

C
file

(To be kept with compromise & arrangement material. Other "letters" - only latest yr. kept)

EASTERN STEEL PRODUCTS, LIMITED

Room 914,
111 Richmond Street West,
Toronto 1, Ontario.

To the Shareholders of
EASTERN STEEL PRODUCTS, LIMITED

Enclosed herewith is a Notice of Meeting of Shareholders to be held on the 7th day of February, 1958, to consider the annexed Compromise or Arrangement proposed to be made between the Company and its Shareholders.

In the first six months of 1957 the operations of the Company were carried on at a loss and on the 17th day of July, 1957, The Royal Bank of Canada informed the Company that it required the immediate payment of its demand loan which then amounted to \$1,120,000 plus accrued interest unless the Company could obtain \$600,000 additional working capital at once. Following receipt of this notification the Company endeavoured to obtain additional working capital and to make other banking arrangements, but without success. On the 8th day of August, 1957, petitions were filed in the Supreme Court of Ontario in Bankruptcy by The Royal Bank of Canada and by R. Laidlaw Lumber Co. Limited to have the Company declared bankrupt and these petitions have been adjourned from time to time until the 27th day of February, 1958.

On the 28th day of August, 1957, Chartered Trust Company as Trustee for the holders of First Secured Debentures of the Company commenced an action in the Supreme Court of Ontario to enforce the provisions of the Trust Deeds, and by Order of the Court, Mr. R. B. Dale-Harris, Toronto, Chartered Accountant, was appointed Receiver and Manager on behalf of Chartered Trust Company and the Debenture Holders of all the undertaking, property and assets of the Company, and was authorized to borrow certain moneys in order to carry on business. Mr. Dale-Harris immediately entered into possession of the property and assets of the Company and has continued the operations of the Company on a limited basis, restricting the purchase of materials to those required for work in progress and to fill orders in prospect.

As the result of a proposal for financing made to the Company by Mr. Samuel Lunenfeld, a Plan of Compromise or Arrangement dated the 10th day of October, 1957, was offered by the Company to the holders of its debentures and its unsecured creditors, and shareholders of the Company were asked to consider By-law "R" of the Company providing that the shares of the Company be consolidated on the basis of one new share for each ten shares then outstanding in accordance with the proposal of financing received from Mr. Lunenfeld. The Plan of Compromise or Arrangement proved unacceptable to the unsecured creditors of the Company and accordingly By-law "R" was not confirmed at the meeting of shareholders at which it was considered and as a result this by-law has become null and void.

Further efforts were then made by and on behalf of the Company to obtain a plan of financing which would be satisfactory to all groups of creditors in order to enable the Company to carry on as a going concern. In this period Mr. R. B. Dale-Harris, the Receiver and Manager, has continued to carry on the operations of the Company and enclosed herewith is a copy of a Preliminary Unaudited Condensed Statement of Assets and Liabilities of the Company as at November 30, 1957, as estimated by the Receiver and Manager on the basis of the Company as a going concern. It will be seen that even on this basis the equity of the shareholders as represented by the excess of the total assets over total liabilities does not substantially exceed \$1 per share. It is still reasonably clear that if no financial reorganization of the Company were brought about and the assets of the Company were liquidated either in the receivership action or in the bankruptcy proceedings, the unsecured creditors of the Company would not receive full payment of their claims and consequently there would be no assets whatsoever available for distribution to the shareholders.

INTERNATIONAL PRODUCTS LIMITED

1000
1000
1000

The first part of the report is devoted to a general survey of the situation in the world of international trade and commerce.

The second part of the report is devoted to a detailed study of the various factors which influence international trade and commerce.

The third part of the report is devoted to a study of the various methods of international trade and commerce.

The fourth part of the report is devoted to a study of the various problems which arise in international trade and commerce.

The fifth part of the report is devoted to a study of the various opportunities which exist in international trade and commerce.

On January 8, 1958, this Company received a proposal for financing from Combined Enterprises Limited, a substantial Canadian company, which has now been accepted by your Directors. Combined Enterprises Limited has also made a proposal dated January 14, 1958, to Chartered Trust Company as Trustee for the debenture holders in order to obtain the settlement of the action brought against the Company, the removal of the Receiver and Manager and the redelivery to the Company of its assets. The combined effect of these proposals if all their terms and conditions are met and if approved by all interested parties and by the Court (and in this respect the Company has received reasonable assurances that they will be approved on behalf of the debenture holders and by the unsecured creditors of the Company although no absolute representation to this effect can be made at the present time) would be substantially as follows:

- (a) the interest in arrears and interest on overdue interest on the debentures would be paid in full and the interest rate on all the outstanding debentures would be increased to 6% per annum from April 1, 1958;
- (b) the claims of all preferred creditors and of all unsecured creditors having claims of \$100 or less would be paid in full;
- (c) the claims of all other unsecured creditors would be met by the payment in cash of 50% of such claims forthwith and the delivery of unsecured notes of the Company equal to the balance of such claims payable in five equal annual instalments beginning on January 2, 1959, with interest at 5% per annum only after maturity;
- (d) each of the 289,150 presently issued common shares would be converted into one 6% cumulative non-voting redeemable preferred share with a par value of \$1. Combined Enterprises Limited proposes to cause the Company to redeem these new preferred shares at par within one year after conversion;
- (e) Combined Enterprises Limited would subscribe and pay for a total of 500,000 of new common shares—as they are constituted after the foregoing conversion and after an increase in the authorized capital of the Company—for an aggregate cash consideration of \$500,000.

Copies of the foregoing proposals of Combined Enterprises Limited to the Company and to Chartered Trust Company are available for perusal by shareholders at the head office of the Company during normal business hours at any time before the meeting.

It will be appreciated that one of the conditions to be fulfilled before the foregoing proposals can become effective is the approval by the shareholders and a designated Judge of the Supreme Court of Ontario of the enclosed Compromise or Arrangement proposed to be made between the Company and its shareholders and a resulting grant of supplementary letters patent giving effect thereto. However, notwithstanding shareholders' approval of this Compromise or Arrangement, the Company will not cause the resulting petition for supplementary letters patent to be filed unless it appears that the other conditions precedent to the proposals of Combined Enterprises Limited becoming effective will be met.

Your Directors recommend to you the approval of this Compromise or Arrangement based on the proposal of Combined Enterprises Limited to the Company as being the best available arrangement which could be secured to keep the Company alive as a going concern at this time. For the convenience of those of you who are not able to attend the meeting of shareholders in person a form of proxy is enclosed which, if returned to the Company and not otherwise specifically indicated, will be voted in favour of the approval of the Compromise or Arrangement. This proxy should be returned to the Company at Room 914, 111 Richmond Street West, Toronto, Ontario.

Yours very truly,

EASTERN STEEL PRODUCTS, LIMITED

Per: C. F. W. Burns,
Vice-President.

2
file

(To be kept with compromise
& arrangement material.
Other "letters" - only
latest yr. kept.)

EASTERN STEEL PRODUCTS, LIMITED

NOTICE OF MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that pursuant to an Order made the 23rd day of January, 1958, by The Honourable Mr. Justice Schroeder, a Judge of the Supreme Court of Ontario designated in that behalf by The Honourable Mr. Justice Laidlaw, Acting Chief Justice of Ontario, a meeting of the holders of the common shares of Eastern Steel Products, Limited is hereby summoned and will be held on Friday, the 7th day of February, 1958, at the hour of 10.00 o'clock in the forenoon, Eastern Standard Time, in the Reception Room, King Edward Sheraton Hotel, King Street East, Toronto, Canada, for the purpose of considering and, if thought fit, agreeing to the Compromise or Arrangement proposed between Eastern Steel Products, Limited and its shareholders annexed hereto either as proposed or as altered or modified at such meeting.

The above-mentioned Compromise or Arrangement either as proposed, or as altered or modified at such meeting, will be subject to the sanction of a Judge of the Supreme Court of Ontario, designated in that behalf.

Shareholders who are unable to attend the meeting in person may appoint a proxy to attend on their behalf by any proper form of instrument of proxy, but for the convenience of such shareholders a form of instrument of proxy is enclosed herewith. For the formalities relating to the execution of proxies see the notes attached to the form of instrument of proxy enclosed herewith.

DATED at Toronto this 24th day of January, 1958.

By Order of the Board.

"R. MICHAEL BUTLER"

Secretary



