

SUMMARY OF
PROPOSED PLAN OF
CONSOLIDATION
AND READJUSTMENT

Relating to

Winnipeg Electric Company

Manitoba Power Company Limited

Northwestern Power Company Limited

The Winnipeg, Selkirk and Lake Winnipeg
Railway Company

The Suburban Rapid Transit Company

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Relating to

Winnipeg Electric Company,
Manitoba Power Company Limited,
Northwestern Power Company Limited,
The Winnipeg, Selkirk and Lake Winnipeg Railway
Company,
The Suburban Rapid Transit Company.

NOTE—This is a summary only; for full and accurate details reference must be made to the Plan of Consolidation and Readjustment.

Decreased earnings of the above named Companies under the general business conditions prevailing since 1929 brought about a situation threatening to the interests of the security holders and to the continued existence of the Companies, the affairs and operations of which are closely interwoven. Winnipeg Electric is the guarantor of the bonds of each of the affiliated Companies and the situation has been aggravated by the inability to provide for payment of Northwestern Power Company's bond interest, now more than three years in arrear. Further, no practical provision now exists for paying off the First Mortgage Bonds of Winnipeg Electric Company which fell due January 1st, 1935, nor is there any present feasible way of repaying this Company's demand Bank Loan of \$1,250,000.

Circumstances
Leading up
to Present
Position.

For a considerable time past, Protective Committees representing the security holders of Winnipeg Electric Company, Manitoba Power Company Limited and Northwestern Power Company Limited have been investigating and studying the affairs of the Companies in order to determine the best course of action to be taken.

Protective
Committees
have been
Studying
Proposed Plan
for Consider-
able Time.

The conclusion was reached that a general reorganization was essential and that it should take the form of a consolidation of all the Companies, as far as possible, together with a reduction of fixed interest on funded debts, and to this end a Plan of Consolidation and Readjustment has been formu-

lated. This Plan has been approved by the said Protective Committees and has also been approved by the directors of the individual Companies. It will in due course be submitted to the respective classes of holders of securities and shares.

Many
Complications
Overcome.

Owing to the complexities of the situation as a whole, and to the necessity of taking into consideration the taxing and financial laws of Canada, Great Britain and the United States, including the United States National Securities Act, the Plan is necessarily lengthy and detailed. The following, however, is a summary of its provisions and effect.

Details of
Proposed Plan.

Under the Plan Winnipeg Electric Company will take over the assets and liabilities of Manitoba Power Company Limited and Northwestern Power Company Limited and will acquire all outstanding bonds of Winnipeg, Selkirk & Lake Winnipeg Railway Company and Suburban Rapid Transit Company, of which two Companies Winnipeg Electric already holds all outstanding shares. All inter-company liabilities as between Winnipeg Electric and Manitoba Power Company and Northwestern Power Company and all bond guarantees will disappear, and shares held by Winnipeg Electric in Manitoba Power and Northwestern Power will be cancelled.

Winnipeg Electric will issue

(a) New 5% First Mortgage Bonds, due 1960, to the amount of \$3,500,000 for the purpose of refunding its present 5% First Mortgage Bonds, due January 1, 1935, and for other corporate purposes. Additional new First Mortgage Bonds may be issued up to \$7,500,000 (inclusive of the \$3,500,000) as and when required to provide 75% of future capital expenditures, subject to a net earnings provision. A Sinking Fund will be set up to commence after five years. These new First Mortgage Bonds will be the only bonds ranking in priority to the new General Mortgage Bonds;

(b) New General Mortgage Bonds, Series A and B ranking *pari passu*, due 1965; Series A amounting to \$29,275,500 will bear interest at the fixed rate of 4% per annum for 7 years and thereafter at the fixed rate of 5% per annum; Series B amounting to \$6,000,000 will bear interest on an income basis up to 4% for the first 7 years, up to 5% for the next 5 years and thereafter at the fixed rate of 5%. A Sinking Fund for the General Mortgage Bonds payable out of earnings will commence after 7 years. Additional General Mortgage Bonds may be issued up to \$50,000,000 (inclusive of Series A and B) as and when required to provide 80% of future capital expenditures, subject to a net earnings provision.

N.B.—After 12 years, Series A and Series B will receive the same interest rates and be identical in all respects.

As indicated, the present Winnipeg Electric 5% First Mortgage Bonds, due January 1st, 1935, will be refunded by means of the new 5% First Mortgage Bonds, due 1960. Present holders of all other bonds and debenture stock of all the Companies (excepting the holders of Northwestern Bonds) will receive in exchange therefor new General Mortgage Bonds and/or Stock, Series A, of an equal principal amount. Holders of Northwestern Bonds will receive new General Mortgage Bonds and/or Stock, Series A, for 40% of the principal amount of their holdings and new General Mortgage Bonds and/or Stock, Series B, for the remaining 60%.

In addition, the present holders of bonds and debenture stock of all the Companies (excepting the holders of the Winnipeg Electric 5% First Mortgage Bonds due January 1st, 1935) will receive Common Shares and Contingent Certificates, as shown in Schedule "C" hereto, and provision is made for having the General Mortgage bondholders represented by one-half of the Board of Directors during the first 7 years of the Plan.

The Common Shares will be divided into Class A and Class B; the shares which will be issued to present holders of bonds and debenture stock will comprise Class A; all other Common Shares will comprise Class B. Common Shares of Class A and Class B will be equal in all respects except that in view of the representation of bondholders on the Board of Directors for the first seven years of the Plan, holders of Class A Common Shares will not be entitled to vote on the election of Directors during said period.

All bond and debenture stock holders (excepting Northwestern bondholders whose interest has been in arrears for three years as their Company has not been producing revenue) will receive interest at present rates up to January 2, 1935; from which date interest to the extent payable thereon is carried by the General Mortgage Bonds and Debenture Stock to be issued to all present bond and debenture stock holders.

Northwestern Scrip Certificates will be paid off on the basis of 20% of the principal amount of the Certificates.

Northwestern
Scrip
Certificates.

Shares of Manitoba Power and Northwestern (other than those held by Winnipeg Electric) will be exchanged for Common Shares of Winnipeg Electric on the basis shown in Schedule "C."

Manitoba
Power and
Northwestern
Shares.

Winnipeg Electric Preferred Shareholders will retain their shares and in addition will receive Common Shares at the rate of one-half Common Share for each Preferred Share now held. The Preferred Shares will carry Non-Cumulative dividends at the rate of 4% for the first seven years of the Plan and 5% thereafter.

Arrangements have been made for repayment of the Bank Loan of \$1,250,000 in eight yearly instalments and the reduction of interest thereon from 6% to 5%.

The Contingent Certificates herein referred to will not bear interest or have any due date. The Company's only liability in respect of them is that they must be retired before any dividends or other distribution of profits is made to shareholders.

The effect of the Plan upon the present securities and obligations of the Company is shown by the following schedules hereto:

Schedule "A"—Present Capital Structure.

Schedule "B"—Capital Structure under Plan.

Schedule "C"—Exchange Proposals.

Schedule "D"—Comparative Statement of Consolidated Net Earnings for the year 1934 applying Fixed Charges as they actually existed and as they would be under proposed Plan of Reorganization.

The results to be obtained under the Plan may be stated briefly as follows:

(1) The principal amount of all funded obligations of each of the Companies will be maintained intact;

(2) The lien of the bonds will be extended to cover a complete power and transportation system serving the Greater Winnipeg district instead of there being separate liens securing the various classes of bonds and covering individual units of the system limited in scope either from the standpoint of operation or area served;


(3) The bondholders are afforded a means of securing an uninterrupted income in the greatest amount which the Consolidated Company's finances appear to permit;

(4) The bondholders (other than the holders of First Mortgage Bonds) by the receipt of Common Stock and Contingent Certificates will be enabled to share in any future prosperity of the Company and by representation on the

Board of Directors will have a voice in the Company's management;

(5) By the reduction of fixed interest charges, the deferment of sinking fund obligations, the disappearance of inter-company guarantees and liabilities, the Company will have an opportunity to carry on during the present period of depression and to re-establish itself successfully as general conditions improve.

(6) The equity of shareholders will be conserved to the extent that potential injury through enforcement of bondholders' remedies for present defaults will be avoided.


President.

Winnipeg, June 29th, 1935.

SCHEDULE "A"

PRESENT CAPITAL STRUCTURE

Direct Obligations of Winnipeg Electric

5% First Mortgage Refunding Bonds, due 1935.....	\$ 2,917,000
5% Refunding Debenture Stock, due 1954, £900,000.....	4,380,000
6% Refunding Mortgage Bonds.....	7,000,000
Bank Loan \$1,250,000, secured by hypothecation of \$1,829,300 6% Bonds.	

Bonds Guaranteed by Winnipeg Electric

Manitoba Power Co. 5½% First Mortgage Bonds, Series A, due 1951, Series B due 1952.....	\$11,521,700
Northwestern Power Co. 6% First Mortgage Bonds, due 1960..	10,000,000
Suburban Rapid Transit Co. 5% Bonds, due 1938.....	500,000
Winnipeg, Selkirk & Lake Winnipeg Railway Co. 5% Bonds, due 1933.....	44,500

Shares of Winnipeg Electric

50,000 7% Preferred Shares, par value \$100
244,772 No Par Value Common Shares

Shares of Affiliated Companies

	Owned by Winnipeg Electric
Manitoba Power Co., 150,000 No Par Value Common Shares....	141,943
Northwestern Power Co., 10,000 6% Preferred Shares.....	10,000
Northwestern Power Co., 250,000 No Par Value Common Shares.....	221,241
Suburban Rapid Transit Co., 1,000 Common Shares.....	1,000
Winnipeg, Selkirk Co., 5,900 Common Shares.....	5,900

SCHEDULE "B"

WINNIPEG ELECTRIC CAPITAL STRUCTURE UNDER PLAN

	Outstanding
First Mortgage 5% Bonds.....	\$ 3,500,000
General Mortgage Bonds, Series A.....	29,275,500
(Inclusive of \$1,829,300 hypothecated as security for Bank Loan)	
General Mortgage Bonds, Series B.....	6,000,000
50,000 Non-Cumulative Preferred Shares	
No Par Value Common Shares—	
Class A.....	281,712
Class B.....	283,581
Contingent Certificates to face amount of \$1,921,234 (No dividends can be paid while these certificates are outstanding)	

SCHEDULE "C"

EXCHANGE PROPOSALS

	Now Outstanding \$	To be Exchanged for		
		New General Mortgage Bonds Series A (1,000)	Common Shares Class A (9)	Contingent Certificates \$ (70)
Bonds and Debenture Stock				
Winnipeg Electric Co.—				
6% Refunding Mortgage Bonds, due 1954 (For each \$1000 principal amount)	7,000,000	7,000,000	63,000	490,000
5% Refunding Mortgage Debenture Stock (Sterling), due 1954 (For each \$1000 principal amount)	4,380,000	4,380,000	30,660	306,660
Manitoba Power Co. Ltd.—				
5½% First Mortgage Bonds, Series A due 1951, Series B due 1952 (For each \$1000 principal amount)	11,521,700	11,521,700	103,695	806,519
Northwestern Power Co. Ltd.—				
6% First Mortgage Bonds, due 1960 (For each \$1000 principal amount)	10,000,000	{ 4,000,000 } Series B { 6,000,000 }	80,000	280,000
Suburban Rapid Transit Co.—				
5% First Mortgage Bonds, due 1938 (For each \$1000 principal amount)	500,000	{ Series A 400 } { Series B 600 }	(8)	(28)
Winnipeg, Selkirk & Lake Winnipeg Railway Co. (For each \$1000 principal amount)	44,500	Series A 500,000 (1,000) 44,500 (1,000)	4,000 (8) 356 (8)	35,000 (70) 3,115 (70)
Share Capital				
Winnipeg Electric Co.—				
7% Cumulative Preferred Shares (To be retained by present holders, \$100 par value (modified as to dividends and otherwise)	No. of Shares 50,000	Non-Cumulative Preferred Shares 50,000	Common Shares Class B 25,000	
Common Shares, no par value	244,772	-----	244,772	
Manitoba Power Co. Ltd.—				
No Par Value Common Shares held by public	8,057	-----	8,057	
Northwestern Power Co. Ltd.—				
No Par Value Common Shares held by public	28,759	-----	28,759	5,752

SCHEDULE "D"

COMPARATIVE STATEMENT OF CONSOLIDATED NET EARNINGS

For the year 1934 applying Fixed Charges as they actually
existed and as they would be under proposed
Plan of Reorganization

	Actual	Under Plan
Net Earnings after deducting Operating Expenses and Taxes (excluding Dominion Income Tax)	<u>\$2,643,518</u>	<u>\$2,643,518</u>
Depreciation.....	731,741	1,000,000
Bank and Other Interest, Premium on Bond Interest paid outside of Canada, etc.....	124,811	62,500
Sinking Fund Payments.....	203,356
Bond Interest.....	2,203,725
Interest on New First Mortgage Bonds.....	175,000
Fixed Interest on new General Mortgage Bonds..	1,097,848
	<u>\$3,263,633</u>	<u>\$2,335,348</u>
Deficit.....	\$ 620,115
Surplus.....	\$ 308,170

Which may only be used as provided in the Plan.

