.42        |
| in respect of interest upon the above interest.....  | <u>924,302.78</u>     |
|  | \$3,985,408.20        |
| to which was added—  |                       |
| in respect of bond interest accrued and payable in 1944.....   | 165,016.59            |
| in respect of interest—in 1944—upon overdue and unpaid bond interest   | 155,798.48            |
| in respect of certain adjustments necessary to be made by reason of the order of the Hon. Mr. Justice Kellock .....  | <u>14,791.66</u>      |
| Total.....   | <u>\$4,321,014.93</u> |

|  |                       |
|--|-----------------------|
| In 1944 the amount of.....   | 489,418.69            |
| —being the premium paid by Abitibi, for United States funds, in connection with the payment of \$4,449,260.75 in (c) hereto preceding mentioned— |                       |
| was charged in reduction of such reserves  |                       |
| leaving the balance of such reserves, on December 31st, 1944.....  | <u>\$3,831,596.24</u> |

As of date December 31st, 1944, no certainty existed that Abitibi would—in the then future—have to provide premiums, for exchange, to the extent of the above reserve. Equally no certainty then existed as to the amount of the premiums, for exchange, if any, which Abitibi would ultimately have to provide—in respect of the above interest.

(h) Taking into account the amounts in each of clauses (d) to (g)—inclusive—next hereto preceding mentioned, the aggregate amount of the indebtedness of Abitibi to its Bondholders on December 31st, 1944, was as follows:

|   |                        |
|---|------------------------|
| Principal amount remaining unpaid upon the \$48,267,000. Abitibi bonds outstanding..... | \$27,213,021.57        |
| Interest due and accrued upon the above \$48,267,000. bonds.....                        | 25,009,871.36          |
| Interest accrued upon overdue and unpaid bond interest.....                             | <u>9,822,821.74</u>    |
| A total of.....   | <u>\$62,045,714.67</u> |

which amount was payable in Canadian, British or United States funds as provided in the bonds and coupons and the Indenture and Mortgage securing the same and in the order of the Hon. Mr. Justice Kellock of the 10th of June, 1944, above referred to. On December 31st, 1944, a reserve of \$3,831,596.24 stood set up upon the books of Abitibi in respect of such premiums (if any) as it might be thereafter required to pay having regard to the foregoing provisions. In addition to the foregoing indebtedness of \$62,045,714.67, Abitibi was obligated under the provisions of the said Indenture and Mortgage and of the bonds and coupons to reimburse certain taxes paid by Bondholders. The aggregate amount of such obligation on December 31st, 1944, was then uncertain but was believed to be of relatively minor importance.

RELATIVE TO NEGOTIATIONS FOR SALE OF  
THE PROPERTIES OF KAMINISTIQUIA POWER Co., LIMITED

9—Since the date of the last report of the undersigned certain further negotiations have taken place but no progress has been made in respect to sale of the above properties to The Hydro-Electric Power Commission of Ontario—this by reason of the unwillingness of such Commission to purchase such properties at such price as the undersigned has felt able to recommend the acceptance of.

RELATIVE TO THE REORGANIZATION OF ABITIBI

10—In September 1943 Hon. F. J. Hughes, K.C. and Messrs. William Zimmerman, K.C. and Gilbert Jackson—all of Toronto—were appointed a Committee, by the Premier of Ontario, to negotiate between the various parties of interest in Abitibi, in order to seek some agreement to take the Company out of Receivership. After extended negotiations between such Committee and representatives of each class of the Bondholders/Creditors and Stockholders of the Company, the Committee has suggested a Plan for the Reorganization of Abitibi and the termination of its Receivership and Liquidation. Understanding of the undersigned is that an application will shortly be made to court by the Liquidator for authority to call meetings of the Unsecured Creditors and of the several classes of Stockholders to consider such Plan and that prior to the holding of such meetings particulars of such Plan will be provided to the Unsecured Creditors and Stockholders. It is a further understanding of the undersigned that no meeting of Bondholders will be called unless and until such Plan has been agreed to by the requisite votes of the Unsecured Creditors and of each class of Stockholders.

CONCLUSION

11—The undersigned desires to once again express his appreciation of the assistance and continued service rendered by the Abitibi Bondholders' Representative Committee, and in particular by the Advisory Committee thereof composed of Mr. J. P. Ripley, Chairman of Harriman Ripley & Co., Incorporated, New York; Mr. W. H. Somerville, C.B.E., Vice-President and General Manager of The Mutual Life Assurance Company of Canada, of Waterloo, Ontario; and Mr. Robert H. Reid, Managing Director of The London Life Insurance Company, of London, Ontario, in connection with the many problems and matters required to be dealt with in the Receivership.

12 This Report is supplementary to the Reports of the undersigned Receiver and Manager issued under date of February 28th, 1933, April 30th, 1934, April 15th, 1935, May 12th, 1936, March 25th, 1937, May 6th, 1938, May 15th, 1939, April 15th, 1940, May 5th, 1941, April 27th, 1942, May 28th, 1943 and May 27th, 1944, and in preparing it the Receiver has had in mind the desirability of providing information, as certified by the Auditors' Reports, relative to the results of operations for the period of Receivership between January 1st, 1944 and December 31st, 1944; also of giving in a general manner a broad view of matters with which he has been called upon to deal. 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. Statements attached and 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, June 15th, 1945.

G. T. CLARKSON,  
Receiver and Manager



# AUDITORS' CERTIFICATE

PRICE, WATERHOUSE & CO.

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

ROYAL BANK BUILDING  
TORONTO  
May 17, 1945.

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 year ending December 31, 1944, and have been furnished with all the information and explanations which we have required.

The profits and losses of all subsidiary companies (except Provincial Paper, Limited) for the year ending December 31, 1944, as shown by the accounts of such companies, have been incorporated in the attached statements showing the results from the operations of the Receiver and Manager of Abitibi Power & Paper Company, Limited.

As shown by the balance sheet, reserves have been created in the accounts of the Receiver and Manager as at December 31, 1944 for interest due and accrued on the First Mortgage Gold Bonds, Series A, 5%, due 1953, and for interest upon overdue and unpaid interest and for the amount, if any, which may be required to permit payment thereof in United States funds. As ordered by the Court payments made in Canadian funds to December 31, 1944 on account of the principal amount of the Bonds have been applied at the equivalent thereof in United States funds in reduction of the principal amount of the Bonds outstanding; no reserve has been provided for exchange premium which may be required in connection with the balance of the principal amount of Bonds outstanding at December 31, 1944.

Provision has not been made for depreciation of buildings, equipment and properties in the accounts of the Receiver and Manager of Abitibi Power & Paper Company, Limited, nor in the accounts of the subsidiary companies (other than Provincial Paper, Limited and The G. H. Mead Company) for the period from September 10, 1932 to December 31, 1936; during the eight years ending December 31, 1944, however, amounts aggregating \$28,005,000.00 were provided for depreciation in the accounts of the Receiver and Manager of Abitibi Power & Paper Company, Limited and in the accounts of the subsidiary companies (exclusive of the amounts provided by Provincial Paper, Limited and The G. H. Mead Company). No provision has been made in the period from September 10, 1932 to December 31, 1943, for the amortization of the book values of timber concessions in the accounts of the Receiver and Manager of Abitibi Power & Paper Company, Limited, nor in the accounts of the subsidiary companies other than Baic St. Paul Lumber Company, Limited; amounts aggregating \$183,342.80 have been provided in the year 1944 towards amortization of the book values of timber concessions and freehold timber areas. It is impracticable at this date to determine accurately the amount of the income and excess profits taxes in respect of the profits for the five years ending December 31, 1944; however, payments of \$2,161,455.88 were made up to December 31, 1944, and further amounts aggregating \$2,588,544.12 have been provided as a reserve in respect of such income and excess profits taxes.

The amount of \$200,000.00 shown as Contingent Reserve and the amounts of \$1,500,000.00 and \$550,000.00 shown as Reserve against Possible Decline in Inventory Values and Reserve for Possible Loss in Collection of Receivables, respectively, were transferred in prior years under authority of the Court from the accumulated amount available towards depreciation and bond interest from operations during the period of Receivership.

In the case of certain of the timber concessions and licenses the conditions required to be observed have, it is contended, not been fully complied with; what obligations, if any, the company may be under in this connection cannot be determined at the present time.

Provision has not been made in the accounts presented herewith for such amounts, if any, as may hereafter be allowed by the Court as fees and expenses of the Trustee for the Bondholders; of the Bondholders' Representative Committee; of the Liquidator, and/or as other costs and expenses properly payable by the Company, in connection with the Receivership proceedings.

With the exceptions as noted above and as to the values at which the investments in certain subsidiary companies, and in buildings, equipment, properties and timber concessions are carried, we report that, in our opinion, the accompanying balance sheet with the explanatory notes thereon shows the true financial position as at December 31, 1944 of Abitibi Power & Paper Company, Limited, G. T. Clarkson, Receiver and Manager, according to the best of our information and the explanations given to us and as shown by the books.

Yours very truly,  
PRICE, WATERHOUSE & CO.

IN THE MATTER OF

# ABITIBI POWER & PAPER COMPANY, LIMITED

G. T. CLARKSON, RECEIVER AND MANAGER

BALANCE SHEET

DECEMBER 31, 1944

## ASSETS

|  |                  |
|--|------------------|
| RECEIVER'S CURRENT ASSETS :  |                  |
| Cash on hand and on deposit.....   | \$ 1,874,713.44  |
| Dominion of Canada Bonds at cost plus accrued interest.....<br>(Market value \$11,052,166.66)  | 11,042,916.66    |
| Investments in sundry bonds.....   | 213,953.00       |
| Accounts receivable, less reserves.....  | 2,010,627.56     |
| Receivable from The G. H. Mead Company for newsprint shipments,<br>less reserve.....   | 887,230.51       |
| Net current assets of other subsidiaries.....  | 3,845,364.14     |
| Inventories of paper, pulp, wood, materials and supplies on the basis<br>of cost less reserves, as determined and certified to by responsible<br>representatives of the Receiver and Manager, and expenditures<br>on logging operations..... | 8,346,982.04     |
|  | \$ 28,221,787.35 |
| NOTE RECEIVABLE—not currently due.....   | 868,770.93       |
| PAYMENT TO TRUSTEE FOR BONDHOLDERS.....  | 15,000.00        |
| PAYMENTS IN RESPECT OF COSTS OF PRIVY COUNCIL APPEAL—held in suspense.....   | 11,728.86        |
| DEPOSITS WITH TRUSTEE FOR BONDHOLDERS.....   | 73,109.66        |
| INVESTMENTS IN THE SECURITIES OF AND ADVANCES TO WHOLLY OWNED<br>SUBSIDIARIES (See Note II) :  |                  |
| Investments in and advances to wholly owned subsidiaries (exclusive<br>of The G. H. Mead Company).....   | \$35,954,449.52  |
| Less—Amount included with Receiver's Current Assets above, repre-<br>sented by net current assets as shown by books of subsidiary<br>companies.....  | 3,845,364.14     |
|  | \$32,109,085.38  |
| Investment by Receiver in purchase of shares of The G. H. Mead<br>Company, less amounts written off.....   | 300,000.00       |
|  | 32,409,085.38    |
| INVESTMENTS IN SHARES OF CORPORATIONS OTHER THAN WHOLLY<br>OWNED SUBSIDIARIES :  |                  |
| Shares of Provincial Paper, Limited at arbitrary value of.....   | \$ 1,500,000.00  |
| Miscellaneous, less reserves.....  | 635.00           |
|  | 1,500,635.00     |
| INVESTMENT IN MILLS AND EQUIPMENT, RAILWAYS, WATERPOWERS,<br>TOWNSITES AND BUILDINGS :   |                  |
| (after deducting reserves for depreciation).....   | 26,375,403.18    |
| TIMBER CONCESSIONS AND FREEHOLD TIMBER OWNED :   |                  |
| (after deducting depletion and other reserves).....  | 17,415,773.72    |
| REAL ESTATE AND OFFICE BUILDINGS.....  | 329,098.07       |
| PREPAID EXPENSES.....  | 294,260.79       |
|  | \$107,514,652.94 |
| TOTAL ASSETS.....  |                  |
| NOMINAL DEFICIT OF THE PERIOD PRIOR TO RECEIVERSHIP,<br>Exhibit I-A (See Note V).....  | 6,496,549.49     |
| DEFICIT FROM OPERATIONS DURING THE PERIOD OF RECEIVERSHIP,<br>after charging bond interest accrued therein, including interest upon overdue interest<br>and the amounts mentioned in Note VI attached, Exhibit I-B.....                      |                  |
|  | 13,493,022.95    |
|  | \$127,504,225.38 |



IN THE MATTER OF

## ABITIBI POWER &amp; PAPER COMPANY, LIMITED

G. T. CLARKSON, RECEIVER AND MANAGER

BALANCE SHEET

DECEMBER 31, 1944

## LIABILITIES

## SUNDRY LIABILITIES OF RECEIVER :

|   |                 |                         |
|---|-----------------|-------------------------|
| Wages accrued and payable.....  | \$ 198,323.09   |                         |
| Sundry accounts payable.....  | 974,787.04      | \$ 1,173,110.13         |
| Reserve for income and excess profits taxes, less payments on account   | \$ 2,588,544.12 |                         |
| Contingent reserve.....   | 200,000.00      | 2,788,544.12            |
|   |                 | <u>\$ 3,961,654.25</u>  |
| RESERVES AGAINST POSSIBLE DECLINE IN INVENTORY VALUES .....   | \$ 1,500,000.00 |                         |
| RESERVE FOR POSSIBLE LOSS IN COLLECTION OF RECEIVABLES .....  | 550,000.00      | 2,050,000.00            |
| FIRST MORTGAGE GOLD BONDS SERIES A, 5%, DUE 1953 (See Note IV) :  |                 |                         |
| Principal amount.....   | \$48,267,000.00 |                         |
| Less—Payments to December 31, 1944 amounting in Canadian funds to \$23,369,916.06 and in United States funds to.....  | 21,053,978.43   | \$27,213,021.57         |
| Interest due and accrued—   |                 |                         |
| To June 1, 1944.....  | \$24,134,800.00 |                         |
| From June 1, 1944 to December 31, 1944 .....  | 875,071.36      | 25,009,871.36           |
| Interest upon overdue and unpaid interest—  |                 |                         |
| To June 1, 1944.....  | \$ 8,986,350.06 |                         |
| From June 1, 1944 to December 31, 1944 .....  | 836,471.68      | 9,822,821.74            |
| Reserve for the amount, if any, which may be required to permit the above amounts of \$25,009,871.36 and \$9,822,821.74 to be paid in United States funds.....              |                 | 3,831,596.24            |
| Reserve for tax refunds.....  |                 | 17,636.41               |
| GENERAL CREDITORS' CLAIMS INCURRED PRIOR TO RECEIVERSHIP .....  |                 | 65,894,947.32           |
|   |                 | 750,888.38              |
| CAPITAL STOCK :   |                 |                         |
| 10,000 shares 7% Cumulative Preferred Stock of \$100.00 each.....   | \$ 1,000,000.00 |                         |
| 348,818 shares 6% Cumulative Preferred Stock of \$100.00 each (including 96 shares deposited for exchange of shares of The Spanish River Pulp and Paper Mills Limited)..... |                 | 34,881,800.00           |
| 1,088,117 shares Common Stock without nominal or par value (including 67 shares deposited for exchange of shares of subsidiary companies).....                              |                 | 18,964,935.43           |
|   |                 | <u>54,846,735.43</u>    |
|   |                 | <u>\$127,504,225.38</u> |

This balance sheet is issued subject to the Notes appended and as to the value of certain of the assets and to other matters as referred to in our report dated May 17, 1945.

PRICE, WATERHOUSE & CO.,  
Auditors.

IN THE MATTER OF

ABITIBI POWER & PAPER COMPANY, LIMITED

G. T. CLARKSON, RECEIVER AND MANAGER

NOTES TO BALANCE SHEET AS AT DECEMBER 31, 1944

I—The Receiver's Current Assets include \$2,377,048.54, chiefly accounts receivable, which, although receivable in United States funds, are expressed in Canadian dollars at par, and similarly there are sundry liabilities of the Receiver amounting to \$28,149.13 included in Canadian dollars at par which are payable in United States funds. No exchange premium has been taken up in the accounts of the Receiver and Manager as at December 31, 1944 in respect of these assets or liabilities.

Under the terms of the Indenture and Mortgage dated June 1, 1928 the 5% First Mortgage Gold Bonds and the interest thereon are payable in Canadian gold coin of the standard of weight and fineness existing June 1, 1928, or at the holder's option in gold coin of the United States of America of the standard of weight and fineness existing June 1, 1928, or in English sterling at the fixed rate of exchange of \$4.86 $\frac{2}{3}$  to the pound (£) sterling (see Note IV).

II—With the object of showing the net amount of the Investments in and Advances to Wholly Owned Subsidiary Companies, the advances and charges by the Abitibi Company to such subsidiaries are added to and grouped with the investments in the subsidiaries; similarly the accounts payable to the subsidiaries by the Abitibi Company and by the Receiver and Manager of the Abitibi Company are deducted from the investments in the securities thereof.

III—Dividends on 7% Cumulative Preferred Stock are paid to September 30, 1931. Dividends on 6% Cumulative Preferred Stock are paid to March 31, 1931.

IV—The balance of \$27,213,021.57 shown for 5% First Mortgage Gold Bonds outstanding at December 31, 1944 is after deducting payments made by Order of the Court to Montreal Trust Company, as Trustee for the Bondholders, as shown below, and which as required by the Court on June 10, 1944 are deducted at the equivalent amounts expressed in United States funds:

| Dates of Payments  | Canadian Funds         | United States Funds    | Dates of Credit in Reduction of Principal Monies due on Bonds |
|--------------------|------------------------|------------------------|---|
| September 10, 1941 | \$ 6,274,710.00        | \$ 5,652,891.89        | October 15, 1941  |
| March 12, 1942     | 4,826,700.00           | 4,348,378.38           | April 15, 1942  |
| June 15, 1943      | 9,170,730.00           | 8,261,918.92           | June 30, 1943   |
| December 27, 1944  | 3,097,776.06           | 2,790,789.24           | December 30, 1944   |
|                    | <u>\$23,369,916.06</u> | <u>\$21,053,978.43</u> |   |

As stated in Note I above, under the terms of the Indenture and Mortgage dated June 1, 1928 the bonds and interest thereon are payable at the holder's option in United States funds. As stated above, payments made up to December 31, 1944, in Canadian funds, on account of the principal amount of the bonds have been applied in reduction thereof at the equivalent in United States funds as of the dates of payment, but no provision has been made for exchange premium which may be required in connection with the balance of \$27,213,021.57 of the principal amount of bonds outstanding at December 31, 1944. As shown by the balance sheet reserves have been made for exchange premium of 11% on United States funds which may be required in connection with bond interest due and accrued to December 31, 1944 including interest upon overdue interest.

On April 17, 1945 the Receiver and Manager, by Order of the Court, paid to Montreal Trust Company, a further sum of \$2,078,859.69, Canadian funds, to be credited in reduction of the principal amount of the bonds at the equivalent in United States funds viz. \$1,872,846.57.

Provision has not been made for payment of claims which may be received by the Company in respect of refunds of certain taxes, as defined in Paragraph 19 (c) of the Indenture and Mortgage dated June 1, 1928, in connection with the payment made in December, 1944 on account of interest. The provision required, if any, cannot be ascertained at this time but the probability is that it would be for a relatively unimportant amount.

IN THE MATTER OF

ABITIBI POWER & PAPER COMPANY, LIMITED

G. T. CLARKSON, RECEIVER AND MANAGER

NOTES TO BALANCE SHEET AS AT DECEMBER 31, 1944 (Cont'd)

V—The amount of \$6,496,549.49 shown for Nominal Deficit of the Period Prior to Receivership is after charging the undernoted amounts :

|   |                |                       |
|---|----------------|-----------------------|
| Exchange premium considered as being included in payments aggregating \$23,369,-916.06 made in Canadian funds in reduction of the principal amount of First Mortgage Gold Bonds, which by Order of the Court are to be applied in reduction of the principal amount of the Bonds at the equivalent amount had United States funds been purchased therewith..... |                | \$2,315,937.63        |
| Reserved in respect of interest accrued on the First Mortgage Gold Bonds up to the date of Receivership, September 10, 1932 :   |                |                       |
| Interest due and accrued.....   | \$1,878,350.00 |                       |
| The amount, if any, which may be required to permit payment of the above interest to be made in the equivalent of United States funds.....  | 206,618.50     |                       |
| Interest upon overdue and unpaid interest.....  | 16,759.38      |                       |
| The amount, if any, which may require to be provided to permit payment of the above interest upon overdue interest to be made in the equivalent of United States funds.....   | 1,843.53       |                       |
|   |                | <u>2,103,571.41</u>   |
|   |                | <u>\$4,419,509.04</u> |

VI—The amount of \$13,493,022.95 shown for Deficit during the Period of Receivership is after charging the undernoted amounts :

|   |                 |                        |
|---|-----------------|------------------------|
| Depreciation upon the properties of Abitibi and its wholly owned subsidiaries in respect of the eight years ending December 31, 1944.....   |                 | \$28,005,000.00        |
| Reserved in respect of interest accruing on the First Mortgage Gold Bonds during the period of Receivership up to December 31, 1944 :   |                 |                        |
| Interest due and accrued (of this amount \$4,449,260.75 was paid as of December 30, 1944).....  | \$27,580,782.11 |                        |
| The amount, if any, which may require to be provided to permit payment of interest due and accrued to be paid in the equivalent of United States funds (of this amount \$489,-418.69 was paid as of December 30, 1944)..... | 3,033,886.04    |                        |
| Interest upon overdue and unpaid interest.....  | 9,806,062.36    |                        |
| The amount, if any, which may require to be provided to permit payment of interest upon overdue and unpaid interest to be made in the equivalent of United States funds.....  | 1,078,666.86    |                        |
|   |                 | <u>41,499,397.37</u>   |
| Amounts set aside, under authority of the Court, as Reserves against Inventories, Receivables and Contingencies.....  |                 | 2,250,000.00           |
| Payment of \$1,000,000.00 and amounts aggregating \$3,750,000.00 reserved in respect of income and excess profits taxes.....  |                 | 4,750,000.00           |
| Amounts written off the investment in shares of The G. H. Mead Company acquired during period of Receivership.....  |                 | 499,464.03             |
|   |                 | <u>\$77,003,861.40</u> |

VII—During the period of Receivership to December 31, 1944 capital expenditures (net) on the properties of Abitibi Power & Paper Company, Limited and its wholly owned subsidiaries amounted to \$3,661,978.88.

IN THE MATTER OF

ABITIBI POWER & PAPER COMPANY, LIMITED

G. T. CLARKSON, RECEIVER AND MANAGER

STATEMENT OF NOMINAL DEFICIT FOR THE PERIOD PRIOR TO RECEIVERSHIP AS SHOWN BY THE BALANCE SHEET AS AT DECEMBER 31, 1944

| PARTICULARS   | AMOUNT                           |
|---|----------------------------------|
| Nominal Deficit for the period prior to September 10, 1932, as per balance sheet at December 31, 1943 .....   | \$6,410,657.26                   |
| DEDUCT:   |                                  |
| Adjustment in General Creditors' claims.....  | 110.00                           |
|   | <u>\$6,410,547.26</u>            |
| ADD:  |                                  |
| Exchange premium considered as being included in payments made in Canadian funds in reduction of the principal amount of First Mortgage Gold Bonds, which by Order of the Court are to be applied in reduction of the principal amount of the Bonds at the equivalent amount had United States funds been purchased therewith—<br>In respect of amounts aggregating \$20,272,140.00 paid in Canadian funds up to December 31, 1943..... | \$2,008,950.81                   |
| In respect of payment of \$3,097,776.06 in Canadian funds on December 30, 1944.....   | 306,986.82                       |
|   | <u>\$2,315,937.63</u>            |
| Less—Amounts reserved therefor up to December 31, 1943.....   | 2,229,935.40                     |
|   | <u>86,002.23</u>                 |
| <br>NOMINAL DEFICIT FOR THE PERIOD Prior to September 10, 1932, as per Balance Sheet as at December 31, 1944 (See Note V).....  | <br><u><u>\$6,496,549.49</u></u> |

IN THE MATTER OF

## ABITIBI POWER &amp; PAPER COMPANY, LIMITED

G. T. CLARKSON, RECEIVER AND MANAGER

STATEMENT OF DEFICIT AS AT DECEMBER 31, 1944  
 FROM OPERATIONS DURING THE PERIOD OF RECEIVERSHIP  
 (Including also the results of wholly owned subsidiaries, exclusive of Provincial Paper, Limited)

| PARTICULARS   | AMOUNT          |
|---|-----------------|
| Deficit as at December 31, 1943 from operations during the period of Receivership, as described in Note VI to the balance sheet as of that date                   | \$13,297,376.17 |
| <b>DEDUCT:</b>  |                 |
| Credits applicable to prior years (net).....  | \$ 22,082.06    |
| Profit from operations during the year ending December 31, 1944, applied in reduction of deficit from operations during the Receivership period, Exhibit I-C..... | 1,043,739.54    |
|   | 1,065,821.60    |
|   | \$12,231,554.57 |
| <b>ADD:</b>   |                 |
| Amount written off the investment in shares of The G. H. Mead Company.....  | \$ 111,468.38   |
| Additional provision for income and excess profits taxes in respect of periods up to December 31, 1943.....   | 1,150,000.00    |
|   | 1,261,468.38    |
| <b>DEFICIT AS AT DECEMBER 31, 1944</b> from operations during the period of Receivership, carried to Balance Sheet, as described in Note VI thereto.....          | \$13,493,022.95 |

IN THE MATTER OF

## ABITIBI POWER &amp; PAPER COMPANY, LIMITED

G. T. CLARKSON, RECEIVER AND MANAGER

STATEMENT SHOWING RESULT FROM OPERATIONS  
FOR YEAR ENDING DECEMBER 31, 1944

(Including also results of wholly owned subsidiaries, exclusive of Provincial Paper, Limited)

|   | PARTICULARS   | AMOUNT                     |
|---|---|----------------------------|
| <b>INCOME :</b>   |   |                            |
|   | Sales of newsprint and other pulpwood products.....   | \$27,119,008.06            |
|   | Sales of power.....   | 1,091,685.71               |
|   |   | <u>\$28,210,693.77</u>     |
|   | <i>Less</i> —Operating costs, including administration, superintendence,<br>selling and general expenses, but before providing for depreciation<br>and depletion.....   | 20,486,793.56              |
|   |   | <u>\$ 7,723,900.21</u>     |
|   | <i>Add</i> —Premium on U. S. funds (net).....   | 2,285,531.41               |
|   |   | <u>\$10,009,431.62</u>     |
|   | <i>Deduct</i> —Adjustments (net) with Commodity Prices Stabilization Cor-<br>poration Limited in respect of above sales and costs and exchange<br>premiums for the year 1944 under the system of allocating news-<br>print tonnage..... | 348,822.82                 |
|   |   | <u>\$ 9,660,608.80</u>     |
| <br><b>NOTE :</b> The above sales (which include tonnage produced for other<br>manufacturers by direction of the Newsprint Administration),<br>costs and premium on U. S. funds are gross figures which are<br>subject to the deduction of their relative part of the above<br>adjustments aggregating \$348,822.82 with the Commodity<br>Prices Stabilization Corporation Limited; these adjustments<br>cannot be accurately allocated as between sales, costs and<br>exchange premiums. |   |                            |
| <b>ADD:</b>   |   |                            |
|   | Interest and discount earned (net).....   | \$ 263,884.22              |
|   | Sundry minor operating profits.....   | 46,802.73                  |
|   | Profit on sale of Dominion of Canada bonds.....   | 22,500.00                  |
|   |   | <u>333,186.95</u>          |
|   |   | <u>\$ 9,993,795.75</u>     |
| <br><b>DEDUCT:</b>  |   |                            |
|   | Cost of carrying idle mills and timber concessions tributary thereto :  |                            |
|   | Mill idle costs including caretaking and insurance.....   | \$ 7,917.99                |
|   | Taxes on mills and townsites.....   | 11,034.15                  |
|   | Timber concessions—taxes, licenses and fees.....  | 34,784.00                  |
|   |   | <u>\$ 53,736.14</u>        |
|   | Cost of issue of Receiver's twelfth report.....   | 1,900.58                   |
|   | Cost of protection of properties against sabotage.....  | 20,937.92                  |
|   | Provision for legal and audit expenses.....   | 48,000.00                  |
|   | Paid to Receiver in respect of remuneration.....  | 48,000.00                  |
|   | Provision for U. S. Federal taxes on profits of The G. H. Mead Com-<br>pany, etc.....   | 26,823.12                  |
|   | Paid to Trustee for Bondholders on account of services rendered.....  | 80,000.00                  |
|   |   | <u>279,397.76</u>          |
|   | <br><b>BALANCE AVAILABLE FOR DEPRECIATION of mills and properties,<br/>depletion of timber areas and towards bond interest, before<br/>providing for income and excess profits taxes (Forward).....</b>                                 | <br><u>\$ 9,714,397.99</u> |

IN THE MATTER OF

ABITIBI POWER & PAPER COMPANY, LIMITED

G. T. CLARKSON, RECEIVER AND MANAGER

STATEMENT SHOWING RESULT FROM OPERATIONS  
FOR YEAR ENDING DECEMBER 31, 1944

(Including also results of wholly owned subsidiaries, exclusive of Provincial Paper, Limited)

|       | PARTICULARS   | AMOUNT          |
|-------|---|-----------------|
|       | Forward.....  | \$ 9,714,397.99 |
| LESS: |   |                 |
|       | Amount provided for depreciation and depletion for the year ending December 31, 1944 (including provisions shown on books of subsidiary companies)—             |                 |
|       | Depreciation of mills and equipment, etc.....   | \$ 4,000,000.00 |
|       | Depletion of timber areas.....  | 183,342.80      |
|       |   | \$ 4,183,342.80 |
|       | Amount reserved for income and excess profits taxes.....  | 1,250,000.00    |
|       |   | 5,433,342.80    |
|       |   | \$ 4,281,055.19 |
| LESS: |   |                 |
|       | Reserved for—   |                 |
|       | Interest due and accrued for the year 1944 on the First Mortgage Gold Bonds.....  | \$ 1,500,150.75 |
|       | The amount which may require to be provided by Abitibi to permit payment of \$1,500,150.75 of interest to be paid in the equivalent of United States funds..... | 165,016.59      |
|       | Interest upon overdue and unpaid interest.....  | 1,416,349.83    |
|       | The amount, if any, which may require to be provided by Abitibi to permit payment of \$1,416,349.83 to be made in the equivalent of United States funds.....    | 155,798.48      |
|       |   | 3,237,315.65    |
|       | BALANCE, carried to Exhibit 1-B.....  | \$ 1,043,739.54 |

