

90, 1933

In the Privy Council

ON APPEAL FROM THE COURT OF APPEAL
FOR BRITISH COLUMBIA

BETWEEN:

THE MOUNT ROYAL ASSURANCE COMPANY, et al,
(Defendants) Appellants,

AND:

CAMERON LUMBER COMPANY LIMITED,
(Plaintiff) Respondent.

(AND SIX CONSOLIDATED ACTIONS)

Record of Proceedings

MESSRS. WALSH, BULL, HOUSSER, TUPPER & RAY,
Solicitors for the (Defendants) Appellants.

ALFRED BULL, ESQ., K.C., Counsel.

MESSRS. BLAKE & REDDEN,
17 Victoria Street,
London S.W. 1
Agents.

MESSRS. MAYERS, LOCKE, LANE & JOHANNSON,
Solicitors for the (Plaintiff) Respondent.

E. C. MAYERS, ESQ., K.C., Counsel.

MESSRS. WHITE & LEONARD,
Bank Buildings,
Ludgate Circus,
London E.C. 4,
Agents.

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No. C. 337/1932

RECORD

In the Supreme Court of British Columbia

*In the
Supreme Court
of British
Columbia*

BETWEEN :

CAMERON LUMBER COMPANY LIMITED,
Plaintiff,

AND :

THE MOUNT ROYAL ASSURANCE COMPANY,
Defendant.

No. 1
Endorsement
on Writ
Feb. 22, 1932

No. 1

10

ENDORSEMENT ON WRIT

The Plaintiff's Claim is against the Defendant under a policy of insurance upon fixed charges, made by the Defendant on the 20th of January, 1931, for the sum of \$3,909.72, in respect of a fire which occurred on the 25th of February, 1931.

(Endorsement on Writ against the above-named Defendant No. C. 249/1932 issued Feb. 9/32 identical with above).

No. C. 250/1932

IN THE SUPREME COURT OF BRITISH COLUMBIA

No. 2
Endorsement
on Writ
Feb. 9, 1932

BETWEEN :

20 CAMERON LUMBER COMPANY LIMITED,
Plaintiff,

AND :

HOME FIRE & MARINE INSURANCE COMPANY,
Defendant.

No. 2

ENDORSEMENT ON WRIT

30 The Plaintiff's Claim is against the Defendant under a policy of insurance upon fixed charges, made by the Defendant on the 16th of May, 1930, for the sum of \$7,819.44, in respect of a fire which occurred on the 25th of February, 1931.

RECORD

No. C. 251/1932

*In the
Supreme Court
of British
Columbia*

IN THE SUPREME COURT OF BRITISH COLUMBIA

No. 3
Endorsement
on Writ
Feb. 9, 1932

BETWEEN :

CAMERON LUMBER COMPANY LIMITED,
Plaintiff,

AND :

IMPERIAL INSURANCE OFFICE,
Defendant.

No. 3

ENDORSEMENT ON WRIT

10

The Plaintiff's Claim is against the Defendant under a policy of insurance upon fixed charges, made by the Defendant on the 12th of May, 1930, for the sum of \$4,300.70, in respect of a fire which occurred on the 25th of February, 1931.

No. C. 252/1932

IN THE SUPREME COURT OF BRITISH COLUMBIA

No. 4
Endorsement
on Writ
Feb. 9, 1932

BETWEEN :

CAMERON LUMBER COMPANY LIMITED,
Plaintiff,

AND :

FIRE ASSOCIATION OF PHILADELPHIA,
Defendant.

20

No. 4

ENDORSEMENT ON WRIT

The Plaintiff's Claim is against the Defendant under a policy of insurance upon fixed charges, made by the Defendant on the 10th of July, 1930, for the sum of \$3,909.72, in respect of a fire which occurred on the 25th of February, 1931.

No. C. 253/1932

RECORD

IN THE SUPREME COURT OF BRITISH COLUMBIA

*In the
Supreme Court
of British
Columbia*

BETWEEN :

CAMERON LUMBER COMPANY LIMITED,

Plaintiff,

No. 5
Endorsement
on Writ
Feb. 9, 1932

AND :

CANADA SECURITY ASSURANCE CO.,

Defendant.

No. 5

10

ENDORSEMENT ON WRIT

The Plaintiff's Claim is against the Defendant under a policy of insurance upon fixed charges, made by the Defendant on the 10th of July, 1930, for the sum of \$1,954.87, in respect of a fire which occurred on the 25th of February, 1931.

No. C. 254/1932

IN THE SUPREME COURT OF BRITISH COLUMBIA

No. 6
Endorsement
on Writ
Feb. 9, 1932

BETWEEN :

CAMERON LUMBER COMPANY LIMITED,

Plaintiff,

20 AND :

UNION FIRE ACCIDENT & GENERAL INSURANCE
COMPANY,

Defendant.

No. 6

ENDORSEMENT ON WRIT

The Plaintiff's Claim is against the Defendant under a policy of insurance upon fixed charges, made by the Defendant on the 16th of May, 1930, for the sum of \$2,345.83, in respect of a fire which occurred on the 25th of February, 1931.

RECORD

*In the
Supreme Court
of British
Columbia*

IN THE SUPREME COURT OF BRITISH COLUMBIA

No. 7
Endorsement
on Writ
Feb. 20, 1932

BETWEEN :

CAMERON LUMBER COMPANY LIMITED,
Plaintiff,

AND :

EAGLE STAR & BRITISH DOMINIONS INSURANCE
COMPANY LIMITED,
Defendant.

No. 7

10

ENDORSEMENT ON WRIT

The Plaintiff's Claim is against the Defendant under a policy of insurance upon fixed charges, made by the Defendant on the 20th of January, 1931, for the sum of \$3,909.72, in respect of a fire which occurred on the 25th of February, 1931.

No. 249/32 RECORD

IN THE SUPREME COURT OF BRITISH COLUMBIA

*In the
Supreme Court
of British
Columbia*

Between :

CAMERON LUMBER COMPANY LIMITED,
and
THE MOUNT ROYAL ASSURANCE COMPANY,

No. 337/32

Plaintiff,

Defendant,

No. 8
Consolidation
Order
Mar. 10, 1932

And between :

CAMERON LUMBER COMPANY LIMITED,
and
HOME FIRE & MARINE INSURANCE COMPANY,

No. 250/32

Plaintiff,

Defendant,

10

And between :

CAMERON LUMBER COMPANY LIMITED,
and
IMPERIAL INSURANCE OFFICE,

No. 251/32

Plaintiff,

Defendant,

And between :

CAMERON LUMBER COMPANY LIMITED,
and
FIRE ASSOCIATION OF PHILADELPHIA,

No. 252/32

Plaintiff,

Defendant,

20

And between :

CAMERON LUMBER COMPANY LIMITED,
and
CANADA SECURITY ASSURANCE Co.,

No. 253/32

Plaintiff,

Defendant,

And between :

CAMERON LUMBER COMPANY LIMITED,
and
UNION FIRE ACCIDENT & GENERAL INSURANCE COMPANY,
Defendant,

No. 254/32

Plaintiff,

30

RECORD

And between:

No. 329/32

*In the
Supreme Court
of British
Columbia*

CAMERON LUMBER COMPANY LIMITED,

and

Plaintiff,

EAGLE STAR & BRITISH DOMINIONS INSURANCE COMPANY

LIMITED,

Defendant.

No. 8

Consolidation
Order

Mar. 10, 1932
(Cont'd)

BEFORE THE HONOURABLE
MR. JUSTICE D. A. McDONALD
IN CHAMBERS

} THURSDAY, the 10th
of March, 1932

No. 8

CONSOLIDATION ORDER

10

Upon the application of the Plaintiff for a consolidation of the above-mentioned actions, and UPON hearing Mr. Johansson of Counsel for the Plaintiff, and by consent:

IT IS ORDERED that all the actions above-mentioned be consolidated and do henceforth proceed as one action and that all pleadings and proceedings hence forth be intituled in the styles of cause set out above, and that judgment be entered for or against the several defendants severally, and that the costs of and occasioned by this application be costs in the cause.

“HUGO RAY”

“D. A. McDONALD, J.”

20

AMENDED PURSUANT TO THE ORDERS OF THE HONOURABLE THE
CHIEF JUSTICE DATED THE 3RD OF MAY, 1932, AND THE 18TH OF
MAY, 1932

RECORD
In the
Supreme Court
of British
Columbia

No. 9

AMENDED STATEMENT OF CLAIM

No. 9
Amended
Statement of
Claim
May 18, 1932

- 10 Writ in Action No. C. 249/32 issued 9th February, 1932.
Writ in Action No. C. 337/32 issued 22nd February, 1932.
Writ in Action No. C. 250/32 issued 9th February, 1932.
Writ in Action No. C. 251/32 issued 9th February, 1932.
Writ in Action No. C. 252/32 issued 9th February, 1932.
Writ in Action No. C. 253/32 issued 9th February, 1932.
Writ in Action No. C. 254/32 issued 9th February, 1932.
Writ in Action No. C. 329/32 issued 20th February, 1932.

1. The Plaintiff, a Company duly incorporated under the laws of the Province of British Columbia, at all material times carried on the business of lumber manufacture on the west side of Garbally Road in the City of Victoria, in the Province of British Columbia.

2. The Plaintiff effected insurance as follows:

20	Name of Insurer	Date of Policy	No. of Policy	Amount Insured
	Canada Security Assurance Company	10th July, 1930	905,489	\$ 2,500.00
	Fire Association of Philadelphia	10th July, 1930	21,205	5,000.00
	Imperial Insurance Office	12th May, 1930	219,164	5,500.00
	Home Fire & Marine Assurance Company	16th May, 1930	189,888	10,000.00
30	Eagle Star & British Dominions Insurance Company Limited	20th Jan., 1931	1,056,590	5,000.00
	The Mount Royal Assurance Company	20th Jan., 1931	7,000,075	5,000.00
	Union Fire Accident & General Insurance Company	16th May, 1930	4,017,266	3,000.00

RECORD
 In the
 Supreme Court
 of British
 Columbia
 No. 9
 Amended
 Statement of
 Claim
 May 18, 1932
 (Cont'd)

3. Each of the said policies insured the Plaintiff to the following effect, viz., that if the buildings occupied by the Plaintiff as a lumber manufacturing plant, or the machinery or equipment contained therein, situate as aforesaid, should be destroyed or damaged by fire, so as to necessitate a total or partial suspension of business, the Plaintiff should be indemnified for the actual loss sustained (during a period commencing with the date of the fire and not limited by the date of expiration of the said policies) consisting of such fixed charges and expenses as must necessarily continue during a total or partial suspension of business, but to the extent only that such fixed charges and expenses would have been earned had no fire occurred. 10

4. On the 25th of February, 1931, a fire occurred at the plant of the Plaintiff at Garbally Road as aforesaid within the period limited by the said policies and burnt the Plaintiff's sawmill, lath mill, wharf and other buildings, thereby causing a suspension of business.

5. The fixed charges and expenses which necessarily continued during the said suspension of business were as follows:

Trade Licenses	\$ 500.00	20
Taxes	2,591.77	
Foreshore Rent	46.16	
Truck & Car Licenses.....	202.58	
Debenture Interest	1,845.83	
Insurance	8,360.71	
Two Watchmen	1,400.00	
Janitor	120.00	
President	6,562.50	
Vice-President	3,050.00	
Secretary & Treasurer.....	4,120.00	30
Accountant	2,150.00	
Telephone—Fixed Rent.....	207.50	
	<u>\$31,157.05</u>	

6. The actual loss sustained by the Plaintiff in the terms of the said policies is as follows:

Fixed charges for 10 months		Per Diem
(25 days to the month).....	\$31,157.05	\$ 124.62
Amount of fixed charges		
which would have been earned.....	31,157.05	124.62

40

The time required for reconstructing the buildings mentioned in paragraph 4 hereof and equipping them and for rendering the plant fit and ready for operation would have been ten months.

The total of the said insurance amounts to \$36,000.00 to be calculated on a period of 300 days, viz: \$120.00 a day.

Since the fixed charges amounted to \$124.62 a day and the insurance amounted to \$120.00 a day, therefore the insured daily

10 loss amounted to $\frac{\$120.00}{\$124.62}$ of \$120.00=\$115.56 a day.

Particulars are delivered herewith and exceed three folios.

7. The Plaintiff's claim is therefore for the sum of \$28,890.00 based on a daily loss of \$115.56 for 250 days, proportioned amongst the Defendants as follows:

	Canada Security Assurance Co.....	\$2,006.25
	Fire Association of Philadelphia.....	4,012.50
	Imperial Insurance Office	4,413.75
	Home Fire & Marine Insurance Co.....	8,025.00
	Eagle Star & British Dominions	
20	Insurance Company Limited.....	4,012.50
	Mount Royal Assurance Company.....	4,012.50
	Union Fire Accident & General	
	Insurance Company	2,407.50
		<hr/>
		\$28,890.00
		<hr/>

8. The Defendants, by a letter dated the 19th of December, 1931, signed on their behalf by their adjuster, W. B. Crombie, refused payment of the Plaintiff's claims and denied that the
30 Plaintiff had any right of action under the said policies.

THE PLAINTIFF THEREFORE CLAIMS:

1. A declaration that the Defendants are bound to indemnify the Plaintiff against the said loss.
2. The sum of \$28,890.00 proportioned amongst the Defendants as aforesaid.

Place of Trial—Victoria, B.C.

DATED at Vancouver, B.C., this 18th day of May, 1932.

“W. S. LANE,”
Plaintiff's Solicitor

RECORD
In the
Supreme Court
of British
Columbia
No. 9
Amended
Statement of
Claim
May 18, 1932
(Cont'd)

RECORD
 In the
 Supreme Court
 of British
 Columbia
 No. 9
 Amended
 Statement of
 Claim
 May 18, 1932
 (Cont'd)

DELIVERED by W. S. Lane, of the firm Mayers, Locke,
 Lane & Johannson, whose place of business and address for service
 is at 703 Rogers Bldg., Vancouver, B.C.

To the Defendants:

And to Walsh, Bull, Housser, Tupper & Molson,
 Solicitors for the Defendants.

No. 10

No. 10
 Particulars
 Paragraph 6
 Statement of
 Claim
 May 18, 1932

PARTICULARS OF PARAGRAPH 6 OF THE
 STATEMENT OF CLAIM

The estimated profit is computed as follows:	10
Actual loss on operations at Wilfert Mill, leased by Plaintiff, according to Sheet 1.....	\$51,891.63
Expenses incurred in excess of customary costs, due to fire, according to Sheet 2.....	22,218.72
Difference, being loss which would have occurred in Plaintiff's main operation.....	\$29,674.91
Estimated extra revenue lost by reason of the fire, according to Sheets 3 and 4.....	32,930.20
Estimated profit had no fire occurred.....	\$ 3,255.29
	20

DATED at Vancouver, B.C. this 18th day of May, 1932.

“W. S. LANE,”
 Solicitor for the Plaintiff

To the above-named Defendants:
 And to W. W. Walsh, Esq.,
 Their Solicitor.

SHEET 1

CAMERON LUMBER CO., LTD., STATEMENT OF PROFIT
AND LOSS, TEN MONTHS ENDING DECEMBER 31, 1931

RECORD
In the
Supreme Court
of British
Columbia
No. 10
Particulars
Paragraph 6
Statement of
Claim
May 18, 1932
(Cont'd)

	SALES: (Less Discounts)	\$309,190.37	
	STOCKS: On Hand Dec. 31.....	157,105.00	
		<hr/>	
		\$466,295.37	
		<hr/>	
	STOCKS: On Hand March 1st.....	\$234,549.34	
10	PURCHASES:	126,529.88	
	WAGES:	64,307.80	
	SCOWING, TOWING & WHARFAGE:.....	5,706.49	431,093.51
		<hr/>	
	GROSS TRADING REVENUE:.....		\$ 35,201.86
	SUNDRY REVENUE:		
	Rents	\$425.23	
	Log Splitting	290.86	
	Exchange	276.53	
	Sales of Power.....	285.72	
20	Dividends	118.50	1,396.84
		<hr/>	
			\$36,598.70
	EXPENSES:		
	Selling	\$10,005.44	
	Advertising	1,147.64	
	Administration	13,559.71	
	Interest on Loan.....	1,512.95	
	Office	3,624.26	
	Debenture Interest & Expenses.....	1,631.25	
30	Postage	359.68	
	Telephone & Telegraph.....	929.01	
	Insurance & Taxes.....	11,478.08	
	Repairs & Supplies.....	26,895.74	
	Accident & Insurance.....	1,877.37	
	Power	12,229.13	
	Miscellaneous	3,214.79	
	Bad Debts	25.28	\$88,490.33
		<hr/>	
40	LOSS for 10 months ending Dec. 31, 1931 including Fire Excess Costs but excluding Depreciation		\$51,891.63

SHEET 2

CAMERON LUMBER CO., LTD.

1931

RECORD
In the
Supreme Court
of British
Columbia

No. 10
 Particulars
 Paragraph 6
 Statement of
 Claim
 May 18, 1932
 (Cont'd)

Expenses Incurred in Excess of Customary Costs due to the Fire

TOWING LOGS from Cameron to Wilfert Mill.....	\$	300.00	
TOWING LUMBER, 6,360,284 ft., from Wilfert to Cameron Mill for manufacture, and Scow Rental		4,618.00	
HANDLING LUMBER at Cameron Mill from Dock to Mill Machines, 6,360,284 ft. @ \$1.00.....		6,360.28	10
EXTRA PLANING MILL COSTS due to running at partial capacity:—			
Costs for 10 months ending December 31st		\$19,683.99	
Cost for 1931.....	\$1.97		} 25% under capacity 5,511.51 20
“ “ 1930 Labor	\$1.64		
Less 20% Labor32		
Supplies	\$1.32	1.54	
		<u>.43</u>	

SPECIAL FIRE EXPENSES:

Establishing Resaw, Conveyor, etc..... 2,102.18

EXTRA POWER COSTS:

Power Purchased	\$	595.20	
Wood “		1,990.00	
Labor on Wood.....		685.55	
Sawdust Purchased		54.00	
		<u>3,324.75</u>	30
		<u>\$22,216.72</u>	

SHEET 3

The Loss for the 10 months ending December 31st, 1931, after excluding extraordinary costs occasioned by the fire and according to the books of the Company was

\$29,674.91

This excludes Depreciation, which is not a Cash item and is not included in the presumed overhead.

10

Had there been no fire, the Company would have been enabled to secure additional net revenue from Sundry and Lumber by-products amounting to, as set forth in Table "A".....\$15,673.25

The Company was also deprived of the opportunity of obtaining net revenue from the sale of Power, amounting to, as set forth in Table "B"... 17,256.95

20 ESTIMATED TOTAL REVENUE PREVENTED.....\$32,930.20

Probable Profit had no fire occurred.....\$ 3,255.29

RECORD
 In the
 Supreme Court
 of British
 Columbia
 No. 10
 Particulars
 Paragraph 6
 Statement of
 Claim
 May 18, 1932
 (Cont'd)

TABLE "A"
 COMPARISON OF REVENUE FROM SUNDRY AND
 LUMBER BY-PRODUCTS

	1930		1931		1931	
	Revenue	Costs	Net Profit	Revenue	Costs	Net Profit
30 Wood & Sawdust	\$28,201.80	\$ 7,304.93	\$20,896.87	\$ 9,553.38	\$ 2,701.90	\$ 6,851.48
Lath	10,050.46	5,263.73	4,786.73	4,651.44	2,312.13	2,339.31
Teaming	6,166.80	5,002.94	1,163.86	3,530.94	3,338.31	192.63
Rents	4,203.80	404.48	3,799.32	1,098.00	330.90	767.10
Shingles	14,929.79	13,897.36	1,032.43	25,302.99	21,931.07	3,371.92
Sash & Door	10,373.63	9,429.41	944.22	4,981.26	4,688.17	293.09
	<u>\$73,926.28</u>	<u>\$41,302.85</u>	<u>\$32,623.43</u>	<u>\$49,118.01</u>	<u>\$35,302.48</u>	<u>\$13,815.53</u>

40 Net Revenue for year 1930.....\$32,623.43
 " " " " 1931..... 13,815.53

Decrease in Revenue for 12 months...\$18,807.90

Decrease in revenue from Lumber and Sundry
 By-Products for ten months.....\$15,673.25

RECORD
*In the
 Supreme Court
 of British
 Columbia*
 No. 10
 Particulars
 Paragraph 6
 Statement of
 Claim
 May 18, 1932
 (Cont'd)

SHEET 4
 TABLE "B"
 "POWER"

In 10 months (280 days) the Plant could generate 6,832,000 KW	
" " " " " " Mill would use.....	1,100,000 "
Balance available for B.C. Electric Co.....	5,732,000 "
5,000,000 KW @ 1/3c per KW.....	\$19,106.67
The extra cost of labor and supplies and depreciation running longer than time required for mill operation.....	1,564.00
Revenue available	\$17,542.67
Revenue received for 10 months ending December 31, 1931	285.72
LOSS OF REVENUE from Power Sales.....	\$17,256.95

10

No. 11

AMENDED STATEMENT OF DEFENCE

No. 11
 Amended
 Statement of
 Defence
 May 21, 1932

Amended pursuant to the Orders of the Honourable The
 Chief Justice, dated the 3rd day of May, 1932, and the
 18th day of May, 1932

20

1. The Defendants admit that the Plaintiff was insured under the policies mentioned in paragraph 2 of the Statement of Claim herein, and say that the said policies, each of which exceed three folios in length, will be referred to for greater particularity at the trial of this action.
2. The Defendants admit that the several policies of insurance contain provisions, the general purport of which is set forth in paragraph 3 of the Statement of Claim herein, but say that each of the said policies will speak for itself as to the tenor and effect thereof and the same will be referred to for greater particularity at the trial of this action.
3. In reply to Paragraph 4 of the Statement of Claim herein the Defendants admit that a fire occurred on or about the 25th day of February, 1931, as therein alleged whereby the Plaintiff's sawmill building and sawmill machinery and equipment therein contained was damaged or destroyed by fire, and whereby certain

30

fuel houses, equipment and conveyors and miscellaneous equipment was damaged or destroyed by fire, but that only a partial suspension of business was caused thereby, the major portion of the Plaintiff's plant covered by the policies of insurance in question being neither damaged nor destroyed, nor in any way put out of commission.

4. The Defendants deny each and every allegation of fact set forth in Paragraph 5 of the Statement of Claim herein and deny that there were any fixed charges or expenses whatsoever which necessarily continued during the suspension of business, if any, and in particular deny that the items of fixed charges and expenses set forth in Paragraph 5 of the Statement of Claim or any of them were properly chargeable against the Plaintiff's operation or any part of the same. ALTERNATIVELY the items set forth in paragraph 5 of the Statement of Claim are not a complete and correct statement of the fixed charges and expenses of the Plaintiff prior to the date of the fire, and the Defendants say that a correct statement of the annual fixed charges and expenses of the Plaintiff prior to the fire is as follows:

20	Trade Licenses	\$ 600.00
	Taxes	2,989.99
	Foreshore Rental	55.40
	Truck Licenses	243.10
	Railroad Siding Rental.....	300.00
	Bank Interest	10,500.00
	Debenture Interest	2,175.00
	Insurance	16,366.00
	Watchmen	1,680.00
	Janitor	300.00
30	President	7,800.00
	Vice-President	3,900.00
	A. W. Miller, Sec. Treas.....	5,040.00
	Accountant	2,700.00
	Superintendent	2,100.00
	Millwright	2,100.00
	Telephone Fixed Rentals.....	258.00
		<hr/>
		\$59,107.49
		<hr/>

40 5. The Defendants deny each and every allegation of fact set forth in Paragraph 6 of the Statement of Claim herein and deny that the Plaintiff sustained the loss therein set forth or any loss whatsoever, and in particular deny that any fixed charges or expenses whatsoever were being earned by the Plaintiff at the time

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of the said fire or would have been earned by the Plaintiff during any period of suspension caused by the said fire or any damage resulting therefrom, and the Defendants deny that the method of computation set forth in paragraph 6 of the Statement of Claim is true or correct, and denies that the insured daily loss amounted to \$115.56 per day as alleged. The Defendants say that the Plaintiff's fixed charges prior to the date of the fire amounted to \$59,107.49 annually, or \$197.02 a day, and the insurance amounted to \$120.00 a day; therefore the insured daily loss amounted to

120

_____ of \$125.76—\$76.5859 a day The Defendants deny that the 10
 197.02
 said insured daily loss of \$76.5859 or any part thereof would have been earned had no fire occurred.

6. The Defendants deny each and every allegation of fact set forth in Paragraph 7 of the Statement of Claim herein and deny that the Plaintiff suffered the loss therein set forth or any loss whatsoever, and the several defendants each deny that it is liable to pay the amount set opposite its name in said paragraph 7 or any part thereof. 20

7. In further answer to the allegations set forth in paragraph 7 of the Statement of Claim the Defendants deny that there was a total or partial suspension of business for a period of two hundred and fifty days and further say that any and all property damaged or destroyed by the said fire could have been reinstated, replaced or repaired within a period much shorter than two hundred and fifty days and that the suspension of business, if any, as a result of the said fire was for a period much shorter than two hundred and fifty days.

8. The Defendants deny that the Plaintiff is entitled to any 30
 indemnity whatsoever from them or any of them in respect of the matters set forth in the Statement of Claim or at all.

9. The Defendants will submit at the trial of this action that the Statement of Claim discloses no cause of action.

10. The Defendants deny each and every allegation of fact set forth in paragraph 8 of the Statement of Claim as amended and say that W. B. Crombie therein mentioned, was not at any time an officer, servant or agent of the Defendants or any of them, and if the said W. B. Crombie wrote the letter therein referred to (which is not admitted but denied) or if he was the Adjuster for the Defendants or any of them (which is not admitted but denied), or if he purported to sign the said letter on behalf of the Defendants or any of them (which is not admitted but denied), he had no 40

authority whatsoever from the Defendants or any of them to write or to sign such letter, or to act in any way for them, or any of them, in respect of the matters set forth in said paragraph 8.

DATED AND DELIVERED this 21st day of May A.D. 1932,
by

“W. W. WALSH,”

Of the firm of Walsh, Bull, Housser, Tupper & Molson, whose place of business and address for service is Suite 1500, The Royal Bank Building, Vancouver, B.C., Solicitor for the Defendants.

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No. 12

NOTICE OF TRIAL

TAKE NOTICE that this action has been set down for hearing at the Court House, Victoria, B.C. for Monday, the 30th day of May, 1932, at the hour of 11.00 o'clock in the forenoon or so soon thereafter as the hearing may be held.

DATED at Victoria, B.C., this 2nd day of April, 1932.

“B. H. TYRWHITT DRAKE,”
Registrar

10

No. 12
Notice of Trial
April 2, 1932

RECORD

No. 249/32

*In the
Supreme Court
of British
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In the Supreme Court of British Columbia

Proceedings
at Trial
June 8, 1932

- | | | |
|---------------|--|---|
| Between : | CAMERON LUMBER COMPANY LIMITED,
and
THE MOUNT ROYAL ASSURANCE COMPANY, | No. 337/32

Plaintiff,
Defendant, |
| And between : | CAMERON LUMBER COMPANY LIMITED,
and
HOME FIRE & MARINE INSURANCE COMPANY, | No. 250/32

Plaintiff, 10
Defendant, |
| And between : | CAMERON LUMBER COMPANY LIMITED,
and
IMPERIAL INSURANCE OFFICE, | No. 251/32

Plaintiff,
Defendant, |
| And between : | CAMERON LUMBER COMPANY LIMITED,
and
FIRE ASSOCIATION OF PHILADELPHIA, | No. 252/32

Plaintiff, 20
Defendant, |
| And between : | CAMERON LUMBER COMPANY LIMITED,
and
CANADA SECURITY ASSURANCE Co., | No. 253/32

Plaintiff,
Defendant, |
| And between : | CAMERON LUMBER COMPANY LIMITED,
and
UNION FIRE ACCIDENT & GENERAL INSURANCE COMPANY, | No. 254/32

Plaintiff, 30
Defendant, |

And between:

CAMERON LUMBER COMPANY LIMITED,
and
EAGLE STAR & BRITISH DOMINIONS INSURANCE COMPANY
LIMITED,

No. 329/32

Plaintiff,

Defendant.

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Before the HONOURABLE MR. JUSTICE D. A. Mc-
DONALD and a Special Jury.

Victoria, June 8, 1932, 11 a.m.

10 MR. E. C. MAYERS, K.C., and MR. G. E. FOWKES appear-
ing for the Plaintiff.

MR. ALFRED BULL, and MR. H. ALAN MACLEAN ap-
pearing for the Defendants.

The Jury were empanelled and sworn.

Mr. Mayers opened the Plaintiff's case.

Mr. Bull stated that the fixed charges set up in the Statement
of Claim are accepted.

Mr. Mayers: I will put in the policies, in the order in which
they appear in the Statement of Claim. The first is the policy of
20 The Canada Assurance Company, Number 905,489 for \$2,500;
the second is Fire Association of Philadelphia No. 21,205, for
\$5,000; the third is Imperial Insurance Office No. 2,919,164 for
\$5,500; the fourth is Home Fire and American Insurance Com-
pany of Philadelphia No. 18,988, for \$10,000; the fifth is Eagle &
British Dominions Insurance Co. Limited No. 1,056,590, for
\$5,000; the sixth is The Mount Royal Assurance Company No.
7,000,075, for \$5,000; the seventh is The Union Fire Insurance
Limited No. 4,017,266, for \$2,000—and that Company has changed
its name to Union Fire Accident & General Insurance Company.

30 The Court: They will be marked Exhibits 1 to 7.
(So marked).

LORNE RAY CAMPBELL: Sworn, testified: Examined in chief
by Mr. Mayers:

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Direct
Examination

Q. Your full name, please? A. Lorne Ray Campbell.

Q. You live in Victoria? A. I do.

Q. What is your occupation? A. Accountant for the Cam-
eron Lumber Company.

Q. How long have you filled that position? A. Since 1922,
November.

40 Q. And you were the accountant in 1930—31? A. I was.

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Plaintiff's
Case

L. R. Campbell

Direct

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Q. What was the date when the mill was burnt down? A. February 25th, 1931.

Q. You kept the accounts of the operation of the Wilfert Mill, did you? A. I did.

Q. What is your general system, just explain to me, naming the books that you used for the purpose of your accounts? A. Well, we used various ledgers and analyses books, various journals, supporting them with invoices, payrolls. I could enumerate the books separately, if you care to have that.

Q. Just give me a list of the books that you use. A. We use 10 the general ledger, the accounts receivable customers' ledger, accounts payable, a journal, payroll, cash receipt book, cash disbursement book, sales analysis, trial balance books.

Q. What is the book in which all the entries are finally reflected? A. General ledger.

Q. Who balances the general ledger? A. I do.

Q. Who balanced it in 1931? A. I did.

Q. Now, I am going to take each of these items separately, and get you to prove them.

Mr. Bull: My lord, I think I should take objection now; my 20 learned friend has delivered particulars with his Statement of Claim, which tends to show the result which my friend has explained to the jury, that is the result of the Wilfert mill operations, and then, by applying to that statement extra costs which had been incurred in the operation and sales of power and by-products which would have been earned if the fire had not occurred, attempts to show that the overhead was earned during this period. Now, I must object to evidence along that line, on this ground: I do not think your lordship has seen a copy of the policy, and perhaps the Registrar would be good enough to hand 30 one up.

The Court: Which one?

Mr. Bull: Any one. The endorsement of the policy—the whole policy is really contained in the typewritten part attached there; the printed words have really nothing to do with it; it is all there. Your lordship will see that under Number 1 they are insured against such fixed charges and expenses as must necessarily continue during the total or partial suspension of business, to the extent only that such fixed charges and expenses would have been earned had no fire occurred. Then, under total suspension 40 clause, which I am going to deal with—or under partial suspension clause—and in fact the conditions are the same (reading the clause). That means, I am going to submit, and I think it is quite correct, that in order to prove what would have happened if the fire had not occurred, they must demonstrate to the tribunal trying the issue, what was the actual expense before the fire, that is over a

given period before the fire, in the operation of this particular mill, and the probable experience after the fire. That is to say, they would have to show by production of their accounts for a period before the fire, what the result was as to their having earned, or not having earned their overhead. Now, that is the experience before the fire. And then they would have to show by a reference to what had happened before, and any changed conditions which occurred after the fire, what the probable experience would have been in this identical mill if the fire had not occurred. And I am going to submit to your Lordship that it is not a compliance with the policy to show what occurred at some totally different operation—that is at the Wilfert mill. Therefore, I object to any evidence being given as to what occurred by reason of this operation at the other plant. And I might as well make the objection now; because I submit that my learned friend is following the wrong course.

The Court: Your objection is on the notes—but I do not think I should exclude the evidence. I cannot hold that it is not admissible.

20 Mr. Bull: But I must take the objection now at the outset, before my friend goes on.

The Court: Yes.

Mr. Bull: As to the statement itself, I shall object to that going in unless it is proved by the man who prepared the statement.

The Court: He is the accountant.

Mr. Bull: Yes, but I do not think he prepared that statement.

30 Mr. Mayers: Are you considering the putting in of the statement?

Mr. Bull: No, I am not going to consider the putting in of the statement.

Mr. Mayers: I am going to prove each item.

Mr. Bull: Very good.

Q. Now, I want you to first tell me the period we are considering. What period is it we are considering? A. The period of ten months following the fire.

Q. That is the last ten months of the year 1931? A. Correct.

40 1931? The Court: That would begin really with the 1st of March,

Mr. Mayers: Yes. Tell me the sales for that period. A. Sales for the ten months were \$315,556.73.

Q. Are there any deductions to be made from that? A. Yes, there are.

Q. Consisting of what? A. Consisting of various allowances, discount and exchange.

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Q. Amounting to what? A. \$6,366.36.

Q. Leaving a total? A. Of \$309,190.37.

Q. Now, as against that, or in addition to that, had you stocks on hand at December 31st, 1931? A. Yes; we had stocks on hand, December 31st, 1931.

Q. Amounting in value to what? A. \$157,105.

Q. And the total of those two items is what? A. The total—I don't quite get your question.

Q. The total of the sales and the stock on hand at the end of the year make how much in dollars? A. Five Hundred and 10 Eighty Thousand—

Q. No—it is just adding together the last two figures. A. I am not quite sure of which statement.

Q. I just want you to tell me—it is a matter of arithmetic—the total of the sales amounting to \$309,190.37 plus the value of the stocks \$157,105—just add those two figures together.

The Court: Gentlemen of the Jury, you need not in the meantime—of course you could not possibly, without a pencil and paper, keep the figures; do not worry about these figures in the meantime, because you will get them all later. They have to 20 prove them first. What you want to get is the main drift of the evidence, of the facts. A. The total of the sales, and the stocks, \$466,295.37.

Q. Yes; and from that amount you deduct what, in order to reach your gross trading revenue? A. Deduct stocks on hand March the 1st.

Q. 1931? A. Yes; \$234,549.43; purchases \$126,529.88; wages \$64,307.80; scowings, towing and wharfage, \$5,706.49; making a total of \$431,093.51.

Q. And your gross trading revenue then, you say? A. 30 \$35,201.86.

Q. Now, your sundry revenue for the 10 months in question? A. Sundry revenue amounting to, rents \$425.23—

The Court: What would that be for? A. That is for the rents, your Honour, of the apartment house that we have here in the mill, where the Orientals reside; and one other piece of property on the mill where the Orientals reside—the same.

Mr. Mayers: The next item. A. The next item is log splitting, \$290.86; foreign exchange \$276.53; sales of power \$285.72; dividends \$118.50; making a total of \$1,396.84. 40

Q. And the total of the gross trading revenue and your sundry revenue? A. \$36,598.70.

Q. Now, give me the expenses. A. Expenses—selling expenses \$10,005.44; advertising \$1,147.64; administration \$13,557.71; interest on loan \$1,512.95; office \$3,624.26; debenture interest and expense \$1,631.25; postage and excise \$359.68; tele-

phone and telegraph \$929.01; insurance and taxes \$11,478.08; repairs and supplies \$26,895.74; accident insurance \$1,877.37; power \$12,229.13; miscellaneous \$3,214.79; bad debts \$25.28. Making a total of \$88,490.33.

Q. And the loss. A. Loss for the 10 months ending December 31st, 1931, \$51,891.63.

Q. Now, give me the items of expense which were incurred in excess of the customary costs due to the fire. A. Towing logs from Cameron to Wilfert mill, \$300; towing lumber, 6,360,284 feet from Wilfert to Cameron mill for manufacture, and scow rental, \$4,618; handling lumber at Cameron mill from dock to mill machines, 6,360,284 feet at \$1 per thousand, \$6,360.28; extra planing mill costs due to running at partial capacity \$5,511.51; special fire expense, establishing re-saw, conveyors, etc., \$2,102.18; extra power costs; power purchased \$595.20; cartage on wood and sawdust from Wilfert mill \$1,990.

The Court: What was that? A. Wood and sawdust \$1,990.

Mr. Mayers: That is cartage on the wood and sawdust? A. Yes. Labor on wood \$685.55; sawdust purchased \$54. That makes a total of \$3,324.75, for the extra power costs. Making the sum total of the expenses incurred above customary cost, due to the fire, \$22,216.72.

Q. Would those costs have been incurred if the Cameron Lumber Company had been operating its own mill at Garbally Road? A. No.

Q. Now, deducting those extra costs from the losses, what does it come to? That is the loss on this Wilfert operation? A. That makes the loss for ten months after excluding excess fire costs of \$22,216.72, \$29,674.91.

Q. Yes. Now, pass on, will you, to the revenue from these subsidiary sources, giving me the comparison between 1930 and 1931? A. Comparison of revenue from sundry lumber by-products, wood and sawdust revenue 1930, \$28,201.80; costs \$7,304.93; net profit \$20,896.87. Wood and sawdust revenue 1931, \$9,553.38; costs \$2,701.90; net profit \$6,851.48. Lath: Revenue, 1930: \$10,050.46; Cost \$5,263.73. Net Profit, \$4,786.73. Lath, year 1931: Revenue \$4,651.44; Cost, \$2,312.13; Net Profit, \$2,339.31. Teaming—

Q. Well, teaming is not exactly appropriate, is it? A. I would call that delivery—1930: Revenue, \$6,166.80; Cost \$5,002.94; Net Profit, \$1,163.86. 1931: Revenue, \$3,530.94; Costs, \$3,338.31; Net Profit, \$192.63. Rents 1930: Revenue \$4,203.80; Cost, \$404.48; Net Profit \$3,799.32. 1931, Rents: Revenue, \$1,098.00; Cost \$330.90; Net Profit, \$767.10. Shingles, 1930: Revenue, \$14,929.79; Costs \$13,897.36; Net Profit, \$1,032.43. Year 1931, Shingles: Revenue \$25,302.99; Costs \$21,931.07. Net Profit,

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\$3,371.92. Sashes and Doors, Year 1930: Revenue, \$10,373.63; Costs, \$9,429.41; Net Profit, \$944.22. Year 1931, Sashes and Doors: Revenue, \$4,981.26, Costs \$4,688.17; Net Profit, \$293.09.

Q. Now the net revenue for the year 1930 was what? A. \$32,623.43.

Q. And the net revenue for the year 1931? A. \$13,815.53.

Q. And the decrease in revenue for the whole 12 months? A. \$18,807.90.

Q. And decrease in revenue for the last 10 months of the year? A. \$15,673.25.

The Court: What did you do, did you just take that proportion?

Mr. Mayers: How did you reach the decrease for the 10 months? A. Decrease for the 10 months is proportionate.

The Court: You took 10/12ths of the \$18,000? A. Yes, sir.

Mr. Mayers: I am going to prove the power by another witness—Assuming that the loss of revenue for power was \$17,256.95, what is the ultimate result for the last 10 months of 1931, had you been able to use the Cameron mill with the resultant possibility of obtaining revenue from subsidiary sources and power contracts? A. A probable profit of \$3,255.29.

Q. Now there are one or two items in this Sundry Revenue I think you can explain—Why was there a drop in rents? A. Drop in rents—For the reason that we did not have the same amount of tenants.

Q. And that was due to what? A. That was due to not being employed in the mill, it having been destroyed by fire.

Q. That is your tenants in 1930 were your Oriental labourers? A. Yes.

Q. Employed in the saw-mill at Garbally Road? A. Right.

Q. And when that was burnt you discharged the labourers? A. Right.

Q. And therefore the number of your tenants in 1931 was diminished by the number of labourers you let out? A. Right.

Q. Just explain the item for delivery? A. Delivery is a charge made for hauling lumber to destination, lumber sold.

The Court: That is if you sold lumber at \$14.00 a thousand, did you charge the purchaser for delivery? A. We charged the purchaser. The lumber is sold f.o.b. our mill, the mill price. We make a delivery charge for delivering that lumber to its destination.

L. R. Campbell
 Cross-
 Examination

CROSS-EXAMINATION BY MR. BULL:

Q. You have been reading from a document there, have you not, Mr. Campbell? A. Yes.

Q. What is that, may I see it? A. Yes—those three statements following there.

Q. What in fact you had before you is a copy of the particulars which were supplied with the Statement of Claim, is not that so? A. It is a statement of the 10 months.

Q. Ten months operations? A. Ten months operations.

Q. Who made up that statement? A. I am not prepared to swear who made it up. I believe Mr. L. A. Grogan.

Q. Who is Mr. Grogan—he is a chartered accountant, is he not? A. Chartered accountant who acts as auditor for the Cameron Lumber Company.

Q. You believe he made up that statement? A. I am under that impression.

Q. You did not make it up? A. I did not make it up.

Q. So the evidence you have given of these figures is taken from a statement made by someone else? A. I did not make it myself.

Q. You are taking these figures as correct? A. No, I have checked every item. It agrees with my books.

20 Q. You have checked every item you have spoken of in evidence here? A. Yes, it agrees with my ledger figures.

Q. And you are prepared to discuss each and every one of these items, are you? A. I am.

Q. Now I want you to refer first to Sheet 1—you have that? A. Sheet 1, yes.

Q. You refer to the sales as being \$309,190.37. Do you say that is correct? A. That is correct.

Q. That includes everything, does it? A. Includes the sales, yes.

30 Q. Do you know anything about an item which is included in that amount which should not be there, of \$2007.09, which I might explain to you is a credit resulting from the sale of cross arms—you might tell the Jury what cross arms are, will you? A. Cross-arms are manufactured product from lumber, and they are used for stringing wires. You will see them on telephone poles. They are the cross arms which go across the original poles.

Q. And the Cameron Company dealt largely in that product, did they not? A. Dealt largely, yes.

40 Q. Your records show that in the month of December, 1930, a sale was made to the Northern Electric Company, amounting to \$3,544.20—You remember that item? A. Yes.

Q. It did not appear in the inventory, did it? A. It did not appear in the inventory.

Q. And that was a mistake, was it—it should have been included in the accounts receivable, should it not? A. I cannot say that it should be.

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Q. Who could tell me that, Mr. Grogan? A. The item of \$11,000 on the cross-arms is an item which we received when these cross arms are manufactured and delivered. I would like to be able to look at that figure, if you will give me a moment.

Q. Perhaps you will agree with this—

Mr. Mayers: Perhaps your Lordship will tell the witness he is entitled to have before him any figures counsel puts to him.

The Court: Mr. Bull is not objecting to that.

Mr. Mayers: Have all the books and papers you want—it is a bad thing for a witness to agree with counsel. 10

The Court: He is not going to agree with him.

Mr. Bull: I may tell you what my records are—\$3,009.90, that includes the statement of \$2,070.09. In that month or in the previous month the company sold cross-arms to the Northern Electric Company, charging them 80 per cent. of that value and leaving the amount of \$11,445.20 to be paid when completed. Can you agree with that, or would you like to look up your record? A. I can look that up in just one moment. The question—the \$11,445.20 would be obtained when these cross-arms were shipped.

Q. Well, that is hardly an answer to my question. Do you 20 agree that that amount of \$3,009.90 should be diminished by the sum of \$2,070.09? A. The sum of \$2,020.09 was the sum derived from the revenue of these cross-arms when shipped.

Q. And therefore should be deducted from that figure of \$3,009.90 to give the true revenue? If you can agree without troubling the Jury with a long explanation about these cross-arms that that should be diminished to that extent, then we can get on to something else? A. No, that is an actual sale for the 10 months, I cannot see why it should be taken out from the sales. In the book record it stands as my book record and put in there as a sale 30 in the period under review. I should not say it should be taken out.

Q. We are dealing with sales for the period ending December 31st, 1931. You have given us the gross figures of \$309,190.37. I have drawn your attention to \$2,070.09, which I suggest to you should be deducted from that \$309,190.37, because it was not a sale in that period? A. The labour and manufacture of these cross-arms went through that period and that is what we are obtaining the revenue for.

Q. I am putting it to you that these sales were made in 40 previous months and should not appear there any more than any other sale for the previous months of 1930? A. That represents a portion of the 20 per cent. that was due.

Q. The sale of these cross-arms when shipped came into your revenue during that period—it should all be charged in December, 1930, should it not? A. We are not entitled to receive

money until these cross-arms were actually manufactured and shipped.

The Court: Perhaps you could get it this way: What is included in that \$309,000? A. The actual sale of products.

Mr. Bull: Where is that made up? Where is that statement which you have got there?

The Court: Had you actually sold and delivered \$309,190.37 worth of lumber in this period? A. (Shown).

Mr. Bull: Where is that taken from, your general ledger?
10 A. General ledger.

Q. Is there an account in that ledger that shows this total of \$309,000? A. Oh, yes.

Q. You are referring to what account? A. To manufactured material bought for cross-arms, planks made into cross-arms—prior to December 31st, 1931, the ledger shows \$2,185.09, February 28th—\$115.00, making a figure of \$2,070.09.

Q. May I say this—this is the figure you are dealing with?
A. That is the figure you were dealing with.

Q. Now, I am instructed this figure that you have given me,
20 \$2,185.09, is the final 20 per cent. due on these cross-arms that were sold in the period prior to the opening of your statement? A. That \$2,185.09 is the payment from the Northern Electric for these cross-arms shipped during the 10 months under review. There were still payments to be received from them on that contract.

Q. It does not matter when they were shipped, when were they sold.

Mr. Mayers: Does my learned friend mean when the contract was made? A. The contract was made with our sales manager, Mr. Miller. He will be available to answer that question.
30

Q. Mr. Miller will be available to answer? A. He is in Court.

Mr. Mayers: I am going to call Mr. Miller. You misunderstand the whole thing.

Mr. Bull: I think perhaps my learned friend misunderstands.

Q. This was the subject of correspondence between you and Mr. Barrett Lennard. Has my friend got the letter Mr. Barrett Lennard wrote Mr. Grogan on November 19th?

40 Mr. Mayers: No, have you a copy.

Mr. Bull: Yes, and Mr. Campbell's reply. Perhaps we can have copies made at noon and put them in if my friend has not got the original, and we can go on to something else. Now I want to go to the next item in your statement, Sheet 1, that is Stocks on hand December 31st, 1931: \$157,105.00? A. Yes.

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Q. How is that made up? A. Made up from actual inventory.

Q. Have you got the inventory? A. The inventory is typed and part of this statement, December 31st, 1931. I have the inventory here.

Mr. Bull: I don't want to encumber the record any more than I can help, my lord. If I put that in that is a very long statement—as long as I can have access to that to get the composition of the inventory—that shows the composition of the inventory? A. That shows it. 10

Q. That will be available—in computing the value of that inventory \$157,105.00, you have taken the fixed price of the lumber on hand? A. We have—\$15.00 per thousand.

Q. That bears no particular relation to the cost of production does it? A. No, no particular relation.

Q. In fact that is an arbitrary figure, which it has been your custom to use? A. That is right.

Q. A very conservative method when you are informing your shareholders of the position of affairs? A. Yes, \$15. is a very conservative price. 20

Q. But when you calculate actual profit or loss, it would not be proper to take an arbitrary figure, would it? A. To take the arbitrary value?

Q. I say, when you are trying to ascertain actual profit or loss, it would not be proper to take the arbitrary value of \$15.00? A. No.

Q. Do you agree that the proper basis to work on would be the cost of production? A. No, I do not. We price our inventory and show the difference between the book valuations and the actual inventory. It is based on different prices than \$15. and the statement we show is different, a different valuation from what we carry on the books. We price the inventory, but that does not go into the books. 30

Q. You have some other record showing the valuation in the inventory, other than the arbitrary fixed value of \$15? A. We have.

Q. Where is that to be found? A. That is in a statement we have here of December 31st, 1931. We have that filed in the statement.

Q. Would you state what the difference is. What valuation do you put on the inventory of the stock on hand on December 31st, 1931—the end of the 10 months duration? 40

The Court: That is what you are going to tell us now is arrived at by looking at the actual cost of production. A. The one I am giving you now is based on the priced selling value at that time, less the cost of moving it from the yard and shipping it,

and that price is given us by Mr. Miller, our sales manager, who is familiar with the figures.

Mr. Bull: Do you mind telling me the price on December 31st, 1931? A. \$158,088.73—total of logs, lumber, laths, shingles and box factory.

Q. But you are referring to lumber—the same figures here? A. \$158,088.73. The book value shows \$157,105.

Q. Now the second values you have given of \$158,088.73, is based on market values, less the cost of moving them out? A. Yes.

10 Q. And no relation to the cost of production? A. No.

Q. And you have never used in that the cost of production? A. No.

Q. Do you think that is the proper way to do it in good accounting? A. Some use one method and some another.

Q. Do you know what the cost of production was of the stock on hand, December 31st? A. No, I would not be prepared to price that inventory at cost of production.

20 Q. Well, who can give the cost of production during the year 1931? A. That would be a very difficult matter, I don't know of anyone that could.

Q. I don't refer to each item, but I understand you have records which show during different periods what your cost of production is by your output as a whole, have you not got that? A. Yes, we have various costs.

Q. What is that particular record? A. We have a cost statement.

Q. You have a cost statement? A. Yes.

30 Q. What were your costs during the ten months period, ending December 31st, 1931? A. Well, I would have to know particular items in respect to that. I have expenses here shown on that statement of \$88,000.

Q. Perhaps you don't follow me. You put your inventory prices in at \$15 at the beginning of these operations and again at the end? A. Yes.

Q. You say that is an arbitrary value and no relation to cost of production or market value? A. No.

Q. Are you prepared to say what the cost of production was instead of \$15.00, what was it during 1930? A. Total value of the lumber sold.

40 Q. No—I am afraid you have not got the point.

The Court: No—In your statement you base it on this, that it cost you \$15.00 to make every thousand feet of lumber. Now, Mr. Bull is asking you, that being the arbitrary cost, what was the actual cost—\$14, \$9 or \$20.

Mr. Bull: Is that a matter that comes under your department particularly? A. Total value of lumber, \$15.54.

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Q. What does that represent? A. I get that from an operating statement for the month of December, 1931.

Q. An operating statement? A. Yes.

Q. Did you prepare the statement? A. Yes.

Q. From what books? A. From the general ledger.

Q. Now this item of \$15.54? A. That is the average per thousand for one month—I am not quite clear on this question.

Q. Well, is there anyone else with the Cameron Company who would have it clearly in their minds? Now this is what I want to know: The total cost of manufacturing, including logs, for the year 1931? A. The total cost of manufacture, including logs—\$20.63. 10

Q. I suggest to you that your own statement shows that it was \$29.70, is not that correct? A. That is for one month; I am giving you \$20.63 for 12 months.

Q. \$20.63 would be the average cost of production during the year 1931? A. During the year 1931.

Q. Now let us go back a moment to the opening inventory that is shown in your statement of—on hand, March 1st—\$234,549.34? That is based on an arbitrary value of \$15.00? A. That 20 is right—the lumber.

Q. There are other items besides lumber. I am taking the stock on hand, March 1st, 1931 of \$234,000 odd? The lumber in that is based on an arbitrary value of \$15.00? A. That is right.

Q. Not market value, etcetera? A. No.

Q. What would be the actual cost of producing that lumber at the Cameron mill in February, 1931?—Do you agree with this, that the cost of manufacturing for the month of February, according to your statement was \$19.01 per thousand? A. For one month, February alone, yes. 30

Q. And the average for the months of January and February, 1931 was \$18.99? A. Yes.

Q. Then if you go back a few months before that, say, February and January of 1931, December and November of 1930, the average cost of production was \$20.34—is that correct—beginning from November 1930, until January and February, 1931, including November and December, four months, the average would be \$20.34. Now subject to your checking that up—

The Court: The last two months of '30 and first two months of '31, Mr. Bull says it was \$20.34.

Mr. Bull: Perhaps you have not these figures averaged as I have? A. No. 40

Mr. Bull: Possibly you could do that during the luncheon interval.

The Court: Don't say if you don't know, witness. Be sure.

Witness: I have not averaged the four months that you mention.

Mr. Bull: These statements are extracts from your books, giving the quantities, which you can check up and state whether you agree with that figure of \$20.34—

Q. Now just leave that for the moment—the average for January and February, which you will agree is \$19.00—then in order to find the true position with regard to your opening inventory, you must discard your arbitrary value and fix something
 10 else. When you are going to find profit or loss you must get some figure which bears some relation to the cost of production? A. With regard to pricing in the inventory, I agree with our method of pricing that—I agree with our method of pricing that, not for the actual book valuation but for the inventory in which we price it.

Q. For the information of your shareholders that is the correct way to do it? A. The method we follow on the inventory is a proper method.

Q. It is a conservative method? A. You are speaking of
 20 the \$15. method, and I am speaking of the other method on which we priced our inventory on selling list.

The Court: He is giving you two methods; then he says I have another way—\$158,000. Now Mr. Bull suggests a third.

Mr. Bull: It all comes to this, my lord—what he has given the Jury is \$15.00.

The Court: Quite so.

Mr. Bull: Q. Now this statement purports to show a certain amount of profit and loss? A. Yes.

Q. You have taken this at \$15.00? A. Yes.

Q. And we have been shown it costs \$19.00—taking Feb-
 30 ruary and January, 1931, the average is \$19.00?

The Court: \$18.99, according to the figures. A. That is according to the figures we have written off, concerning manufacture and cost, but there is other things that go on. That statement you have given is correct as I compiled it.

Mr. Bull: Your record in January and February, 1931, is \$19.00? A. Yes, total cost of manufacture, including logs.

Q. Then you are going to see if you cannot agree with my statement that it was 25c higher—but it is quite clear that that
 40 opening inventory, if you base it on actual cost of production, would be much greater than \$34,000, would it not? In fact I will ask you if you agree with this? Taking the price of \$19.00 as the cost of production and an opening inventory of? A. 10,999,340 ft.

Q. In addition to the sundry stock, the total would be \$278,514.73.

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The Court: That is working on that \$18.99.

Mr. Bull: Taking \$18.00 which is lower than the preceding months in either yard. I am giving them the benefit of the final figure before these operations start.

Witness: That represents inventory, which was different.

Mr. Bull: This opening inventory.

The Court: Instead of \$234,549.34, it is suggested if you take the price at \$19 that figure should be \$278,514.73.

Mr. Bull: You have the quantities you have on hand. It is a matter of working it out? A. Yes, at a different figure. 10

Q. Now of course your statement is proper and put forward on the basis of opening and closing inventories, is it not? A. Yes.

Q. So it is very important to find out the true value. That is correct? A. I am always inclined to be very conservative on the prices of them.

Q. Yes, as far as your shareholders are concerned, but I don't want you to be too conservative as far as the insurance companies are concerned. A. We price the inventories on our basis and show whether it is in excess of our book inventories, or whether it is under our book inventories. As a matter of fact it is 20 in excess.

Q. As far as your claim in this action is concerned be—before this Jury, you have put forward the value of your inventories at \$15? A. That is right.

Q. And I am suggesting to you, and am going to suggest to the Jury later that as far as my clients is concerned we are entitled to have these things fixed at their proper figure. A. This is a difference of opinion as to the inventory. I would not care to say that any figure in it is a proper figure—I would not care to say that the method you suggest is a proper figure.

Q. One other thing—we have—you have shown that in the last two months the Cameron mill was operating, the average 30 cost of production was \$19. Are you prepared to say what that cost of production would have been, having regard to all existing conditions, after the fire, if the fire had not occurred? If it cost \$19. per thousand in February, 1931, can you show what it would have cost, if the Cameron mill had not been burnt, to produce the same stock in the next ensuing ten months? A. No, that is a probability that nobody could give an accurate figure on.

Q. Why not? A. The saw-mill is not there, it does not 40 exist in actual operation.

Q. The cost of production is based on certain factors. A. Yes.

Q. State what they are? A. Production, what your labour would cost to make that up.

Q. There is the price of logs? A. Yes, manufacturing expenses, labour, supplies and repairs, fire insurance, accident insurance.

The Court: All fixed charges, I suppose? A. All fixed charges and general expenses.

Mr. Bull: Say whether you agree with this—would this be correct as a statement of the opening operations giving instead of this figure of \$18.99 for January, 1931, logs \$12.27? A. I will look that up—January, 1931.

10 Q. 1931, yes—January and February, I think? A. Yes, I have that.

Q. Logs, \$12.27—is that right? A. That is right.

Q. Labour, \$3.69? A. Right.

Q. Supplies, \$1.39? A. Right.

Q. Insurance, 50c. A. Yes.

Q. Accident insurance, 14c? A. Yes.

Q. General administration \$1.00? A. Yes.

Q. Making a total of—? A. \$18.99?

A. Total of \$18.99—two months of January and February,
20 1931.

Q. Now you are able to state from your records the relative prices of all these parts after the first March, 1931, are you not?

A. After the 1st March, 1931—from actual records, yes.

Q. Take logs? A. Yes.

Q. Can you state now what the price of logs was relatively to the \$12.27? A. I could give you any month you care to have that after that period.

Q. Can you give me the remaining average for the remaining months of 1931? A. I could give you that average. I could
30 not give it to you off hand, I have to compute it.

Q. You could get that during the lunch hour? A. Yes.

Q. The labour, would you have that prepared too? A. Yes, for the ten months.

Q. There were two drops in labour in 1931? A. Yes.

Q. What was the first one?

The Court: Well now, the witness has to look up several things—look up as much as you can during the adjournment. You take that list by which that \$18.99 was made up, taking logs at \$12.27, labour at \$3.69, supplies \$1.39, insurance 50c, accident
40 insurance, 14c, and general administration expenses at \$1.00. That list then with your \$12.27 tells what would be the average price of logs during the ten months under review, and your \$3.69 tells what labour swing you can get.

(The Court adjourned to 2.30).

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Wednesday, June 8th, 1932; at 2:30 p.m.

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CROSS-EXAMINATION OF CAMPBELL, continued:

Mr. Bull: Mr. Campbell, going back to the opening inventory, for a moment, you were going to check up on the average cost of production over the four months ending February, 1931. Did you do that? A. Yes.

Q. What is the figure? A. The average cost of production, on the figures you have given me are \$20.30.

Q. That is near enough—I had \$20.34. A. \$20.30.

Q. Now, have you also computed the opening inventory at \$19; have you checked my figures on that; I gave you \$278,514.-73? A. I have checked your figures at the \$19, and they come to \$278,514.73. But I didn't agree with the \$19.

Q. Yes, you have already said that. Now, I leave the opening inventory for a moment, and go to the closing inventory. And I asked you before we adjourned, this is on the basis of your continuing in business in the Cameron Lumber mill if the fire had not occurred? A. Yes.

Q. Whether there was any drop in the cost of production after the 1st of March, 1931. I gave you certain basic figures there, of 1929. A. Yes.

Q. That being the January and February average, logs, labour, and so on. Now, after the 1st of March, 1931, there was a drop in the cost of labour. First, let us deal with logs. \$12.27 was the figure which I gave you. Was there a reduction in that price after the 1st of March, 1931? A. \$12.27 is the first figure for two months to February, 1928. Taking the figures for 10 months period after that?

Q. Yes? A. Yes; there is logs, \$10.20.

Q. \$10.20? A. Yes.

Q. And labour—there were two cuts, were there not? A. \$5.67.

Q. No, I am referring now to \$3.69, the cost of labour at the Cameron mill in February, 1931; were there some reductions in the price of labour after the 1st of March, 1931? A. Yes, after the 1st of March, yes, there was.

Q. There were two cuts, were there not? A. After that time—I have not been able to look that up; there was a cut in January, and I know there was a cut in June. Our timekeeper is very much more familiar with the payroll than I am.

Q. Do you know from your records whether there was a ten per cent cut in March, 1931, followed by another cut of ten per cent in June, 1931? A. I have not been able to check that up.

Q. I think the first one was in February, 1931, ten per cent,

and a further ten per cent in June. Who would be able to tell me?

A. Our timekeeper.

Q. What is his name? A. Crompton.

Q. He can give that? A. He can give that. I could get that by consulting my records, only it takes a little time to go through those; if he was here I could check them up much faster with Mr. Crompton.

Q. Perhaps we can agree on it; this figure of \$3.69 would be reduced in the period we are referring to? A. Yes.

10 Q. By ten per cent, at any rate? A. Yes; not on the same basis of the comparison, it would not be reduced.

Q. How do you mean? A. Because this is put through—the figures, costs per thousand, is put through on the basis of production. Naturally when our mill was running our production was much greater than the production which we had after the fire. Our production materially dropped after the fire; with the consequence that it would make our average price much higher.

Q. That might be a matter of argument. A. That is, the figures that we have under review deal and show that, to that effect. Because they are based on production. That is to say, the logs that are cut and produced.

Q. I know; but I am not dealing with that at all. A. You are saying that there would be—it would be less than that \$3.69.

Q. Just a moment; I started this examination by stating this. I want you to forget for the moment the mill was burnt at all, you see. A. Yes.

Q. We have your costs for 1929, immediately before the fire. A. Yes.

Q. Just assume the mill was not burnt; on that basis—and we have logs at 10.20 instead of 10.27, a ten per cent cut in labour.

A. Yes.

Q. And the same thing applies, ten percent. cut in supplies? A. Well, there would be a cut in supplies, I couldn't definitely say it would be ten per cent. Some things are cut and some things are not cut.

Q. What would you from your experience say that that cut would be? A. I would have to think that over a little.

Q. I might be right then to put down first 10.20 for logs?

A. Yes.

40 The Court: 3.33 for labour, at ten per cent.

Mr. Bull: The labour would be 3.33, for labour, is that right, ten per cent off? A. Take ten percent if it was 3.33, yes.

Q. Then, the supplies, there would be some reduction? A. Some reduction would be, yes.

Q. You would say ten per cent, would that be fair? A. Well, I am not in a position to state ten per cent.

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Q. Well, let us put it at ten per cent. Take 13 off, we will say. A. 1.26.

Q. 1.26. And the insurance would remain the same, and accident insurance the same, wouldn't it, 15 and 14? A. There would be no reduction.

Q. And general administration, would there be a ten per cent reduction in that? A. No.

Q. Would there be any reduction? A. I don't think there would be any reduction—there would be payroll reduction in that, yes—there would be some reduction in that.

Q. Well, leaving that as it is, we have then the cost of production based on these figures at 16.43. Would you say that would be fair—on the assumption that the mill had continued to operate? A. No, I couldn't say that; I would have to have some time to think and figure, and if I thought it was ten per cent less—I could not agree on that ten per cent, I wouldn't necessarily agree on that ten per cent., I haven't thought that over.

Q. Which ten per cent you are not agreeing on; is that the price of logs? A. Yes.

Q. Could you agree at ten per cent of the cost of labour? A. Labour—the supplies I couldn't say for the supplies, you see.

Q. The supplies only amount to 13 cents, anyway? A. Yes.

Q. So that then, not conceding supplies—you add that on again, that would be 15.56, wouldn't it? A. Yes.

Q. And you say, then, that that was a fair figure to pay as the cost of production, average over the ten month period ending December, 1931, had the Cameron mill continued to operate? A. Yes, I presume that would be fair. The question of logs, though—ten per cent coming up again on those logs—the market value of those logs receded, and I would not be prepared to say that that was a ten per cent.

Q. But I am not dealing with ten per cent., but dealing with the figure you gave me of 10.20. A. 10.20—yes, that is right.

Q. That is right. So that in your closing inventory in December, 1931, where you have put the valuation of the arbitrary figure of \$15— A. Yes.

Q. —if I allow you \$16.56 on that, that is in your favour. I mean, this is being consistent. If I put that opening inventory in at the cost of production, at \$19. which is greater naturally than \$15. and put the closing production on the same basis—the closing inventory and the cost of production on the same basis, at 16.56, that is being fair to you, isn't it? A. No, the inventory being priced at a \$15 figure at the start of the period, being priced at the same figure \$15. at the end of the period, provided that \$15. is not beyond the cost, is not beyond what you could obtain at a

market value of your product, I claim that that is the way to price an inventory. It is uniform; it is priced at \$15. at one time, it is priced at \$15. at another time. Your cost of production in one month may be a certain figure, but that does not establish an inventory figure, because that inventory has in it lumber that has possibly been there for three to four years; and any figures of cost in a few months would not establish an inventory valuation. I cannot see it, because the lumber has been in the yards, for some of it for three to four years.

10 Q. I don't want to get into an argument with you, Mr. Campbell, on this question of inventory price. A. I cannot admit that figure as being the proper figure for inventories.

Q. But you do take \$15. as being a correct figure to put on the opening and the closing of the inventories? A. Yes, both opening and closing inventories.

Q. Although that figure has no relation to the cost of production or the market value? A. No, that figure would be below what you could obtain from your lumber. My idea of the inventory is, that your lumber is in the yard there, the cost is a certain amount of money, but you could not go out and sell that lumber at that cost; then why price it at cost? The lumber is only worth what you can actually sell it and get for it at the time.

Q. If you were trying to find out the actual situation with regard to profit and loss over a given period, and the cost of production had dropped to \$10., would you still put your opening inventory at \$15? A. If my opening inventory was lower than what I could actually get for my lumber, selling it, I would have my lumber at that figure. I maintain that the inventory price should be slightly below what you can actually sell your product for, at the time that you take the inventory. Of course that is all it is worth, what you can get for it.

Q. What you mean it this, that for the internal purposes of the Company, that is the information of shareholders, income tax authorities, and that sort of thing, it makes no difference at all, as long as you keep your inventory price at the same arbitrary figure? A. Yes; it is below the selling.

Q. Below the selling? A. Yes.

Q. That is what you mean, it makes no difference in that aspect? A. Makes no difference.

40 Q. But I suggest to you that it makes a big difference when you are trying to ascertain over a given period exactly what you lost or how much you made. Now you will agree with that? A. I would price the inventory in that case at exactly—take it in the yard, a certain price in a yard, rough product in the yard, to allow for whatever manufacturing has to be done on that product, and shipping of that product, the price that you could obtain for that

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product at that time, I figure that that is all my inventory is worth is what I can sell it for. And that would give you a better profit. That would give you—to show to anyone, to my mind, a more correct aspect of the profit.

Q. Surely you can agree or disagree with me in one or two words. When you are trying to ascertain the true position over a certain period, must you not take the opening and the closing inventories, particularly the opening one, at the cost of production, and the closing inventory at the cost of production or market value, whichever is lower? Now, that is to find out the true position. A. I don't agree with that. I cannot agree with that. 10

Q. And you think you have stated your reasons for that have you? A. Yes. My opinion, the inventories are priced on a basis of what you could obtain for them at the time those inventories are taken, what the market value is if you want to sell them and convert them into cash.

Q. Well, if that were so, the price would vary from time to time. But you have always taken the same figure, \$15. A. We have taken that for my back inventory, \$15.

Q. Over a period of years? A. Over a period of years. 20

Q. How long? A. Well, taken that ever since I have been with the Company.

Q. That is since 1922? A. Yes.

Q. And in that period the price of this stock has fluctuated from year to year, hasn't it? A. Yes. We don't take our inventory for back valuations only on the \$15.

Q. And I think this is quite clear, that this statement that you have made up according to sheet 1 of the particulars is on that fixed arbitrary value of \$15? A. That is quite clear.

The Court: Do you go so far as to say, when you are ascertaining your profit over a given period, you take no concern with your cost of production? Do you think that is something with which you have nothing to do? A. Well, if your lumber cost you more money than what you could obtain for it. 30

Q. No, no, just answer that question one way or the other. If you are ascertaining the profit or loss over a given period do you say that you can ignore your cost of production? A. No, your cost of production, you could not.

Q. I understood you to say that it didn't matter. A. No; I ignored it in pricing inventories. 40

Q. He is talking about the profit and loss. A. The cost of production would have to come in on your costs.

Mr. Bull: Yes; in order to find the true position you must take the cost of production. A. Right.

Q. All right. Now I think we can leave that. Now the next thing with regard to your statement, which shows a loss for the

ten months of 51,891.63, you state at the foot of that statement that that excludes the depreciation; that is correct, isn't it? A. Yes.

Q. In other words, during this ten months period you have made no allowance for depreciation, have you? A. No.

Q. In the previous year I believe you allowed—you can correct me if I am wrong—\$29,184.16; is that correct? A. I will just check that.

Q. I think it was 1929. A. I was looking at 1930; I haven't
10 1929 here (taking document). Your figure again, Mr. Bull?

Q. \$29,184.16. A. That is right.

Q. That is right; that is what was allowed in 1929? A. That is what was allowed in 1929.

Q. A proportion of a similar allowance for 1931, that is for the 10 months, would be \$24,320.10; if that is wrong it can be corrected.

The Court: That would be ten-twelfths.

Mr. Bull: Yes. \$24,320.10; I suppose you agree, Mr. Campbell, that depreciation of plant is properly treated as part of the
20 cost of production? A. Depreciation of the plant is treated as expense; it is not a cash outlay.

Q. It is not a cash outlay, quite true; but in all the best systems of accounting it is recognized as part of the cost of operation or cost of production? A. Yes, depreciation is always put in.

Q. Because you are wearing out your plant? A. Yes. Depreciation is often put in for Government purposes, allowed by the Government, taken in as expense.

Q. In this statement you put forward you make no allowance for depreciation at all? A. No, no allowance for depreciation.
30

Q. You do, however, in order to complete your \$51,891 of a loss, and nothing of profit for the ten months period, show that if your mill had been operating you could have produced that lumber at a lower cost, and in addition to that you would have had the benefit of the sale of by-products and power? A. That is right.

Q. Would you accept the theory that you must look at the probabilities of what would have happened if you had continued to operate—that is so, isn't it? A. Yes.

Q. And if that is so, if you had continued to operate, had generated the additional electricity to sell, had produced these by-products, and so on, your entire mill would have been subject to depreciation? A. Yes.
40

Q. As it was, there was only a portion of it subject to depreciation, that is the planing mill, and those portions that you were operating; isn't that correct? A. Yes.

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Q. Well now, you have put in your statement here certain expenses, totalling \$88,490. which were incurred in the ten months period, in producing this result? A. Yes.

Q. I want to call your attention to one of them. Interest on loan \$1,512.95; was that your bank loan? A. \$1,512.95—I will get my ledger, if you won't mind.

Q. You have found the item in the statement there, have you, Mr. Campbell? A. Yes.

Q. If you had been borrowing, if there had been no fire what would your interest charge have been? A. Well, that is something I cannot say; because if you have a certain amount of money that you are borrowing from the bank, and have to pay that interest to them, it would be a certain amount; it is all based on the amount of money you were borrowing. 10

Q. Well, what was it in the previous year? A. In the year 1930?

Q. Up to the time of the fire, or 1930, rather? A. \$10,511.99.

Q. Yes. Now, as a matter of fact if the fire had not occurred that loan would have continued at the bank, wouldn't it? A. A loan would have continued at the bank, yes, it must. 20

Q. And you would have had to pay that amount in interest? A. We would have had to pay interest on whatever money we had borrowed.

Q. What occurred was this, that you received from the fire insurance quite a large sum of money? A. \$136,000, even money—I can give you the odd cents if you require.

Q. By the way, you received that money in April from these present companies you are now suing for use and occupancy? A. I believe—I cannot state that.

Q. These companies were some of them concerned in the fire loss? A. I don't know the companies; there were policies, yes. I couldn't swear to that, but we did receive from the fire insurance companies that amount of money. 30

Q. You received a large sum of money which you paid to the bank, didn't you? A. Yes, we paid off a part of our bank loan.

Q. Because you chose not to rebuild at the time? A. That is right.

Q. But if the fire had not occurred you would still have been under this obligation to pay the bank the large sum for interest? A. Yes. 40

Q. And then also your insurance; now in your statement you put insurance and taxes together at \$11,478.08? A. Yes.

Q. If here had been no fire at all the insurance would have amounted to \$13,330; is that correct? A. I cannot say if there had been no fire it would be that figure.

Q. Take the premiums for the previous year, and presumably they would be the same? A. I will take for the previous year.

Q. That would be a ten months' proportion, Mr. Campbell, of the entire insurance? A. I cannot—

Q. What is the total insurance premium for 1930? Perhaps I can shorten this. I am instructed that your own records show it is \$16,366.13 for the entire year. A. If it is in my record there I will just turn that up; yes, \$16,366.13.

10 Q. And that is an expense that would necessarily have continued had the fire not occurred? A. Yes, fire insurance would have continued.

The Court: You want ten-twelfths of that, \$10,330.

Mr. Bull: Yes, my lord. In converting this loss of fifty-one thousand odd into a profit, you made a statement, sheet 2 of your particulars, of the expenses incurred in excess of customary costs, due to the fire? A. Yes.

Q. Where did you get the information to make that? A. We take the first item, towing logs?

20 Q. Take towing logs and towing lumber, you would get that from your books? A. Yes, that is shown.

Q. Handling lumber at Cameron mill from deck to mill machine, six million odd feet, at \$1? A. Yes.

Q. Did you work that out? A. Yes.

Q. Who fixed the price of \$1? A. Mr. Miller.

Q. And where did he get the information on which to base that? Was it just another arbitrary figure? A. No, no, this is not. My statements for the year 1931, headed Wilfert Lumber Company Limited Logs and the deck scale, show for the period
30 of March 16th—you can get that on Page 7 on my December 31st, 1931, statement.

Q. Are you trying to arrive now at the quantity? A. Yes, I am giving you the quantity.

Q. I am not doubting the quantity, I am directing your attention to the \$1. A. The \$1. was the figure that was given by Mr. Miller.

Q. You don't know how he made that up? A. No. He can give you information on it.

Q. For all you know, it is an arbitrary figure? A. It is
40 an arbitrary figure, yes.

Q. Before the fire—if a fire had not occurred your lumber was taken from the sawmill into the planing mill, or other place that it would have to be taken for dressing? A. Yes.

Q. In some particular way of motor carriage or something of that sort, was it? A. It would go from the saw, go off on a conveyor chain, probably go through the kilns, and some to the

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yard; be kiln-dried, and then hauled from there into the planing mill.

Q. Carried by power? A. The kiln cars are hauled by power; the rough lumber carrier; conveyed by one or the other.

Q. And owing to your operating at the Wilfert mill you had to handle this rough lumber from the deck to the mill machines? A. We had to handle.

Q. That is what you are claiming for, isn't it? A. Yes.

Q. Handling the lumber at Cameron mill from deck to mill machines, how would that be handled? A. That would go in by scow and it would be handled by a crane, and labour of men, unloading it from the scow. 10

Q. Yes, in other words, by reason of this operation, instead of handling it from the sawmill into the kiln or planing mill, you would handle it from the scow, at the dock? A. Handle it from the scow at the dock.

Q. How do you arrive at this excess cost of stock? A. Well, that is Mr. Miller's.

Q. You want to put that up to him? A. His figure, yes.

Q. Your next item, \$6,360— A. \$6,360.28. 20

Q. Extra planing mill costs due to running at partial capacity \$5,511.51, do you know anything about that yourself? A. I do know something about that.

Q. Can you explain that to the Jury, or would you rather that Mr. Miller did that? A. Well, the cost, the way this is compiled, the actual cost \$19,683.99, the cost in 1931 is 1.95; the cost for 1930, 1.64 in labour less twenty per cent reduction on labour being 32 cents, makes \$1.32. Supplies 22 cents, making 1.54; that leaves a difference of 43 cents. Now that 43 cents represents 28 per cent of that \$19,683.99, bringing the figure to \$5,511.- 30
51.

Q. Yes, that is all right, you are reading figures that are that way. A. Yes.

Q. What I want to know is whether you can explain why it should have cost more to run the planing mill at partial capacity? A. We have taken the actual cost for 1931, I say, of 1.97, which is in my statement.

Q. And you have compared the cost with the year 1931? A. Yes; we have taken the cost for 1931 and the cost for 1930—1931 \$1.97, and the cost for 1930 being less, we claim that it cost more 40 money to get to the planing mill.

Q. But I am asking you whether you can explain why that should be—or do you want someone else to explain that? A. Well, it is possibly better for Mr. Miller to explain that one.

The Court: I don't quite see what he gets from this nineteen thousand to \$5,511. A. 43 cents—1.54 of cost, one hundred per

cent, 43 cents would equal 43 and one fifty-fourth of a hundred, which is 27.92 per cent; and calling it 28 per cent of the nineteen thousand is \$5,511.51.

Mr. Bull: By the way, I see a twenty per cent reduction for labour there. A. Yes.

Q. You gave me ten per cent before on another matter. A. I cannot vouch for the payroll costs; that 20 per cent is a figure—this report was made up by Mr. Grogan—that 20 per cent figure is in there.

10 Q. So that having your mind directed to this 20 per cent, are you prepared to correct your estimate of the cost of production in 1931? A. I am not prepared to swear on that 20 per cent reduction for labour, no.

Q. Now, in the way it has been explained, variation of these excess expenses over and above the customary cost, you claim that your loss of \$51,000 was reduced by \$22,216.72? A. Yes.

Q. Then you go on further and you say that other matters have to be considered. If we had been operating the Cameron mill you would have been able to sell power and by-products to
20 the extent of \$32,930? A. Yes.

Q. Now, I suppose the selling of by-products and the sale of power depends altogether on the production or the cut of ordinary lumber in the mill, doesn't it? A. Yes, it comes from that, yes.

Q. And you have taken a comparison of revenue from sundry and lumber by-products as between 1930 and 1931? A. Yes.

Q. To show that you lost \$15,673.25 in those ten months, because you did not have this mill to operate? A. Yes.

Q. That is correct? A. Yes.
30 Q. And in the same way you say there was power loss, in the selling of power, to the extent of \$17,256.95, for the same reason? A. Yes, this statement claims that. That is not a figure that I am prepared to substantiate.

Q. Yes, I recollect, the proof of the item as to power was left to someone else. A. Yes.

Q. But you understand how the thing is being put forward? A. Yes, I understand that.

Q. And do you agree with this, do you know that if the mill is not operating you won't have the by-products to sell—that is
40 if the mill is not running in a normal way? A. No, you will not have the by-products.

Q. And going over the history of this mill for some years past, is it not true that the sale of by-products, or the by-products on hand to sell are allied intimately with the production of the mill from time to time? A. Yes, the by-products, while the mill is producing the by-products would be naturally produced.

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Q. And the same way, you have power to sell because you have fuel? A. Yes. You cannot generate the power without the fuel.

Q. Will you explain, in making up this statement on the basis you have, that you did not make any claim for profits that you would have made on the ordinary cut of lumber in the Cameron mill? A. I did not make this statement.

Q. But you are put here to justify it? A. This statement was made from figures from my records which I substantiate.

Q. You are not prepared to back it up? A. The figures 10 in connection with it, yes.

Q. Just the figures? A. Just the figures from the books, yes.

Q. However, you understand enough about it, I think, to follow what I am trying to get at? A. Yes.

Q. You could not have produced by-products to the extent of fifteen thousand odd, and have sold power to the extent of seventeen thousand dollars odd, without running your Cameron mill at its normal capacity? A. No, we could not.

Q. And although you have claimed that profit that you would 20 have made on certain things, you have not put into this statement the profit you may have made on lumber? A. Apparently they have not put that in.

Q. Is not the reason obvious, that if you had run the Cameron mill during 1931 the more lumber you cut the more you would have lost? A. No, I am not prepared to say that.

Q. Well, isn't that obvious? Having regard to market conditions, the more you produced— A. I am of the opinion that if we had started a mill regardless of inventories that were on hand, regardless absolutely of any inventories we had, just taken 30 our equipment and our mill, bought logs at the price which we could obtain on the market, and at the price we would have to pay for labour, I am of the opinion that we could have made a profit.

Q. I am not asking you that at all. A. You are asking me the loss. I cannot agree with the loss.

Q. You are trying to show, the way you are demonstrating in this case, the way you would have turned this loss into a profit if you had your own mill there. You follow that? A. Yes.

Q. I am showing that to do that you show you would have 40 a profit out of the sale of by-products and the sale of power? A. Yes.

Q. I point out to you that you have not set up any claim at all in respect of profits that you would have made out of the cutting of lumber generally? And you follow that? A. Yes.

Q. Then I ask you if it is not obvious that the reason that was not done was that instead of operating the mill at a profit you have operated it at a loss; or, in other words, the more you produced from the Cameron mill in 1930 the more money you would have lost in the sale of the product? A. I am not prepared to state that.

Q. You don't know? A. No, I don't know.

Q. You do realize this, that in order to convert this admitted loss into a profit you have taken the two things in the Cameron mill, that is the sale of power and sale of by-products, which can only exist if the mill is operating to full capacity? A. Yes, that is right.

Q. And you leave out any reference to the ordinary products of the mill? A. They have just taken the figures.

Q. They have taken the good and left the bad? A. This is not a statement compiled by myself.

Q. I am not surprised that you do not want to support that statement. But you are put in the box to explain it. However, we won't pursue that. Now, it has been your custom every month in this business to produce a statement for the information of the executive and office? A. Yes.

Q. Showing how you stood from month to month? A. That is right.

Q. And you prepared statements for the entire year of 1930, didn't you? A. I did.

Q. And you in fact gave them to Mr. Barrett-Lennard? A. Yes, he has copies of all those statements.

Q. Have you copies or those originals here?

Mr. Mayers: Is my learned friend thinking of putting these in?

Mr. Bull: Yes, most assuredly, and I think quite properly, under the policy, where it is directed that the past experience must be considered.

Mr. Mayers: That is exactly what I wish to except to.

The Court: Let me see the policy again.

Mr. Mayers: It is not a question of the policy, but a question of pleadings. Your Lordship will see that I have set out my case in the statement of claim based on the actual experience, coupled with other considerations, for the year 1931. Now I gather that my learned friend wishes to go into the past experience in 1930. This would be quite open to him if he had properly pleaded it. He has done nothing of the kind. If your Lordship will look at the defence you will see that there is not a word in the defence about any past experience; that it simply consists of a series of denials of my case.

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The Court: But it does say that your statement of claim discloses no cause of action.

Mr. Mayers: That is a matter of law, and not a matter of fact that you can support by evidence, it is purely a matter of law. Now if he wants to prove the past experience I have no objection at all, provided it is properly pleaded. Because it makes a great deal of difference to me. If it were properly pleaded, then I should reply to it; and after my learned friend had given such evidence as he could give on that subject, I should give evidence in reply to it. Your Lordship sees the significance of the entire omission in the pleadings of the case that my learned friend now says he is going to try to make. 10

The Court: It has not arisen yet.

Mr. Mayers: He is trying to put in evidence he is going to use as part of his case. Now he cannot do that, even on cross-examination, unless he has some pleadings for it.

The Court: He would have to add another paragraph covering the point?

Mr. Mayers: He should have said by the terms of the policy due consideration is to be given to the past experience, and the past experience is so and so, setting it all out, so that I know exactly what he is going to prove. 20

Mr. Bull: I submit that is not so. The pleadings are quite sufficient. (Mr. Bull presented argument). I submit that apart from the pleadings altogether it is necessary to have this statement in as showing the experience prior to the fire.

The Court: It is a question of how you are putting it in. If you are putting it in as evidence to show that this evidence should not be accepted as to what he would have made in 1931, there probably would not be any objection to that. But the position taken is this, that you have not pleaded at all that your policy contains a clause that consideration shall be given to the experience of the business before the fire; and it is objected that you cannot get in evidence of it. 30

Mr. Bull: Surely it is not necessary, when my friend has set up these policies as part of his case. And once they are in they must be looked at in every particular.

The Court: Regardless of your pleading, if you deny liability, and he comes in and offers certain evidence, and he gives no evidence at all as to what the experience was before the fire, 40 wouldn't I have to take it away from the Jury?

Mr. Bull: Of course I made that objection at the outset, that he is bound to show the experience prior to the fire.

The Court: Wouldn't that be your trouble, Mr. Mayers?

Mr. Mayers: No, no trouble there at all. What I am entitled to recover from the policy is the actual loss sustained. Now, I am proving the actual loss sustained.

The Court: But you must prove it in accordance with the terms of the policy; the policy says due consideration should be given to the probable experience before the fire, and the probable experience after the fire.

Mr. Bull: The actual experience.

Mr. Mayers: If the experience before the fire has no relevancy to the question at all, as I contend, no due consideration can be given to it. If my learned friend says I am not proving the actual loss sustained according to my pleadings, then he must set up an alternative action. A denial of what I have pleaded simply permits him to show and maintain that I have not proved my case, that is all, as framed in the statement of claim. But he is not satisfied with that. I have taken that objection, naturally, to any question directed to that purpose. But now he wants to set up an entirely alternative case, he wants to show that the experience before the fire is such as to be entitled to due consideration—which I deny—or should deny if I had the chance—and therefore he must plead that. It was quite satisfactory for him to deny what I say; but if he wanted to go further, and not only try and destroy my case, but to set up a different case of his own, he had to plead it: I should then have replied that the circumstances were such, before, with regard to the experience before the fire, that no consideration could be given to that at all. And that is the matter that I should have not only pleaded, but proved in my reply.

The Court: In these days we allow amendments.

Mr. Mayers: That is what I say, it should only be on an amendment, provided one is asked for, and properly framed.

The Court: I think it would be probably safer if the grounds were specified.

Mr. Bull: I really do not think it is a matter for amendment at all, my lord. My learned friend has for certain purposes looked to the experience after the fire in compiling the statement showing what his profits would have been if the mill had not been burnt down. And on the examination for discovery, which I propose to read, I remarked to Mr. Cameron, whom I was examination, that he had not had any reference to the actual experience before the fire; and my learned friend said, Why certainly we have, we are doing that on page 2 of our particulars, showing what they would have earned. I consider it is not a question of amendment at all.

The Court: Are you satisfied your pleadings are all right?

Mr. Bull: I am absolutely satisfied it is all right.

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The Court: You are the one that takes the responsibility. I would have allowed you an amendment if you think you need it.

Mr. Bull: I don't think I need it.

The Court: Because the other side is not taken by surprise.

Mr. Mayers: It is not a question of surprise, it is a question of the proper form in which evidence goes in. I want an opportunity of replying when the whole case is made, to this question of the prior experience.

The Court: I will give you an opportunity to offer any evidence you see fit by way of reply. 10

Mr. Mayers: Then I will not touch that matter in chief. I simply want to know my position.

The Court: All right, I will allow you to do that.

Mr. Mayers: That is all right, then.

Mr. Bull: Have you copies of all these statements here?

A. I have.

Q. Would you mind producing them? Have you got them all here? A. The statements are all here.

The Court: Those are statements that were submitted?

Mr. Bull: Monthly statements prepared by you? A. Prepared by myself. 20

Q. For the year 1930 and the year 1931? A. Right, yes.

The Court: Submitted to whom?

Mr. Bull: Who were they submitted to, to the directors?

A. Submitted to the president, vice-president.

Q. To the plaintiff Company.

Mr. Mayers: Just the ordinary statements—but the submission that your Lordship is thinking about is that we gave Mr. Barrett-Lennard free access to them.

Mr. Bull: They very kindly let us have copies of it. Would you mind producing them, and we can put them in as an exhibit—for the years 1930 and 1931. Will they all go into one book? 30

A. Yes.

Q. What does it contain? A. 1930 and 1931, from month to month, each. I have not looked it over for sure, if there is anything missing I can supply it (put in as Exhibit 8).

The Court: This is for both years? A. This is for two years, your Honour.

Mr. Bull: Is this correct, Mr. Campbell, for the whole year of 1930 your loss was \$7,181.45? A. \$7,181.45; according to my statements. 40

Q. And in that year was there not certain what is called non-recurring revenue of \$7,055.27, in the way of refunds on timber licenses? A. There were refunds during that year on timber licenses.

Q. Amounting to that figure? A. I would have to look that up. If it is on my statement there, those statements are made out by me, and if it shows that, then it is correct.

Q. That would be revenue of an exceptional nature, properly called non-recurring revenue? A. Yes.

Q. That was the entire year? A. That is the tax rebate.

Q. Now, as a matter of fact I am just trying to show the trend of things for the seven months, to the end of July 1930 you made a profit of \$13,862.12, didn't you? A. I would have to
10 look that up.

Q. No, that is wrong; it was \$18,279.82. A. For up to July, 1930.

Q. To the end of July, 1930.

The Court: In the blue up to the end of July? A. July, 1930, \$18,279.82.

Mr. Bull: And the last few months of the year ending December 31st, 1930, your loss was \$25,461.27? A. \$7,181.45, for the last five months.

Q. The last five months? A. \$7,181.45. And what is the
20 other figure?

Mr. Bull: You lost the \$18,279.82, plus the total loss for the year, of \$7,181.45; that checks up to \$25,461.27; isn't that correct? A. We had a profit at the end.

The Court: Eighteen thousand to the good at the end of July, and when you finished up you were seven thousand to the bad? A. Yes.

Q. And in the last five months you must have lost the difference between the two? A. Yes.

Mr. Bull: And in arriving at those figures, Mr. Campbell,
30 you made no allowance whatever for depreciation, did you? A. For the year, 1930?

Q. Yes. A. There was no depreciation.

Q. We have the figures. And furthermore, throughout 1930 you were basing your inventories at the arbitrary figure of \$15? A. Right.

Q. By the way, your fixed charges would be roughly three thousand dollars a month? A. Yes, roughly three thousand dollars a month.

RE-EXAMINED BY MR. MAYERS:

40 Mr. Mayers: There is a question that I should have asked in chief that I would like to ask now.

The Court: All right.

Q. What was the revenue received from the B. C. Electric for power for the 10 months ending December 31st, 1931? A. \$285.72.

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Q. That is all, thank you.

Witness stands aside.

Mr. Mayers: And your Lordship's ruling, of course, will permit me to re-call this witness, or any other witness, to call evidence in reply?

The Court: Yes.

Mr. Bull: I will object to my learned friend splitting his case in this way.

The Court: I will give you a chance to argue it. I would have to exclude you re-calling the witness if something develops. 10

Mr. Mayers: But I want to make it quite clear I am not splitting my case.

The Court: I understand that.

Mr. Bull: My learned friend's statement that he is not doing so will not alter the case that he is doing it. He is making reference to deal with part of his case in rebuttal; I do not want to be taken to be a party to that at all, or to tacitly agree with it; because I am going to object that he must put his whole case in.

The Court: I think it safer to give him a chance to bring in any evidence he wants to bring in by way of rebuttal as to what happened in 1930. I think I will give him that right. For I am a little doubtful about the case. That is as far as I am ruling at the present moment. 20

GUSTAV WILHELM WIRTANEM—sworn, testified: Examined in chief by Mr. Mayers:

Q. Your full name, please? A. Gustav Wilhelm Wirtanem.

Q. You live in Victoria? A. I do.

Q. What is your occupation? A. I am at present superintendent, chief engineer and chief electrician of the Cameron Lum- 30
ber company's mill.

Q. How long have you filled that position? A. The superintendent position I have only filled since the first of the year; but I have been chief engineer there since the 1st of June, 1930.

Q. Just tell me your previous experience, will you? A. The last position I held was with the Great Central Sawmills Limited, of Great Central, B. C., for five years.

Q. That was the five years preceding your joining the Camerons? A. Yes.

Q. What position did you fill with the Great Central Saw- 40
mills? A. I was chief engineer and electrician.

Q. And had you anything to do with installing the power plant? A. I installed the power plant and electrical equipment of 72 motors excepting 20 of them that we let out on contract.

- Q. And prior to that? A. I was with the Brunette Lumber Company of New Westminster.
- Q. How long? A. Approximately two years.
- Q. In what capacity? A. Chief engineer and electrician.
- Q. And before that? A. With the Nicola Pine Mills, of Merritt, B. C.
- Q. For how long? A. About 20 months.
- Q. In what capacity? A. Chief engineer.
- Q. And before that? A. Five years with the Canadian Robert Dollar Company, of Dollarton, B. C.
- Q. In what capacity? A. Chief engineer, electrician, and master mechanic at the plant.
- Q. How many years' experience altogether have you had with mechanical and electrical appliances? A. About 33 years.
- Q. Now, you were running the power plant at the Cameron Lumber Company in 1930, were you? A. From 1st of June.
- Q. 1930? A. Yes, sir.
- Q. Will you tell me, have you prepared figures for me, and can you tell me the generating capacity of the plant? A. Well, the generating capacity of the plant is limited as far as our ability to sell power by the thousand kilowatts transformers that we had with the B. C. Electric. But our generating equipment consists of a Curtis steam turbine, which operated on the exhaust steam of the mill engines in the daytime, and at night it run on high pressure steam. In daytime she could generate on the exhaust steam alone, 750 kilowatts. And by letting some high pressure steam into the machine why we could generate as high as a thousand kilowatts with her. And besides this machine we have a Corliss compound Corliss engine driving, generating, it was capable of turning out 300 kilowatts.
- Q. So that your generating capacity with the two machines was how much? A. Well, the maximum capacity which we could get out of it was around 1300 kilowatts.
- Q. 1300 kilowatts per hour? A. If we forced everything in the mill.
- Q. Now, taking the capacity at a thousand kilowatts per hour, how many kilowatts would you have produced in 10 months of 28 days to the month? A. May I refer to figures?
- Q. Yes, refer to any figures which you prepared yourself.
- 40 A. Would you mind asking the question again?
- Q. Taking the capacity at a thousand kilowatts per hour, how many kilowatts would you produce in 10 months of 28 days in the month? A. Well, these figures that I have here show the generating capacity of 24,000 kilowatts a day.
- Q. 24,000 kilowatts a day, and how much is that for the 10 months of 28 days each? A. 6,832,000 kilowatts.

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Q. Right. What time did you allow for cleaning the boilers, and general repairs? A. Well, we allowed two days a month.

Q. Of that 6,832,000 kilowatts how much would you have used if the mill ran at normal capacity? A. 1,100,000 kilowatts.

Q. And you would have had left the balance for sale, that is, 5,732,000? A. Correct.

Q. I am going to put the contract in; I may as well just put the computation in here. Assuming that you would sell it at a third of a cent per kilowatt, what revenue would that have netted you? A. Well, according to these figures it would have returned \$17,256.95. 10

Q. That is not quite accurate, witness. What is the price of 5,732,000 kilowatts at one-third of a cent per kilowatt? A. Five million kilowatts—

The Court: You can do that in your head. A. I didn't quite catch the question.

Mr. Mayers: It is \$19,906.67, isn't it? A. Yes, that is correct—I looked at the wrong figure here.

Q. From that would you have to make any deduction? A. Well, there would have been, of course, the labour and supplies and depreciation for time running longer than actually required for sawmill operation. 20

Q. What would that be? A. \$1,564.

Q. Just explain how that \$1,564. is made up, will you? A. Well, if we were not supplying power to the B. C. Electric, according to the British Columbia Boiler Inspection Act we could have carried on with third-class engineers at night, and instead of that we had to use second-class because we were furnishing power to the B. C. Electric, and the wages difference is the difference between 50 cents for third-class men and 65 cents for second-class men, which amounts to \$2.40 a day of 16 hours. 30

Q. That is one of your expenses, what is the last extra expense? A. Then there would have been an extra water consumption of 50,000 cubic feet of water at eight cents a hundred cubic feet, which amounts to \$40.

Q. And your \$2.40 a day for the second-class engineer would amount to— A. \$72.

Q. \$72. for a month of 30 days? A. Yes.

Q. So that on these two items you would have an extra cost per month of \$112.? A. Yes. 40

Q. And for ten months your figures would be \$1120? A. Yes.

Q. What is the next item? A. The next item is extra oil 20 cents per day for 300 running days, \$60; that is lubricating oil.

Q. As maintenance what extra expense would you have had? A. Well, at night time when we were operating under 16 hours,

when the mill wasn't running we were carrying our load on one of the large boilers, 575 horse-power; and the maintenance for brickwork would amount to, for the 16 hours a day, about at a rate of one dollar per year per horse power; that is \$1.28 a day. For ten months it would amount to \$384.

Q. Yes. That added to your previous figures gives \$1,564?

A. Correct.

Q. That is the extra cost of producing the 6,832,000 kilowatts over the cost of producing the 1,100,000 kilowatts, which you could have used in your own mill? A. Correct.

Q. If you had been supplying your own mill only, how many hours a day would you have run? A. Eight hours.

Q. Supplying your own mill and the B. C. Electric you would run? A. 24 hours.

Q. You effected certain improvements in that plant, did you? A. I did.

Q. Begin with the first improvement you effected, and tell me about it. A. Well, I reduced the water consumption on that power plant approximately within a dollar or so of \$200 a month.

Q. And that reduction took effect at what time? A. Well, the reduction took effect, started to take effect on a month after I assumed the position, but it was not accomplished until in November to the extent of \$200. Which I have proofs here, the water bill, from the City of Victoria.

Q. You might give me the figures for the various months, beginning with the first month. A. January 1930 the water bill was \$282.94; in February it was \$315; March \$268; April \$293; May \$316; June \$272; here is where the reduction starts to come in; in July \$194; in August \$148; in September \$128; in October it went up \$156; in November it was \$98; in December \$93; January 1931 \$94.24; and in February it was \$64.80. Of course, we have this short for the month, because the mill burnt down.

Q. So that at the time of the fire you had got it down to about \$70? A. Well, somewhere near that.

Q. Just explain very briefly how you effected that improvement? A. Well, there was considerable water used around the mill for cooling bearings, and so forth, and we had a set of transformers, the B. C. Electric had their water to cool; that water was all going to waste. There were some hidden overflow pipes, or hot well tanks, and so forth, that could not be seen when they overflowed; and that part of the water was going on. So I got all the water that was used for cooling purposes returned back to the power plant for our own use; also the water from the transformers and opened these overflow pipes, so that we could see if there was an overflow and stop it.

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Q. Now, what was the next improvement you effected? A. I reduced the staff in the boiler room. The next improvement was to dispose of the electrician on the plant, at a salary of \$125. a month. That was effected, I will give you the exact date, on June the 15th 1930 we dispensed with the electrician. On June the 8th—well, that is the electrician—then there was in the boiler room there were two firemen on each shift, which made six men, and then a clean up man carried on there as well. On June the 8th I disposed of the clean up man in there. So that that left six firemen. Then we altered the conveyor system in the boiler room, but I could not get that work taken right over and completed until December the 15th. 10

Q. Of 1930? A. Of 1930. Then I disposed of another fireman, and the remaining five men that I had there, I made them take off one day each week, excepting one man that took off two days a week; so as to reduce the crew to the full time of four men; whereas there had been seven men in the first place.

Q. By the time of the fire what saving had you made in dollars and cents over the water and the wage reductions, and the elimination of unnecessary men? A. Somewhere around \$650. 20

Q. Any other improvement at the time of the fire? A. There was considerable improvements made, but the figures on it are not exactly available. But this is a small item I speak of now. I changed the oil, to a cheaper grade; that was a saving of \$50 at least accomplished every month on that. And also they were using a boiler compound and paying 25 cents a pound for it, and I started using soda ash at 3 cents a pound for boilers.

Q. Was there any other saving that you effected? A. Yes, in the operation of the mill there, there was a loss of time of 15 minutes or more every day that occurred on certain parts of three machines breaking down. They did not break all down at once, but it would occur around, so that it made an average of 15 minutes a day. Well, by making some alteration in those engines I have stopped this lost time; and that at least calculation amounts to \$1 a month. So taking all the savings, the savings in labour, in water, in supplies, and eliminating this lost time in the mill, it amounted to a little better than a thousand dollars a month. 30

Q. Then did you effect any improvement in the way of saving fuel or increased power generating with a certain unit of fuel? A. Well, the hog, which is the machine for reducing the refuse wood from the mill into chips, was installed in such a manner that you couldn't get—at times when the mill was producing more refuse than usual—all of it into it; so that there was an equivalent amount that would amount to 10 units a day on the average going into the burner instead of going into the hog and 40

being returned back as fuel to the power plant. I made a proposition to have the hog moved to a more convenient place; and after discussing the matter they decided they would not do it. So I came later with another proposition, of a belt system that would carry the wood into the hog, so that they could feed it, and get all of it in there; and it was agreed to go ahead with this job, so far that we had even bought the belts for it, and then the mill burnt down. That saving would have amounted to 10 units of fuel per day.

10 Q. Well, what does that mean? A. You mean the 10 units of fuel? Unit of fuel consists of 200 cubic feet. And it is capable of developing 10,000 pounds of steam when you burn it up. 10,000 pounds of steam will produce 500 kilowatts approximately, within two or three per cent of that, on the turbo. This would amount to 5,000 kilowatts per day.

Q. What was the nature of the improvement that you effected? A. Well, it was made so that the men that were feeding the hog, they would not be in each other's way, and also the hog would be able to consume more wood because—it is rather a technical explanation I will have to go into—but the wood was arriving in such a shape that part of the wood was chewed off on one part, on the side, and it would choke up the machine.

Q. In effect did you increase the capacity? A. It would increase the capacity of the hog. And it would get that fuel that was going to the burner; giving more fuel for the boiler.

Q. And by that means you increased your generating capacity? A. I did not accomplish it, but that would have increased it at the rate of 5,000 kilowatt hours a day.

CROSS-EXAMINED BY MR. BULL:

30 Q. How many kilowatts did you supply to the B. C. Electric in 1930, do you know? A. I would have to get that figure from Mr. Campbell.

Q. The agreement provides the quantities that shall be supplied each day, doesn't it? A. No, it don't.

Q. I thought it did. A. No, it doesn't.

Mr. Mayers: May I put that in?

Mr. Bull: Yes, I think you had better. (Marked Exhibit 9).

The idea is that you shall sell your surplus to the B. C. Electric.

40 A. The B. C. Electric would take our power whenever we had any to give; and when we didn't have to give it wouldn't get any. But we could give it any amount that the transformer would take care of; that is a thousand kilowatts.

Q. That is, you were bound to supply up to a certain amount?

A. No, we could give them just what we wanted.

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Mr. Mayers: It is not much use asking this witness what is in the document. You don't want me to call Mr. Gossard to prove it?

Mr. Bull: No. (Document put in, marked Exhibit 9).

Q. You don't know, you say, how many kilowatts you supplied? A. Mr. Campbell, the accountant, can tell you. I have the records for my own power plant, but I have not got them here.

Q. It is probably shown in the accounts we already have here? A. Yes.

Q. And you don't know how much profit they made out of 10 that in 1930? A. No, I couldn't say to that.

Q. You gave certain figures as to the capacity of the plant. Do I understand you to say that that is forcing the mill to its limit? Did you use some term like that? A. Forcing the generating apparatus, the turbo and Corliss engine to their limit.

Q. You said that, did you? A. Yes, I said that.

Q. Which you would not ordinarily do? A. No.

Mr. Mayers: Well, witness—I am quite sure my learned friend wants to be fair.

Mr. Bull: Of course I do. 20

Mr. Mayers: He said forcing the engine to capacity would produce 1,300 kilowatts. A. Yes.

Mr. Mayers: Whereas he based his calculations on 1,000. A. Yes.

Mr. Bull: Then I did misunderstand. So that when you say in the 10 months you could generate 6,832,000, you didn't mean that you were forcing your plant. A. No, I didn't mean that.

Q. And of that the mill would require 1,100,000? A. Yes.

Q. That is with normal operation? A. That is with normal operation. 30

Q. Of course you could not operate your generator and supply this power unless the mill was running in its ordinary way cutting lumber, could you? A. No, we could not.

(Witness stands aside).

ALEXANDER WILLIAM MILLER, sworn, testified: Examined in chief by Mr. Mayers:

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Q. Your full name, please? A. Alexander William Miller.

Q. Where do you live? A. Victoria.

Q. What is your occupation? A. Secretary-Treasurer and Sales Manager, Cameron Lumber Company. 40

Q. How long have you filled that position? A. I have been Secretary-Treasurer since 1928, and Sales Manager since 1921.

Q. How long experience have you had in that line of business? A. 22 years.

Q. Were you in court all day yesterday? A. Yes, sir.

Q. You heard Mr. Bull's views on the question of inventories. Will you tell me something about those? A. Well, we have always carried our inventory at a fixed value of \$15 a thousand. That has been the policy of the Company ever since I have been with them; and prior to that, I believe. My opinion of a fixed inventory rate is that it is the only, or the best way of determining a company's position over a period of years, or even any time. Mr. Bull indicated that an inventory should be taken at cost figure, I have forgotten what it was, but it seems to me that it does not make any difference whether an inventory, if you start off at the beginning of the year with an inventory value of \$15. and you finish up with an inventory value of \$15, so long as that \$15. is not below the market price at which you can sell your product—

The Court: Not above? A. I mean, not above the market price at which you can sell your product, that you have a fair sample of what your operation has been during the year.

Mr. Mayers: What exactly do you mean when you speak of an inventory? A. It is the stock in trade, in this particular case consisting of lumber and wood products of various kinds—boxes.

Q. Is it practical and possible to find out the cost of production of the stock as it stands at any particular time? A. No, sir.

Q. Just explain why? A. Well, an inventory is a stock that has accumulated during the year, manufactured, it might be piled there for use on future orders, or on contracts which you may have on hand.

Q. Are the different dimensions of lumber manufactured at the same cost? A. Oh, nobody could go into a yard and pile it in a specified pile or number of piles of lumber and state definitely what they cost.

Q. Just explain that to me a little more fully. There are various dimensions of lumber, are there not? A. Yes, there are various dimensions of lumber.

The Court: Cross arms, for instance, do you sell them by the thousand feet? A. We sell them by the hundred pieces usually.

Q. The only thing you can sell by the thousand feet would be lumber, would it? A. The only thing we would sell by the thousand feet would be ordinary standard items of lumber.

Q. And what proportion of your product would they be? A. Of our product?

Q. Roughly? A. Well, our product varies.

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Q. How would it run? A. Well, it would probably run 25 per cent of our total, including our purchases.

Q. 25 per cent. of your whole product would be lumber? A. Yes, including what we purchase to supplement our own production. For instance, we purchase I should say some twenty per cent approximately.

Q. The other 80 per cent consists of cross arms and boxes, and so on? A. Shiplap, dimensions and timbers, and extra lumber—

Q. Wait, I want to get this clear for my own purposes. A. 10
 Do you mean cross arms?

Q. You deal in cross arms? A. Yes.

Q. That is one thing; I suppose you make lots of other things? A. Yes.

Q. Do you make baby squares? A. Yes.

Q. Those things that you sell by the thousand feet, that includes baby squares? A. Baby squares are something that are usually shipped immediately, they are extra pieces, and never piled up.

Q. Tell me what proportion of your product is sold by the 20
 thousand feet? A. All our product is sold by the thousand feet primarily.

Q. Everything you have got? A. Yes.

Q. Even cross arms? A. Yes.

Mr. Mayers: Are these different descriptions and dimensions of lumber manufactured at different costs? A. Oh, yes. The larger items do not cost as much to manufacture as smaller items, which are re-manufactured, into mouldings, and stuff of that nature.

Q. Is it practically possible, and does anyone do it, to keep 20
 a system of costs of accounting on each piece or pile of lumber? A. I don't think anybody does. I think it would be a very expensive procedure, and would be probably prohibitive.

Q. Has the price placed on the inventories any bearing on the profit or loss for any particular period, provided that you keep a consistent price? A. No, I don't think so; for the simple reason, you have an inventory at the beginning of the year, \$15, and you find that you finish up at the end of the year at the same inventory value, the production costs during the one period are absorbed, and all accounts are paid in connection with it; the in- 40
 ventory which you have at the end of the year is nothing more or less than an asset.

Q. Just a clear asset? A. Just a clear asset, yes.

Q. That is, you have paid out or taken into your account during the year all the costs of manufacturing that particular

stock in the year? A. All the costs in connection with that are paid for.

Q. And how many years would there be during which a stock at the end of any particular year has been accumulated? A. Oh, inventory in the yard will accumulate, it will probably be an accumulation of three or four years.

Q. How about your particular stock, say at the end of 1930, or at the end of 1931? A. Well, at the end of 1930 there would be very little difference in the type of inventory. During the latter part of 1930 we purchased a great deal of cross arm material, which cost us somewhere in the neighbourhood of \$30. a thousand, which is piled in our yards; but taken into our records at \$15. a thousand. Together with the actual cost of the product, the purchase price, there is the cost of unloading it off cars or lighters at our dock, and piling it up in the yard, which is also absorbed in our ordinary expense during the year. This stock goes into the yard, and is accumulated on these various contracts which we enter into, such as cross arms, door stock, and boxes. We have got to carry a large supply of box lumber in our stocks, which are piled up in the yard for our trade; that stock is manufactured in the mill, and manufactured into small sizes, which costs us more for that reason. But it is piled up and carried on inventory at \$15, but it is sold to our box plant later on at I think \$21, or \$20.

Q. At the end of 1931, for instance, over what period of years had that stock been accumulating? A. At the end of 1931 we had stock in our yard that had been accumulating for I should say three years anyway. I might also say we are faced with, take our cross arm business and our box contracts, door stock business, which is more or less seasonable, depending entirely on conditions which call for these requirements from time to time. For instance, just recently they had a storm at Calgary, which took 10,000 cross arms, which they wanted shipped immediately. We have to carry the stock to take care of those orders. And there is not much difficulty about the price which we get for that stock when required in that sort of a time.

Q. Now, then, at the end of each year, having absorbed all the costs of manufacture, you have this clear asset in the shape of a stock of lumber; that is right? A. Yes, sir.

Q. Now, supposing prices go down, are you bound to sell that stock? A. No, not necessarily.

Q. What do you do? A. Well, in some cases we just hold the stock until the market goes up. If we feel that the market is not in such a condition that we can sell that stock, we prefer to go ahead and carry on our operation in a general way, and sell the stock from our production.

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Q. From your new production. A. Not increase our inventories, just leave our inventories as they are.

Q. Over a long period of years it is a question whether your prices which you get for the production equal the cost that you have been put to in the various years, no doubt? A. Oh, we never have been able to—I mean, we never have had to sell it at less than our cost. If we had been doing that over a series of years I imagine the Cameron Lumber Company would not be in existence.

Q. I think you told me that this system of accounting which we have adopted for this trial has been the system in use by this company for how long? A. Ever since I was in the company—it has been in existence since '21, any way, to my knowledge.

Q. That is you have taken your inventories at a fixed price? A. Yes.

Q. Maintaining that price consistently at the end of each current year? And saying that your fixed price does not exceed your logging price? A. Never at any time.

Q. If you were to change your system as Mr. Bull suggests, would that form a true picture of your condition for any one year? A. No, because if we had adopted that condition generally, why we would have in some years very large profits due to the fact that our inventory price was too low, or very heavy losses, due to the fact that we were carrying the prices too high.

Q. Is this method you have adopted unusual or unique? A. I think it is uniform throughout the lumber business, as far as I have ever known.

Q. Now passing to a different subject: You heard what Mr. Bull said yesterday about the method of proof we have adopted and about depreciation and bank interest and insurance and so on. What have you to say about that? A. Well—You mean in connection with the presentation of our claim?

Q. Yes? A. Well, we were rather wondering just how we would present the claim. Naturally we felt we had a claim against the insurance company, and due to the fact that we estimated that during the year 1931, with our saw-mill intact, or operations intact, the lower cost of labour, of logs, material, etc., we could have gone ahead and carried on our operations at a profit, but that is more or less estimated. It is just a case, we thought it was a pretty good one, but, however, in carrying on our Wilfert Mill operation we decided that we had something concrete to work on. We had carried on this operation and we just took into consideration the extra costs which we would have had with that operation as compared with our own operation.

Q. So you don't claim a profit on your main operation, for the reasons that you have given? A. No, we did not make any.

We just took the items we were reasonably definitely assured that we would derive a revenue from, that we were assured, practically assured on with various charges.

Q. Now, not having claimed the profit which you think you could have made in 1931 had your saw-mill not been burnt, what have you to say on this question of bank interest and insurance?

A. Well, we did not pay any interest charges, or very little on our Wilfert mill operations, we did not have to, so therefore we did not take that into consideration. Had we been operating our own mill with the production which I have mentioned, the items of depreciation and insurance and interest charges would have been taken care of in our ordinary operations in the profit which we should have derived from our lumber operations.

Q. That is to say that the depreciation, bank interest and insurance would have been allowed for in your estimate of the profit which you would have made on your main operation? A. Yes.

Q. Not having put that forward in this case, there is no reason, in your view, to put that forward on other items that would have been taken care of in the profit? A. I think not.

Q. You heard the figures stated for the interest you paid to the bank, I think in 1930, did you not, yesterday? A. Yes.

Q. Was that interest paid in connection or for the money which you used in the lumbering business at the Cameron Mill?

A. No, not all of it. We had various subsidiary interest, such as the National Cross-arm Company at Bellingham, which we were operating, and this was financed by the Cameron Lumber Co, in Victoria, also Cameron Brothers Timber Company, which was a logging operation, also a model home, which the Cameron Lumber Company built in Victoria, cost of about \$17,000 and various other sundry and small items that I cannot recall at the moment.

Q. With regard to depreciation, what have you to say as to the suggested depreciation of your mill? A. Well, our mill has been depreciated to the point where I consider that it is not wise to write off any further depreciation on account of Government regulations.

Q. There are certain specific figures in our proof that I want to go into with you now—On sheet 2 of our particulars you see an item there, handling lumber at Cameron Mill from dock to mill yards? 6,360,284 ft. at \$1. What can you tell me about that?

A. That is material that was taken from the Wilfert Mill in large cants and sizes for re-manufacture in Victoria; it came in by lighter or scow from the Wilfert Mill to our docks, was unloaded off the scow. It used a crane operator, two men on the scow to put the slings round and two men on the docks to take them off and set them on carrier leads to the dock. This lumber

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is taken by a Ross carrier, which is a chain for carrying lumber from there to our re-saw tables at the re-saw for re-manufacture into sizes for various sizes which we were manufacturing in our planing mills and using in our business.

Q. Is that an expense that you would have had to incur if the mill had not been burnt? A. No, because in the ordinary way, with our mill connected up to the re-saw plant, the lumber came in the ordinary way.

Q. How did you arrive at that figure of \$1 per thousand feet? A. The figure was arrived at as a nominal charge, and anyone will agree it was low for the work done, taking it off the scow, 4 men, and transferring to re-saw table—six or seven men employed there steadily. I have not figured the actual cost, but I think anyone will agree that this is low. 10

Q. And you have included that as the result of your experience, have you? A. As a result of long experience in manufacturing lumber. To my mind it is a very reasonable figure.

Q. Extra cost of planing mill? A. We are obliged to operate our machines in the planing mill in their regular way. Often though we don't have the same capacity. It requires the same number of men on the machines, and we only put through about 25 per cent of our normal production through the planing mills. We arrived at that by taking our cost of handling, the actual cost we did put through there in 1931, put it at 1.97. Actual cost in 1930, \$1.64, and taking into consideration that there was a 20 per cent reduction in labour cost during 1931, we deducted that from our 1930 costs, which would have made our cost \$1.32, plus the actual supplies which were used in 1931, 22, making \$1.54. So it is reasonable to suppose our cost would have been \$1.54, instead of \$1.97, due to this difference. 20

Q. And the difference of 43c. A. Our actual cost was \$19,683.99, and the difference in the cost per thousand was 43c. 30

Q. 43c is the additional cost, therefore it is that percentage of \$1.54 taken away from \$19,683.99? A. Just the same in proportion, yes, would be our extra cost.

Q. Now, I want to deal with Table A on Sheet 3, taking the items in order—Wood and saw-dust—explain that? A. Well, our revenue in 1930, during our normal operation shows—In 1930 we had all the wood and saw-dust which we accumulated at our mill on the larger production, for which we had a contract with the Cameron Wood and Coal Company in Victoria to take this product away from our mill at the wood bunkers and dispose of it. We sold that to them at established prices. In 1931 we did not have that, for the simple reason that we were operating the Wilfert Mill and they had a contract with the Pacific Land Company, which demanded a proportion of their wood products, and 40

the Cameron Wood & Coal Company were obliged to seek their supplies elsewhere. We did let Mr. Cameron take our mill trimmings, called kindling wood.

Q. Could you have sold in 1931 as much as you sold in 1930, if you had had it? A. I am quite sure we could have sold it, for the simple reason that less mills were operating in Victoria in 1931 than in 1930. The Canadian Puget Sound shut down in Victoria, and it is reasonable to suppose that we could have sold it, because there was a lot of wood and saw-dust brought into Vic-

10 toria from up-island mills.

Q. And you say they filled your vacuum? A. Yes.

Q. Not the Lath? A. We did not have a lath mill at the Wilfert Mill, therefore we could not make lath from our slabs and edgings which were accumulated and came from the manufacture out there. Even though we had a lath mill the production would have been much smaller, due to the small production of the mill. We had no difficulty about selling them in 1931, because there was quite a demand from California, which was our chief market, and we were buying laths ourselves here for our

20 local trade.

Q. The teaming explains itself—if you had sold more, you would have had more delivery charges? A. Yes.

Q. The rents you heard Mr. Campbell explain that—that is correct? A. That is correct—owing to the number of men we employed.

Q. The shingle and sash and door products, you buy, do you? A. Yes, we trade in these things to take care of our car business to the prairies and our local business generally—we don't manufacture them to pay.

30 Q. As a matter of fact you derived more revenue in 1931 for shingles than in 1930? A. We did.

Q. And you allowed that in your claim? A. Oh, yes.

Q. The sash and door fell by about \$600.—What have you to say? A. We were unable to take care of some of our Prairie business, because we did not have the mill to cut it.

Q. Do you know the details on the power, the sale of power? A. I don't know actual figures, that is our records. I know I have had a lot to do with the power plant in some ways and discussing the various matters with the firm.

40 Q. You heard Mr. Wirtanem say that he had had effected improvements and economies which would have saved you about \$1000 a month at the time of the fire. Are you familiar with that? A. That is true, yes.

Q. Now of course the supply of power depended on the quantity of fuel which you had? A. Oh, yes.

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Q. What do you say as to having a sufficient quantity of fuel in 1931, after your mill had burnt? A. Well, during part of the year 1930 we had been—on account of our association with various lumber associations, by which we were endeavouring to make arrangements for stabilizing the market, we had agreed to curtail our production in company with many other mills in this association in order to stabilize market conditions. At various times we were—as a matter of fact I was quite opposed to the policy entirely, I thought it should have gone along and produced as much lumber as we could and manufacture as cheaply as we could and when I was able to sell it. I thought it was a bad policy for us to adopt. We had a good local market here for our lumber, certainly much better prices than is being obtained in many other markets at the present time, and that made me think that we ought to go ahead, which was our policy in 1931, as indicated for the first two months of the year. 10

Q. That is go in for fuel production? A. Yes.

Q. Have the Cameron Lumber Company paid the premiums on the policies in question here? A. Yes.

Q. Now the fire took place on the 25th February, 1931. When did you start to clear the site? A. Well, at that time we were anxious to get the mill going again and we started promptly, right away, I believe—Well, we started immediately after the fire, we cleared the stuff away the following Monday morning. 20

Q. Did you stop at all? A. Well, I talked the matter over with Mr. Crombie, and he told us we had better not proceed with the thing any further until we got instructions.

Q. Who was Mr. Crombie? A. Insurance adjuster.

Q. He was adjusting the loss under these policies? A. I understand so, he represented so. 30

Q. How long did that delay last? A. We did not do any further work on that, only sundry small items, until March 12th, and Mr Crombie told us to go ahead, clear up the site, dispose of the junk and make any salvage we could for the Insurance Companies, which we did.

Q. And you proceeded after that? A. Yes, we went ahead.

Q. When did you complete this clearing of the site? A. 27th April, 1931.

Q. Did you lose any time over it after you got going? A. No, we did not. 40

Q. Do you know Mr. Combie's writing? A. No, I could not be sure of that—it looks like it, yes.

Y. That is a letter you received from Mr. Crombie, is it?
 A. Yes, sir.

Q. Dated December 19th, 1931, addressed to A. W. Miller, that is you, is it? A. Yes.

(LETTER READ AND MARKED EXHIBIT No.11)

Q. "Re claim under 'Use and Occupancy insurance'"—that is what they call this insurance? A. That is what I understood it to be.

Q. Just explain the matter, this matter of the Northern Electric Company's payment, will you? A. You mean on that contract?

10 Q. Yes, you remember Mr. Bull suggested that some 3000 odd dollars should not be included for 1931? A. We had a contract with the Northern Electric Company for 135,000 cross-arms for the Bell Telephone Company. These cross-arms were sold to the Northern Electric Company at a certain price per piece and according to the contract they were to accept delivery of these arms at the rate of 20,000 per month. During the year 1930 and coming towards the end of the year, they did not use these arms as rapidly as they anticipated, but we wanted to get our money out of them and took the matter up with them, with a view to obtaining in
20 part payment of this material piled in our yards, and we would carry it if they would insure it if it piled in our yards, have it ready for their orders when they wanted it shipped. Under that arrangement they agreed to pay 80 per cent of the purchase price, we to charge them with the other 20 per cent when the arms were completely manufactured and shipped out. So we only took in that 20 per cent as and when the arms were ordered out.

Q. And this 2000 odd dollars represented arms that were ordered out when? A. You mean the \$2000 that appears in our 1931 records—during 1931?

30 Q. So you shipped cross arms representing that \$2000 during this ten months period? A. Yes.

Q. You are familiar with our claim. You have gone through all the items of our particulars, have you? A. Yes, sir.

Q. The claim as we have put it in, does that include fixed charges and expenses? A. Yes.

Q. So that the small profit which we show would be the profit after all the fixed charges and expenses had been satisfied? A. Quite so.

CROSS-EXAMINATION BY MR. BULL:

40 Q. You agree that all your products are sold by the thousand feet? A. The basis of sale is 1000 ft., yes.

Q. And the cost of production, according to your records is based on the average cost of production and was shown in your records? A. The average cost of production during that period.

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Q. Per thousand feet? A. Per thousand feet.

Q. You had on hand on the 1st March, 1931, when you commenced this Wilfert Mill operation, 10,991,340 ft., that is correct, is it? A. Yes.

Q. You had manufactured during the 4 months previous to that 9,163,546 ft., is that correct? A. I don't know.

Q. Your records would show? A. Whatever the records show.

Q. In other words, you manufactured in the 4 months immediately prior to March 1st, 1931, all of your opening inventory 10 on that date, except 2 million feet. A. You mean in these months, November, December, January and February?

Q. November, December, January and February, you manufactured a quantity within 2 million feet of your opening inventory of March 1st, if your figures are correct and can be checked up? A. Yes.

Q. Knowing precisely what you had on hand on March 1st, 1931, it would be no trouble to put a value on that opening inventory according to the cost of production? A. It would not be possible. 20

Q. Have you stated all your reasons for that? A. My reasons are that I don't know just exactly what the specific pile in the yard cost us to manufacture. It may be a pile of 1 x 2, a pile of cross-arm stock that we purchased and paid \$31 for.

Q. Well, I suppose you agree that lumber or any of your materials which were lying in the yard for the three years that you mentioned would appreciate in value rather than depreciate? A. That may or may not be.

Q. Is it not generally known that lumber piled in a yard does appreciate in value largely, because it dries out and is cheaper 30 to ship. A. Appreciates as regards quality?

Q. Yes? A. Right.

Q. So there is no point in your saying that some of this lumber might be there for three years, and for that reason it would be impossible to value it? A. Well, the only value that can be put on an inventory is the value you can obtain for it in the market.

Q. You are not speaking as an accountant? A. No, as a salesman, selling that stock.

Q. You don't pretend to know anything about accounting? 40
 A. Oh, yes.

Q. Did you ever study it? A. Yes, for some time.

Q. In the higher branches? A. Not the higher branches.

Q. Book-keeping? A. Yes.

Q. Not for some years? A. Not for some years.

Q. You have nothing to do with the accounts in the Cameron Lumber Company? A. No, Mr. Campbell does the accounting.

Q. Now we have the quantity you have at the end of 1931, and you say it is impossible to value that at the cost of production, because it might have been manufactured over a period of years, and you would not know what basic prices or cost of production to attach to it. A. No, here is the explanation: That stock in the yard would have cost us \$20 to manufacture. We start off at the beginning of the year on an inventory. We go
10 along through the year and produce lumber. In many cases it cost us \$40 to produce the lumber, in many cases it only cost us \$6—that lumber taken right through the periods in that year. 2 inch block dimensions, for instance, all they do is take off the chains, pile it in the yard. That is a cheap operation. Laths, etc., cost us more because it comes through our planing machines and our kilns. Therefore you cannot put any production price on any specific item of the inventory.

Q. Now, Mr. Miller, you know very well that your books show from month to month and every month, the average cost
20 of production. A. Of the lumber.

Q. Well, of your stock in there? A. Well, yes, of our total stock, yes that is right.

Q. You have every month the average cost of production?
A. Yes.

Q. And you agree with this, that beginning at February, 1931 and going back into the past, as you go back the cost of production is higher? A. On our year's operations, as we go along, we might start with a year, without a foot of inventory—

Q. Just a moment. A. Pardon me.

30 Mr. Mayers: Make your explanation.

Mr. Bull: Make your explanation afterwards.

The Court: Go on and answer it. A. What I mean is, if we went into a year's operations without any inventory, and manufactured for twelve months, and absorbed all our costs in connection with that operation, and in connection with piling, the inventory in the yard, our inventory, would be a clear asset.

Mr. Bull: Now answer my question. Beginning in January and February 1931 we have your average cost of production according to your own records, \$19.00 and going backward over a
40 period of one, two or three years, is it not a fact that as you go back the cost of production increases? A. I think probably the cost of production was higher in 1929.

Q. So fixing your inventory on March 1st, 1931, at \$19.00, you must be fixing on the minimum cost of production of everything that is in the yard,—does not that follow? A. Well, I don't know.

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Q. Well, are you qualified to speak?

The Court: He does not know if that is correct.

Mr. Bull: Do you agree as you go back over one, two or three years, the cost of production increases? A. Yes.

Q. Then I put it to you that if you take the February cost of production at \$19.00 you must be fixing the minimum cost of production of everything that is in your yard. Do you follow that?

The Court: Put it another way, there was nothing there that cost more than \$19.00 to make, that is Mr. Bull's proposition. 10

Mr. Bull: No, there was nothing that cost less than \$19.00 on the average, that is much better way to put it. A. I differ with that.

Q. Now will you point to anything that comprised that 10,-991,000 feet which on that average cost less than \$19.00.

The Court: You say \$19.00 is the price fixed for February? And he says, going back it always was higher. Then now what is your question? A. You mean going back the cost was higher?

The Court: Now put your question again.

Mr. Bull: Well, was there anything in that opening inven- 20 tory of March 1st, 1931, that cost less than \$19.00 per thousand to produce—we must stick to averages. A. Well, our rough dimensions in the yard cost us less than that.

Q. That is getting away from the point. Your system is taking average cost. A. In our inventory we don't take the average cost.

Q. In your records you do. A. We keep to average cost of production during the year which absorbs all our costs which is power and shipping and running machines.

Q. You are not prepared to answer that? A. I could not 30 pick out any specific item from memory and say how much it had cost.

Q. No, you could not logically because you have admitted the cost of production to be down in 1931. Now you don't quite see the force of taking the opening inventory at the cost of production rather than the fixed arbitrary value of \$15.00. A. No—it is probably a matter of accounting.

Q. You probably don't follow. A. I don't at the moment.

Q. As far as the company is concerned, and for the internal purposes of the company, you can quite see if you take a fixed 40 arbitrary value over a period of a year, it makes no difference. A. I know it has not made any difference to the Cameron Lumber Company.

Q. Well, take the case of a man who has a hat shop. He has 1,000 hats. He puts an average price for these hats and

starts out in January, 1931, knowing exactly what they cost him. You follow that? A. Yes.

Q. Now if he wants to find out whether he made a profit or a loss during the next six months, it follows he must have an opening inventory at a trade price. A. That is a merchandising proposition.

Q. Do you agree to that? A. He did not manufacture the hats.

Q. Do you agree with that? A. Yes, that is true.

10 Q. Why would not the same principle apply to the manufacturer? Is not the cost of production the same, as to the tradesman? A. No, because of the various prices—I cannot quite see that.

Q. All right, we will leave it. Now I think you said that if you adopted any other system than fixing an arbitrary value on your inventory, in some years you would show a huge profit, and perhaps another year a huge loss. You said that? A. Yes, by adopting the pricing value.

Q. You mean that? A. Yes.

20 Q. Is not that the very thing I have been contending—it shows the true position? A. The average price over a period of years.

Q. No, the cost of production. A. Well, how do you know what your cost of production is going to be? If you started out with an inventory for \$20 for the year, you start off in a year not knowing what conditions will be like during the year, the prices would probably go down under \$15.00 and you would take quite a loss. If the selling average went up to \$30.00 you take quite a profit, but if you strike an average for a period of 30 years, the average is accepted by all accounting systems and the Government Accountant. Seems quite correct.

Q. I see. Now in taking up the question of your claim as put forward, you I take it were not responsible? A. No, I was working on a good many questions.

Q. As far as you were concerned you put it this way: You naturally felt you had a claim against the Insurance Company, and had to more or less make a guess? A. Well, according to the reading of the policy we had to show we incurred certain expenses after the fire.

40 Q. What do you mean you figured you naturally had a claim? A. Because we had use and occupancy insurance.

Q. Because you had paid the premium? A. That is the idea.

Q. As a matter of fact the insurance was placed with a subsidiary company, was it not? The Cameron Investment & Security Company? A. Yes, Insurance Agents, Victoria.

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Q. And the agency is owned by the Cameron Lumber Company? Insurance Agents, Victoria, and they get the benefit of the commission on the premium? A. I don't know that.

Q. At any rate the agency who placed the insurance was a creature of the lumber company—it was a subsidiary company, so to speak? A. Yes.

Q. Well, then, what did you mean by using the expression that it was a guess on your part? A. I did not quite follow it.

Mr. Mayers: What the witness said was that if the Cameron Lumber Company had adopted the method of estimating its profit as it carried on its business, that would have been in the nature of a guess as compared with the nature of their figures which they have produced in our present claim. 10

The Court: Yes, that is what he said.

Mr. Bull: Is that correct, that it would have been a guess, in view of the fact that in the way you have presented your claim you have taken in theory the profitable things that would have occurred at the Cameron mill, had there been no fire? A. We have taken the revenue that would have been earned.

Q. The by-products and the sale of power, the contracts on hand at the time? A. Yes. 20

Q. Leaving the manufactured lumber only? A. Yes.

Q. Now if you can estimate these two things can you not equally well estimate what you would have earned from the manufacture of lumber? A. No—I could have made an estimate, but it would be purely estimated.

Q. You have all the basic factors to make up the estimate. First you would have the capacity of your mill. A. Oh, yes.

Q. You would have the cost of your logs? A. No.

Q. Why? A. Because if we had known we could have bought logs at eight or nine dollars when they were costing us thirteen or fourteen dollars at the beginning. It would have been pretty hard to estimate. 30

Q. This writ was issued on the 9th February, 1932. At that time you knew the price of logs for the period after the fire? A. At what time?

Q. When this writ was issued in February this year you knew the price of logs for the period following the fire. A. I know what the prices of logs have been since the time of the fire.

Q. Therefore, in making up this estimate, you would have first to start with the capacity of your mill, and the price of logs, that is right? A. Yes. 40

Q. The cost of lumber and the selling price of material? A. Yes.

Q. So that a skilled accountant, with all these figures, could

easily project in the period following the fire an estimate of these operations? A. I don't think he could.

Q. You are not an accountant.—You had all the elements on which to make such an estimate? A. We know what the prices of logs were in some instances, we don't know what business would have been, not entirely.

Q. You heard what Mr. Campbell said— A. We were offered logs less than that.

10 Q. You were sales manager, you knew all about the selling price of logs, of manufactured products both before and after the fire? A. Yes.

Q. Now I have prepared a statement which my friend and I have agreed on for the years 1930 and 1931. I am going to put this in, my lord. I will show this to the witness in a moment. These are average prices for 1930 and 1931 in relation to what is known as tide-water mills.

Mr. Mayers: I have the complete average, we have worked out the average taken for the year.

20 Mr. Bull: Well, I have not had an opportunity of checking that, but I presume it is taken from the record 1930 and 1931. Now, you have seen this statement, have you, Mr. Miller? A. Yes.

Q. There are three columns, the first one comprises 15 mills reporting to the B. C. Lumber Association. The next is 15 reporting to the West Coast Association, and the third column is the prices between the Lumber Companies. (Exhibit 12). If you would not mind looking at that copy, taking the B. C. Association. What is your opening? A. \$19.65.

30 Q. In January 1930 the price apparently was \$19.65, is that correct? A. Yes.

Q. The Cameron Company was then getting \$29.61. A. Yes.

Q. Now following down the whole of 1930 there was a constant drop, was there not? A. Yes, with a very few exceptions.

40 Q. Going over the figures, opening in January 1930 at \$19.65, February \$20.67, March \$20.70—perhaps I need not read all the figures, except to say that from January 1930, taking the first column, that is the B. C. Mills begin with \$19.65 and finish in December at \$15.03, 31st January \$15.94, close of December \$12.75. I think it is fair to say the other columns show a corresponding drop, is that correct? A. Yes.

Q. So there was a downward tendency during the whole of 1930, and continued in 1931?

Mr. Mayers: Not quite correct. 1931 began with \$22.43 and ended at \$25.33.

Mr. Bull: The explanation of that closing Cameron price

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in December of 1931 I understand is that there was a greater proportion of sales of what are known as clears. A. Yes.

Q. Is this not correct, that the general usual average is one-third clears, and two-thirds common? A. Roughly, normal production.

Q. Some months your demand for clears is a great deal more than other months? A. That is so.

Q. In which event your average selling price would be greater? A. Well, our average selling price during the months of August, September and October 1930, we were negotiating with D. W. Gardiner & Sons of Galt, Ontario, for an order for their door stock material. For some years we could not get an order, and in the meantime we had been accumulating in our pond all the high grade logs for this business, when it arose. We were continually doing this in our logging business to take care of our cross arms. We rushed these through the mills in November or December, which gives that higher price.

Q. Your sales statement of 1931 shows that during December your proportion of uppers was \$47.85, as against the general average of about two-thirds common and one-third clear. A. We also purchased during the later part of the year over a million feet to supplement our own production for cross arms, which cost us \$30.00.

Q. Now you spoke to my learned friend about three items, depreciation, bank interest and insurance—There cannot be any doubt about it that if you were operating the Cameron Mill and it had not been destroyed by fire, and you were operating to produce these by-products and the sale of power, and the mill was running generally, you would have to pay that amount of insurance premiums Mr. Campbell spoke of. A. Yes.

Q. And likewise bank interest? Except for those things that had nothing to do with this Cameron operation? A. Yes.

Q. Have you those figures? A. No.

Q. You don't know what was paid on loans other than the Cameron Lumber? A. No, I have not got that.

Q. These subsidiary companies consist of Cameron Brothers, Timber Company Limited, National Cross Arms Company, and Victoria Model Home Builders. Is that correct? A. Yes, all part.

Q. All part of the one operation? A. Yes.

Q. So why should you draw any distinction in the interest paid on these accounts of loan paid by the principal company? (Exhibit 13). A. It is part of the same.

Q. What was it you mentioned of depreciation explaining you had written off a large sum? A. I know the plant is written down very low, somewhere about eighty thousand dollars.

Q. You said it had been depreciated to where it was not wise to continue? A. Well, I understand there is some Government regulation—there—

Q. Do you seriously mean that you have not written off any more because of some Government regulation? A. No—I just mentioned that that was given consideration.

Q. I want to speak about this item on sheet 2 of your particulars, under the heading of Handling Lumber, which you fix at \$1.00 per thousand, and you are satisfied in your own mind that this is a very small sum. It is quite enough, I presume, you did not err in that direction? A. I have handled quite a lot, I don't think anybody would take exception to the rates, I cannot imagine anything less.

Q. You did not figure it out? A. No, it is a figure I arrived at in my estimation of what it cost.

Q. It covers taking the lumber from the scow, transporting to the dry kiln? A. That only goes to our re-manufacture and mill.

Q. Consists of taking the timbers off the scow and taking it into the re-sawing table? A. Yes.

Q. And taken off the scow by train and carried on a Ross carrier? A. Yes.

The Court: What form are they when they come out of the scow? A. They are stood on the scow in cants and slabs and brought in large size.

Q. Then you take them from the scow to the re-saw. A. Yes.

Mr. Bull: What quantity would the scow contain? A. It varies from 60 to 80 thousand feet.

Q. How long would it take to unload it? A. Two or three days. The stuff was in cants in such a way that the bark and slabs were on them, and we were continuously pulling them up and never kept them in the sling.

Q. I suppose in operating your Cameron Mill there would be some instances of transporting your rough timbers to the re-sawing plant? A. That would just be a transfer, we would not use the Ross carrier.

Q. Taken in by conveyers? A. Yes.

Q. Then you are also putting forward under the heading of excess cost the additional cost of running the planing mill. That was timed to run at partial capacity, was it? A. Yes.

Q. But I take it you were running it at full capacity on account of the agreement you made to curtail production? A. In 1930 we had this agreement.

Q. You were not running at capacity, the Wilfert mill? A. 44 hours a week.

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Q. Not running capacity? A. Yes.

Q. I am going to put these figures to you: You began in March, did you not? A. Yes.

Q. And in 1931, beginning at March at the Wilfert Mill you cut in March 643,000 feet. In April 1,317,000 feet. In May, 1,061,000 feet. In June 1,112,000 feet. In July 881,000 feet. In August 965,000 feet. In September 1,337,600 feet. In October 1,019,600 feet. In November 931,470 feet. In December 191,260 feet. So apparently the mill was capable of cutting at least 1,376,000 feet? A. Well, that production, as you probably know 10 as well as I do, varies on the kind of logs you are producing. The kind of material you are cutting into, and also in August we had a breakdown.

Q. July? A. Holidays in July. All this goes into production of sawmill, and in August we had a breakdown.

Q. December only 191,260? A. We finished on the 18th.

Q. In 18 days you cut 191,000 feet? A. I cannot recall this—that is the actual production of the mill, no doubt taken from our records. If you have logs cutting 1,000 feet to the log you get better production than those that cut five or six hundred 20 to the log. We were cutting our Spruce cants at various times.

Q. Now you said on the question of the sale of wood, you no doubt would have sold your output in 1931, because there were very few mills operating? A. The Canadian Puget Sound was shut.

Q. You said very few mills operating? A. What I had reference to was the fact that the Canadian Puget Sound Mill was shut down which supplies a lot of wood in Victoria. It is a bigger mill than ours, they were installing machinery.

Q. Presumably they shut down because they could not make 30 any money? A. I don't know.

Q. Is not that obvious? A. Well, there were a lot of mills running in 1931.

Q. No other mills closed down that you know of in this vicinity? A. I think there were various mills closed down on the Arm. The Sidney Mills had been running.

Q. These had overhead fixed charges? A. Yes.

Q. And apparently thought it would be money in pocket? A. I think there are a number of mills operating.

Q. Do you know the proportion of mills closed down in the 40 last two years? A. I don't know.

Q. You know that a great many are operating at perhaps one-third of their capacity? A. There are mills operating under certain conditions, but could not make millions at the present market. If they have contracts for a term of a year or so they can probably operate.

Q. It is a well known fact that unfortunately the lumber industry is in a very sad state, and has been during the last two or three years in British Columbia? A. Yes, due to mass production.

Q. With regard to clearing of the site, you mentioned that Mr. Crombie told you you had better stop until further instructions. Did not that arise in this way? They were adjusting the physical losses, and the adjustment waiting for production of your last appraisal, which you could not produce for some two weeks. A. I don't recall any appraisal, I don't recall any reference to that at all, in any shape or form.

Q. You agree that the appraisal book would be necessary in adjusting the physical loss? A. Yes.

Q. I understand there was some delay in producing that book? And you were asked not to go on until that physical loss was adjusted? A. I don't know about that.

Q. Do you know, as sales manager, the result of your operations for the year 1930? A. Oh, yes, in a general way.

Q. You were quite aware then that the last five months in 1930, that taking into consideration any depreciation and taking your inventories at an arbitrary value of \$15.00, the Company did not earn its overhead, or any part of it? A. You ask if I am aware of that?

Q. Yes. A. No, I am not.

Q. Do you know what your loss was for the last five months—\$25,000, some odd dollars? A. Yes, I heard the figures.

Q. No doubt your books show that your overhead amounts to about \$3,000 a month? A. Yes.

Q. So your overhead for this five months would be \$15,000? A. Yes.

Q. Just one matter with regard to this planing mill again. In 1931 you were cutting large cants for re-saw were you not? Which you did not do in 1930? A. 1931—

Q. That would put up the planing mill's cost? A. That has nothing whatever to do with the planing mill costs.

RE-EXAMINATION IN CHIEF BY MR. MAYERS:

Q. You were asked the general question about depreciation in the lumber industry. What is the nature of the Cameron Lumber Company's business? A. Well, it has never at any time been quite a normal, what would be called an ordinary lumber, manufacturing lumber operation. We have a sawmill, a cross-arm plant, a box factory, as well as the ordinary planing mill facilities, which are used in the manufacture of lumber. We have for a great number of years had a contract with the Northern Electric

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Company for the sale of cross-arms to them throughout Canada. We carry large consignment stocks of this material at various points throughout the Dominion, as a matter of fact some eleven points, for despatch to a territory surrounding those points. Odd sizes, three and a half, four and a half, various other sizes of that nature, both kiln dried and air dried, and the prices which we obtain for that are not in any way the normal prices as compared with ordinary lumber. We have a contract for powder boxes, for the Canadian Industries Limited, at James Island, for the supply of powder boxes for the year, on which the contract price is made the beginning of the year, and maintained throughout the year. This stock is also manufactured and produced from time to time as we see fit, and carried in stock. There are a certain amount of costs in connection with the handling and manufacture of this material, which do not apply to what may be called a general lumber producing mill in the export or ordinary way of shipment. We have contracts for manufactured door stops, completed to the point of being ready to put into the machine to make the style, cut to lengths and machined so that all a fellow has to do is just to put it on his sander after that. We get special prices and it costs us more. Our local condition in the local market is a satisfactory condition, the prices we have secured and the business we have been able to do have at times run as high as a million feet a month. We must carry these stocks at our yards for the purpose of taking care of that business. Right now we would not dispose of our stock at the yard for rail prices. We are selling at a good price locally. We have never disposed of our stock under pressure of financial conditions or anything of that nature, and as a matter of fact the fact that the company has continued to carry along and do its business over so many years shows that it must have a very satisfactory policy of operation.

Mr. Mayers: Will you recall the instance where you had a sudden demand for cross-arms in Alberta? A. Well, only recently we had an order. They had a very severe storm in the Province of Alberta blowing down some miles of lines and poles, and they demanded ten thousand of these cross-arms. Well, we carried these arms, they all appear in our June prices, which will be quite high for this reason, that the material has been carried on our accounts at \$15.00, and we could not possibly supply this sort of order unless we could carry that stock.

Q. There is a question I should have asked you in chief: What was the capacity of the Cameron mill? A. Approximately 140,000 feet per day.

(Witness stands aside).

CLYDE WALTON—Cross-examined by Mr. Bull.

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Q. To what extent is your mill operating now? A. At the present time?

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Q. Yes? A. We are running four days a week.

Q. How many hours a day? A. Eight hours.

Q. Eight hours. A. Eight hours a day and four days a week.

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Q. How long have you been running in that limited way?

A. Since about the 1st of January, I will say some time in the latter part of January or 1st of February.

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Q. And during 1931 to what extent were you operating?

A. We operated two shifts, eight hours until the 1st of July; after that one shift.

Q. And the full capacity of your mill would be how many shifts of how many hours each? A. Two shifts of eight hours.

Q. And I suppose the reason for cutting down in the working hours is due to the condition of the market? A. Very largely, yes, sir.

Q. I presume that it is a question nowadays of whether it is not cheaper to close down entirely or operate in a limited way?

A. Yes, that about says it.

Q. If you closed down entirely there is the question which you always have to consider, of throwing a lot of unemployed out—adding to the unemployed? A. Well, that has had something to do with it; but we have gone far enough now, it is not much of a question any more.

JOSEPH THEODORE TAYLOR—sworn, testified; Examined in chief by Mr. Mayers:

J. T. Taylor
Direct
Examination

Q. Your full name, Mr. Taylor? A. Joseph Theodore Taylor.

Q. Where do you live? A. In Victoria, sir.

Q. What is your occupation? A. Lumber accountant.

Q. How long have you practiced that profession? A. About seventeen years.

Q. What mills have you worked for? A. I was with the Genoa Bay Lumber Company for three years; the Sidney Lumber Company for about ten; and I have been with the Canadian Puget Sound Lumber Company here for four years.

Q. The Genoa Bay Lumber Company also belongs to the Camerons, does it not? A. Well, as far as my recollection is they had an interest in it.

Q. Yes. I want you to tell me what has been your practice with regard to placing a value in the inventories. A. Ever since

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I have been in the lumber business the lumber inventory has always been taken at a fixed value; the same value at the end as at the beginning of the period.

Q. Yes. And have you any regard as to the relative size of the price that you put on the inventory and the market price?

A. No. It has been, really no difference has been made while I have been in the business. The price has been kept fixed right along, irrespective of any market price.

Q. And that is the case with the three mills that you have mentioned, is it? A. Yes. 10

CROSS-EXAMINED BY MR. BULL:

J. T. Taylor
 Cross-
 Examination

Q. Are you still in the employ of the Puget Sound Lumber Company? A. Yes.

Q. They have closed down? A. Yes.

Q. For how long? A. Since they closed down?

Q. Yes? A. The full mill operations closed in September 1930.

Q. September 1930? A. Yes.

Q. They have not operated their sawmill since then? A. No, sir. 20

Q. Why? A. I don't know, sir.

Q. Aren't you the accountant there? A. I am not the manager.

Q. But you know, don't you? A. No, sir.

Q. Has no one ever told you? A. No, sir.

Q. Well, as accountant what do you say about it? A. I don't say.

Q. You ought to know whether they would have made any money if they had continued operating. A. No, sir, I don't know. 30

Q. Well, did they make any money before they closed down? A. I presume they have made money.

Q. But you are the accountant, you are surely qualified to speak about that. At the time they closed down in September, 1930, they were not making any money, were they? A. Well in 1930 operations they didn't make any money then.

Q. They lost money then? A. Yes.

Q. A considerable sum? A. I do not have, surely, to bring the Puget Sound's affairs into this?

Q. Oh, yes, I think so; if you know—and you are the accountant. If you don't know of course you can say so. A. I can only say what I presume is common knowledge, that they lost money on their operations during 1930. 40

- Q. They were not making their overhead? A. I couldn't say.
- Q. Do you know? A. I would have to define the overhead, and also refresh my memory.
- Q. You haven't the information now? A. No, sir.
- Q. That would enable you to answer that question? A. No.
- Q. Although you are the accountant? A. Yes, sir.
- Q. And you were the accountant at the time they closed down? A. Yes.
- 10 Q. And you made up the accounts for the year 1930? A. Yes.
- Q. And still you say you are not prepared to say whether they made their overhead? A. No.
- Q. Now you have spoken about your practice as regards inventories. That practice was part of the internal management of the Company, wasn't it, for the information of the directors and shareholders? A. And for the purposes of Governmental returns.
- Q. Income tax purposes? A. Yes; for all purposes.
- 20 Q. Did you ever make up a statement for the Bank, of the Company? A. Yes.
- Q. What did you do about pricing your inventories for the information of the Bank? A. That is some time ago; and as a rule those values were left to the Sales Manager at the time.
- Q. Well, you know as a matter of fact, Mr. Taylor, do you not, that if you were obtaining credit from a bank for your Company, that the bank would not be content with inventories fixed at an arbitrary value? A. No.
- Q. Isn't that correct? A. That is correct.
- 30 Q. They would ask to have those inventories fixed at the cost of production, or the market price, whichever was lower? A. Yes.
- Q. And the purpose of that is in order that the bank can ascertain whether the Company was cutting at a profit or not? A. Yes—not necessarily, if it was running at a profit or not, but that information as a rule the bank requires.
- Q. For information as to the true position of the company? A. It might be for information as to the true value of the security.
- 40 Q. Exactly. And in point of fact you could not tell whether the Company was making money or losing money over a given period if you fixed your inventories at an arbitrary value? A. I should say, yes, that the fixed value is better than a fluctuating value.
- Q. Surely that is not right, if you are dealing with a limited period of time. I see what you mean over a period of years. It

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makes no difference to the shareholders. But if an outsider is interested and wants to know whether you are making money over a six months' period, an arbitrary valuation would not be of any assistance, would it? A. Well, as far as I know, the arbitrary valuation would be taken—would be usually taken then.

Q. But sure, you are an accountant, you can follow what I mean? A. Yes.

Q. You could not ascertain your profit over a six months period unless you knew what your stock in trade cost you to produce? A. You would need of course to take a different valuation both at the beginning and at the end of the period? 10

Q. Yes; you would take your opening valuation at the cost of production, and your closing valuation at the cost of production or the market value, whichever is lower. A. Yes.

Q. And in that way you would get the true position? A. Possibly.

(Witness stands aside).

DONALD OFFICER CAMERON, sworn, testified: Examined in chief by Mr. Mayers:

D. O.
 Cameron
 Direct
 Examination

Q. Your full name, please? A. Donald Officer Cameron. 20

Q. Do you live in Victoria? A. Yes, sir.

Q. What is your position with the Cameron Lumber Company Limited? A. I am Vice-President.

Q. How long have you filled that position? A. Two or three years.

Q. How long have you been connected with the Company? A. 26 years.

Q. You were in the Company at the time of the fire in 1917, were you? A. Yes, sir.

Q. You remember how long it took to rebuild on that occasion, do you? A. Yes, sir. 30

Q. How long was that? A. It was the year of 1918 we cut; we began at the Xmas holidays, or possibly a little before, pulling down and carrying out old machinery, and we finished some time in October; I cannot give you the exact date of that, but we cut four million feet in the year.

Q. As compared with what? A. As compared with what we afterwards produced, of 2,600,000 a month after we got into production. We hadn't got it into production. In January we cut 1,600,000 feet; in February about 1,700,000; and it wasn't till 40 June that we could get the 2,600,000 feet.

Q. Due to what? A. Due to corrections, and changes, and things that we thought needed to be done.

Q. So that it really took you how long before you got into the same position as before the fire? A. I would say it took us at least fourteen—rebuilding the sawmill—the sawmill didn't burn, you know—I would say that it took us about fourteen months before we got back into normal production.

Q. What was it that burnt on that occasion? A. Our planer mill.

Q. Now, this fire on the 25th of February 1931, you remember that, do you? A. Yes, sir.

10 Q. How long after the fire was it before you started cleaning up the site? A. We started about the 12th; on the 12th I think was the correct date.

Q. 12th of what? A. Of March. We started on the 4th, but we were stopped by the insurance adjuster. And we then went to work, took Mr. Heaney's trucks, and acetylene welding torches from the B. C. Welding Company, and our own, and we went to work cutting shafting, and sawing the timbers out and moving the debris off the ground.

20 Q. How long was it before you got finished with that? A. I think it was the 24th or 25th of April I wrote to Mr. Brown that he could come over and prepare to lay out the ground, and get plans out for a new mill. But I want to say in that connection, Mr. Mayers, that the ground is not cleared yet, there is still work to do.

Q. There is still work to do? A. Yes.

Q. Had you lost any time between the 12th of March and the 27th of April? A. We did not.

30 Q. How long did you estimate it would take you to complete the clearing? A. I would say that it would take us, without the City would let us burn the stuff up that was there, I would say it would take us practically another two weeks.

Q. Did you employ an architect to prepare plans? A. Yes, sir.

Q. When did he start work? A. He started work on the 27th or 28th day of April, I couldn't give you—

40 Q. How long did he take for his plans? A. Well, of course I don't know how long he would take, but naturally an architect could come in and draw his plans quicker than—they are my plans, I have got something I think to say about them, I am paying for them—and naturally we make some changes as that goes along. But he got a plan out that we figured that was suitable for us, in the major part, so that we could go ahead and clear the machines that we had to buy; and I would say that he was a month on those plans, practically a month on measuring his ground out and getting his plan.

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Q. There is also the question of the material that you required, is there not? A. Yes, sir. Mr. Brown gave us a list of them, of what we wanted, and what we advised him. Of course when Mr. Brown came on our job he didn't know anything about the character of our lumber business. And a mill that is suitable for Mr. Farris at Great Central Sawmills, or a mill suitable for another party, would not be suitable for the kind of business that we had; consequently Mr. Brown had to become acquainted with that through his conversation with Mr. Miller, my brother, J. O. Cameron, and myself, and my planer foreman, and my people around there that could tell him what business we wanted to do. 10

Q. Well, now, assuming that the mill had been re-built, what period of time do you estimate would be required for correcting mechanical defects and getting the mechanical adjustments necessary? A. From my experience of our own property and building our planing mill, and building our saw-mill, re-building it, also we built the Genoa Bay, I don't believe it is possible in any mill for an architect and the workman to put in new shafts, new drives, new conveyors, and build the building and equipment that goes with it, and have it run until you can get into production, and the normal production in sixty days. 20

Q. That is sixty days after it is handed over to you? A. Yes, sir.

Q. You have, of course, considered the form of the claim that we have put forward with regard to the possible profits in 1931? A. Yes, sir.

Q. And you heard what Mr. Miller said about it this morning? A. Yes.

Q. Will you say anything that occurs to you in regard to it, bearing in mind Mr. Bull's criticisms? A. Well, of course, I figure that the proof of our actual operation is a fixed definite thing. I believe that we can show a statement where our old mill could have done better than we did at the Wilfert Mill. We had many advantages at our mill that we did not have at the Wilfert mill. You take at the Wilfert Mill—we took on there four or five million feet of Cathell's & Sorenson's logs at a high price, that took us five months to cut, while in our own mill we would have cut them in less than two months. In other words, we would have had the sale of that lumber during our operation at higher prices, as the price was going down, and we would have also had cheaper logs in two months, instead of the six or seven months as it worked out. 30 40

Q. Yes. Just pause there for a moment, will you. You notice this statement, Exhibit 12, the comparison of lumber prices. You notice that the prices you were getting in March and April were \$22.01 and \$21.60? A. Yes, sir.

Q. Were those the months that you could have cut and got rid of Cathell's & Sorenson's logs? A. Yes, sir, I figure so.

Q. Whereas in July, August and September the prices had fallen to \$15.97, and \$15.21, and \$13.26? A. Yes, sir.

Q. Were those the months that you actually had to sell them by reason of the Wilfert Mill? A. Well, it took us longer to cut them, naturally, because we could only cut a million feet. But I want to say in that connection, that that is like the question of taking your stock, I cannot stand here and tell you how much of that clear lumber we had sold and how much we had not sold. It is impossible. However, we could not cut those logs up—it took us five months there, and we could have cut it in our own mill in less than two months: that is the point.

Q. How did the capacities of the Wilfert Mill and your mill compare with one another? A. The capacity of our mill was practically from 3,200,000 to 3,600,000 in a month, in five days a week of eight hours and half a day on Saturday; the Wilfert Mill was 900,000—we call it 900,000 to a million.

Q. You have heard Mr. Bull asking questions about a loss made by the Canadian Puget Sound Lumber Company; what do you say as to that having any relevance to your possible profit and loss? A. Well, it hasn't any relevance to our operation. I think that our figures there that we show on our average sale price should be sufficient evidence as to that. Our average sale price over and above the average in British Columbia, Washington and Oregon, runs anywhere from between six to eleven dollars a thousand higher than the average.

Q. And that is due to what reason? A. Well, it is due, I consider, partly to my efficient sales manager—I wouldn't employ him if I didn't think so—and to the special lines of business that we build up over 26 years.

CROSS-EXAMINATION BY MR. BULL:

Q. Mr. Cameron, this re-construction of yours in 1917, I suppose you were not in any great hurry about that? A. Yes, sir, we were.

Q. Why? A. Because we were making money.

Q. Well, you were making money? A. Yes, sir.

Q. You presented to me when I examined you for discovery, a copy of your President's report to a meeting held on March 10th, 1919? A. Yes, sir.

Q. Because that report dealt with this reconstruction? A. Yes, sir.

Q. Now, I direct your attention to this statement at the bottom of page 5. A. Yes, sir.

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Q. I suppose you agree that this is a correct statement? A. Read it and I will see.

Q. You tendered this, didn't you? A. Yes.

Q. Made by your brother? A. Yes; and he read it at our stockholders' meeting.

Q. "Before concluding I must make mention of the fact that on the coming in of the year of 1919 we have our new plant in full operation. We have sufficient orders booked to prevent accumulations of stocks for the time being. While prices being realized for the yard stock shipped out to Canadian buyers, and the retail yards in the United States as well, are too low to permit any profits being realized therefrom, nevertheless our orders for shipbuilding timbers are at prices which allow us to sell the side cuts at prices below the average per thousand cost of production. I am hopeful that before the present year is very far advanced the scarcity of tonnage will be relieved and then we shall not be dependent on the car trade to absorb so much of our lumber." I direct your attention to that statement, "prices being realized for the yard stock shipped out to Canadian buyers and the retail yards in the United States as well, are too low to permit any profits being realized therefrom." A. My answer would be, if you take our statement there you will see what we made in 1917 and '18.

Q. I am referring you now to the report of the President of the Company. A. The President doesn't say that we don't make money. He states that we made money on the lumber we supplied to the shipyards and in local sales we made.

Q. He says the prices realized are too low to permit any profits to be realized. A. With the car stuffs, the shipment?

Q. The yard stock shipped to Canadian buyers and the retail to the United States A. That may be true.

Q. And he expresses the hope that on shipbuilding timbers you might be able to make some money? A. Yes, sir; and we did.

Q. Now, as a matter of fact this reconstruction in 1917 took longer than it would have taken to entirely build a new mill, didn't it? A. Well, I cannot follow that.

Q. Are you in a position to deny that? You have no expert knowledge of these things, have you? A. No; but as I say, I have been paying for the building. But I cannot understand why it would take longer to put timbers under a roof than it would to put the whole timbers up and the roof on. The roof stayed there and is still there.

Q. In your reconstruction it was necessary to renew the foundation timbers, wasn't it? A. Some of the timbers were rotten at the foundation, and some of the posts were rotten where they joined on to the foundation.

Q. And the upright framing? A. And the upright framing, we would have put a jack under it and jack up the framing, and set a new post in instead of the one that was there.

Q. I am instructed that it would take probably four times the elapsed time to properly fit the timber than new construction would require. A. Well, I would have to hire that fellow to do work that way.

Q. You are not in a position to deny that? A. I wouldn't hire him.

10 Q. But you are not in a position to deny it? A. I am in a position to say I wouldn't employ him to do it for me.

Q. It would be necessary to carry the old structure on jack screws while you are placing the new timber in that way? A. I stated that, yes, we would have to jack up to slip the post under. But it doesn't take any longer to do that than to fit the other post up, frame it and put it up.

20 Q. So far as the reconstruction is concerned I gather from what you state, while you have no expert knowledge of these matters you have to leave that for engineers and contractors, people well versed in those things, you are putting forward your opinion only on the experience of 1917? A. No, sir, I have had other experience.

Q. Your experience at the Genoa Bay? A. Yes; and naturally we have had construction going on around our plant all the time, Mr. Bull.

Q. Now, coming down to the time of the fire, you at first intended to rebuild, didn't you? A. Yes, sir.

30 Q. In fact, you went down to the State of Washington and other places and bought a complete set of machinery, electrical machinery, didn't you? A. Not necessarily electrical, we did buy some motors, a lot of motors and we bought a lot of sawmill machinery that Mr. Brown recommended.

Q. In fact you bought everything except your head saw? A. Yes, sir.

Q. And you have got it now lying on your premises under cover? A. Yes, sir.

Q. Complete machinery for a new sawmill? A. Yes, sir.

40 Q. Except the head saw; and it has been lying there since April or June of 1930? A. Yes, sir. Well, part of it may have come in later than that, I don't remember just—it took some time to get it shipped up here.

Q. But so far you have not made any attempt to rebuild your mill? A. No, we have the plans in the drawing room over there; and the machinery.

Q. And I suppose the reason is obvious, isn't it, that you

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couldn't have made any money? A. I don't know that it is obvious; I don't know that I couldn't have made our overhead.

Q. You were not embarrassed for any lack of capital, were you? A. Well, we would have been very glad to have had this insurance money.

Q. Oh yes; of course you did get a lot of insurance money, though, didn't you? A. We did, yes, we got some insurance money.

Q. I say if you had wanted to reconstruct after the fire you could have done so, so far as the financial situation is concerned? 10

A. Well, I think we could, yes.

Q. So that it must have been some other reason that prevented you doing it; and that frankly, was the condition of the market? A. Well, I am not—as I am going to state to you now, I don't know that so far as I am personally concerned, I don't know that it wasn't a good time for us to re-build; we evidently thought so when I was instructed to buy the machinery by the directors of the Company.

Q. That is, the advantage would be owing to the lower cost of construction? A. Yes. 20

Q. The disadvantage would be on account of the market? A. No, I don't see that the market still is not so that a man cannot make a little in the sawmill business.

Q. You believe you could make your overhead? A. I believe we could.

Q. With proper accounting? A. With proper accounting.

Q. You know you did not make it in the last five months of 1930? A. No, sir, I don't.

Q. You never heard your witness say that?

The Court: Did you follow the evidence here? A. Yes. 30

Q. Don't you know that? A. No, sir—I say I know what the statement shows.

Q. Don't you believe them—they are your own statements?

Mr. Mayers: He is entitled to explain.

The Court: Let him explain then, and not his Counsel. You heard this evidence, and I am asking you now what you have to say about it? A. I state that the statement shows, for instance, in a month that we made a loss; during that month we may have had 400,000 feet of lumber come in our yard from the lumber company at Port Ludlow or from a lumber company at Tacoma, 40 or from the Mayo Lumber Company, that costs us \$32 or \$33 as shown in our statement, and it was put in our stock sheet at \$15—which would cover up a great deal of that loss. And it is a fact, as is shown by the records in our auditor's statements. Now no one, my lord, is acquainted with that situation except Mr. Miller or Mr. J. O. Cameron and myself. And that statement goes out

at the end of the month, and it shows a loss of \$4,000 or \$5,000 why I readily know that I have had that 400,000 feet of lumber come into my yard that has cost me \$32 and it is in the stock sheet at \$15 and I can quickly see that I have got that profit, and it is not a loss.

Mr. Bull: Now, Mr. Cameron, during the year of 1930 you had an accountant, Mr. Campbell, who had been your accountant for some years? A. Yes, sir.

Q. Who made monthly reports of operations, showing exactly what it cost to produce your lumber, what your average sale price was, and showing whether you made a profit or loss each month, didn't he? A. Yes.

Q. Every quarter you had your accounts audited by a chartered accountant, Mr. Grogan? A. Yes, sir.

Q. And his report was also presented to the directors? A. Yes, sir.

Q. Those reports show—and they are in evidence—that although you made during the first seven months of 1930 a total of \$18,279, in the last five months you lost all of that, plus seven thousand and some odd dollars, or a total of \$25,461; and that result was obtained according to the usual practice of accounting which had been carried on for some time? A. Yes, sir. But I would like to explain, that you will see right through in the statement that during that year we bought 4,200,000 feet of lumber that cost us an average of \$32 a thousand, plus the cost of handling it in our yard, which went into our stock at \$15 a thousand.

Q. Where do you find that? A. It is in the statements there, and the fact that we bought it.

Q. Then I presume you agree with my idea about inventories, do you? A. What?

Q. That \$15 is not a proper figure to use, because it does not show the true position? A. I want to say to you that I think that the fixed inventory value is about as good an inventory value as you can arrive at. That inventory value was arrived at—my brother made a trip to Ottawa, with our taxation department, I think it was in 1917 or 1918. We started out under the agreement with the Government on a fixed valuation at the beginning or end of the period. In 1918 or '19 that was adopted. We adopted in this country a uniform cost account system in the lumber business; and an instructor came up to Vancouver, and we sent over our auditing department there, and they had lessons, and we all based out cost on the same uniform accounting system practically since. I don't know that all have, but a great many.

Q. No, Mr. Cameron, if the result in 1930 was in any way effected by these high price logs that you have mentioned which

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contributed to the losses in 1930, then you were bound to make that up and show an unwarranted profit in the next period, weren't you? A. Of course it works out over a period; no question about that. But the question of trying to arrive at a value for your inventory, Mr. Bull, on the actual cost of your inventory is practically an impossibility.

Q. Now, show me—

Mr. Mayers: Have you finished, witness? A. No, sir.

Mr. Bull: Go ahead. A. You can take, for instance, in our mill one day we will cut, in cutting spruce lumber, cants for manufacture into powder boxes for James Island, I can show you, in September, for instance, in cutting that we cut 201,000 in eight hours; the next day we cut of fir, and cutting into general stuff, dimensions or timbers or cross arms, our cut will fall down to 140,000 feet; cutting Jap squares, where the biggest part of them go right over the deck in chunks from 12 to 24 inches in diameter, our cut will jump up to 180,000 feet again. Now when you stick say 250,000 feet of that stuff into the next alley with say a million feet of other stuff, it is pretty hard to get at there and see what the actual cost of production of those two items were. We also make strawberry boxes for the strawberry growers in Gordon Head; that won't run throughout the year; but as the waste comes from our box factory, the foreman if he has nothing else to do he may go over there and make those boxes, make those strawberry boxes, make them up, and we don't sell them until the next spring, the next strawberry crop. Now, it is pretty hard to say just what the expenditure may have been on those items; we never try to keep it segregated; and we don't see how anybody can. 10 20

Q. Have you finished? A. Yes.

Q. I want you to show this item that you referred to, that is these high price logs in 1930. If you want the assistance of your accountants I wish you would have them help you. A. You have the average cost of logs we have on hand. 30

Q. You say there was some extraordinary occurrence in 1931 in regard to high price logs you bought? A. In July 1931, Mr. Bull.

Q. I am referring to 1930. A. Oh, 1931 I said.

Q. I think we are at cross-purposes. Now let me repeat the question. In 1930 although you made money for the first seven months, made 18,000 and some odd dollars, in the last five months of 1930 you lost all that, plus seven thousand dollars, a total of \$25,461; that is correct? A. I say that that is correct according to the statement, but it is not correct according to facts. 40

Q. All right; point to the facts which show that that is not correct. A. Well, you have the statement there showing that we

bought during that period, during the year 1930 we bought—I would have to refer to the statement.

Q. I want to find that. A. I think we bought over four million feet of lumber, clear lumber.

Mr. Mayers: You see, Mr. Bull has entirely misunderstood what the witness has said; Mr. Bull is talking about one thing and the witness another.

The Court: Start over again.

Mr. Bull: Let us start over again. A. On comparing the statement for the month of December, 12 months to December 31st, 1930, if you will refer to that.

Q. Say that again? A. Comparing the statement for the year 1930 with twelve months to December 31st.

Q. Just a minute until I get that; what item are you referring to? A. I refer to an item Lumber Purchased, 4,727,972 feet; that average cost is \$31.63 it shows, included unloading it and putting it in our yard.

Q. Yes. Was that sold? A. Well, some if it is not sold; some of it was shipped the other day to the Alberta Government, 20 10,000 feet of cross arm.

Q. Where is that shown? A. Well, what?

Q. The balance of that lumber? A. It is not as a matter of fact; it is in our inventory.

Q. It was carried forward then on the 1st of March 1931? A. Certainly, whatever was left of it.

Q. At \$15? A. At \$15, yes, sir.

Q. And as you say it really cost \$31? A. It cost us \$31 plus the handling charges.

Q. So that that illustrates the point that I have been trying to demonstrate in the last two days, that the \$15 valuation bears no relation whatever to the actual cost of the material? A. Certainly it don't.

Q. So that your opening inventory on March 1st, 1931, at \$15 is entirely wrong, so far as it includes any portion of that lumber purchased at \$31? A. Well, certainly that is what we thought it was worth that or we would not have paid that for it.

Q. Therefore your opening inventory is incorrect? A. I wouldn't say it was incorrect from a bookkeeping standpoint.

Q. For internal purposes it is quite all right, but on the other hand it is quite wrong in showing the true picture? A. Well, I wasn't running my books for a lawsuit when this was made, I was running it as a business proposition, and to be perfectly safe in our figures.

Q. You were keeping your books in order that the directors might be informed of the true position of affairs? A. True position of affairs, in a conservative manner.

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Q. And that is why these monthly statements were produced to you? A. Yes.

Q. And rightly or wrongly they showed you on the red the last five months to the extent of \$25,000? A. I explained to you, sir.

Q. That is a fact. And the overhead for the five months would be about \$15,000? A. About \$15,000; that is what we figure.

Q. And in compiling those statements and arriving at those results, no allowance whatever was made for depreciation? A. 10
 No, sir.

Q. Depreciation is part of the operating costs, part of the cost of production? A. I can answer that, I would like to answer that, my lord; the present day value of our property at the date of this fire, was around \$490,000; it was standing on our books at possibly something like eighty odd thousand dollars; we had depreciated our property to an extent that we thought we had depreciated it far too much. And to show that we had, when we re-built that property in 1918, Mr. Rice re-built it, the capacity of that mill was 2,600,000 feet of lumber at one operation of six 20
 days a week, ten hours. The capacity of it in 1930 before the fire was 3,400 or 3,600 thousand feet per month for operation of five days a week of eight hours per day and four hours on Saturday. So that I don't think that depreciation was right.

Q. Your answer is that you had depreciated it so much in the past you need not do it any more? A. I think that is correct.

Q. Then you should reduce your previous depreciations and spread it over all years. A. Well, I am not—I don't know what is going to become of that question or situation; I don't know. 30

Q. I suppose that you agree that that is more a matter for an expert? A. It is more of a matter for somebody. But we are not trying to sell stock.

Q. All you can say is, you didn't allow anything for depreciation in 1930? A. No, sir.

Q. Nor did you reconstruct your inventories in that year on the proper basis, that is on the cost of production? A. I have told you I don't think that it can be done.

Q. Well, I suggest to you that it can be done, and that a statement adjusted properly as to the cost as to the value, of inventories, would show that you made a greater loss in 1930 than your own accounts show, and evidence will be given to that effect. 40
 A. Well, I would say it is a matter of only making figures, and in our business we don't know anything about it.

Q. Well, I may tell you that in making these adjustments your own figures have been accepted. A. Yes.

Q. Now, there is another point I want to touch on. Have you got there your inventory comparison, on December 1st, 1930, a comparison with 1929? A. The operating statement you want?

Q. This is headed Inventory comparison with December 31st, 1929. A. No, I don't seem to have that.

Q. On page 25—have you got page 25 there? A. Yes, I have got it here.

Q. There is something at the foot there, excess of estimated values over book valuation 1929 \$61,022.26; excess of estimated values over book valuation 1930 \$10,161.64. A. Yes.

Q. Decrease in hidden reserve \$50,860.62; less hidden reserve in Northern Electric cross-arms \$11,455.20; leaving Decrease in hidden reserve during year \$39,405.42. A. Yes, sir.

Q. Is that correct? A. Yes.

Q. So that is this not correct, in the year 1930 in addition to the loss shown in your monthly statements your hidden reserve decreased to the extent of \$39,405.42, as shown by your books?

A. I may say in reply to that, the hidden reserve in the Northern Electric cross-arm contract consisted of 140,000 pieces of 10-foot cross-arms, three and a half by four and a half inches, ten feet long. Now, that takes about 14 feet to each cross arm. We sold those cross arms at \$45 or \$47, I cannot remember which, a thousand feet. We received 80 per cent of that money for the cross arm stock after we had piled it up in our yard; which left us in the yard in that \$17 per thousand if we shipped it out. This figure of \$11,000 here is simply a bookkeeping figure. Because when you figure on the fact that when we shipped out that lumber it would be say a million and a half that it will not cost us to exceed \$4.50 to ship it, which will leave more in the hidden reserve than that shows. But those figures were put in there, and they are conservative.

Q. Have you finished now? A. Yes, sir.

Q. I want you to get away from the cross-arms, because we are giving you credit for it. The decrease in your hidden reserve 50,862.62, less the hidden reserve in the Northern Electric cross-arms of 11,455.20. A. Yes, sir.

Q. So if you explain the cross-arms then I put it to you that during 1930 in addition to the loss shown on that monthly statement, you lost a further 50,860.62? A. Evidently.

Q. Both decreases in the hidden reserve? A. Evidently Mr. Miller had priced the stock different to what it had been priced, and estimated that, yes, sir.

Q. That is correct, then? A. Yes, sir.

Q. In addition to those other losses you lost that? A. Those figures, I don't know how he made them.

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Q. Well, the figures are there, and speak for themselves, don't they? A. Yes.

Q. You did say something about average prices? A. Yes, sir.

Q. In comparing the Wilfert Mill operation to that of your own mill you pointed to the prices of March and April of 22.01 and 21.60 respectively; are those the two items you referred to?

A. Let me see that.

Q. Give the witness a copy of that comparative statement; are those the two items you refer to (indicating)? A. Well, it 10 applies to any of the months of May, June and July.

Q. But you refer particularly to March and April of 1931? A. Yes.

Q. And I think what you said was that if you had your own mill then during that month when you got these higher prices you would have had a greater production? A. Yes.

Q. I am instructed that these figures are wrong, 22.01, and 21.60; I might as well have them corrected. Well, I think I will deal with that with another witness. I think those figures are correct, Mr. Cameron, except they do not represent the average 20 production; the average production would be lower. A. Well, Mr. Bull, I cannot say, neither can I say definitely that we would have sold that lumber in the month if we had cut it; I could not come on the stand here to swear if we had cut those logs we would have cut every foot of them. All I can say is that over a period of years we would have our stock. In other words, we had ten million feet of lumber out there in the yard in the beginning of 1931, if I run the Wilfert mill and sold the lumber I cut out of the Wilfert mill and did not sell the lumber I had in the yard—I 30 didn't have to sell it—I could only sell what I produced, and I could hold that as long as I wanted—which we do sometimes.

Q. In other words, you gamble on the market? A. It is not a question of gamble, we consider it business.

Q. For instance if you had held until the present time the lumber you cut in the early part of 1930— A. I have got the yard full of it.

Q. You may have made money on it? A. I have made some money on some of it.

Q. Prices are considerably lower here? A. Not what I am selling, I am selling some locally here, because it is dry lum- 40 ber, and people want that kind of lumber to build with.

Q. I suppose, Mr. Cameron, the prices in this statement Exhibit 12 had been each month in the proportion of uppers and lowers which you sell? A. It depends on the specialty which we sell. It depends on our sales of cross-arms, it depends

on our sales of door stock, it depends on our sales of powder box stuff that we manufacture and get a good price for.

Q. Ordinarily the proportions are one-third of clears to two-thirds of commons? A. Well, considering that would continue according to the amount of lumber we bought on the side; what we bought and brought into our own mill. You take it now, I would say that our sales of clears would average more than a third now, because we are buying all of our lumber and naturally we don't buy anything but clears.

10 Q. Yes, but when you are cutting up logs, I am referring to the proportions as being about one-third and two-thirds. A. That would be the average cut, I would say. But where we buy so much lumber and bring it in, and all of it clear, I would imagine ours run over a third; I don't know that.

Q. That is a different matter; that is buying lumber you may buy higher grade and get more clears? A. Yes. But we cannot separate that from our business.

RE-EXAMINED BY MR. MAYERS:

20 Q. One question I should have asked in chief. You remember hearing the discussion with Mr. Miller regarding the handling of the Wilfert Mill lumber to your mill, handling it from the dock to your resawing? A. Yes.

30 Q. What have you to say as to that charge? A. Well, from my experience I think it is a very reasonable amount. You take the fact of us unloading these cants off the scow, which consisted of six by eight or five by ten, you have to have a crane man, you have to have two sling men on the scow, and one sling man on the dock. And you could not unload it all, because our capacity at our re-saw was limited; we couldn't go ahead, running two re-saws as we were. It would come down on the table of the re-saws, and come back on the run around we call it; and we had these four men unload it and put it on the carrier, the carrier would haul it from there, and two men there to take it out and throw it off on another chain. Now it is generally understood that it costs 50 cents a thousand to handle lumber in milling. And we figure that that was very reasonable for the handling that we had to make there.

(Witness stands aside).

40 LEO GROGAN—sworn, testifies: Examined in chief by Mr. Mayers:

Q. Your full name, please? A. Leo Grogan.

Q. You live in Victoria? A. I do.

Q. What is your profession? A. Chartered accountant.

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Q. How long have you practiced that profession? A. I have practiced the profession for 12 or 13 years.

Q. In Victoria? A. Yes.

Q. And you are also an auditor, are you? A. Yes, sir.

Q. And you are the auditor for the Cameron Lumber Company? A. Yes.

Q. How long have you filled that position? A. For eleven years.

Q. I want you first to discuss from the accountant's point of view this question of the proper value to be placed on inventories. A. As far as inventories in the lumber business is concerned, it seems to be the most business-like, the most practical way to handle lumber inventories, so as to take care of your increases in lumber inventories and your decreases. It does not matter whether you are preparing information for your shareholders or for the Bank, or for the Income Tax, or for the Registrar of Companies; and in my opinion the fairest way to do it is to have a fixed inventory, provided of course there is some logic to it. Your fixed inventory should not exceed the realizable price for your lumber. 10

Q. You have framed the claim that we have put forward in this action, have you not? A. I think the idea was mine originally, to present the claim in that way. 20

Q. What do you say as to the various criticisms that you have heard about it from Mr. Bull, for instance, the omission of depreciation and bank interest and insurance, and things of that kind? A. Well, in drawing out that claim it seemed to be most logical to eliminate as much guess-work or estimation or probability as possible. If there was any tangible figure on which the Company could proceed, I thought it was far better to take a concrete example of what had happened, than to calculate or estimate, as to what would have happened, when there are so many factors that enter into a calculation of that nature, that neither the Plaintiff nor the defendant can prove. That seemed to be the most logical way to do it. Here was a case where it was known what had been accomplished; as far as can possibly be known. There is a certain amount of estimating in connection with the revenue from by-products; but I think there that the evidence is that the revenue from by-products would have been much about the same in 1931 as it was in 1930. But as to what the cost of production in 1931 would have been or as to what the selling price in 1931 would have been, it is an extremely difficult matter to estimate. 30 40

Q. You heard Mr. Miller's suggestion that the omission of depreciation, bank interest and the insurance, was justified in view of the fact that they were not claiming any profit on their

main operation. What have you to say about that, from an accountancy standpoint? A. Well, as I said just now, Mr. Mayers, in answer to your previous question, the claim was based on actualities. Now, no, or practically no interest expense was experienced in 1931 after the time of the fire. With regard to depreciation, well, we all know that depreciation is an expense in doing business, but it is possible to have allowed so much depreciation in prior charges that you are presenting a distorted picture of the value, the real value of your plant, in this case. The plant was carried on the books at \$125,000 at the time of the fire, and the appraised value was \$499,000; and I should think that the plant was good for quite a few more years to come yet.

Q. That is all.

Mr. Bull: My Lord, one part of the cross-examination of this witness I would rather like to leave until the morning.

The Court: You would rather adjourn; it is all right with me; we cannot finish this week anyway.

(Court here adjourned until 10:30 a.m., June 10, 1932).

(COURT RESUMED PURSUANT TO ADJOURNMENT).

20

CROSS-EXAMINATION BY MR. BULL:

Q. Mr. Grogan, I understand you to say that you have been carrying on the practice of accountancy for ten or twelve years. A. About.

Q. How long have you been a chartered accountant? A. Three years.

Q. Prior to that you were what I might call an ordinary accountant, is that right? A. Yes, sir.

Q. And it was your idea that the claim in this action as set out in the particulars of the statement of claim should be put forward in the way it was done? A. Yes, I think it was my idea.

Q. No claim, however was put in to the insurance company under these particular policies until some months after the fire; that is a detailed one? A. No, I suppose it would be around about August the claim was put in.

Q. I think September. A. I couldn't say; but some time about that time.

Q. You are familiar with the terms of the policy, you were after the fire? A. Yes, I have read it several times.

Q. And you are aware, I suppose, or you were aware, that if there was anything payable under these policies it would be payable immediately after the fire, in respect of the period in the future?

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Mr. Mayers: Isn't that a question of law, my lord?

The Court: I should think so, the construction of the document.

Mr. Bull: There is no point there, my lord. This witness said in direct examination—

The Court: Show him the policy, perhaps he will agree with you, if it is simple.

Q. You might take that (handed to witness); you are insured against fixed charges.

Mr. Mayers. Would this really be of any assistance? Because it would be eventually a matter for your lordship. 10

The Court: I do not like to stop the cross-examination.

Mr. Bull I have not really got to the point yet.

The Court: No, I cannot quite rule for the moment.

Q. You stated in your direct examination that you put forward the claim as you do, based on actual operations at the Wilfert Mill, because otherwise you would have to make an estimate of what might have happened in the future? A. That is right.

Q. I draw this to your attention, that under the policy the losses would be payable immediately after the fire, based on past experience and the probabilities of the future. A. Well, there is a contract in the policy which I see says that due consideration must be given to the experience prior to the fire, and the probable experience after. 20

Q. That is what I mean. You know you were entitled immediately the fire came, to put forward your claim for use and occupancy, having in mind those two factors, the previous experience and probabilities of the future? A. Yes.

Q. Now, in that event, if you had put your claim in immediately, you would have had to put it in on the basis of past experience and the probabilities of the future? A. Yes, we would have had to carry that in here. 30

Q. That is the only point I was getting. In other words, supposing you had not gone on with the Wilfert operations at all, you would then have had to estimate what would have happened during the period of suspension? A. Yes.

Q. However, you have put the claim in as set out in paragraph 6 of the Statement of Claim; and you were here and heard the cross-examination of Campbell? A. Yes.

Q. You were the auditor of the Company during the relevant period? A. Yes. 40

Q. And made a quarterly audit of the books? A. Yes.

Q. And made quarterly statements of account to the directors? A. Yes.

Q. Also an annual statement? A. Yes.

Q. Now, I directed Mr. Campbell's attention first to the opening inventory; which is fixed at as of March 1st, \$234,549.34, based on an arbitrary value of \$15 per thousand, and I asked him to figure out what that inventory would amount to on the basis of actual cost of \$19? A. Yes.

Q. And he agreed with my figure of \$278,514.73; do you agree with that? A. With the mathematical calculation on the basis of \$19 multiplied by the number of feet, will give that sum of money, yes.

10 Q. Do you also agree that the cost of production, according to the records of the Company, in January and February of 1931, was \$19, within a cent? A. Oh, could I look—in January and February 1931?

Q. Yes; that is what Mr. Campbell put it; in February it was 19.01, and the average of January and February was 18.99. A. Those figures are taken from the financial statement of the Company, are they?

Q. Yes? A. Where it says cost of lumber produced?

20 Q. Total cost of manufacturing? A. Oh, total cost of manufacturing. Do you mind repeating what your question was?

Q. Do you agree that the cost for February 1931 was 19.01, and the average for January and February 18.99? A. The cost of lumber produced in those months?

30 Q. Well, it is under the heading of total cost of manufacturing, including logs. This appears in the operating statement of February, 1931; and the figure is 19.01? A. Yes. I think in order to answer your question clearly I should explain that where that says cost of lumber manufactured, it is not strictly correct to say that that is the cost of the lumber that was actually manufactured in that month; because that contains items of expense in connection with lumber purchased.

Q. You better have this before you, I think (handed witness). There is the statement which you audited, did you not, for the month of February, 1931? A. Yes.

Q. It gives the feet board measure? A. The feet board measure. I have another set of this.

40 Q. Will you just get it before you. You say it does not cover the lumber purchased, because that is under another heading lower down. A. It does not cover the lumber purchased, but it covers the expenses that have been incurred in connection with that, handling and moving around the yard, and otherwise disposing of lumber purchased. So that it is really a misnomer, my lord, to call it the cost of manufacturing lumber during that month.

Q. The total shown under the head of Lumber including logs, manufacturing expenses, insurance, and all these things, is shown at 19.01, isn't it? A. Oh, yes.

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The Court: Witness, so that you will understand, are you looking at something different from Mr. Bull? A. No.

Mr. Bull: It is under the third column. A. Yes.

The Court: You are looking at the same thing? A. Exactly the same thing.

Mr. Bull: And that does show, according to the records, the total manufacturing costs including logs, at 19.01? A. Yes.

Q. Well then, you agree that the average in January and February was 18.99; that is also shown in the second to the last column on the same page? A. Yes; bearing in mind the explanation I gave, that it includes other expenses. 10

Q. Do you also agree that the average over the four months ending in February 1931 was \$20.34? A. Yes, that was the figure I think you examined Mr. Campbell on.

Q. Yes, very good. Also, on the same page, the total value of lumber sold in February was \$20.40, and the average for the two months was 20.70?

The Court: The total value, you mean the selling price?

Mr. Bull: The total cost, I mean. The total cost—that is my mistake. 20

The Court: For what?

Mr. Bull: For lumber sold in February.

The Court: Total cost of making the lumber which was sold in February?

Mr. Bull: The total cost of lumber sold, including the manufacturing and purchasing, putting them all together. It is including the manufactured and the purchased commodities. You see it would be higher, is that correct?

The Court: For what month, again?

Mr. Bull: For February. A. Yes; I understand what it means, Mr. Bull. 30

Q. What is the amount? A. You have mentioned 20.40 as being the value of the lumber sold.

Q. No, the cost of lumber sold. A. No, no.

Q. You say that is not correct? A. No, not the cost of the lumber sold.

Q. If you say it is not correct, we will leave that. Then the same relevant figure for the two months was 20.70? A. Yes.

Q. So that I suggest to you that even on the basis that you put forward this claim, Mr. Grogan, that the opening inventory on March 1st, 1931, should be \$278,514.73. A. Is that the footage multiplied by \$19? 40

Q. Yes. A. No, that is not correct, Mr. Bull. No, that is not.

Q. Why do you say that? A. Because I think the figures you have there are the four months' production for—you have

December 1930 and January and February 1931—are they not?

Q. Yes. A. You have there about nine million feet?

Q. 10,991,000 odd. A. But the footage produced in those four months was approximately—wait, I think I have a copy of your figures.

Q. They are not exactly the same, what you produced in those four months was slightly less? A. Yes, in that month we produced 9,163,000.

Q. Yes. A. You asked me the value if that should be \$19?

10 Q. No, I didn't ask you that at all; I asked you to verify the figures \$278,514.73. A. That is not the value of the inventory at the 1st of March.

Q. Why not? A. Because I think your basis of calculation is wrong there. It seems to imply that the lumber that was manufactured in those last four months was that lumber that was in the yard?

Q. No, not at all; I am putting it to you all in your favour, by accepting the figure of \$19, which was the figure we figured according to your records. If I go back over the four months, we
20 find the average was \$20.34. A. Yes.

Q. So what I am putting to you is this, should not the opening inventory have been based at a price of at least \$19, instead of \$15? A. It all depends what lumber was in that inventory.

Q. Surely it does not, Mr. Grogan. If, as you say, the \$15 was an arbitrary figure. Now, I am trying to get at the proper value of the opening inventory. Should it not have been at least \$19? A. It is extremely hard to say, when you cannot identify the lumber. It it were a retail store, where you had single articles and purchase price, and cost price could be identified, it would not
30 present the same difficulty that you have now here.

The Court: But what is right? A. I presume it would be somewhere between fifteen and nineteen.

Q. Don't presume—because this is your case. If 19 is not right, what is right? A. It is extremely hard to answer definitely.

Q. But you are asking for a verdict; you have to prove your case; tell us what is right, if 19 is not.

Mr. Mayers: May I submit, my lord, that we stand on our \$15.

Mr. Bull: Let the witness say that.

40 The Court: If you do, that is another proposition.

Mr. Mayers: Certainly. I want to be very clear on that.

Mr. Bull: Is that right, that you stand on your \$15? A. On a figure very close to it.

Q. But you put it forward \$15? A. Yes.

Q. And you admit that is an arbitrary value? A. Yes.

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Q. Now, I ask you to get at the true value of the cost of production, which your records show was at least 19.67; isn't that correct? A. Yes.

Q. Then if you are putting it on the basis of the excess of production, it must be at least \$19—that it all I am asking you.

A. I am sorry I cannot agree.

Q. You cannot agree, why? A. Because, as I said just now, that I don't think it is possible to identify in the yard the cost of any lumber that is there.

Q. Mr. Grogan, you have identified the cost of production 10
over an average of the stuff that was in your yard, in your books, by taking it at \$19 in one month, and higher amounts in preceding months? A. Yes.

Q. Now, where is the difficulty? A. Because a lot of that lumber has been sold and the lumber that is in the yard at the time of the inventory may not be that lumber that was manufactured at this particular price that you have in question.

Q. All right. Do you agree with Mr. Campbell that if any of that lumber which was there on March 1st, 1931, was there prior to the four months period, it would have cost even more to pro- 20
duce? A. In general I would say yes.

Q. Yes. Now, you agree, then, with Mr. Campbell, that the further you go back the higher the cost of production? A. I think so.

Q. Yes. Well, where is your difficulty in agreeing that the inventory must have been worth, that is on the basis of the cost of production, at least \$19? A. I think we would come back to where we were before, if you are taking an inventory and can identify the costs there of certain items of lumber, of whatever physical lumber is there, your work is simple, but this is the whole 30
difficulty about the lumber inventory valuation, it is so difficult to identify the time of manufacture of any lumber piles that you are taking stock of.

Q. I fail to see your difficulty, Mr. Grogan, if, as you have agreed, \$19 was the lowest cost of production over a period extending back from February 1931. I am taking the smallest figure; I am asking you if the cost of production was not at least \$19 per thousand? A. I think I agree to that, that the cost of production—with that qualification I made about the expenses that are contained therein, you see. 40

Q. As far as I can gather from you, if anything it might be more than that. Now, just go on down your statement. You have not allowed for depreciation? A. No.

Q. And you agree with Mr. Campbell as to what that would be based on, the 1929 depreciation \$24,320, that is ten-twelfths of the figure for 1929? A. Do you want me to agree to that?

Q. Do you agree with Mr. Campbell? A. Oh, I think I said in my direct examination yesterday that I thought that would be excessive—at least I would like to say that now, that any allowance at \$24,000 for that year would be quite excessive depreciation.

Q. I am asking you to agree that these figures are correct on the basis of 1929. A. Yes.

Q. Now, I deal with the closing inventory, which consists of 8,615,034 feet; do you put in at the same arbitrary figure for that, \$15? A. At the end of 1931, yes.

10 Q. I suggest to you that that also should have been valued at the cost of production, or the market value, whichever happened to be lower. What do you say about that? A. I think you get a truer result if you take your inventory consistently, the opening one and closing one at the same price.

Q. On the assumption you should take it on the basis I suggested, do you agree with Mr. Campbell, that if the Cameron Lumber Company had continued operation, and there had been no fire, the cost of production would have been less than it was before the fire? A. I don't know what he said, but my own opinion is it
20 would have been.

Q. I will tell you what he said. He said the logging cost would have been reduced 10.20, labour with the ten percent reduction only would be 3.33, supplies 1.39, insurance .50, accident insurance .14, general administration 1.00, a total of 16.56. A. Yes.

Q. You agree with that? A. No, I don't agree with his identical figures there, I have my own opinion as to what would have been but—

Q. Do you agree with this that instead of one cut of ten percent in labour there were two cuts? A. I think in the year
30 1931 there were two.

Q. Two cuts of ten percent? A. Labour cuts.

Q. So that that would make the figures even lower than 15.56? A. Yes, he only reckoned one.

Q. But putting it, however, at 16.56, the closing inventory would have been \$170,544.47. I want to present you a statement here, and ask you to go over it with me, on the basis that I am putting the case, and tell me if you object to any of those figures (handed to witness). I think in the first column the opening inventory is the only change. Perhaps you better have a copy of
40 the particulars.

The Court: Is this something we have not seen before?

Mr. Bull: Yes, my lord, I am going to put it in.

The Court: May I have a copy of this?

Mr. Bull: We have one, my lord (handed to Court). Now, you have got that before you? A. Yes.

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Q. And you see at the top that I corrected the inventory, to show the opening inventory at 278,514; and the only other alteration there in the first column of figures I think is the 24,320. Perhaps I better go over the whole items. Purchases 126,529.88; that is the same as your particulars? A. May I step down and get them (doing so).

Q. Does that compare with your— A. Purchases 126,529.88, yes, quite.

Q. Wages are the same? A. Right.

Q. Scowing, towing and wharfage the same? A. Right. 10

Q. Taxes and licenses—that is divided into two, but the result is the same isn't it? A. We can leave that item for the time being.

Q. I would rather clear it up now.

The Court: You can easily total them up.

Q. You see your figure was 11,478.08, and we split that into two figures, of Taxes and Licenses 3,117.37? A. Right.

Q. And insurance 8,360.71. That totals the same, doesn't it?

A. I cannot find the insurance item.

Q. Well, that is down at the foot, you see, the last column 20 in our statement. But the result is the same; oh, we have added insurance, yes. It is included in the insurance. A. That is that item of thirteen thousand?

Q. Yes. A. We will come to that later on.

Q. Yes. Accident insurance 1,877.37? A. Right.

Q. Repairs \$26,895.74? A. All right.

Q. Power 12,229.13? A. Right.

Q. General manufacturing expenses 2,900—that is split up your figure is 3,214.79? A. You have 2,900.

Q. Yes, and 314 went to general office expenses. Do you 30 follow that? A. Oh, that office expense item down below, of 5,227.74, it is included in there eventually?

Q. Yes, included there. A. That is 314.79 included down below—all right.

Q. Then we have got depreciation of 24,320.10? A. Yes.

Q. Which you have not got? A. No.

Q. Now, the next thing, closing inventory on the basis of 16.56 is 170,544.47. A. Yes, I see that.

Q. Leaving the total cost of your goods at 375,854.14. A. Yes.

Q. Then you deduct the sales, on which we agree, of 309-190.37—do you follow that? A. Yes.

Q. Less cross-arms—I am not going to deal with the cross-arms for the moment, I will come back to that. Deducting your total sales from your total cost leaves a loss of 68,733.86. A. Yes, I follow that.

Q. Now then, for the purposes of a demonstration only, we deduct from that loss what you say are the excessive costs at the Wilfert mill of 22,216.72. A. Yes.

Q. Thus leaving the loss at 46,517.14? A. Yes.

Q. Then we give you credit, also for the purpose of demonstration, for the by-products that you have manufactured, and power—you follow that—34,327.04.

The Court: You include power there, do you?

Mr. Bull: Oh, yes.

10 The Court: You don't mention it.

Mr. Bull: Well, additional claimed, that includes power; 32,930.20. A. I follow that.

Q. Leaving you in the red 12,190.10? A. Yes.

Q. But you had selling expenses—which are the same figures I believe that you have? A. Right.

Q. Of 16,380.82. A. Pardon me, I will just check those, Mr Bull; this brings us down to the item of office expenses, \$5,-227.74?

20 Q. Yes. A. No, I have an analysis of that, just to check back on your page 1.

Q. Your office expenses 3,624.26? A. Yes.

Q. 359.68 postage? A. Yes.

Q. Telephone and telegraph 929.01. A. Right.

Q. 314.70 of miscellaneous, you have that? A. Yes, I had that. I have reconciled the office expense.

Q. You have reconciled that? A. Yes.

Q. Then you add on insurance 13,330, interest—your figure being 8,360.71— A. Yes, this insurance is based on—

30 Q. Ten months? A. Yes, on what it probably would have been.

Q. 13,330? A. Yes.

Q. Interest 10,333—also based on what it probably would have been? A. Ten-twelfths of \$13,000.

Q. Yes. A. It seems high, but I need not mention—

Q. It is bank and debenture interest. A. Oh, yes.

Q. And administration 13,559.71. A. That is the same as my figure.

40 Q. Now, that shows, on the basis of those figures, a total loss for the period of ten months ending December 31st, 1931, of 66,293.63, doesn't it? A. Yes.

Q. Of that 24,320.10 is depreciation? A. Yes.

Q. So that apart altogether from depreciation there is a total loss of \$42,000 for the period? A. That is according to this estimate.

Q. That is according to this estimate, yes. A. Yes.

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Q. And during the same period your overhead would have been \$30,000? A. Yes.

Q. So that on the basis of these figures you were about \$12,000 short of earning your overhead? A. Yes.

Q. Then the only question is whether, these statements whether these figures are correct. A. The figures of mine that you have reproduced are correct.

Q. The only difference then—correct me if I am wrong—are inventories? A. Yes.

Q. Depreciation. A. Oh, well, that is quite all right in 10 there.

Q. Depreciation. Expenses of running the Cameron mill, which you have not taken into account because you say it was not running. In the way of bank interest and insurance. Roughly those are the three heads. A. That is where we differ.

Q. That is where we differ, is that correct? A. One more.

Q. What is that? A. On the sales.

Q. Sales, yes. A. You have there, sales less discounts 309,190.37.

Q. Haven't you got that? A. But I thought yours was 20 an estimate.

Q. No, I am taking your figures and adjusting them the way we say they should be, to show that even on the way you put forward your claim you would not have earned that overhead. A. I don't think that is correct, Mr. Bull. Because you have taken the actual sales, and not the probable sales.

Q. I say I am taking your figures, your sales 309,190.37. A. Those were the actual sales.

Q. Yes; I am taking those. A. Yes.

Q. Now, on this basis the only things shown are inventory, 30 depreciation, and certain expenses. A. Yes.

The Court: You didn't catch his answer, I fear. I think that ought to be developed; he says you are suggesting that you should go on probable results, but that you have actually gone on actual results in regard to sales.

Mr. Bull: No, I am putting this forward, Mr. Grogan, not as a true method of arriving at the question of profit or loss, but as a correct way that you should have put forward your own statement, erroneous as I think it is in principle. You see what I mean? A. Yes; I see; I practically agreed with you, with the exception of that one item—of course we differ on inventories, but so far as sales it seems to be logical for you to have the probable interest and the probable depreciation; you must consider what their probable life would have been. 40

Q. I will do that later. I am just taking your own method, and your own figures, and adjusting them in the way as I say they

should be adjusted, to prove that on your own basis, then you would not have earned your overhead. Do you follow me? A. Yes, I follow you.

(The document last referred to is put in as Exhibit 17).

Q. Now, Mr. Grogan, what I want to put to you is this: That taking any period in a business like this, in order to ascertain the true position you must value your inventories at cost of production or market, whichever is lower? A. That is one theory.

10 Q. I say that is the correct way, if you are trying to ascertain the true position. A. You say cost or market, by market do you mean selling price?

Q. Selling price? A. I don't think it would be correct to take the selling price of your inventory.

Q. Well, leave out the selling price—cost, on the net cost. During this period was the selling price lower than production, according to your records? A. Supposing they were to sell by their inventory at the present time it was lower.

20 Q. In order to ascertain the true position you must take the inventory at cost of production or market price, whichever is lower? A. Yes, provided—if the market price is lower than cost.

Q. I put it to you as a general principle, according to proper accounting, that it is the only fair method. Do you agree or not? A. Provided your selling price—provided the actual selling price—if your selling price is lower than your cost you must do it to be conservative.

Q. Whichever is the lower—you agree? A. Yes.

30 Q. Then you have not shown the true position, putting it at an arbitrary price of \$15? A. I think it does show the true position of profit and loss.

Q. How can you say that? A. Whether it is a balance sheet or statement of profit and loss, it is a picture you try to draw to show the state of the business at that time, according to the records.

Q. Now I want to refer you to one or two standard works on accounting. You know the work of Smaile & Walker, "Accounting Principles and Practice?" A. Yes.

40 Q. As a matter of fact that is one of the works recommended by the Dominion Association of Chartered Accountants for the use of Students? A. Yes, I think so.

Q. It is therefore a work of authority? A. Yes, it should be.

Q. Now referring to—I don't know whether there are any different editions of this or not—at page 72—see whether you

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agree with this—under the heading of “Adjusting Entries necessary before preparing revenue statements and balance sheets”:

“Since merchandise purchases for the year, added to any inventory on hand at the beginning of the year, represents the total cost of all goods available for sale during the year, it is impossible to determine the cost of goods sold without first considering the cost of all goods unsold at the end of the year. This necessitates stock-taking which involves the counting, measuring or weighing of all goods on the shelves, and in the warehouse of the firm or company. These goods must then be valued at cost or market, whichever is the lower.” Do you agree with that? A. Absolutely. 10

Q. Now there is another work—Montgomery—you have heard of an author on this subject in England—Mr. Dixie, he is an authority? A. He is Mr. Dixie.

Q. This is Montgomery on “Auditing, Theory and Practice,” edited by Mr. Dixie? A. I think I know the work.

Q. Page 104, under the heading of Inventories:

“Raw Materials, and Stock Purchased to be Resold in the same Form: Under this caption should be included only stocks 20 of goods owned and under the control of the owner. Stocks are often hypothecated, and if this is the case, the fact should be stated on the face of the balance sheet.

“The basis of value should be cost or market, whichever is the lower. If purchases have been made on a falling market, it is not conservative to place a higher value on an inventory item than the price at which the same thing can be duplicated in the open market. It deceives the banker, creditor, and stockholder, who have a right to believe that the values stated are real values as of the date of the balance sheet. 30

“It may seem inconsistent to advocate a somewhat different principle when purchases have been made on a rising market and where the goods cannot be duplicated, except at a higher price. In this case, however, the conservative course is to carry the items at cost and thus do away with the objectionable practice of anticipating a profit.

“In this connection raw materials are dealt with as being the first stage of a manufacturing process. If bought and sold without alteration in form, there is some merit in the contention that the difference between cost and market is a loss or gain properly 40 applicable to the period preceding the closing of the books, but the fact, nevertheless, remains that the goods in the inventory have not been sold and no profit has been earned. The safest rule is the better one to follow, and this is unquestionably cost or market, whichever is the lower. If the market is higher than cost, and cost is used; it is quite in order to indicate this fact (if it is

important) in a footnote on the balance sheet, and no criticism will follow, whereas bankers are never pleased to learn that an inventory has been marked up and a profit taken is not yet realized." Do you agree with that? A. Yes.

Q. Castenholz, "Auditing Procedure?" A. I think I know the book, yes.

Q. It is a work of authority, I presume—I draw your attention to page 24, "Audit of Balance Sheet Accounts"—gives the rules for inventories:

10 "Government Rules for Inventories—The rules for checking and verifying inventories have been so well formulated by the Federal Reserve Board of the United States Government in their bulletin entitled 'Uniform Accounting' as to warrant their inclusion in full herewith":—What would the purpose of that be—the Federal Reserve, United States Government, that is in connection with the Federal Reserve Bank? A. No, the Federal Reserve Board.

Q. There is a Federal Reserve Bank in the United States?
A. Yes.

20 Q. The Federal Reserve Board apparently acts in conjunction with the Federal Reserve Bank? A. I don't know that, but I won't dispute it.

Q. Page 27, this one of the rules(14): "It may be found that inventories are valued at the average prices of raw materials and supplies on hand at the end of the period. In such cases the averages should be compared with the latest invoices in order to verify the fact that they are not in excess of the latest prices, and also the trade papers, when market prices are used, to see that they are not in excess of market values." Do you agree with

30 that? A. Yes.

Q. (13) is really the one I meant to read in conjunction with that; "The auditor should satisfy himself that inventories are stated at cost or market prices, whichever are the lower at the date of the balance sheet. No inventory must be passed which has been marked up to market prices and a profit assumed that is not and may never be realized. If the market is higher than cost, it is permissible to state that fact in a footnote on the balance sheet." A. That is right.

40 Q. Now, Mr. Grogan you realized, did you not, that at the end of 1930, that your practice of fixing these inventories at an arbitrary value was not showing the true position, and you therefore made an adjustment, did you not? A. On the lumber inventory.

Q. You made an adjustment for the private information of the directors of the company, which was not included in your public statement? A. I don't think I did, no.

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Q. Did you make the inventory comparison at the end of 1930, the inventory comparison on December 31st, 1929—Have you got it there at page 25—December 31st, 1930—this is Exhibit 8, page 25? A. Yes, I have it.

Q. That is your statement, is it? A. No, no, this is one compiled by Mr. Lorne Campbell. The information contained in that is condensed in the statement I made, but I did not actually compile it.

Q. You knew about it?—That decrease in hidden reserve? A. The foot-note on page 25, it was not included in the annual statement of the Company for 1930. 10

Q. It would go to the Government? A. Oh no, that was not on that.

Q. In other words, this was for the private information of the directors and not for interest charges and it was an inventory comparison of 1929? A. Yes.

Q. And we find this estimated value over book value for 1929 \$61,901.22—Does that mean that at the end of 1929 the actual value of your inventory was \$61,000 odd more than stated on your books? A. The realizable market value. 20

Q. So therefore in 1929 you had a secret reserve of \$61,000? A. I would not call it a secret reserve; we had an estimated realizable value for this \$15, was the sum of \$61,000.

Q. Then the next line over book valuation, 1930, \$10,161.64? A. That is right.

Q. Decrease, 1929, \$50,860.62? A. Yes.

Q. So the reserve had dropped by \$50,000? A. That is right.

Q. In other words, there was a loss in 1930 of \$50,000, not shown in the books of the Company? A. No—it was not a loss, not for that. In other words that showed appreciation in the cost of \$40,000, you could not argue it was an addition to your trade profit. 30

Q. How can you get away from it. In the beginning of 1930, apart from your other assets on the balance sheet you had a secret reserve of \$50,000, and that dropped in 1930, owing to a private adjustment of your inventory values. Surely you must have lost that \$50,000. A. The money is not lost until the goods concerned are disposed of.

Q. Put it this way: According to market values, at the end of 1930 your hidden reserve had shrunk by \$50,000? A. That is correct. 40

Q. And you, as the auditor of the Company, knew that? A. Oh, yes.

Q. In addition to that \$50,000, just taking the ordinary accounts which you audited collectively, you showed a loss for the year of \$7181.44, in 1930, did you not? A. Yes.

Q. I am going to produce a statement to you—in the first column, that is for the whole year, there is a loss of \$7181? A. That would be according to my statement?

Q. According to your own statement? A. Yes.

Q. Now in addition you had certain revenue during 1930 which is called non-recurring revenue, of \$7455.07, in the way of rebates on licenses? A. Rebates on log export tax. I don't think the entire amount of \$7000 would relate to the Cameron Lumber Company, but I would not disagree with that.

Q. Applying proper accounting practice, you would have to consider that in determining your true position? A. This was one of the points which came up between myself and Mr. Barrett Lennard in working on a statement on which we could agree. This \$7000 was money paid back by the Provincial Government on the export tax on logs shipped to the United States.

Q. It is proper to call that non-recurring revenue? A. Yes.

Q. In other words, manna from heaven you would not receive every year—If you take that into consideration, your own loss is \$14,000, according to your own book? A. Yes.

Q. Take this period—on the 30th July, 1930, you showed a profit of \$18,279.82? A. Yes.

Q. And the last five months of the year we find a loss of \$25,461.27? A. Yes.

Q. So you lost the last five months all you gained in the first seven, plus \$7,000? A. Yes.

Q. In the last five months of the year? A. Yes.

Q. And that is on the basis of your inventories at the arbitrary price of \$15.00? A. Yes.

Q. And also on the basis of not taking into account depreciation? A. That is right.

Mr. Bull: I beg to have this marked.

(EXHIBIT 18)

Q. I have a condensed statement here of the monthly profit and loss balance, according to your own books. Will you see if that is correct—in a simple form—or perhaps you might say subject to looking it up? A. Yes, that is correct, yes.

The Court: Condensed statement of what?

Mr. Bull: Of the year 1930, month by month. Showing January profit \$2,058.18; February profit \$17,550.06; March loss \$7,373.69; April profit \$3,280.52; May profit \$3,023.70; June loss \$3,714.68; July profit \$3,455.73; Each of the following months

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was a loss; August \$2,656.11; September \$890.57; October \$4,986.18; November \$8,017.24; December \$8,911.17—So, Mr. Grogan, if you were putting in your claim under these policies immediately after the fire, and taking into consideration your experience before the fire, you would have to consider the true situation prior to the time of the fire? A. Well, the true situation prior to the time of the fire.

Q. Well, including these particular losses? A. Including these months and the months of January and February.

Q. Now you mention January and February, let us have 10 them, because you made a profit in January, did you not, due to the sale of an unusual amount of high class material. Is that correct? A. I would have to look up the reason.

Q. Yes, I want to get the true position right up to the time of the fire—have you got that?—I understand that the profit shown in your statement for January, 1931, was \$5,085.25, is that correct? A. I think something like that.

Q. Correct me if I am wrong in this statement: In January, 1931, the sales of uppers were 42.3 per cent of the total sales, as compared with a monthly average of 33.4 per cent, showing 20 that month as an exceptional credit, due to sales of high quality produce, with no corresponding reduction of inventory value. The upper sales amount to 983,402 at 33.97, and commons, 1,341,462, at 13.96—is that correct. I put this to you, applying averages—what is the usual average? A. One-thirds and two-thirds.

Q. Applying average the sales would have been 776,498 uppers, and 1,548,346 commons? A. I would have to check that.

Q. Perhaps we can prove these figures; assuming that for a moment the reduction of selling values would be 4,442.03, would you disagree with that? A. I would have to check your figures. 30 The average selling price was higher, from 23.42 to 20.64.

Q. I will undertake to prove these. That will reduce your profit for that month to \$943.22? A. Yes, if that is correct.

Q. Something further—in that month you received a rebate from Cameron Brothers Timber Company on logs cut in January, but purchased the previous month, of \$1864.56, is that correct? A. Yes.

Q. Loss of \$931.34? A. Yes.

Q. Have you also in that month applied the proportion of depreciation which figures? A. Yes, in 1929 it would be \$2,432,- 40 01, which would increase the loss to \$3363.35.

Q. On the basis of these figures? A. Yes.

Q. Also there was certain work going on—I am instructed that it would be proper to make a charge for completion of the month's mill run through the planer and kilns of \$1114.50? A.

Is that acting on the assumption that everything sawn would be planed?

Q. No, everything that is sawn the previous month? A. I cannot answer that.

Q. I am instructed the proportion was increased. A. Which proportion is that?

Q. The month's mill run through the planer and kiln—perhaps we can leave that for further discussion—so if these figures are correct, that would leave a loss in the month of January of \$4477.85? A. Yes, if these figures are correct.

Q. What about February—What was your position the end of February? A. You mean the loss for the month—\$646.63.

Q. Now also in that month you received a rebate from the Cameron Timber Company on logs purchased in the prior month of \$1527.33? A. Yes.

Q. Would it be proper to take that into consideration? A. That is not why it was taken, as you get the true position.

Q. I am instructed that that did not belong to the month; that rebate covered logs cut in February, but purchased in prior months? A. Purchased in prior months, yes, but cut in February, that is why the rebate is included in the months during which the logs were cut.

Q. Should that not be otherwise, goes back to the time they were purchased? A. The idea was not to distort the month's operations too much by putting in rebate. It seemed to me reasonable to put that rebate through in the month the logs were cut up.

Q. I am instructed according to proper accounting that should have gone back to the months the logs were purchased. You have expressed your opinion about that as an accountant, on the basis that it is a non-recurring revenue—What did you say? A. Well, I just differ with that opinion in this case—it gives a better picture to put these rebates during the month the logs are cut up—gives the truer picture.

Q. Then if you apply depreciation for the month on the same basis it would be \$2432.01? A. Yes.

Q. And also a charge for the completion of the month's mill run, the same item, we considered about that.—January, \$735.68?

A. Well, as I told you just now, I cannot understand what is meant by that completion of the mill run.

Q. That would make total loss at these figures of \$351.45? A. Yes.

Q. In order to be quite fair about this, we also give you a credit for that month in the way of reduction. Sales of uppers were 28.5 per cent, but total sales on a low monthly average of 33.4 per cent, showing that month had exceptional output due to

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sales of a quarter less than average without any corresponding increase in inventories. Upper sales about 774,285 ft. odd. 33.73 Commons 1,344,696 ft. odd, 13.44. Complete average for Sales would be 108,156 ft. of uppers at \$33.04, and 1810.75 commons—the increase in selling price would be \$2160.81—In other words, it is meant to find the true position for a period of one month? A. Yes—one month's statement in the lumber business is not a true position.

Q. You must take a period of a few months? A. You must take more than one. 10

Q. Your adjustment of this decrease illustrates that? A. Yes, I think it is correct.

Q. You think that would be quite fair—so in presenting a statement from these policies, to present the true pictures, you would have to go back a period of more than one month before the fire? A. Oh, yes.

Q. To show previous experience? A. Yes.

Q. What would that period be? A. Would depend on existing factors.

Q. Such as trend of prices, cost of production? A. Yes. 20

Q. But you knew the true position at the time of the fire, according to your own books? A. What we thought was the true position.

Q. And you were aware of the general trend of prices? A. Well, personally I was not, but I could have obtained them.

Q. By your knowledge of the books? A. Well yes, I could have ascertained them from various sources.

Q. No doubt that was the subject of discussion in the office, was it not? A. I would not hear that.

Q. You have learned since that the trend was downwards the whole of 1930, as shown by that statement—Have you got that? —It is here, and speaks for itself—I am asking if you are aware Exhibit 12—as a general thing the trend was downwards? A. You are starting from 1930? 30

Q. Yes, down to the end of 1930? A. It starts to go up a little bit there at the end of December—whose figures are you looking at?

Mr. Bull: I was looking at the first column of B. C. Mills (Exhibit 13)—1275? A. Yes.

Q. There is a corresponding downward trend in all other columns, excepting in the Cameron Lumber Company, December 1931 was \$2573, which is out of all proportion to preceding months? A. Certainly, much higher. 40

Q. Due to the extraordinary number of uppers that was sold? A. I would have to look that up.

Q. My recollection is that Mr. Campbell agreed with that—that is probably so? A. Quite likely.

Q. So in making up your statement at the time of the fire in the way I suggested it should have been, you would have to look into the future and take into consideration that downward trend in prices, and not your own figure of downward trend of lumber? A. That is what I should have done?

Q. This time last year, at the time of the fire you don't admit you should have done? A. Oh, yes, we were trying to do it.

10 Q. That would be possible? A. I know both Mr. Barrett Lennard and myself were trying this time last year to look into the future. We were working on possibilities and probabilities.

Q. You had all the necessary factors before you, starting with the mill production? A. Yes.

Q. Cost of logs? A. Yes.

Q. Cost of labour? A. Yes.

Q. The other things that go into it—cost of administration—you had all these things? A. Yes.

20 Q. The average quantities sold for a period before the fire, which you might have applied to a future period? A. Yes.

Q. All these things? A. Yes.

Q. Where was the difficulty in working out a claim basis on these policies? A. You mean at this time last year?

Q. Well, at the time of the fire? A. Well, Mr. Barrett Lennard, I understand, was instructed by Mr. Crombie to look into the amounts of the Cameron Lumber Company and with my collaboration he was to make his report, and that is what we started to do. We worked together for a considerable time, and we got to a certain point where we could not agree.

30 Q. But Mr. Barrett Lennard was not employed for the purpose of making out the claim for you? A. Oh no.

Q. I am asking you if you, on behalf of the Cameron Company, could not have made a claim along the lines I suggest was a proper one? A. I could have made one.

Q. Have you ever tried to make one? A. Oh yes.

Q. What was the result, have you got it here? A. Of the claim I tried to make out?

40 Q. Yes, based on past experience and possibilities of the future? A. I don't think I have one with me, but it was prepared, I should think, last August.

Q. I am speaking now of a period at the time of the fire when you had looked into the future? A. Well I don't think any claim was made out prior to the month of June.

Q. Well did you not think about that, Mr. Grogan, and come to the conclusion that you could not have demonstrated the earning of the overhead during the period of suspension? A. I did

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not come to that conclusion, but I was doubtful over items that would enter into that time.

Q. What was your doubtful items? A. We did not know what the volume of business would be—what the wage cuts would be.

Q. You knew there was a period of 10 per cent cut? A. Yes, but we were trying to figure out, in the words of the policy, what would have happened had there been no fire. That is what we were trying to do, and I feel sure Mr. Barrett Lennard and I did our best on this line. 10

Q. At any rate you decided to put forward a claim based on the lumber mill operations? A. That is the way the claim finally came in.

Q. And showed a loss of \$51,000, which you had accounted for? A. Yes, that was the loss.

Q. So you accounted for all machinery that you were carrying at the Cameron Mill to the extent that you were selling power and by-products? A. Yes.

Q. And you took from that imaginary running of the Cameron Mill all those nice things, the sale of power and by-products, and in doing that you cut down your loss on the Wilfert Mill? A. The lumber mill operations refers more particularly to the sawing in the Wilfert Mill, which was doing what might have been done by the Cameron Company. 20

Q. In order to get rid of that loss, for the purpose of demonstration, you took the good things from an imaginary running of the Cameron Mill, the sale of by-products and power? A. Yes.

Q. And you also took into account what you say was the excess cost of sawing from lumber at the Wilfert Mill? A. Yes. 30

Q. But you did not take into account all the bad things you would have encountered had you operated in the Cameron Mill? A. We did not take depreciation.

Q. Your mill would have depreciated with running? A. I presume so.

Q. You did not take into consideration the bank interest you would have had to pay? A. No.

Q. And you would have had to pay in 1931, had the mill continued to run? A. We did not know the amount.

Q. Would you have any money? A. It would have been reduced by volume of business. No necessity to carry large log stocks—I think there would have been bank interest to pay, yes. 40

Q. Also if your Cameron Mill had been running you would have continued to pay out large sums for insurance premiums? A. The same as the year before.

Q. Also if the Cameron Mill had been running you would have—in the state of the lumber market—have lost money on every foot of lumber you produced there. A. I don't think so.

Q. If you would not have lost, why did you not carry your statement a little further and make a claim in order to diminish your loss on the Wilfert Mill for sawing lumber? A. It brings out the question I believe I answered yesterday that our desire, the desire of the Cameron Lumber Company, was to take the actual facts that had happened as far as possible in making this claim, and rely as little as possible on what might have happened.

Q. Why take the possibilities of the operation of the Cameron Mill on which you have stated you made a profit on by-products, and not take into account the general operation of the mill, which is essential to produce this information. A. Because there is such a great element of probability in probable sales of lumber, had there been no fire at the mill.

Q. You knew the market prices, you have the market prices in the whole period of suspension. I suggest to you if you had figured on the production of the Cameron Mill during this suspension you would have lost money on every thousand feet you produced? A. I don't think so, as to the entire period I don't think they would have lost money.

Q. And I suggest to you that can be easily demonstrated by your own records? A. Well, we can take the records and build up our statement on costs and possibilities.

Q. You have not done that? A. Not in that claim.

Q. You have not done it at all? A. I have at various times tried to figure out what might have happened.

Q. I suppose you agree that the production of by-products at the Cameron Mill and the availability of power for sale depends on the capacity or actual amount of lumber produced in the saw mill. A. Yes, the more you are sawing it is quite probable you will get more fuel and saw-dust available.

Q. So if you should put your by-products of fuel and power at the very peak, which you must have done, that will assume that your mill is running at full capacity? A. Yes.

Q. And having got that far, you must have had in mind the possibility of sales during that same period, that is the volume of sales? A. Well, I had not personally.

Q. Now, I was going to ask you about depreciation again, although I understand you to agree that the principle involved with depreciation ordinarily is one of the costs of production, you agree with that? A. Yes.

Q. Just the same as the wages? A. Yes, one of the expenses of doing business.

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Q. And the only reason you say you have not taken into account depreciation for 1930 is that you thought it had already been over-depreciated? A. That was the opinion of the management and I agreed with it.

Q. Now if in previous years you had written down too much depreciation on the basis say of a life of twenty years, and then you found that the life was greater than twenty years, surely the proper way was to go back and readjust the depreciation as written off in previous years? A. Something of that nature will have to be done. 10

Q. Should not that be done, surely each year should bear its proper share of depreciation? A. Yes, it should.

Q. And it is a simple matter to adjust the measure of depreciation of previous years by using a surplus account, that is, going back over thirteen or fourteen years? A. Yes.

Q. And putting into the credit of the surplus account any excess depreciation in any of those years? A. That is quite right, it could be done, make bookkeeping entries to that effect.

Q. So each year, including 1930, would bear its proper depreciation on the new basis? A. Yes. 20

Q. I am asking if you agree with that in principle? A. Yes.

Q. You do—I just want to go back to the inventories for one moment. I don't think we are very far apart in this question of principle involved in this arbitrary valuation, although you seem to justify that? A. It seems the most satisfactory way of handling the lumber.

Q. Although it would not be fair if I, for instance, were buying an interest in the Cameron Lumber Company at any particular period? A. If you were buying into the Cameron or any other lumber company, you would have to have extremely particular value put on the lumber you were buying. 30

Q. And have to adjust the true position? A. Quite likely.

Q. Also, if you were going to your banker about getting a loan and he was doubtful, you would also have to adjust your inventories? A. The banker would not mind if the inventories were conservatively priced.

Q. If the banker wanted to know the true position at a certain date? A. You would have to explain to him how the inventories were made up, not necessarily on the books, but it would have to be shown to him exactly. 40

RE-EXAMINATION BY MR. MAYERS:

Q. You recall this Exhibit 17, the statement presented to you by Mr. Bull—do you agree with the principle—if there is one—of that statement, exhibit 17? A. No, because I don't

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think it is correct as far as this accounting goes, in the two main items especially of inventory and sales.

Q. As I understood it was a concoction of actualities with probabilities, is that right? A. It is.

Q. Do you agree with that method of putting forward a statement? A. Well, it is a hybrid statement, I don't like it myself.

Q. About these books of accountancy; Smaile & Walker, is that an English book or Canadian book? A. I don't know.

10 Q. Just look at it, will you? A. It would appear to be a Canadian book.

Q. Does it refer specifically to inventories of lumber manufacturing plants? A. Not in that section Mr. Bull read to me, I don't know whether there is a section of the book dealing with lumber inventories.

Q. The portion read to you, does it, or does it not deal with the inventories of lumber manufacturing plants? A. No, it does not.

Q. I gather that it would refer to ordinary merchandise?

20 A. I think so, it mentions the purchase of goods on shelf, I think that is what it has in mind.

Q. Montgomery, is that English or Canadian? A. American edition of an English work.

Q. Does that deal with lumber manufacturing plant? A. No, did not mention that.

Q. Was what was read to you appropriate to the inventories of lumber manufacturing plants? A. Hardly, because these extracts go on the principle that you can always identify the cost of the goods you are taking stock of.

30 Q. Castenholz, is that English or American? A. I think that is American.

Q. The passage read to you, does that deal or have any reference to lumber manufacture? A. I don't think so, it was just general.

Q. This question of hidden reserve, as I understood you the figure quoted you of some date was simply the shrinkage of the value of your inventory by reason of the fall of market prices in one year? A. Yes, comparison with previous years.

40 Q. So unless there was some reason for selling that inventory at that particular price, it has no bearing at all on the profits of the Cameron Lumber Company? A. No.

Q. Supposing the price goes up, there would have been an appreciation? A. Yes.

Q. Have the B. C. Lumber Manufacturers Association figures any real bearing on the business of the Cameron Lumber Company? A. The Cameron Lumber Company at present I

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don't think subscribe to, or are members of the B. C. Lumber Manufacturers Association. They belonged for many years, and the figures sent round were some use to the Cameron Lumber Company.

Q. What I wanted to direct your attention to was this: when the B. C. Lumber Manufacturers Association shows a figure of 15.03, the Cameron Lumber Company show a figure of 20.75?

A. Yes.

Q. When the B. C. Lumber Manufacturers Association shows a figure of 15.61, The Cameron Lumber Company was getting 10 25.04?

A. Yes.

Q. And so throughout the list, is it not? A. That is right.

Q. So is there any help in discussing the question here to take the figures of the B. C. Lumber Manufacturers? A. I think it shows that the Cameron Lumber Company were getting quite above the average of the lumber companies in B. C.

Q. June—31, what were the figures? A. 17.65.

Q. And the Cameron Lumber Company? A. 27.69, and appreciation or increase of \$10.

Q. That was the actual realized price by the Cameron Lum- 20 ber Company? A. Yes.

Q. And take another month, the month of December /31, the figures of the B. C. Lumber Manufacturers Association were 12.75, and of the Cameron Lumber Company 25.75.

Mr. Bull: This is hardly re-examination, this more cross-examination.

The Court: Oh, well, go on.

Mr. Mayers: I want you to be quite clear on this. We have put forward our estimate on the basis of valuing inventories at a consistent price throughout. We have adopted \$15. Do you, 30 or do you not justify that method of putting forward our calculation? A. I do.

The Court: Would you have got the same result if you had made it \$8—you would have got the same result? A. Over a long period of years, because the cost of production each year is absorbed into your profit and loss account.

Q. You think that would have nothing to do with it? A. No.

Q. Glancing at that statement in front of you, it does show that the Cameron Company got a higher price than the West 40 Coast? A. Yes.

Q. Take the Cameron Company in 1930, including 1931, how did the prices run? A. The general tendency is down.

(Witness stands aside).

D. O. CAMERON—Re-called, testifies; examined by Mr. Mayers: RECORD

Q. Did you operate your Mill on Sundays and holidays?
A. No.

Q. I want you to tell me something about this question of bank interest, as to the necessity of your paying bank interest in 1931, if you had carried on your operations without a fire? A. Well, there is, of course, usually our interest, and we try to provide logs in the winter to carry us over the period of snow and bad weather. Some of the logging concerns have to close down, and
10 we usually have a supply of logs on hand in December, January and February to carry us on to the Spring. At this particular time we had a supply of logs on hand which would take care of \$6000 of our bank interest.

Q. Would you pay off the loan or what? A. Well, we cut these logs naturally if we had not lost all the money we would have paid some up to the Bank.

Q. So you would have repaid the Bank out of the proceeds of these logs, is that the idea? And that would have occurred in what months? A. January, February, March and April—

20 CROSS-EXAMINATION BY MR. BULL:

Q. You happened to have a larger inventory of logs in January 1931? A. We usually have.

Q. You had, in fact in June 1930 quite a large inventory?
A. I don't know how many, I could tell you.

Q. I am suggesting you had quite a large inventory in June 1930, and your bank loan was just as high as it was in January 1931? A. No doubt at that time the Cameron Lumber Company had quite a number of logs, they were selling these apart from Cameron Brothers.

30 Q. How much was your bank interest at that time? A. I will have to refer to it.

Q. Well, please do refer to your accountant if you like?
A. \$163,000.

Q. How did that compare generally with the whole of 1930?
A. I would have to refer to that.

Q. Perhaps Mr. Grogan can state it.
Mr. Grogan: I think a little bit higher \$160,000 in August, 1930.

Mr. Bull: What was it in September 1930?

40 Mr. Grogan: \$157,000.

Mr. Bull: You had very few logs at the time, Mr. Cameron?
Witness: I will have to refer to the books.

Q. I am instructed you had very few, in fact they were very low? A. Well, I don't know.

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Q. Would you find out, verify that fact that there were very few logs? A. We had \$62,782.62 worth of logs.

Q. What was the footage? A. 4,824,000 feet.

Q. What was it in June 1930, and in January 1931? A. June 1930 5,808,858 feet.

Q. Now January 1931? A. January 1931, 6,507,052 feet.

Q. So there was very little difference in those three periods and your bank loan was about the same? A. Well, I may state that we were logging and our mill don't cut cedar, and we had our cedar logs at Cowichan Bay. I don't know just when they were sold, but they were sold— 10

Q. We are not speaking of that, we are speaking of quantities. A. I am trying to explain why we had these particular logs at the time you are asking about. We had these cedar logs at Cowichan Bay, and sold them on the other side.

Q. You had \$163,000 in January, \$157,000 in September, 1930—what was the debt to the bank in June 1930? A. \$188,000.

Q. Now how would you have paid this loan, that is substantially if the fire had not occurred? A. Well, I said to you if we had cut these logs, if we had sold these cedar logs. I don't know what date we sold them. We did not necessarily have to have these in the ordinary course. There were logs kept in West Bay, but I could not purchase them in January and March. 20

Q. Don't you think previous experience is a good test? Your bank debits have been fairly consistent? A. That may be, I could have sold these logs in June if I had wanted to.

Q. I am endeavouring to point out that when your log inventory was down your bank debit was still substantially the same? A. Don't seem very much down.

Q. In September 1930 your inventory was down and you still owed them \$157,000, and how much footage? A. 4 million—that is practically the same \$62,000. 30

Q. Do you suggest that you would not have owed the Bank any money if the fire had not occurred? A. No, I don't suggest that, if I take care of my customers and buy lumber and ship it, I would have collected from my customers by sale of stock to pay the Bank. I had enough quick assets on my books to have paid the Bank at any time.

Q. Probably the loan to the bank might have been well over \$125,000. A. It may have been, but I can show you where I have not owed the bank anything for over a year. 40

Q. Dating from the fire it would have been the same? A. I don't know, I could not tell you whether it would have exceeded that or would not have exceeded. The possibilities are that it would have been reduced by existing logging accounts and outstanding accounts.

Q. It was \$165,000 at the time of the fire, to what extent would you venture to say it would have been reduced? A. Well, I could not tell you to what extent, though I would say if you want to go back to the year before I could show you the year before's debt to the bank, and show it to you since 1912.

(Witness stands aside).

Mr. Mayers: There are some errors in the transcript I want to correct. In the evidence of Mr. Campbell on page 17, Line 1, the figure 1050.46, should be 1150.46; page 73, line 12, the Name
10 Garret should be Gard, page 74, line 6, figure 1100 should be 1000. Page 65, lines 22 and 23, the words to sell power by the thousand kilowatt, should be by the thousand kilowatt transformer that we have in the B. C. Electric. That is shown to be correct by page 73, line 67.

Mr. Bull: That is right.

Mr. Mayers: My lord, I have some photographs I want to prove. The photographer is not here. Subject to that I have finished my case. I can put them in at any time. Subject to that, that is my case.

20 The Court: I think it would be a convenient time to adjourn now for one and a half hours.

(The Court adjourned to 2 p.m.)

CASE FOR THE DEFENDANT

WALTER JAMES BARRETT-LENNARD—Sworn, testified:

Examined in chief by Mr. Bull:

Q. Your full name, please? A. Walter James Barrett-Lennard.

Q. What is your occupation? A. Chartered Accountant.

Q. Where do you live? A. Vancouver.

30 Q. What is your firm name? A. Foster & Barrett-Lennard.

Q. How long have you been practicing? A. 18 years.

Q. In British Columbia? A. In Vancouver.

Q. Have you had any particular experience—I am referring now to your firm—in connection with the books of lumber companies in this province? A. Yes, we have conducted various audits for different firms.

Q. I mean, do you act for them regularly? A. We act for the B. C. Lumber and Shingle Manufacturers' Association.

40 Q. You might name the companies that you act for regularly. A. Bloedell-Stewart & Welsh; Great Central Sawmills; Merrill-Ring-Wilson; Moore & Whittington Lumber Company;

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B. C. Fir & Cedar Lumber Company; Hunting Merritt; Green Pine Logging Company; J. Hanbury & Company; Stolz Manufacturing Company—there are others if you want them.

Q. Is there some association that you act for? A. The B. C. Lumber and Shingle Manufacturers' Association, last year a representative of our firm went to Washington in connection with the conference they held there regarding the tariff. And our particular position was that of advising as to costs, lumber costs in British Columbia.

Q. Have you had any particular experience in the last few 10 years with the subject of use and occupancy insurance? A. Yes; we have had some cases where we have assisted; Hammond Cedar Company, New Westminster; National Paper & Box; Famous Cloak & Suit; Eburne Sawmills; McNair Shingle Company; there are others.

Q. Were you employed by the Defendants in this action on behalf of the defendants in this action in connection with a claim made against them by the Plaintiffs on use and occupancy policies? A. I was.

Q. When was that? A. That was some time I think, 20 speaking from memory, April 1931.

Q. That would be shortly after the fire? A. That would be shortly after the fire; April, I think it was.

Q. Did you have access to the Plaintiff's books? A. I had.

Q. Did you receive from the Plaintiff their monthly statements of account for the period preceding the fire? A. I did.

Q. That is Exhibit 8—in the book there? A. Yes.

Q. And you had, I presume, various conferences with Mr. Grogan there, did you? A. I did.

Q. And from your examination of the records—or, by the 30 way, how much time did you spend on the examination of the books and preparation of your reports? A. I spent weeks on it. I have never totalled up the amount of time; but I should say probably six weeks, if it was all counted as continuous times.

Q. You are familiar, are you not, with the particulars which the Plaintiffs delivered to their statement of claim in this action? A. Yes.

Q. On which their claim is based. You have duly considered that, have you? A. I have.

Q. And have you prepared a statement based on certain 40 adjustments which you thought necessary to make in connection with their statement? A. Yes.

Q. Is that it, Exhibit 17 (indicating)? A. Yes.

Q. Have you a copy of that before you? A. No, I am sorry; I was preparing extra copies, and they are not down yet; they will be here in a few minutes.

Q. Now, apparently, from the evidence of Mr. Grogan, it appears that there are two or three main differences between your statement and their particulars. A. Yes.

Q. You might just state what they are. A. There is the question of valuation of inventories; that of the necessity for providing depreciation. And by inventories I mean opening and closing inventories. A small amount in the sales. The quantity of insurance. And the question of interest. That is insofar only as this statement is concerned.

10 Q. Yes; I want to deal with these in order. First we will take the opening inventory. Have you satisfied yourself that the quantity which has been set out as the opening inventory is correct? A. That is the amount that is shown by their own statements.

Q. And you found that they had valued that inventory at a fixed price of \$15, did you? A. Yes.

Q. Now, in your statement what price have you taken? A. \$19.

20 Q. Will you just state shortly your reason for doing that?
A. The statements of the Cameron Lumber Company that have been produced to me, show that the cost of lumber at the 28th of February, had been for the month of February \$19.01 a thousand; for the months of January and February an average of \$18.99 per thousand; and over a period, an amount per thousand greater than the amount of \$19. I considered that it was proper to take as the cost, or as the opening inventory figure the amount of 19, because that was the lowest cost that they had shown for some months, and was not some figure that would be weighed too much for the Cameron case.

30 Q. When you say you considered it necessary, did you mean for any particular purpose? A. I mean for the purpose of deciding as to whether or not the Cameron Lumber Company had in the definite period of the ten months between the date of the fire and the end of December 1931, made any profit or loss during that period.

40 Q. Yes. Now, apart from that, Mr. Lennard, what do you say about the propriety of a lumber company such as this fixing their inventories at an arbitrary price—value? A. Insofar as their own internal economy is concerned, I have no particular objections to a fixed arbitrary value, provided that at any time that a report is made on the accounts of that company, attention is called to the fact that this is an arbitrary value, that it has no relation to cost. But in a case where it is necessary to definitely ascertain the profit or loss that a company would make on its operations, I would say that that figure is entirely wrong.

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Q. Now, we might as well deal with the closing inventory. You have taken the quantity which has been verified by the accounts of the Company, have you? A. Yes.

Q. That is the quantity on hand? A. Yes.

Q. And at what price did you find in their particulars they had priced that stock? A. They priced the stock at \$15.

Q. In your statement what price have you fixed? A. I have taken the amount, the price of 16.56.

Q. And how is that made up? A. That was based on the information that they gave as to the drop in prices of the various component parts of the cost of manufacture. 10

The Court: That is a figure we have not had before—we have not gone into it before?

Mr. Bull: Only in cross-examination, my lord.

The Court: You will develop that now?

Mr. Bull: Yes. Have you the particulars of how that is made up, Mr. Lennard? A. Yes; the log costs 10.20—

Q. Now, was that the cost of logs after the fire? A. That was the cost of logs after the fire.

Q. Where did you get that information? A. That comes from their figures, their own records. 20

Q. What is the next thing? A. Labour 3.33.

Q. Where did you get that information? A. The labour cost prior to the fire was 3.59; making a ten per cent reduction will give you 3.33.

Q. Was there any after; any further reduction following the fire? A. I am informed that there was a ten per cent reduction in wages in the month of February, and a further ten per cent reduction in June.

Q. But you have taken only the one? A. One ten per cent. 30

Q. One cut. And what else? A. Supplies 1.39.

Q. How is that made up? A. I believe that is a ten per cent cut in the cost of supplies prior to the fire.

Q. From the price shown on the Company's records? A. From the price shown on the Company's records, on their statements.

Q. Was there in fact such a reduction? A. That I don't know.

Q. 'Well, how do you get that? A. That was taken from admitted evidence the other day, that there might possibly have been a ten per cent reduction. 40

Q. And the other items, what are they? A. Insurance 50 cents. That is the same as shown on their own statements. Accident insurance 14 cents, the same as their own statements; general administration \$1, again the same as their own statements; making a total of \$16.56 a thousand.

Q. I want to direct your attention to this, that price of 16.56 is higher than the price they have fixed for their closing inventory. A. Yes, by 1.56.

Q. And what is the result? A. It increases the value of their inventory at the end of the period, 31st of December, 1931.

Q. In whose favour would that be? A. That would be in their favour.

Q. That is, you are taking the opening inventory at the proper price? A. Yes.

10 Q. Therefore you are making an adjustment of the closing inventory which would be in their favour? A. Yes.

Q. Now the next item I think on which you apparently do not agree, is the question of depreciation, which you fix at 24,320.10; will you explain that? A. They made no provision for depreciation in their accounts. In looking back I find that in the year 1929 they provided depreciation on the annual rate of 29,184.16. I take as a charge against the period, ten-twelfths of this 29,184.16 as being a proper charge against the cost of producing lumber in that period.

20 Q. What do you say about the propriety of that, as regards proper accounting? A. Well, I would say that you could never arrive at the proper cost of material or article unless you take into consideration the wear and tear or the loss that you would sustain from the operating of the machinery used in that production. It is just as much a cost of manufacturing as the labour, or other items entering into that manufacture.

Q. How does that accord with your experience with other lumber companies? A. Well, so far as I can remember there is depreciation always taken into consideration.

30 Q. As one of the costs of production? A. As one of the costs of production.

Q. Did you see what Mr. Grogan said about the Company having in previous years over-depreciated their plant? A. Yes.

40 Q. What do you say about that? A. I say that might be quite right, that they might have over-depreciated their plant; but at the same time, in considering what the possibilities are of this particular period, depreciation must be considered. If in past years they have made an improper calculation or used an improper rate for their depreciation, that that depreciation schedule should be reduced so that the whole of the term of the life of the plant will be charged in the proper proportion. In other words, if a mill is capable during its life of producing two million feet of lumber, and at the end of that time it goes to the scrap-heap, every thousand feet of lumber that is produced must bear its equal proportion of the loss of that mill.

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Q. Well in practice how would that have been worked out, in 1930, the year when no depreciation was allowed; how would that have been done? A. They would have re-cast their depreciation schedule, credited their surplus account and charged back the depreciation reserve; leaving a balance of depreciable property to be carried forward into subsequent years.

Mr. Bull: My lord, I have extra copies of this Exhibit 17; would it be quite proper to give copies to the Jury?

The Court: Mr. Bull suggests handing Exhibit 17 to the Jury, and I do not think he should do that unless they now get your statement of claim, Mr. Mayers, along with it. 10

Mr. Mayers: I agree with that.

The Court: The time has come to let them have them. I understood Mr Mayers had made copies of both the statement of claim and defence.

Mr. Mayers: Yes.

Mr. Bull: The particulars are important.

The Court: The particulars are important; and they have reached the stage now where they could have the whole thing. (Copies handed to Jury). You will find if you turn over three or four pages you come to what they call the statements, the sheets, the particulars, Sheet 1, sheet 2, and so on. Now the new one is this Exhibit 17. And if you have a pencil and mark that separately Exhibit 17, then whenever we refer to it you will know what we are talking about. 20

Mr. Bull: Did you finish your explanation of how the depreciation would have been adjusted in 1930 if in fact it had been over-depreciated in previous years? A. I think so.

Q. That is by re-casting the whole thing? A. Yes.

Q. But according to that, would there have been in 1930 an allowance made for depreciation that year? A. Yes, there should have been. 30

The Court: And also in 1931? A. Also in 1931. I might, if I may, develop that. That if the firm wishes to provide all the depreciation in one year, and charges no consideration of depreciation afterwards, it is as though the asset they were working out during those subsequent years had cost them nothing; as though they were being made a gift of the asset that they were making use of. And if they took no consideration of depreciation in competition with other people who were taking depreciation, their costs of trade, estimates of trade prices upon which they—competitive prices that they were making use of, would be at fault. 40

Q. Just go on with this statement. You are aware that in their particulars they have adjusted their loss on the Wilfert Mill operation by taking into consideration the sale of power, the

sale of by-products, if their own mill had been running, and the excessive cost of production in the Wilfert Mill over the Cameron Mill? A. Yes.

Q. Now, in view of that, what have you to say as to the propriety of charging during this period insurance as it was before the fire, and bank interest as it was before the fire? A. Well, I would say that if full credit is to be given for revenues which might have been earned had no fire occurred, then all the expenses incidental to the earning of that revenue should also be
10 disclosed.

Q. I notice one other small difference in your statement from theirs, that is in the sales, sales discounts which you have taken at their own figure 309,190.37; you have deducted for cross arms 1930, \$2,070.09? A. Yes.

Q. Please explain that. A. I was informed—

Q. By whom? A. By Mr. Grogan and by Mr. Campbell, the accountant of the Company, that at the end of December 1930 they had—rather, I will put it this way, that prior to the end of December 1930 they had made a sale of cross arms to the Northern
20 Electric; they had charged the Northern Electric with only 80 per cent of the value of those cross arms; the cross arms being held in the yard to the order of the Northern Electric Company, and only awaiting instructions for shipment; constituting a sale of cross arms in December 1930 which should have been charged out to that company, making an asset in the form of an account receivable, which later would come in as the Northern Electric Company paid their account. It was part of the profit of the year 1930, and any shipments made out of that stock in 1931 should
30 not be credited in the year 1931 as a sale, the sale having been consummated and completed with the exception of delivery in the prior year; therefore the 2,070.09 is not a credit to the year 1931, but a credit to the year 1930.

Q. Would you say, therefore, that it is quite proper to deduct that item of 2,070.09 from the total sales? A. Yes; because it was a transaction of a prior period.

Q. Now, have we finished all the differences between your statement Exhibit 17 and the Plaintiff's particulars—except possibly the re-adjustment of the same figures? A. Yes, I think so.

Q. No, would you just summarize that statement, and tell
40 the Jury what it means? A. You want me to read the statement?

Q. No, just the headings, for instance. A. The statement is drawn up in such a way as to show the cost of all the lumber sold during the ten months ended 31st December, 1931. It is made up in this way; they had on hand at the beginning of the

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period 10,991,340 feet of lumber, together with sundry other assets, such as boxes, logs, and so on, which at the cost of production amounted to 278,514.73. They make the purchases of lumber during that time the value of 126,529.88. They apply wages to the production of this material 64,307.80.

Q. I think you need not go into the figures, perhaps, in explaining the statement; but the details. A. I will do that. Making the total cost for lumber on their inventory at the end of December had they sold none—at least of 546,398.61. But they had on hand at the end of the year \$170,544.47 worth, leaving 10 375,854.14 as the cost of the lumber and other products sold. They sold those products for 307,120.28, leaving a net loss to that point on those operations of 68,733.86. Do you wish me to go to the end of the figures?

Q. Yes. A. They state in their statement of claim that because of the operating in the Wilfert Mill, where the operations more expensive than they would have been in the Cameron Mill, that there was an excess expenditure of 22,216.72, which they would not have spent had they been operating the old mill. If you deduct that from the loss to that point it gives them a loss of 20 46,517.14. The rents and the sale of by-products during the period totalled 1,396.84; but they state that had they been able to operate the Cameron Mill at its capacity they would have earned an additional amount of 32,930.20, making a total revenue from rent and by-products of 34,327.04.

The Court: That includes power.

Mr. Bull: That includes power. A. That includes power.

The Court: That is not marked there, but power is included in the 34,327? A. Yes. Making 34,327.04; deducting that from the loss on the other operation gives a loss of 12,190.10. But in 30 order to sell this 307,120 of theirs it was necessary for them to expend in selling expenses 10,005.44, and sundry other items there which total altogether, including selling expenses 16,380.82; increasing their loss to 28,570.92. Now had they been operating the Cameron Mill on the same basis as in the previous year they would have had to pay insurance—that is had the Cameron Mill not been destroyed by fire the necessity for insurance would have been the same, and they would have paid in premiums 13,330. They would have paid on the basis of the interest they paid in 1930, and I think in 1929, the sum of 10,883 for debenture interest 40 and interest to their banks; to administration 13,559.71, that is the expenditure as per their own statements for administration. Giving a total further cost of doing business in that 10 months period 37,722.71; or a loss of 66,293.63.

Q. Now if you disregard entirely the question of depreciation during that period, what then would be their total loss? A.

Their total loss would be in the neighbourhood of \$42,000—just a few dollars difference there.

Q. And what would the overhead be for the ten months?

A. Their fixed charges and expenses would have been \$30,000.

Q. So what was the result, then, insofar as the earning of overhead is concerned. A. They didn't earn their overhead of \$30,000, and they lost \$12,000 besides.

Q. \$12,000 over and above their overhead? A. \$12,000 over and above their overhead.

10 Q. For that period? A. Yes.

Q. Now Mr. Grogan stated that it would be very difficult if not impossible, with the available information, to project into the future any estimate of the probable profit or loss of the future during the period of suspension on the assumption that the fire had not occurred. What do you say about that? A. At what date would that be; immediately after the fire?

Q. That would be from the 25th of February, 1931? A. No, Mr. Bull, I mean would they be making this estimate immediately after the fire or at some later date?

20 Q. Take it both ways. Immediately after the fire, first. A. Immediately after the fire they have definite factors of what was taking place. That is, on the 25th of February they knew what their logs cost; they knew what it cost for labour, they knew what it cost for administration, and they knew the general factors entering into the cost of their product. By assuming that the business would have gone along the same for a period after the fire as it had been going prior to the fire, and having a knowledge of what the labour might or might not cost, making some estimate as to the drop in log costs, and so on, they could

30 have made an estimate of what the business might have done after the fire. Taking the later period some months after the fire, they had the benefit of knowing exactly what their logs were costing after the fire, they knew exactly what the labour was costing—no, I mean the labour at the Wilfert Mill, because using that figure would be unfair—we admit that it costs more operating the Wilfert Mill, but we were not interested in that. They knew what reductions had been made in the labour scale, they could then have applied that factor. They knew what the supplies—they knew then what the supply market was, like

40 whether it had dropped five or ten or fifteen per cent, they could have used that. And if they disregarded insurance and accident insurance, which are small items, and estimated—they also knew because they were in control of this general administration, they knew what drop there was in that; they could by assuming sales there of an equal amount, a greater amount or a lesser amount in the periods—in the same relative period before the fire,

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have projected into the same periods after the fire and found out approximately what they might expect to do.

Q. What would you say as of the date that the writ was issued, in February of 1932, in this action? A. They knew all the factors entering into these costs after the fire.

Q. You have, I think, Mr. Barrett-Lennard, I understand made such statements on the information available? A. Yes.

Q. Now before I come to that I want to deal for a moment with the experience of this Company prior to the fire. Now I hand you Exhibit 18, which you prepared, I believe. A. Yes. 10

Q. Just state what that is, will you? A. This exhibit is in three sections. It deals with the year ended 31st December 1930 first of all. It deals with the seven months ended 30th July, 1930; and it deals with the five months ended 31st December, 1930—that is the year, and then the year split into two sections. It is further subdivided to show what the Company's records have disclosed, and it shows a further statement of what the result of operation would have been had they taken their inventories at cost.

Q. Now, will you just give the result of what Exhibit 18 is. A. Yes. In the year ended 31st December, 1930 the assured on their own statements show a loss of 7,181.45. But we are attempting to ascertain the experience of the business prior to the fire, the ordinary experience of the business. And we cast out of their revenue 7,055.27 because that revenue is something that is not of an ordinary nature and would not come into the year 1931, the period after the fire. That gives them a loss, then, in the year, of 14,236.72; that is on the basis of a \$15 inventory; and using their own figures throughout, with the exception of casting out that extraordinary revenue of 7,055.27. 30

Q. What would the result have been on a proper adjustment of the inventories? A. I might explain, too, that that takes no account of depreciation. Just their inventory; and as to the cost that I take, that is shown from their own records, their monthly operating statements and their annual operating statements, gives them, casting out the non-recurring revenue, again a loss of 5,310.47.

Q. Well, now, that works out in their favour? A. That works out in their favour, yes.

Q. Now, just go to the next period. A. Now, in the seven months ended 30th July, 1930, on their own figures, not counting depreciation, casting out only a portion of the non-recurring revenue, because only a portion of it was taken into consideration by them in this first period, they show a profit of 13,862.12, a profit of 18,279.82, before we deducted the non-recurring revenue. Now on the basis of taking inventories at cost, again 40

deducting non-recurring revenue, we find that they would have made a profit of 31,558.33, that is in the first seven months of that year they make 31,558.33 without considering depreciation. In the next statement five months ending 31st December, 1930, according to their own figures they lost first of all 25,461.27. If we deduct the non-recurring revenue applicable to that period 2,637.57, they made a loss of 28,098.84. Dealing with the statement, taking inventories again at cost—and I might say that this cost is not an average cost over the year, but a cost according to the

10 last month in the period prior to the different periods that I am speaking of—their loss was 25,954.20; deducting the non-recurring revenue their loss is 28,591.77, not counting depreciation. Now the effect of that is to show that while they made a loss of only 14,236.72 in the year, they lost in the last five months profit that they had made in the previous seven months, and \$15,000 besides. That is according to their own statements. According to our statements, the reconstructed statements, they lost the 31,558 that they made in the first seven months, and lost the \$5,000—no, plus the \$5,000.

20 Q. Plus the \$5,000? A. Yes.

Q. A total loss of how much then? A. A total loss in the last five months of 28,591.77, taking it on our revised inventories, and \$28,000 according to—

The Court: Twenty-eight according to them and thirty-one according to you? A. In the last five months, 28,000 no matter which way you take it.

Mr. Bull: Their computation? A. Their computation.

Q. Now I think you might as well at this time deal with January and February of 1931. That is not shown in that state-

30 ment, is it? A. No.

Q. Now, take January and February. A. Let me have a look at the statement (taking it).

Q. There are extra copies of that? A. There are extra copies there.

The Court: Is this Exhibit 19?

Mr. Bull: No, this is not in yet. This is January. A. I have February here as well.

(The document for January is marked Exhibit 21, and for February Exhibit 22).

40 Mr. Bull: Now Mr. Lennard, you might just state what the books of the Company show about the result; first for January, and then make any comment that you wish. A. For the month of January.

Q. Yes, 1931.

The Court: This word “uppers” you use here— A. That is clears.

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Q. Sometimes called clears? A. Yes.

The Court: It is common ground now that the general run is about one-third uppers and two-thirds common.

Mr. Bull: I think the witnesses agree with that. A. Yes.

Q. First, state what the result is as shown by the books of the Company. A. The Assured's books show a profit of 5,085.25.

Q. In your opinion is that a correct picture of the result in January? A. No.

Q. Now, just state your reason, will you? A. First of all, the sales in that month contained an undue proportion of clears 10
to uppers. And the Assured carried their inventory at the same figure in the beginning as at the end of the month. Had they altered the inventory value I would have taken no exception to the amount I am going to call attention to. But when they sell a greater proportion of uppers or clears, than the average proportion, it follows that there must be a corresponding reduction in the value of the lumber remaining; a corresponding reduction in value because they have depleted to that extent their clear stock, which is the most expensive. Therefore to produce a proper comparison you would have to either reduce your inventory :0
valuation or make some calculation which would be more of an average than the monthly statement discloses. The sales of uppers in that month were forty-two and a third per cent of the total sales for the month. Showing that the month has had an exceptional credit, due to sales of high quality produce with no corresponding reduction in inventory values showed. The upper sales amounted to 983,402, at 33.97 a thousand, and commons 1,341,442 at 13.96. Applying averages the sales would have been—and by averages I mean the averages over a considerable period back of this—would have been 776,498 uppers and 1,548,346 com- 30
mons. The reduction in selling values would be 4,142.03, and the average selling price would drop from 22.42 to 20.64. Here I might enlarge upon that price. If the average production of the mill is one-third uppers and two-thirds common, any sale of lumber out of proportion to that average production will either increase the value of the remaining lumber in the yard or it will decrease it, depending on whether the sale which is out of proportion to the average, is of high quality or low quality. Similarly it has a direct effect upon the average selling price. The Cameron Company might in one month sell all clears; in that 40
case their average selling price would be \$35; the next month they might sell all commons, in which case their average selling price would be say 13.96, as it was in this case, or \$14. Neither one of these figures are a proper average price; because if the mill production is one-third clear and two-thirds common, and you sell all of your clear, it necessarily follows that before you can

find what the average price of lumber was that you produced out of a given quantity of logs, you must of necessity sell the balance of the commons. And if you take the balance of the commons at the average price, that is, if you take out of a thousand feet of logs you produce 334 feet of clears, and you sell them at \$35, you must then before you can get the average selling price of the lumber produced from that log, you must sell the balance of the 666, and applying that figure you get your average selling price.

10 Q. Now, you say, therefore, that from that profit as shown there, there should be a deduction of how much? A. 4,142.03.

Q. And how does that leave the result? A. Leaves the balance on a profit of 943.22.

Q. Now, have you some other criticism to make as to that?

A. During that month they received as a rebate on logs purchased in prior months, that is the transaction took place and the delivery took place in a prior month—rebate received from Cameron Brothers Timber Company on logs cut in January—
20 that is logs put through the Cameron Mill in January, but purchased in a previous period, the sum of 1,874.56. I take exception to the inclusion of that item in the month's statement because it is not an amount that should have been credited to that month, because the transaction from which it resulted did take place in a previous period, and the logs in that previous period actually cost 1,874.56 less. That should have been adjusted back to the period in which it was completed. As a matter of book-keeping the entry of 1,874.56 in the month of January might be all right; but to arrive at the profit or loss in that particular month it must be excluded.

30 Q. That would leave then— A. That would leave a loss of 931.34.

Q. Now, have you any other? A. Then we must provide what they have not provided, that is an amount for depreciation; some amount to be included in the cost of operating for the wear and tear of the machinery which has been used in the production of that lumber. In this case we base it on the provision that the Assured made in 1929, five per cent—the rate is five per cent, which gives the mill an average life of twenty years. 29,184.16, we provide one-twelfth of that for this month as a proper charge against the profits disclosed, an amount of 2,432.01.
40 Leaving the balance a loss of 3,363.35. Now in that month this mill cuts logs into various timbers, dimensions and whatnot; but to complete that operation they have still to put it through the the planer and the dry kilns, a proportion of it at least. That month I find that they did not complete the full operation of producing the lumber which went through the head saw, and I

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charge them back with an amount of 1,114.50 which is based upon their own cost of planing mill operations per thousand. Because that lumber which should have been planed in that month, or for which a reserve should have been set off, would be put through in subsequent months. Mind you, it would distort the operations of the following month, or the month that it was put through, just as much as it distorts this month; but we are dealing only with this month. That leaves a loss of 4,477.85, instead of their profit of 5,085.25.

The Court: Speaking of that 1,874.56, that rebate that came in that transaction, as you say before, suppose that in that month of January someone who owed them \$5,000 and had owed that for some years, and suppose they had marked it off as a bad debt, but this man came into the office with a cheque for \$5,000, and they received it in January 1931, now as I understand your evidence, that would be proper bookkeeping to enter in the same way as this 1,874? A. Yes, my lord. 10

Q. But it would have nothing to do as reflecting profit or loss in that month; is that right? A. My lord, there is a difference there in that even as operating on profit or loss, for that is not an operating profit or loss. 20

Q. I see; this one was operating in another month altogether. A. Yes; that was part of the operating. The bad debt is something that might conceivably be charged to surplus account, not profit and loss at all.

Q. In case the bad debt was paid it should not be included, if you wanted to show the real result for the month of January? A. No, it should not be included. If we collect a bad debt in the month of January, one that has been written off, we should not show that collection as a credit to the profit and loss account. 30

Mr. Bull: Have you finished with January, or is there some other deduction from it you want to make? A. I think that is the lot.

Q. Now, will you deal with the February statement, first taking the amount shown on their books as profit or loss, and making any criticism you think is proper. A. For the month of February the statement shows a loss of 646.63. There are some additions we have to make to that loss in order to, in my opinion, reach a proper result. First of all we have to exclude—or we have to add to the loss a similar rebate received in that month from the Cameron Timber Company for logs cut in that month but purchased in prior months, \$1,527.23. That was taken in as a revenue of that month, and we say that that is improper. The second point is depreciation for the month upon the same basis as I have explained for the month of January, 2,432.01. 40

And again in the month of February we have a charge for completion of the month's mill run. I explained that in January. This amount is the same amount 735.68; or a loss to that point of 5,341.55. Now in this month we find that the sales are again out of proportion to the average sales; and in this month it is in the favour of the assured. The sales of uppers were 28.5 per cent of total sales, as compared with monthly average of 33.4 per cent, showing that month has had an exceptional debit due to sales of a quality less than average with no corresponding increase in inventory. The uppers sales amounted to \$774,335 at 33.33, and commons 1,944,696 at 13.44. Applying the averages the sales would have been 908,156 feet of uppers at 33.33 and 1,810,875 feet commons at 13.44. The increase in selling values would be 2,660.46; reducing the loss to 2,681.09.

Q. You say that that is a true picture of the result for February? A. I would say that that is, as far as I have been able to ascertain it from the figures which have been presented to me, that is a picture of the month of February.

Q. Now concerning the same period, that is the period preceding the fire, I want you to refer to Exhibit 8, being the accounts prepared and presented by the Plaintiff Company at about the 25th, and explain the meaning of the footnote to that report. A. Page 25, the footnote contains this: Excess of estimated values over book valuation 1929, 61,022.26. That is, that the values as shown by the balance sheet are less by 61,022.26 than they should have been.

Q. Resulting in what in 1929? A. An under-statement of the assets. And the creation of what is called here the hidden reserve, or secret reserve.

Q. At the end of 1929? A. At the end of 1929. By the end of 1930, excess of estimated values over book valuation 1930 had dropped to 10,161.64. And this statement reads, decrease in hidden reserve, 50,860.62. Now, no matter how you look at that, the affairs—the Company's worth has dropped 50,860.62 in that year; that is not included in any way in the books of account. And any loss that they have sustained, of which we have been speaking, has to have that, or some portion of it, added to it.

Q. Why do you say some portion of it—I am now speaking of the period of 1930—would the whole of that 50,000 apply? A. The whole of that would apply to the year 1930, yes.

Q. And in your opinion would that fifty thousand have to be added to the loss otherwise shown on the books of account in order to show the true loss of 1930? A. I should judge from the way that is presented that that is the situation.

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Q. Now without taking that into account, and from the figures they have here, what do you say as to the Company having earned its overhead during the year 1930? A. In the full year 1930 the Company earned approximately \$23,000 of its overhead—that is if you take the full year 1930, not counting depreciation, and not counting this loss in hidden reserve, the Company would have earned \$23,000 of its overhead. Taking the depreciation into consideration the Company would not have earned any of its overhead. And that again is excluding any reference to this 50,860. They would not have earned their overhead, in fact they would have been seven to nine thousand dollars to the bad after that. 10

Q. What do you say as to the last five months of 1930, as regards their having earned overhead? A. Have you got that long statement? During the last five months of 1930 the Company, on its own showing, not counting depreciation, and not changing their inventory valuations at all, did not make its overhead by \$13,000. Changing the figures, taking the inventories at cost, not counting depreciation, they, again, lost \$13,000 more than their overhead. 20

Q. This is for the last five months? A. This is for the last five months.

Q. That is including depreciation? A. That is not including it. That is including depreciation on the same rate as 1929 they would have lost \$42,000 in addition to their overhead—no, I beg your pardon—I was taking for the year; that would be, they would have lost \$23,000 in addition to their overhead, in the five months. I was taking the full amount of depreciation for the year at first.

Q. Yes. What about including January and February and the five months period of 1930, that is the last five months making a seven months continuous period prior to the fire, what do you say about that? A. They would not have earned their overhead. 30

Q. Would they have earned any of it? A. No, they would have lost money besides their overhead.

Q. Is that on the basis of their own figures or on your calculations? A. They would have lost all of their overhead and \$3,000 besides on the basis of their own calculations, not counting depreciation, in that seven months period immediately preceding the fire. I have a statement there. 40

Q. For seven months? A. Yes. Do you want to put that in? Do you want the seven months statement?

Q. You have given the result, haven't you? A. Yes, I have given the result.

Q. That is all right. A. You can make it up from these other three statements here.

Q. Now you did make a statement, Mr. Lennard, based on facts which you took from the records of the Company of the period extending into the future from the date of the fire, did you not? A. Yes.

Q. Did you make that up in respect to various periods? A. Yes.

Q. What were they? A. Five months after the fire, six months after the fire, and eight months after the fire.

Q. Now, is that the statement you made in the five months period (indicating)? A. Yes.

Q. We better have that marked now (put in as Exhibit 23). Now, would you explain this statement? A. This is a statement entitled Statement D of estimated profit and loss for the five months ended July 31, 1931.

Q. Just run over that statement—

The Court: Not too much detail.

Q. Without too much detail explain the way it was made up, and the result. A. Well, all quantities dealt with in this statement, or dealt with in any statement, are taken from the Assured's books. The opening inventory is priced at \$20, the price of \$20 being taken because that is while it is higher than the closing cost of \$19 at February 28th, as shown in the Assured's records, it is below the average cost of the four month period preceding the fire. And that four month period again is lower than the average of preceding months. The cost of \$20 gives a value of 219,826.80.

Q. Now that is actual inventory? A. That is the actual inventory.

The Court: Why did you take your 19 instead of 20 here?

A. The \$20 was taken as an opening value, based on the cost of producing that lumber to the 28th of February. That other statement was prepared on their figures of the Cameron Mill.

Mr. Bull: As a matter of fact perhaps this is the explanation, the statement you are now dealing with was made before.

A. Yes, some time before.

The Court: You would get the same result if you did take 19? A. No, my lord.

Q. It would be different? A. It would be different, yes.

Q. I don't quite see that myself. You used 19 all the way along because you thought that was the fairest figure to take as the true cost of production? A. I might explain, my lord, that the statement of claim that we have been discussing was handed to me, a week ago Saturday, was it—some time—and these statements had been prepared to that.

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Q. I am afraid of getting it complicated. You have said already, as I understood you, that at the costs of production for January and February at \$19 is really about what it cost them?

A. I said that that was a figure that we could take it at, that would be a reasonable figure and not too high.

Q. Not too high. A. Yes. I don't think that it was a proper figure because that is the last figure. There is only a quarter of the inventory on hand at the 28th of February, they had—

Q. November and December had been higher? A. November and December had been higher. 10

Q. You take 20 as a sort of average of the four months? A. Yes.

Q. And you fixed the inventory on that? A. Yes.

Mr. Bull: Would these quantities remain there in stock? A. Yes, certainly. Now the output log cost, \$146,067.29—not going into detail—but this five months period is based upon the experience of the Assured for the five months prior to the fire. In the period prior to the fire they produced, in that five months, 11,509,866 feet at a cost of \$146,067.29. I see there is a mistake here. Now in the period, in the five month period after the fire the cost of logs—we know this because we know what they paid for the five months after the fire—dropped three per cent. Therefore we have to credit them with the three per cent drop of the cost of logs in the period after the fire, as compared with the period before the fire; reducing the cost to \$141,685.27. They purchased in the period prior to the fire, the same period, 995,484 feet at a cost of \$36,596.34. Now we give them credit for the possibility of having been able to purchase that lumber at 10 per cent less than they purchased it in the period prior to the fire. Although, as you will notice further down, in connection with sales, that the selling value of their lumber only decreased one per cent in that same period. That would give a cost of production of \$32,936.71; or a total cost to that point of \$394,448.78. Now the labour for that applied to that same question in the previous period cost them \$69,799.44. 20

Q. That was in the previous period? A. Yes, now they have informed me that there was a deduction of ten per cent in the payroll, that is in the labour scale, in February. So that in the first two months of the—in the five months on that basis there would be a deduction of ten per cent from the amount they paid in previous periods or 6,979.94. Now in the month of June there was a further ten per cent reduction in labour. So that we have to credit them with ten per cent for two months, which is 2,791.90; that reduced their payroll by 9,771.84; which is a total 40

reduction for that five months of 14 per cent. We therefore assume that the labour would have cost \$60,027.60. Supplies for the previous period cost them \$24,110.14, we assume, and this is an arbitrary deduction, that they might have purchased supplies at ten per cent less than in the previous period—giving them a credit of 2,411.01, reducing the supply cost to 21,699.13. The next item we come to is taxes and licenses; they are fixed, and they would be the same in every period, 1,230.18. General expense in the previous period had been 2,083.91; we give them a credit of a ten per cent reduction, making that figure 1,875.52. Now the total cost then of producing 23,496,690 feet in that five months, which is the same amount that they produced in the five months prior to the fire, giving them credit for all those deductions, it would have cost them \$479,281.21. Now in this statement we take the closing inventory at \$17. The \$17 price was arrived at prior to the information given us the other day—yesterday, I think—that the cost of producing lumber would be 16.56; so that the Assured is getting a benefit here of 40 cents a thousand. They had on hand 10,985,618 feet, again the same figure that would have been used in the prior period. And on the basis of \$17 a thousand they would have a value of 186,755.50; leaving the cost of sales \$292,525.71. We take depreciation there and add it to the cost of the sales on the basis of the 1929, the five month period would be \$12,160.07. So that the cost of producing that lumber would have been \$304,685.78. The sales in the previous period amounted to 298,600.15. We have a knowledge of what they received for their lumber in the five months subsequent to the fire. That information shows us that there was a drop of approximately one per cent in the selling price. Therefore we take one per cent off the former value, and give them credit for 295,614.15 of sales. That leaves them at that point with a loss of 9,071.63. But they have profits from rent, based again on the previous five months, of 1,513.98. By the way all sales, whether power sales, box factory sales, teaming, have all been included there under the heading of sales. Giving them credit for the rent would reduce that loss to a loss of 7,557.65. But we had to provide for the expense of selling all these goods. The selling and the office expense in the five months prior to the fire amount to 9,983.39.

40 Q. That is a fact that the books show? A. That is a fact that the books show. Now there was a ten per cent cut in labour, and I am given to understand that there was a ten per cent cut in the salary list all the way through.

Q. Who gave you to understand that? A. That is Mr. Grogan and Mr. Campbell.

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Q. Yes. So that we have to reduce that cost by 14 per cent; that is ten per cent for five months and ten per cent for two months; leaving them with the sale expense and office expense of 8,585.72 to add to the loss already shown. They would have had to pay fire insurance on the basis of the previous five months, and there would be no reason to alter this figure, 6,769.97; interest and debenture expense paid previously was 5,326.20; administration was 5,475; but that has been reduced to correspond to the reduction in the payroll by 14 per cent, leaving the cost of 4,708.50; a total charge to be made for fire insurance, interest and administration, 16,804.67. And on that showing the Assured would have to make a net loss of \$32,948.04; or \$17,948 more than the amount of fixed charges of \$3,000 a month. 10

Q. If you eliminated from that any question of depreciation at all would they still have been short of their overhead?

A. Yes, they would.

Q. To what extent? A. About \$5,000.

Q. Now, on that statement, Mr. Lennard, you have pointed to certain facts that you obtained from the records of the Company. What is there in the statement which is left to your estimation, really—just shortly, without going into figures? A. The matter of supplies—cost of supplies, the general expense, portion of the office expense, and the interest and debenture expense. 20

Q. Well, you have information from which you could make a fairly accurate estimate, couldn't you, from the books, of the affairs? A. Not in the case of those small items; they wouldn't amount to anything, supposing that—

Q. So far as inventories are concerned, you have explained that. What about the selling price of lumber; where did you get that? A. From their records, from the sales which they actually made. 30

Q. Then as far as quantities sold are concerned, you took the figure of the corresponding period before the fire? A. Yes; I assumed that the quantities would be the same.

The Court: That is, you took the months from February to July, 1930, or March to July? A. From October to February prior to the fire.

Q. Immediately prior. A. Projected that five months after the fire. 40

Mr. Bull: But you only did that for the purpose of getting the amount of sales and the amounts manufactured, I suppose?

A. Yes—that might have been.

Q. Now you also prepared a statement for six months afterwards. I don't want you to go into the same detail on this state-

ment, but simply give the net result, will you (put in as Exhibit 24).

The Court: Exhibit 24 shows a period of six months? A. Six months. Again, assuming that the Assured in the six months after the fire would have done the same business as in the six months before the fire, we find, applying the reductions which I have already mentioned, and in most cases increasing that, because there were certain drops in prices, drop in log costs, and so on—they show a net loss in the six months of \$33,792.19, which is 10 \$15,772 more than their fixed charges of \$3,000 per month.

Mr. Bull: Yes. Now the last statement is for an eight months period. Have you got a copy there? A. Yes.

The Court: The six months you used here, you went right back and started at the first of September, for the purpose of comparison. A. Yes, that is right.

Mr. Bull: Just state the result. A. Taking the eight months prior to the fire, as the basis, that is, from July to February, giving them credit for the same sales, and applying reductions again, like they have been in the five and six months 20 periods, that is, in the cost of production, we find a loss in the eight months, ended 31st October, 1931, \$45,439.85, which is \$21,439 more than the amount of fixed charge and expenses, of \$3,000 per month. (Document put in as Exhibit 25).

Q. Now, I think, Mr. Lennard, there is only one other thing I want you to deal with, and that is Mr. J. O. Cameron's criticism of the statements for 1930, as disclosing a true position of affairs, because during part of that period he made large purchases of lumber. You recollect, do you, the items that he referred to? A. Yes.

30 Q. I would like you to tell the Jury just what you have to say about that. As I understood Mr. Cameron, he stated that the results shown, did not disclose the true position at the 31st of December, 1930, because certain high grade lumber had been purchased at \$31.63 per thousand, and had been included in the inventory at, only \$15 a thousand. The average cost of lumber must necessarily include not only the cost of manufacturing the logs, but the cost of any purchases that are made during that period. And any argument that Mr. Cameron puts up as a statement that the accounts do not reflect the true position, is 40 only supporting our statement that \$15 is too low a price for the valuation of the product on ending at the end of that period. All of the cost of that lumber has been absorbed in the operating statement, and has been properly reflected through the books and through the accounts. And if a statement is made that the accounts are incorrect because there is a lot of high grade lumber in the yard which has been valued at \$15 when it cost \$31.63, is

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simply an argument supporting my statement that \$19 or some such figure around the \$19 is a proper figure, and not \$15.

Q. Is there anything else you have to say on that subject?

A. No, I think not.

CROSS-EXAMINED BY MR. MAYERS:

Q. A number of those companies for whom you mention that you acted, are logging companies and not lumber companies at all; isn't that right? A. That is right.

Q. You know Mr. A. P. Foster? A. I do.

Q. He is a very skilled and experienced accountant, is he not? A. He is my partner, yes. 10

Q. Particularly versed in the matter of lumber manufacturing companies? A. Yes.

Q. Do you know a publication called the Canadian Chartered Accountant? A. Yes.

Q. I will read you a passage, and I would like to hear what you say about it. "The valuation of lumber inventories for accounting purposes involves a difficult problem, owing to the fluctuations in grades and species at the close of accounting periods. the percentage of clears, or high priced lumber, may be higher at one accounting period than at another causing a wide fluctuation in the real inventory value. Where a fixed unit price is used year in and year out as the basis for inventory valuation, the statement of profit and loss will not reflect the effect of variations in real inventory values, nor would it do so in those instances, where the average cost of lumber produced is used as the basis. So far as I know, there is no exact method of valuing lumber inventories for accounting purposes because determination of the cost of the various grades, species and sizes has never been attempted. This is too large a subject to be embarked upon in this article. The best guide in this respect is to be consistent in the method of inventory pricing and to be satisfied always that market value has not been exceeded." Do you agree with that? A. I agree with it entirely, yes. I would like to make a remark in that connection. 20

Q. Now that is an article by Mr. Foster.

Mr. Bull: He says he wants to say something on it. A. Yes, I would like to make a remark on it.

Mr. Mayers: Go ahead A. Mr. Foster, as I notice, is speaking there of a period of years. I quite agree with him. Insofar as the presentation of the accounts of a lumber company over ten years are concerned, a price of \$15 or \$20, or some price that is not higher than market, might be all right. But in this particular instance we are attempting to discover what would 40

have been the result of a partnership of the insurance company and the Cameron Lumber Company from the end of March, 1931. And I contend, or submit, that you cannot discover what profit has been made on any article, I don't care whether it is lumber, or hats, or anything else that we deal in, unless you know what the cost is and what the selling price is. If your selling price is higher than your cost you have made a profit, and if your selling price is lower than your cost you have made a loss.

Q. Have you finished? A. Yes.

10 Q. Is this a correct statement, taking the inventory at an arbitrary value is a conservative method, and one employed by practically all the lumber companies for the purposes of book-keeping? A. That is correct, yes. Again I submit that my remark in connection with the other applies.

Q. Wouldn't it be better to write it out and hang it up, and then you can refer to it each time? A. I reserve the right to make remarks.

Q. Is this a correct statement? In connection with the flat rate the Chemainus Lumber Company has for years been valuing
20 their inventories at \$10 a thousand? A. What are you reading?

Q. Is that a correct statement? A. Let me see. I believe you are reading from one of my reports.

Q. Do not get anxious about it. Is that a correct statement?
A. If it is included in my report it is correct.

Q. Cannot you tell me from your own inner consciousness whether what I have to put to you is correct? A. I would like an opportunity of seeing what I have written.

Q. Does the Chemainus Mill, or has the Chemainus Mill for years been valuing their inventories at \$10 a thousand? A.
30 They have been valuing them at a fixed price, but my memory does not serve me whether \$10 or \$8, or any other figure.

Q. Is it correct that the B. C. Fir and Cedar Lumber Company has for years been valuing its inventory at \$18 a thousand?
A. I believe that is correct.

Q. And you agree that the Chemainus Mill has for years been valuing its inventories at a fixed value? A. Yes.

Q. The Chemainus Mill of course is the Victoria Manufacturing Company, of Chemainus? A. I know it is the Chemainus Mill.

40 Q. That is Mr. Humber, it used to be Mr. Parker, that is the mill you are talking about? A. I don't know. It is the Chemainus Mill I am referring to.

Q. So you agree with me that the uniform method of pricing inventories has been adopted by practically all the lumber manufacturing companies in British Columbia, and that the Chemainus Mill has for years valued its inventories at a fixed value,

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and the B. C. Fir and Cedar Lumber Company has valued its inventory at \$18; you agree with that? A. Yes.

Q. Now I want to direct your attention to this average cost of lumber that you have been talking about, that is \$19. Is this correct, that figure represents the result of adding together all the expenses of manufacture in one month, increased by such costs of purchased lumber as are incurred after that lumber reaches the dock of the Cameron Lumber Company, divided by the total number of feet of logs put through the Cameron Mill; isn't that right? A. That is right, yes. 10

Q. Now, that itself has no reference to any reality, has it? A. I would say yes.

Q. You would, eh? A. Yes.

Q. Let me point out this to you: in the first place your dividend does not include the cost, the price that you have paid for the purchased lumber, does it? A. No.

Q. And your divisor does not include the number of feet of lumber which have gone into that purchased lumber? A. Well, the logs have nothing to do with the purchase of lumber.

Q. Answer that question. A. Yes, it does not. 20

Q. That is right? A. Yes.

Q. So that you still contend that the figure that I have suggested to you has real reference to the reality of things? A. Yes, I say that it has.

Q. All right. Now that is one factor that you use. A factor which is simply the result of a mathematical calculation which does not include in the dividend the actual price that you paid for the purchased lumber, and does not include in the divisor the number of feet of logs which have gone into the lumber that you have purchased? A. That is right. 30

Q. That is right? A. Yes.

Q. Now that is your one factor. You apply that to the inventory, which I prefer to call the stock in the yard, do you not? A. Yes.

Q. Well now, your stock in the yard, in the first place, has not been manufactured in that month, has it? A. No.

Q. It has been manufactured over a period which extends into years; that is right? A. Yes.

Q. In addition, the money factor, the \$19, if it represented anything, would represent the completed cost of the manufactured article, wouldn't it? A. Yes. 40

Q. Whereas your inventory, or the stock in the yard, never consists of completely manufactured articles, does it? A. No; but it runs in the same proportions throughout.

Q. Now just stick to the one thing at a time. The stock in the yard is never completely manufactured, is it? A. No.

Q. What I said is right; that it is never completely manufactured? A. Yes. I simply amplified that.

Q. You may have different grades, dimensions and sizes in your stock in the yard, mayn't you? A. yes.

Q. And Mr. Foster is correct, is he not, when he says that the determination of the cost of the various grades, species and sizes has never been attempted? He is correct, isn't he? A. That is right, yes; of the various grades—he is speaking of various grades, not of an average.

10 Q. What is that? A. He is not speaking of an average.

Q. Never mind what he is not speaking about. Do you agree with what he says? A. Yes, I agree with what he says.

Q. What? A. I do, yes.

Q. Yes. Now, this stock in the yard may include lumber which has only reached the first stage of manufacture, mayn't it? A. That is quite correct.

Q. It may in fact only have labour expended on it to the cost of \$2.50? A. Yes. I brought that out in the January statement.

20 Q. So that you employed a mythical factor of \$19 to another mythical factor of quantities, and you produced a certain contention; isn't that correct? A. I disagree with the mythical.

Q. You applied \$19 for the value of lumber in the yard? A. Yes.

Q. Do you say this is any less arbitrary than taking the \$15? A. I certainly do.

Q. You do? A. Yes.

30 Q. Now, is it the case that according to your theory no one could ever ascertain whether they had made a profit or loss until they had sold all their stock? A. I say that you cannot make a profit unless you know the cost of an article and you receive more than that cost for it. That is what I said, I think.

Q. Is that an answer to my question? A. I think it is.

Q. But I would like it more directly. Doesn't your theory lead to this, that no one, no lumber manufacturer could ever tell whether he had made a profit or a loss if he stopped before he sold all his stock? A. No.

Q. You don't think so? A. No.

40 Q. Well, is this correct, the mill cannot tell what the profits of the operation of any particular period will be until or unless they have disposed of the total production of that period? A. That is quite correct.

Q. Yes. A. I explained that in connection with the one-third and two-thirds proportions. They cannot know the price until they have sold that balance or remainder.

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Q. So that it would be perfectly impossible for the Cameron Lumber Company to prove its claim under this policy unless they went out and sold the whole of their stock? A. No, I don't agree with that.

Q. Doesn't that follow from what I have just read to you?
 A. No.

Q. You say it does not. Now, at any rate, our system of using a consistent price, you will admit is an honest and reasonable system? A. No, I won't.

Q. You won't? A. No.

Q. Although it is used by practically every lumber concern in the country; although it is specifically used by the Chemainus Mill and the B. C. Fir & Cedar Mill, you say it is a dishonest and unreasonable practice? A. I don't say it is dishonest; if I answered yes to that, I don't mean that at all.

Q. Then it is an honest practice? A. I say it is not reasonable.

Q. But an honest practice? A. Quite an honest practice, yes; insofar as shareholders of the Company are concerned; in one respect.

Q. Never mind about any shareholders; is it or isn't it? Because I don't know anything that is honest in regard to "A" and not honest in regard to "B." Is it honest? A. I cannot say yes or no to that.

Q. You cannot say? A. No.

Q. So that you are willing to entertain the suggestion that all the lumber manufacturing concerns in British Columbia, including the Chemainus Mill and the B. C. Fir & Cedar, are engaged in a piece of dishonest practice? A. No, I never said that.

Q. Well then, it is an honest practice, is it? A. I cannot say yes or no to that.

Q. Well, surely, witness, your moral sense must be a little dull. Can you conceive of something that is neither honest nor dishonest? A. If I am allowed to answer—

The Court: Answer in your own way. A. If I can answer it in my own way I say this—

Mr. Mayers: Cannot you answer yes or no and then go on with your explanation?

The Court: Give him a chance to explain.

Mr. Mayers: I submit he can answer that question yes or no and then explain.

The Court: He has answered your question, and now he is going to explain.

Mr. Mayers: No, he has not.

The Court: I say he has. Carry on, witness. A. I say that the taking of arbitrary price might be dishonest, or it might

be perfectly honest. I will go further, and I will say this, giving you an illustration; a company commences with an inventory of \$15 a thousand; they cut their lumber which costs them \$12 a thousand; they do not take any sales whatsoever in that year; in that inventory at \$15 a thousand for what they had in the beginning and what they cut during the period, they show a profit which they never earned. On the other hand, if they open with \$15 a thousand, and they cut lumber which costs them \$20 a thousand; they do not make any sales whatsoever in that year; in
 10 \$15 a thousand, they show a loss that they have not had.

Q. Well then, is it the case, witness, that all the lumber concerns in British Columbia, or practically all the lumber concerns, including the Chemainus Mill and the B. C. Fir & Cedar are engaged in a dishonest practice, is that what you say? A. I didn't say it was dishonest at all.

Q. Well, you cannot go any further? A. I say it is not correct.

Q. Well now, are you saying it is honest or dishonest? A. No, I am not.

20 Q. Which? You are saying neither? A. I am saying neither.

Q. You are saying neither. A. I say that in some instances it might be dishonest, because it might not disclose the true position of the company; and in that way, if a man was a shareholder of a company, and the true position was not disclosed, he might sell his shares for less than their value, and it might lead to all sorts of practices.

Q. If you show that you are valuing your inventory at \$15 to start with, and valuing it at \$15 to end with, do you say that is
 30 dishonest? A. I say that it is misleading.

Q. Do say it is dishonest? A. No, I won't say it is dishonest.

Q. Very well. You say that it is unreasonable; is that right? A. That is right.

Q. All the lumber concerns of British Columbia have adopted an unreasonable practice, is that it? A. Those that have adopted that aspect are unreasonable?

Q. Including Mr. Foster; he is unreasonable? A. No.

40 Q. He says the best guide in this respect is to be consistent in the method of inventory pricing and to be satisfied always that market value has not been exceeded. A. Yes.

Q. So that he is quite content with taking any basis of valuation so long as you are consistent and do not exceed the market price? A. Yes, and so long as it runs over a period of years,

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and so long as the cost of manufacture is disclosed with the inventory price, so that every man who reads may form his own calculations.

Q. Exactly. But taking the inventory value at a fixed and consistent price, do you say that it is reasonable or unreasonable? A. No, I say it is unreasonable.

Q. Unreasonable? A. Yes.

Q. So that you differ from Mr. Foster? A. No, I don't

Q. We have got both your statements. A. I am dealing now with a definite period. 10

Q. Never mind about the definite period, I will come to that in a moment. But so far as the ordinary business of the lumber concerns is in question, do you say it is reasonable or unreasonable? A. Yes, I say it is reasonable and conservative.

Q. Yes. I thought we wouldn't have any trouble in the end—as an honest and reasonable practice. A. I say that is reasonable and not necessarily dishonest.

Q. Yes. So that what it comes down to—by the way, you are satisfied, are you not, that the Cameron Lumber Company has adopted and followed this system consistently for at least ten years? A. For a number of years, at least; I don't know for how many. 20

Q. You would not dispute what Mr. Miller said, that it was for 10 years? A. No.

Q. Now, doesn't it come to this, witness, that the lumber company is to change a perfectly honest and reasonable and long established system, for the purpose of allowing the insurance company to escape payment of a loss? A. No.

Q. Well, isn't that exactly what you are trying to do? A. No. 30

Q. You are not trying to do that? A. No.

Q. Aren't you suggesting that the lumber company should change its system? A. For the purpose of arriving at the profit in a given period, yes.

Q. Yes; that is to say, they are to throw overboard all their practice and principles which you conceive are honest and reasonable, and shared in by practically all the concerns in British Columbia, in order that you may work out this new system of yours, which will enable the Insurance Companies to escape from the loss? A. No. 40

Q. Well, doesn't it come to that? A. I am working out that system for the purpose of deciding whether there is any liability on the part of the Insurance Company or not.

Q. Exactly. Isn't that what I said in other words? A. I am not here to assist the Company to escape from paying what they owe.

Q. Well, if you do not like that expression, isn't what you have just said exactly equivalent to what I say, that you are putting forward this new system of yours, and insisting on the Lumber Company throwing overboard its own system, and adopting your system, with the result which will obtain for the Insurance Companies, escape from the loss; isn't that right? A. For the purpose of arriving at the true position from one point to another.

10 Q. Can you answer my question? Isn't what I said right?
A. For the purpose—will you repeat the last part of it?

Q. Are you not insisting on the Lumber Company throwing overboard a perfectly honest and perfectly reasonable system adopted and maintained by them for at least ten years, with the result of introducing a new system of yours, so that the further result will be that the Insurance Companies will escape payment of a loss? Isn't that correct? A. I think that is a rather involved question, Mr. Mayers.

Q. Cannot you understand it? A. If you will put it in three questions.

20 Q. Cannot you understand? A. I can understand it.

Q. Then answer it. A. I am not asking them to throw overboard a system which has been in use for ten years for the purpose of assisting the Insurance Company to escape its liability.

Q. I didn't say that, witness. You heard the question, and you say you understand it; why cannot you answer it?

The Court: Well, I think that is what you asked him; you asked him, I think, if he was suggesting that the Company should throw over a system which it had carried on for ten years, with a view of the Insurance Companies escaping loss.

30 Mr. Mayers: No, with the result—not with the view, but with the result. (Stenographer reads question). Not a word about his purpose or view, or anything of that kind. Thinking over the question, and having said you understood it; could you answer it? A. I am asking the Assured to set up a statement upon such a basis as will be fair, such a basis as will fairly present the result of operating from the 1st of March to the 31st of December, or some other such period, after the fire.

Q. You know that is not an answer to my question. A. I cannot answer it any other way.

40 Q. I see, you do not mean to answer it. That is your view of what is fair, isn't it? A. Yes, my view of what is fair.

Q. By the way, witness, you were retained by the Insurance Company, and you made a lengthy report, did you not? A. I did.

Q. And your conclusion was that the Cameron Lumber Company had no claim; isn't that right? A. That is right.

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Q. So that you are vitally interested in maintaining the conclusions in your report, aren't you? A. I have no reason to change my opinion from the time I made it.

Q. Come on. A. I don't think I am.

Q. Aren't you vitally interested in maintaining your report? A. I don't think I am.

Q. It does not matter to you a particle if you are found to be wholly wrong? Can you answer that question? A. Just in what way do you mean?

Q. I mean exactly what I say. It does not matter a particle 10
to you whether you are found to be wholly wrong; is that what
you say? A. Well, in what way doesn't it matter?

Q. Couldn't you answer the question? A. No.

Q. You don't understand? A. I do; there are two ways
that I can answer it.

Q. Well, answer it in both ways, if you like. A. First
of all, then, I will answer it in this way, that it doesn't make a
single bit of difference to me, as far as I am concerned, whether
the Insurance Company wins its claim or whether it does not.
That is one answer. The other answer is that I am submitting 20
here my opinion, made at the time that I gave that report, that
there was no claim then; and I support that contention now, nat-
urally. Naturally I support my claim.

Q. Then you are interested in maintaining it? A. Yes, in
the latter sense, yes.

Q. Certainly. And by the way you spent some six months
in investigating this matter, didn't you? A. Spent some six
months—six weeks probably of time in that time.

Q. Well, six months? A. Continuous time?

Q. Didn't you employ six months in investigating the mat- 30
ter? A. No.

Q. You did not? A. No.

Q. Were you engaged in investigating this matter for a
period of six months? A. No.

Q. You remember making an affidavit in an appeal in this
matter, on the 6th of April 1932—do you remember that? A. I
remember an affidavit, yes.

Q. Did you say this: "I was engaged solely on an investi-
gation relating to a claim for indemnity under what is known
as use and occupancy insurance, and was so engaged over a 40
period of six months?" A. That is quite true, over a period,
but not continuously.

Q. I think I put that very thing to you, whether you were
engaged over a period of six months. You now state that you
were; that is so? A. Part of the time ever since April, 1931,
I have at different times engaged myself in this work.

Q. Isn't that a similar question; I asked you, were you engaged over a period of six months? A. I was engaged part of the time.

Q. You didn't like the phrase? A. I didn't like to suggest that I was occupied fully for six months.

Q. Why did you use the phrase in your affidavit—because this is your language; you say engaged over a period of six months. A. My understanding of that is that it was intermittently over a period of six months.

10 Q. And every facility was afforded you by the Lumber Company? A. Yes.

Q. And you were satisfied of the correctness of their books and accounts? A. Yes, with the explanations that were given to me.

Mr. Bull: I think if my learned friend will read the rest of that sentence in the affidavit it would show fairly what the statement was.

Mr. Mayers: Certainly, I will read it, if you like. I cannot understand why the witness cavilled about it.

20 Mr. Bull: It was not all read.

Mr. Mayers: I asked him that specific question, whether he was engaged over a period of six months; and I don't think I have his answer. "I was engaged solely on an investigation relating to a claim for indemnity under what is known as use and occupancy insurance, and was so engaged over a period of six months, during which time I spent approximately forty full days in the investigations and in the preparation of my report hereinafter referred to." Can we agree that you were engaged over a period of six months? A. I was engaged for forty days.

30 Q. Over a period of six months? A. Over a period of six months.

Q. You were engaged over a period of six months? A. Yes, I agree with that statement.

Q. You I think have relied on a comparison of the prices prevailing on the lumber industry generally, have you? A. No, I have not.

40 Q. Is this correct, that we, that is the Insurance Companies, are entitled to take into consideration the knowledge of conditions which have existed in the lumber industry for the months of February, March, April and May? Is that correct, is that your view? A. Well, Mr. Mayers, I would like to have—if that is part of my report I would like to see exactly what is written both before and after that.

Q. I am entitled to ask you a question quite apart from your report. A. Yes.

Q. Do you say that that represents your view?

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Mr. Bull: What is my learned friend reading from?

Mr. Mayers: Do you say that that represents your view?

A. I would say yes we are entitled to do that.

Q. Yes, the conditions which have existed in the lumber industry, you say that in your view you are entitled to take those into consideration; is that right? A. Yes.

Q. Well, as a matter of fact the business of the Cameron Lumber Company was so special and peculiar to itself, that there was no real relevant comparison between its circumstances and those of the lumber industry in general; isn't that correct? A. 10
The prices of the Cameron Lumber Company dropped, more especially in that period, in that period of 1930-31 than the combined prices of all the B. C. Mills.

Q. Having got that in, witness, can you answer the question; are not the circumstances of the Cameron Lumber Company, of the nature of its business, so special as to render any comparison with the lumber industry in general quite worthless? A. I don't think so.

Q. You don't think so? A. No. Although we make no comparison, I don't think. 20

Q. You have just told me you were entitled to take into consideration the knowledge and conditions existing in the lumber industry? A. Yes.

Q. You don't want to take that back? A. No; but in making up our statements we took no cognizance of anybody else but the Cameron Lumber Company. We made no reference to anybody else.

Q. Is this true, that the Cameron Lumber Company's product being of a high class it commands a better price than the average run by the Mills? A. That is true. And the cost of 30
production is relatively high.

Q. Now, is this your view—what is that? A. And the cost of production is relatively high, proportionately high.

Q. Is this your view; cost and selling price bear no relation to one another. The lumber companies, no matter what their lumber has cost them, must take market price offered when disposing of the lumber on hand? A. That is right.

Q. That is your view? A. Yes.

Q. What was there to prevent the Cameron Lumber Company in 1931, if their mill had not burnt, from leaving their stocks 40
entirely on hand, going out and buying their lumber or logs at lower costs, manufacturing them at lower cost, and having a year's business entirely irrespective of their inventories altogether? A. I know nothing about that.

Q. Do you say that that would be impossible? A. No.

Q. Have you taken that into consideration in your voluminous calculations you have made? A. No. I have nothing presented to me to show me that that was the case, or that that was a possibility.

Q. It is not at all the case that lumber companies, or at any rate this Lumber Company, must take any market price that is offered, is it? A. Yes.

10 Q. If they do not want to sell? A. They hold it until they can sell; but they finally have to take the price of the market at the time they sell.

Q. Certainly; but supposing they do not want to sell? A. Then they can hold it. And in holding they have all the expense of holding, interest and insurance, and what not; and finally they have to have a considerably higher price than they would have had to have if they sold it at first.

Q. Does not lumber appreciate in value if you hold it? A. Yes.

20 Q. Now, again, deal with this question of the sale of a large proportion of clear lumber in a certain month. All that that means is that the remainder of that particular cut is left in the stock? That is all that means, isn't it? A. Yes.

Q. And they can hold that as long as they choose, and sell it when it becomes profitable to sell it, cannot they? A. Yes.

Q. There is no justification in sticking them with a low cost for a particular month because prices happen to be low in that month, is there? A. No. No, we don't attempt to do that. My argument in connection with the averaging value applies to the monthly period. It does not apply over a year. Because there you get your average.

30 Q. Are you contending that the clause with reference to consideration being had of the experience before and after the fire means the experience of the Company prior to the fire, in which the factors are similar to the factors existing at the time of the fire? A. My report is this, that no limit is mentioned, but we feel that conditions in the policy should be interpreted to mean that the period for consideration before the fire should be that period during which there is no vital change in the basic factors.

Q. It would be easy to answer my question. Do you remember my question? A. No.

40 Q. I suppose you have forgotten it? A. Yes.

Q. Is this correct, that the clause in the policy that I have mentioned means the experience of the Company prior to the fire in which the factors are similar to the factors existing at the time of the fire; is that correct? A. Is that part of the policy?

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Q. Is that correct, what I have read? A. Are you reading it from the policy? Please do not misunderstand me. I understand you now are asking me if this that you are reading from the policy is correct.

Q. I am simply asking you whether you can answer my question as to that being correct or not. Is it your view? A. I say that the period for consideration before the fire should be that period in which the basic factors remain the same.

Q. Can you forget your report for a moment, and concentrate your attention on my question? Is it your view that the clause in the policy means the experience of the Company prior to the fire in which the factors similar to the factors existing at the time of the fire? A. Yes. 10

Q. That is your view? A. Yes.

Q. I thought so. Is this correct, that the experience before the fire is only a foundation upon which to construct the probabilities after the fire? A. Quite true.

Q. So that if conditions were quite different after the fire, the experience before the fire would have no relevancy at all? A. That is right; excepting that that would be what you would build on, and you would alter your factors accordingly. 20

Q. Although the experience before the fire was totally different, or, rather I should say, although the conditions after the fire were totally different from the conditions before the fire; is that it? A. You would have to take both experiences.

Q. Why? A. Your policy states that due consideration must be given to the experience before the fire, and the probable experience thereafter.

Q. Yes; and if the conditions after the fire were totally different to the conditions before the fire, do you think any due consideration would be due to the experience before the fire? A. Not undue consideration. 30

Q. Or any consideration? A. Yes, there might be factors that might or might not be the same.

Q. Although conditions were quite different? A. If they were all different, then you could not take the period.

Q. Then you could not take any notice of what happened before the fire? A. No. But I don't know how you would know that.

Q. Well, you won't anticipate, witness. Who is Mr. Thompson? A. Oh, Mr. Thompson has something to do with one of the Insurance Companies. 40

Q. Is this correct, witness: If there was any basis which could be used in an attempt to build up a figure which would represent normal sales, then the upward or downward tendency of sales would be a factor, but sales are of such a fluctuating nature

and dependent upon so many conditions that it would be almost impossible to state whether the business done by a Mill Company after a fire, no matter what stock they might have had on hand or their capacity for producing stock might be, had been affected by the fire or not. Is that correct? A. That is correct, yes.

Q. And that is the principle you have been proceeding on?

A. I have been basing my statements on the experience prior to the fire.

10 Q. Could you just answer my questions? Have you used the principle that I have just stated, and that you say you adhere to, in your calculations? A. I am afraid I don't understand your question.

Q. Well, I read to you, or I asked you a question dealing with this matter of principle, and you say you adhered to it, and it was correct; you remember that, don't you? A. Yes.

Q. Now I ask you whether you used that principle in making your calculations? A. To the extent that we have given the Assured the benefit of the maximum sales prior to the fire.

20 Q. That is to say, what you have done is just to assume that the sales after the fire would have been the same as the sales before the fire? A. Would have been as great.

Q. No greater? A. No greater, no.

Q. And that is the principle that these statements have been prepared on? A. Yes. Because our own experience was that there was a downward tendency in sales, both in quantity and in value prior to the fire. And that was all we had to go upon.

Q. You did not allow for any fortuitous occurrences, such as those that Mr. Cameron or Mr. Miller mentioned? A. No.

30 Q. There is no doubt at all that owing to the lack of facilities the Wilfert Mill costs were considerably higher than those at the Cameron Mill? A. I would assume they would be.

Q. Is this correct; Had the Wilfert Mill operations been profitable the insurance companies might have claimed that the profits from this Mill would have been considered as a reduction of the losses covered by the policies? Does that correctly represent your view? A. Any profit that would be made on the operation of any Mill but the Cameron Mill, some substitute Mill, would be a credit to the Insurance Company.

40 Q. Then the answer to my question should have been yes; is that so? A. Yes.

(Court here adjourned until 10:30 a.m. Monday next, June 13, 1932.)

Q. I see on page 53 of your report that you express yourself as follows: In connection with the flat rate in point of practice of the Chemainus Lumber Company who have for years been valuing their inventories at \$10 practically, and the B. C. Fir &

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Cedar Lumber Co., who have valued their inventory at \$18 per thousand, the difference in the valuation being on account of the difference in the grade of lumber which these Mills turn out. Is that correct? A. Yes, that is correct.

Q. Is that the B. C. Fir & Cedar Lumber Company for which you act as an auditor? A. Yes.

Q. You said, I think, that you acted for the Eburne Mills?
 A. No.

Q. Is that not so? A. No; I said that we acted for the Insurance Companies in certain of the adjustments of the Eburne 10
 loss on sawmills.

Q. When was that? A. That was last week.

Q. That was a small amount which the Eburne sawmills claimed to recover? A. They have claimed it.

Q. And recovered? A. Not yet.

Q. It has been allowed? A. It has not.

Q. Hasn't it? Are you sure of that? A. Quite certain.

Q. Now during the six months period over which you were investigating these questions, did you become aware of any change in the conditions of the lumber industry? A. Yes, there was 20
 a constant change in the condition of the lumber industry.

Q. Was one of the changes this, that some of the mills and some of the mill workmen combined in a co-operative system?
 A. I understand that, but I know nothing of it myself.

Q. You know, do you not, that the general lines of that system were that the Mills would be operated, fixed charges and expenses would be paid first and then any residue would be divided between the group operating the Mills, which would be the men, and the management? A. I know nothing about that.

Q. Have you never heard of that? A. I have heard, but 30
 that is not of my own knowledge.

Q. You have heard that that condition has prevailed in 1931, haven't you? A. I have heard that certain Mills have made some arrangement for co-operation with their employees.

Q. Such as I have indicated? A. I did not hear the details of it.

Q. One of the Mills was the Eburne Mill, wasn't it? A. Yes.

Q. Whose affairs you have been investigating? A. Yes.

Q. Another mill was the Sidney Lumber Company? A. I 40
 believe so.

Q. Another mill was the Mohawk Lumber Company? A. I have heard of that.

Q. In the event of that system being developed there would be no doubt at all that the Cameron Lumber Company would

have made their fixed charges and expenses in 1931, was there?

A. I know nothing of that.

Q. If the system which I have indicated had been used by the Cameron Lumber Company in its own mill would there be any doubt that they would have made their fixed charges and expenses? A. No, they might not have made their fixed charges.

Q. Even with that system? A. Even with that system.

Q. Yes, I see; you go as far as that, do you? A. I know nothing about it, Mr. Mayers.

10 Q. Well, do you go as far as that? A. I say that they might or might not.

Q. Well, which would you say; which are you saying? A. I am saying that they might, or again that they might not. I cannot go any farther than that.

Q. Now, I want to ask you a few questions about depreciation. Supposing I am a mechanic in a small way with a limited plant, and after I am working a while, I live sparingly and accumulate in a few years an entirely new working plant, for which I have used the profits; is there anything wrong in that? A.

20 Not at all.

Q. It is perfectly reasonable or honest for a company or individual to depreciate his plant, or their plant, to any extent that they consider necessary, and thereafter to cease depreciating, isn't it? A. Quite, yes. So far as they themselves are concerned.

Q. Yes; perfectly honest and reasonable? A. Yes.

Q. Now you made some comments about the proceeds from the Northern Electric Company's contract. You remember that, do you? A. Yes.

30 Q. You disallowed some \$20,000 which we had included in 1931? A. Yes.

Q. And you did that on the ground that the contract having been made in 1930, all the probable profits from that contract should have been included in 1930, and not 1931? A. That is right, yes.

Q. Yes. A. They had completed the sale.

40 Q. Yes. Now isn't it the case, if we followed out your theory in that respect, that we should have had an additional sum of \$13,000.88 in 1930 against that? A. \$11,445.20 are the figures given me. Yes, that would be in 1930, yes.

Q. So that instead of our showing a loss in 1930 we should have shown a profit of some 6,000 in 1930? A. In consideration that you would have sold that 11,445.20, there would be that much less loss than your figures show; yes, we give you credit for that.

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Q. Well, have you? Have you done so, witness? A. In dealing with 1930.

The Court: Yes, now take that right from its beginning and work it out the way you represent it; and tell us the story.

Mr. Mayers: I could elucidate that, my lord.

The Court: Perhaps the witness can, if he knows. A. May I see one of these exhibits.

Mr. Mayers: May I ask questions, my lord.

The Court: Yes, carry on.

Q. The Northern Electric Company's contract was for 97,- 10
 406 pieces, was it not? A. Yes, I believe that is correct.

Q. Eighty per cent of the purchase price was paid in 1930?
 A. Yes; charged to them, and I don't know that it is paid; it was charged to them in 1930.

Q. Anyhow, the Cameron Lumber Company took credit in 1930 for 80 per cent? A. Yes.

Q. Leaving 20 per cent not taken credit for? A. Yes.

Q. Isn't that right? A. That is right.

Q. Now, the 20 per cent works out at 17 cents per cross-arm, does it not? A. I didn't work it out at all. 20

Q. Will you take my suggestion that that is so? A. Yes.

Q. And 97,406 pieces at 17 cents each would produce \$16,-
 559.02; will you accept that? A. I will accept that, yes.

The Court: That is 20 per cent of the total price.

Mr. Mayers: Yes, my lord. Now the cost, or the extra cost I should say of working up such a stock in trade as would be appropriated to these cross arms would be \$3 a thousand? A. Subject to the correctness of your figures.

Q. And \$3 a thousand on 1,278,454 feet would be \$3,835.36; do you accept that? A. Yes. 30

Q. Leaving a profit of \$12,723.66; that is correct, is it? A. Yes.

Q. Then one has to take account of sales tax amounting to \$1,622.78; that is right, is it? A. Yes.

Q. Leaving a balance— A. I am accepting your figures, Mr. Mayers.

Q. Well, they can be checked. A. They can be checked afterwards.

Q. Leaving a balance of profit to be included in 1930 of \$11,100.88? A. Yes—the profit would be included in 1930. 40

Q. Yes. Now if you take that \$11,100.88 into account it transforms your loss of \$7,000 for the year 1930 into a profit of some four or five thousand dollars? A. Yes.

Q. Now, take the case of the Cameron Brothers Timber Company rebate. You understand that, don't you? A. Yes.

Q. It was an allowance made by Cameron Brothers Timber Company to Cameron Lumber Company in respect of logs purchased by the latter from the former? A. Yes.

Q. The total amount of that rebate charge was \$5,900, wasn't it? A. About that, yes, in the year 1931.

Q. You say you could have included those rebates in the 1931 accounts, don't you? A. I refer particularly to the months of January and February.

Q. I suppose your line of reasoning would include all future months, wouldn't it? A. In the 1931 accounts?

Q. Yes. A. If there were any rebates, as the result of doing business in 1931, which had not been disclosed in the books, then I would say that if the books were incorrect in that extent they should be credited back in 1931. I am only dealing with the figures presented.

Q. The Cameron Lumber Company should not have included this in 1930 accounts, but 1931? A. They should credit it in 1931 when they received it, to the surplus account, and not to operating account of 1931, if it was applicable to the year 1930.

Q. Stripped of all these conditions, your theory comes to this, that whatever the Cameron Lumber Company received in the way of rebates in 1931 should not have been included in the 1931 account, but should have been included in the 1930 accounts? A. Provided they were applicable to logs purchased in 1930; because that reduced the price of logs in 1930.

Q. Very well. The \$5,900 which the Cameron Lumber Company received by way of rebate in 1931 was all applicable to logs purchased in 1930, wasn't it? A. So I understand.

Q. Well then, you should have credited us in 1930 with that \$5,900, shouldn't you? A. Yes.

Q. And that would have increased our profit to something like eleven or twelve thousand dollars. A. All right. Now, I think I was to be given the opportunity of explaining that \$11,445.32.

The Court: You can explain anything you want to explain. A. The \$11,445.20 is not disclosed in the 1930 accounts, but a portion of it is disclosed in the 1931 accounts. Now upon making enquiries as to the meaning of the \$11,445.20 I was told that this—may I read a letter in that connection?

The Court: Yes. A. On the 12th of April 1932 I wrote to Mr. Grogan as follows: "There was one matter that I did not clear up the other day when I was in Victoria and that is the method of handling the 97,406 Cross Arm Billets which are mentioned in the report, page 24, for the year ended 31st December, 1930.

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“According to this statement there was an estimated balance of \$11,445.22 which it was expected the Company would receive when these billets were shipped.

“My understanding of the situation is that these billets were charged to the Northern Electric Company at some date prior to 31st December, 1930, at 80 per cent of the contract price and that the footage covering the charge would be included in the sales during the period when the charge was made, later, when the additional 20 per cent had been received, lumber sales would be credited with the amount but there would be no further necessity for putting through any reference to quantities. 10

“Would you kindly have Mr. Campbell make up a statement showing when the balance of the money was received and how the credit was passed through the books.” On the 13th of April I received a copy of a letter which is signed by Mr. Campbell, the accountant for the Cameron Lumber Company, addressed to Mr. L. A. Grogan: “With reference to the letter of Mr. Barrett-Lennard, dated April 12th. Mr. Barrett-Lennard’s understanding of the situation is correct,” That is, that the \$11,445.20 applies directly to the year 1930. “We beg to draw your attention, however, to the fact that our statement of December 31st, 1930, neglected to take into consideration sales tax. These arms were sold to the Northern Electric Co. Ltd. at a contract price of 85c per arm, including sales tax, which was 2 per cent at that time. “For your further information we might say that the material sold and paid for by the Northern Electric Co. Ltd., is in the form of rough billets. The cross arms are ordered out from time to time by them, and as these orders are received we manufacture and ship out the arms accordingly. The Northern Electric Co. Ltd., however, only order these arms out as they are required by them, and from the following statement you will see that there are still 77,756 pieces to be shipped—as at March 31st.” Then do you want me to go into details on that? 20

The Court: You are making the explanation. A. “The following is a summary of the account as at March 31st, 1932:

“December 31st, 1930

Due on shipment, 97406 pcs. 3½x4½-10 ft.	
Crossarm Billets, at 17c per arm:	\$16,559.02
Less Allowance for sales tax on full value of Arms; viz. 97,406 pcs. at 85c each \$82,795.10 at 1.96%	1,622.78 40
	<hr/> \$14,936.24

Shipped for period Jan. 1st 1931, to Mar. 31st, 1932, 19,650 Arms at 17c per arm;	\$3,340.50	
Less Allowance for sales tax on full value of Arms; viz. 19,650 at 85c, \$18,667.50 at 1.96%	327.37	
	<hr/>	
Representing Sales as per ledger		3,013.13
Balance still to be shipped 77,756 pcs.		<hr/> \$11,923.11
10 Proof:		
77,756 pcs. at 17c	\$13,218.52	
Less 1.96% Sales Tax 77,756 pcs. at 85c—\$66,092.60	1,295.41	
	<hr/>	
		\$11,923.11
		(As above).

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20 “Note: This statement does not take into consideration the cost of manufacture and shipping; namely, \$5,113.82. “Revenue derived from shipment of these arms has been credited to account in the general ledger bearing the title: “Manufacture Only of Paid-for-Crossarms,” and is shown on our monthly sales statements under that heading no footage, of course, being included.” From that heading, Manufacture Only of Paid-for Crossarms, we get the amount of \$2,070, credit in the 1931 on account of the 1930 transaction.

The Court: Well, that is the position Mr. Grogan takes; what have you got to say A. He agrees with me that it was a 1930 credit.

30 The Court: That it ought to have been? A. That it ought to have been.

Mr. Mayers: Are you suggesting that your so-called explanation detracts in any way from the questions and answers given before? A. No—I am not through yet, Mr. Mayers. I would like to see the exhibit, three statements of account there—it is a long sheet—Exhibit 18 (handed to witness). Exhibit 18 was prepared for the purpose of showing that in the last five months, or in the period prior to the fire the Assured was not making fixed charges. We did not take that statement, as I have explained, and charge in there all of the things that might have
40 been charged against the Company. For instance, there is depreciation which can be added to that list. And we did not credit the \$11,445. The \$11,445 is a lesser sum than the depreciation.

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Mr. Mayers: Are you finished? A. Yes, Mr. Mayers.

Q. We then come back to the same situation that you did not allow in the 1930 accounts either this 11,100.88 or the \$5,900 for rebate? A. No.

Q. What I have said is right, isn't it? A. Yes; that is right—with my explanation.

Q. You have also mentioned certain items of what you call non-recurring revenue. A. Yes.

Q. Did you search to see whether there were any items of non-recurring expense? A. I did not discover any; I went care- 10 fully over the accounts.

Q. Now, I will suggest some for your consideration. The Cameron Lumber Company repaired the roof of the power plant, did it not? A. That is not shown in the accounts.

Q. It is not? A. I have not discovered it.

Q. You did not find in January, 1930, in the general ledger on page 38 an item for labour \$208.65? A. I did not see the general ledger.

Q. Well, it was open to you, was it? A. I know; and I 20 accepted their monthly statements.

Q. It was quite open to you, wasn't it? A. Yes, it was.

Q. Did you not find on page 3 of the monthly report for February 1930 an item for the same purpose, material 1,339.41, and labour 507.94? A. Where is that?

Q. Page 3 of the February 1930 report; roof of power plant, material 1,339.41, labour 507.94? A. Yes.

Q. You find that? A. Yes. Now, I might go back to January, please; they have shown to me in the January accounts.

Q. We will find that, we will get it. In the meantime, did you find at page 3 of the March 1930 report—did you find the 30 same item, material 350.16 and as to labour 704.71? A. Yes.

Q. You found on page 3 of the April 1930 report a charge on the same item, labour 63.20? A. Yes.

Q. You found on page 3 of the June 1930 report, a charge for the same item, for material 321.34? A. Yes.

Q. Making a total of \$3,495.45. You accept that figure? A. I believe your figure, yes.

Q. Would you say that is a non-recurring expense? A. I would think so, yes.

Q. Now, did the Cameron Lumber Company replace in the 40 boiler house an old type furnace with a new grateless furnace in 1930? A. Where is that shown?

Q. Did you discover that? A. No. Where does it occur?

Q. On page 4 of the December 1930 report; did you find items for material 1,042.85, and labour 232.79? A. Yes.

Q. Making a total of 1,275.64? A. Yes.

Q. And you would call that a non-recurring expense, would you? A. Not for furnace grates, I would not.

Q. Why? A. They are not repairs.

Q. Would they buy them in other years? Do you think replacing an old type furnace with a new grateless furnace would occur every year? A. That is if the Company took the old out and replaced it with the new.

Q. Well, do you think replacing an old type furnace with new grateless furnace would come every year? A. No.

10 Q. Have you found any item for alterations to conveyor in the power plant? A. No.

Q. You see on page 4 of the December 1930 report an item for that purpose of 159.35 for material and 177.70 for labour?

A. On page 4, under what heading?

Q. Alterations to conveyor in power plant. A. Yes; \$337.05.

Q. Yes. Would you call that a non-recurring expense? A. It might or might not be.

20 Q. Would you give us the benefit of the doubt? A. Yes, I will admit that that is a non-recurring expense, if you wish.

Q. Well, did you allow the two items that you agree are a non-recurring expense? A. No.

Q. You did not? A. No.

Q. So that we should take credit for \$3,800? A. On the face of the figures, yes.

The Court: What does that mean? A. When Mr. Mayers is through I will explain.

Q. That would increase our profit by \$3,800? A. On the surface of it, yes.

30 Q. Now, you have another explanation? A. I have. I have this to say, that in every year you will find that in every lumber company, or any other company, there will be non-recurring expense, if you wish to put it in that way. And if I find in 1929 that they have an expense account of \$29,000, and I find that in the year 1930 they have expenses of a somewhat similar sum, though in detail of different nature, I would say that they were non-recurring expenses, in the similar amount, if you wish to call them non-recurring, throughout the whole of the life of the plant. This plant has been in existence for some time, and the
40 necessity for repairs of a particular or of a general nature are coming up year after year; and it proves the necessity for the provision for depreciation, which we claim.

Q. Well, that has nothing to do with your omission of \$3,800? A. I think it has. For the items which you call attention to have simply been put up in the books as particular items;

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and these particular items will be found during the whole of the life of the business.

Q. Won't you also find items of non-recurring revenue during the whole of the business? A. Not in the way of rebates on timber taxes, and that sort of thing.

Q. But other items? A. There may be other items, yes.

Q. And according to your method, you should include nothing in the profit and loss account which does not relate to the general revenue of the year, should you? A. No.

Q. Is that right, or wrong? A. You should only have in 10 that year the items which particularly apply to the year, and which are not general items. No rebates in non-recurring expense that come in in the way of rebates on timber have been included in former years under the heading of logs purchased, and so on.

Q. Do you suggest, then, that the Company should exclude non-recurring revenue but include non-recurring expenses? A. I suggest that when the Company drops income tax in a year, a refund of taxes, of that kind, it should be excluded.

Q. Are you suggesting that the Company should exclude 20 non-recurring revenue but include non-recurring expenses? A. They should exclude non-recurring revenue if they should exclude non-recurring expenditure; but no non-recurring expenditure of the particular quality which is included under that heading of repairs. Because I hold that repairs are not a non-recurring expenditure.

Q. We have got around to the beginning again, witness. I understood you to agree with me that two of these items I mentioned were non-recurring expenses. A. I agreed, except I reserved my explanation. 30

Q. You would naturally agree that they were non-recurring expenses? A. No, I do not.

Q. You do not? A. No. Take with the roof, that might have been non-recurring in that year, and the next year you would have to have some more non-recurring because you have to put in a smokestack, or because the boiler goes and you have to re-brick it; and the next year you have to put in grates, and the next year re-construct a lot of your head saw equipment. Those are not non-recurring, because that is only incidental expenses of the whole operation. 40

Q. A non-recurring revenue is not incidental? A. Non-recurring revenue in the nature of rebate of timber tax, and that sort of thing is certainly not applicable except in the year it went in.

Q. Why not? Doesn't the Company get benefit from a thing of that kind? A. They may get benefit in the shape of a

very nice contract and that would not be non-recurring revenue; that would be ordinary revenue which they derive from the operation of their business.

Q. Then it comes down to this, you say they should exclude non-recurring revenue, and include non-recurring expenses? A. No, I didn't say that. I have not yet seen any non-recurring expenses.

Q. Well, you rather confuse me, witness; because when I asked you at first about these items you agreed they were non-recurring. A. I beg your pardon, I did not. I agreed to the amount; and I agreed for the purpose of carrying on until I gave my explanation they were non-recurring.

Q. Now, I want to ask you a question or two about this hidden or secret reserve. I notice Mr. Bull preferred the word "Secret"—I suppose it sounds more wicked. Have you the statement before you, this monthly report, December 1930: and the statement for the year 1930, page 25? A. Yes.

Q. The only thing that that means is this, is it not, that taking the market prices in 1929, the end of 1929, there was an estimated excess in the value of the inventory of 61 thousand odd dollars? A. The market prices—the market prices you say; taking the difference between \$15 a thousand and the average of \$21.35 which the Cameron Lumber Company say is an estimated value of the stock in yard there is thereby created a reserve of \$60,000 between the price that they have priced their inventory at and the \$15 which they took as arbitrary.

Q. Is not that exactly as I say? A. That may be.

Q. That at the end of 1930, owing to the fall of market prices, the estimated excess was only \$10,000. A. I don't agree with the market price, but the difference in the average at which they took their inventory piece by piece and \$15 leaves a reserve of \$10161.

Q. So what all these figures amount to is that by reason of fall in value of the market price or stock in trade their reserve at the end of 1930 is depleted by \$15,000. Is not that right? A. Taking the difference between the value in the price of lumber in 1929 and 1930 there is a drop or loss of \$50,000.

Q. Would you say it is a loss? A. I say it is a loss.

Q. When they have not sold? A. When they have not sold it is a loss, because they could not go out and replace that lumber at that price which cost them \$10.29, on their own showing.

Q. In 1930 they could have gone out into the market and bought that lumber at that price. At the end of 1931 they may have shown an increase on estimated value of some \$10 a thousand. A. No, because you can take a profit—because your mar-

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ket if it is low the loss has been realized because you can go out in the market and buy cheaper than you did formerly.

Q. Then you say if I had a stock which, at the beginning of the year is worth \$10,000 and at the end of the year is worth \$5,000, had I sold at the prevailing price, I sustain a loss of \$5,000. A. I say, if you had an asset of \$10,000 and you put your cash as \$10,000 worth of lumber at the beginning of the year, and at the end of the year that lumber is only worth \$5,000 and if you could go out and replace that lumber, you have lost \$5,000?

Q. Arguing I had no intention of selling it, had no intention of selling? A. Even if you don't intend to sell you have made a loss of \$5,000. 10

Q. That is the system on which you base your accounts? A. That is the system, and as old as the lumber business in British Columbia.

Q. Would you look at Exhibit 25? A. Yes, Mr. Mayers.

Q. And you see an item, opening inventory at \$20. A. Yes.

Q. Where did you get that figure of \$20 from? A. That is taking the inventory valuation at the 28th February, cost of manufacturing for the month of February was \$19, the cost of manufacturing for the months of January and February combined was \$18.99. This company had on hand on the 10th February 10,991,340 ft. They manufactured approximately at the rate of 2,000,000 a month, so that inventory would represent four months prior to the 28th February. They manufactured 2,251,000 in February, and that cost them according to their statement, where they say total cost of manufacture, including allowances \$42,809.36. 2,535,000 feet in January \$48,353. 2,091,274 in December \$48,143.89. 2,185,385 feet in November \$47,005.18 making a total for these four months of 13,056,346 feet, which cost them \$1,360,696. Not counting the depreciation on the production leaving that out of consideration, the average cost of that number was at least \$20.34, which we inventoried at \$20, which is giving the Cameron Company .34 benefit. 30

Q. Now you have applied that figure of 20c to the whole of the stock in trade at the yard? A. Yes.

Q. Knowing that some portion of that stock in trade the magnitude of which is unknown to you or anyone else cost about \$2.50 to manufacture? A. Yes, and conversely you would have more to manufacture. 40

Q. And you have no means of working out the average of the proportion? A. Yes, I have.

Q. You can tell me the proportion of different sizes and grade of lumber in that stock in trade? A. No, I don't need to do that to work out an average?

Q. I have heard what your average is? A. Yes.

Q. The fact is that you have averaged this \$20 to the whole stock of trade in the yard? A. Yes that is right.

Q. Now you have taken the closing inventory of \$17. A. Yes.

Q. Notwithstanding the fact that some portion of that closing inventory will eventually have a further cost of manufacturing incurred to the extent of some \$3 and will be sold at \$47.70?

A. I have applied the same principle in closing as in opening.

Q. Is not that right? A. Yes.

10 Q. And other portions of that stock in trade which you value \$17 will have extra cost in regard to some \$6 or \$7 a thousand and will be sold at some \$68.53? A. I have not seen any sold at that, but I will admit your argument.

Q. Have you not seen your December /31 statement. Do you see an item moulding \$68.53? A. Yes you sold 487 feet of moulding at 68.53. The highest price for your lumber in December 1931 was \$85.98 for 2,000 ft. of cross-arms. No, I beg your pardon, \$90.76 for 487 ft. of cross-arms, and received on the same date only \$20.34 for commons.

20 Q. And have you worked out the different proportions in this closing inventory of October 31, 1931, on which you applied the price of \$17? A. No.

Q. Notice Exhibit 25— A. Might I just carry on through for a moment. The inventories, according to the Assured's own statements were composed of the following. In 1929 they had 9,282,526 ft. stock in the yard, 55 per cent of which was common and 45 per cent was uppers or clears. In 1930 they had 65 per cent commons and 35 per cent clears, a drop of 10 per cent. In 1931 they had 73 per cent commons and 27 per cent uppers, at a value say of \$17. Thus, while their inventory composition shows a constant decrease or decline, I have not penalized them one cent in connection with the closing inventory but have given them the average over a period.

Q. This inventory for October 31, 1931 did include material which at a certain small additional cost would have sold at the value of \$65? A. I have not quarreled with that.

Q. I think you gave a figure of \$90? A. Yes, mouldings.

Q. First 400 ft. at \$90? A. Very, very small proportion would not affect the average.

40 Q. On Exhibit 25 where have you allowed for power revenue? A. I have allowed you in the sales the full amount of power revenue that is shown by your books for the same period prior to the fire.

Q. How much? A. I don't know. If you will take my word in the meantime I will check it up, the full amount.

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Q. Have you allowed us \$11,695.11? A. If that was the figure prior to the fire, yes.

Q. It is the figure, being 2/3 of what we have estimated we should have made in 1931? A. 2/3, well that would be correct because your estimate in 1931, you say you are entitled in 1931 to the same power revenue you would have received in 1930 and that is 2/3, and in that perhaps I am not very wrong.

Q. The figure we estimate for 10 months in 1930 is \$19,166.-67 expenses leaving a total of \$7471.66, that is for 10 months? A. Yes. 10

Q. Eight months would be in proportion? A. Yes.

Q. You say that is what you have allowed us? A. I say I have allowed you exactly the same as the Cameron Company made in the preceding months of 1930—it is the same proportion as we prepared in the 10 months.

Q. Where have you allowed us anything toward wood and saw-dust? A. In the last account, exactly the same as you gained in the previous period.

Q. And all the subsidiary revenue? A. All the same as the previous ten months. 20

Q. That is 2/3 of \$26,622.42? A. I was dealing with the exact figures in the previous eight months. I have allowed you the whole thing.

Q. So when one deducts \$11,695.11 increase of \$19,349.54 you say deducting these two amounts you would have \$460,360.99 you say as the residue, as the sales from the lumber, is that it? A. Yes—just a minute—I have taken 9 per cent off your lumber, the residue would be a difference between \$505,842 and the figures you quoted.

Q. How many feet did you include in that item? A. That I cannot tell you. I can look it up for you, exactly the same amount as you had in the previous eight months. 30

Q. What price did you allow? A. The same price as in the previous eight months less 9 per cent. Would you like me to explain that 9 per cent.

Q. Well now, I would like you to explain this: You have first of all included the sale loss discounts and allowances? A. Yes.

Q. And then you have taken off 9 per cent. A. Yes.

Q. You say you took 9 per cent on the price you placed on the lumber sold? A. Let me explain that: In the eight months prior to the fire, the company received an average of \$169.50 for a thousand feet a month. Suppose you took a thousand feet monthly sales, \$169.50. The same period after the fire \$145.65. That is 25c difference, which is taken at 15 per cent, I deduct 9 per cent. 40

Q. I think you told me you allowed no increase of sales for the eight months October 31, 1930, which is eight months previous to 1931? A. That is true, exactly the figures has been used.

Q. You were retained by Mr. Crombie, were you, to conduct this investigation? A. Yes.

Q. And you reported to Mr. Crombie? A. I believe so, yes.

Q. And your report was referred to the Insurance Company? A. Yes.

10 Q. And you had correspondence with the Insurance Company? A. I had correspondence with Mr. Crombie.

Q. And reported to the Insurance Company? A. No, I have not. I reported to Mr. Thompson.

Q. Who is Mr. Thompson? A. I prepared a memorandum for Mr. Thompson, which was submitted through Mr. Crombie. I believe he is representative of one of the Insurance Companies in Toronto.

20 Q. Mr. Crombie estimated that it would take approximately eight months to rebuild the mill, did he not? A. Mr. Crombie instructed me that in order to have some foundation on which to work I would take a period not exceeding eight months.

Q. Did he not estimate it would take probably eight months rebuilding the mill? A. He did not tell me that.

Q. Would you refer to your reports? A. Yes.

Q. Page 65: "Mr. Crombie estimates it would take approximately eight months to rebuild the mill." Is that correct? A. That is a correct statement from my report, yes.

30 Q. And the statement is correct itself is it not? A. No, I would say that I erred in saying that Mr. Crombie made an estimate of eight months. I think that there should be an "if" in front of that.

The Court: Read your estimate. A. "Mr. Crombie estimates it would take approximately eight months to rebuild the Mill."

The Court: I don't see how any "if" can go in there. A. What I am suggesting is that Mr. Crombie has no knowledge of anything before him.

The Court: Your letter does state that Mr. Crombie said that. A. Yes.

40 Q. Anything you want to say about that? A. It is this, that it is incorrect for you to say that Mr. Crombie came to me and told me that he estimated that it would take eight months. What I should have conveyed to Mr. Thompson was that Mr. Crombie in giving me something to work upon estimated an eight months basis.

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Mr. Mayers: You prepared your report for Mr. Thompson I take it? A. Yes.

Q. You knew Mr. Thompson wanted accurate information?

A. Yes, and I reported—

Q. Is not that right? A. I reported 5, 6, 7, and 8 months.

Q. We will go back to your statement here: "Mr. Crombie estimates it would take eight months to rebuild the mill." The statement showing eight months being February 1931, was prepared to show what it would be for a period of equal duration before the date of the fire? If you put in an "if," you would entirely ruin the sentence would you not? A. Yes, that is correct. 10

RE-EXAMINATION BY MR. BULL:

Q. Would you refer to Page 25 again of Exhibit 8, you have it here I think? It is December 31, 1930? A. Yes.

Q. My learned friend asked you if this \$11,445.00 in connection with the Northern Electric cross-arms should not have been shown in 1930, to give a true picture? A. Yes.

Q. Would that have anything to do with—on Page 25 of Exhibit 8 with regard to the same item—do you see it there? 20

A. We do. There is a hidden reserve, electric cross-arms—they have added their decrease in 1930 of \$11960.

Q. They show by their total the decrease was \$39,405 odd?

A. That is correct.

Q. So they have for their own private information, proportionately taken this into consideration in 1930? A. I would say so.

Q. My friend asked you with regard to Mr. Crombie's estimate of eight months, did you, in fact, in making your report deal with any other period than eight months? A. I dealt with 5, 6, 7, and 8 months, to show what the result would have been over any one of these periods. 30

Q. My friend in cross-examination referring to the principles of valuation of inventories suggested that valuing at cost or market value was entirely new in so far as lumber manufacture is concerned, what do you say about it? A. Cost or market—no, it is not new.

Q. Is there any distinction in your opinion, between lumber manufacture and any other manufacture as regard to the valuation of inventories? A. None at all, there may be a little more difficulty in arriving at some inventories than in others, but the principle remains the same throughout. 40

Q. Some reference is made to this SMAILES AND WALKER authority, what have you to say on that? A. Smaile & Walker are chartered accountants of Toronto, attached to Queen's

University. They prepare analyses for chartered accountants on accounting situations generally. They are recognized as authorities. They are accepted by the accountants, students' association as text-books.

Q. My friend also referred to the Canadian Chartered Accountant, March, 1932, and particularly to a portion of an article by Mr. Foster on Page 317. I would like you to read the whole of that? A. There is another portion that should be read here, in order to give full effect to the section he refers to, and that is
 10 this: "All charges for depreciation on buildings and equipment used for the manufacture, handling, drying, dressing and shipping of lumber—segregation of manufacturing costs under the foregoing headings will produce a fairly comprehensive cost statement. It should be added that some part of the administrative and general expenses may be allocated to the logging and the saw-mill departments." And prior to that he gave various headings and various methods of arriving at this cost: "All charges for depreciation on buildings and equipment used for the manufac-
 20 ture, handling, drying, dressing and shipping of lumber." He includes that in manufacturing cost. Then he says: "The valuation of lumber inventories for accounting purposes involves a difficult problem, owing to the fluctuations in grades and species at the close of accounting periods. The percentage of clears, or high priced lumber, may be higher at one accounting period than at another causing a wide fluctuation in the real inventory value. Where a fixed unit price is used year in and year out as the basis for inventory valuation, the statement of profit and loss will not reflect the effect of variations in real inventory values, nor would it do so in those instances where the average cost of lumber pro-
 30 duced is used as the basis. So far as I know, there is no exact method of valuing lumber inventories for accounting purposes because determination of the cost of the various grades, species and sizes has never been attempted. This is too large a subject to be embarked upon in this article. The best guide in this respect is to be consistent in the method of inventory pricing and to be satisfied always that market value has not been exceeded." With that I agree. Mr. Foster refers to the necessity of being consistent in inventory prices. Surely the market varies from
 40 \$30 to \$15 or \$10 and you take the same method, the same amount year in and year out, to be consistent with real inventory valuations. He also goes on to say that is too large a subject to be embarked on in this article and in that article he never arrived at the necessity of valuing the profits of a business for one particular period. Next he speaks of year by year over periods. It is not impossible to arrive at the cost of lumber, the exact cost of each grade and species and size, but the cost involved would be

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far greater than the benefits derived would warrant. There is no difference in getting out the price of a piece of lumber in a lumber yard than getting out the price of a cotter-pin in the Ford plant. What is the difference in showing the average cost of lumber in their own yard. It is their only means of knowing what super-lumber costs them and place the same average to the selling price and it gives them their profit and loss for that period.

Q. Is that exact as to average? A. Yes.

Q. On the same subject my learned friend apparently wished you to say that that practice adopted by the Cameron Com- 10
pany was dishonest or misleading? A. The word dishonest was Mr. Mayers' suggestion, not mine. I have never suggested in any one of my reports that the method used by the Cameron Lumber Company was dishonest, I don't say that. I have never used that word in any report or statement, never included the word dishonest, not once. I believe that the Cameron Lumber Company is honest in their 313 days at \$15. I differ with them, but I have received every courtesy from the Company.

Q. I understood you to say this is a valuation for their own information. A. I say in my report that is a conservative 20
practice, but it might be taken at \$15, and if they showed it had sold at \$15, they would show a profit on that \$15 they are not entitled to. I say it is misleading, I don't say it is heavily misleading.

Q. Would it be misleading to a banker? A. It would be to a banker if he asked for further information as to the cost of the lumber.

Q. Would it be misleading to anyone wishing to purchase the business? A. Yes, if at the end of February, 1931, one of the shareholders of the Company had accepted their statement at 30
\$15, and had sold his shares at that price he would be selling at less than he should have sold.

Q. My learned friend also suggests that his clients did not need to sell their lumber? A. As a matter of fact they did sell their lumber at a price less than it cost to produce from 1930 to 1931.

Q. In a normal way? A. In a normal way.

Q. Less than the cost of production? A. Yes, making a loss on every foot of lumber they sold. And the revenue from by-products was not sufficient to make up the difference, and they 40
knew that they were selling at a loss. If they did not have to sell at a loss, they should have held. Their own statements show that they were making a loss.

Q. It has also been suggested that the Plaintiffs in actual practice could not put a proper value on their inventory? A. In 1929 they took an inventory included in their statement here

and priced our individual items, page 22 of Exhibit 8. Now I find Exhibit 8 at page 21—it is page 22—of December month, 1929—31st December, 1929.

Mr. Bull: Find it in here, this is the Exhibit. A. I have not got December 1929 here.

Q. You think it is not included in that book. A. No, it is not.

Q. You have been supplied with a copy, have you, by the Plaintiffs. A. Yes.

10 Q. Explain what it is? A. On page 22 of their monthly statement, this statement is monthly report 1929, December, and statement for the year 1929; on page 22 of that statement they commenced several sheets which contained the details of their inventory. They started with lumber, particular grades, with board measure and prices, estimated value, manufacturing, and works out at 95,436 ft. at \$42, that is an example.

Q. Go down further? A. At the end of it you have the lower grades, shorts 26,204 ft. at \$8 per thousand. They have V-joints 5/8 x 4, 5/8 x 3, 11/276 ft. rough, clear 270 ft.

20 Q. Now on Page 21, Exhibit 8? A. December 25, 1930. They do the same thing, go through every detail of their inventory, one amount 25 ft., one amount oak flooring, 1/2 x 2 44 ft., \$50 a thousand.

Q. And on Page 24 does it show that they take the Northern Electric and show a hidden reserve of \$11,445.20 and values on inventory at 1930? A. Yes.

30 Q. So as a result of these two inventories they show an exact comparison? A. Yes. Of 1931—December 31st, 1931, they carry forward the oak flooring 1/2 x 2, the same quantity at the same price, 44 ft.

Q. Is it a principle of accounting that you must take your profit or loss according to market values for a given or fixed period? A. Yes.

Q. That is that your profits or losses are based on the market, no connection with inventories? A. Yes.

40 Q. On the subject my friend was asking you about, Camerons not having to sell? A. Well, if they did not have to sell and the price of their lumber had dropped they would have to take into consideration the drop in the value of lumber in connection with their profit and loss.

Q. Is there any name given to that system of accounting? A. I don't follow you there.

Q. All right.—Referring to Smaile & Walker, my learned friend referred to a passage that had been put to Mr. Grogan in cross-examination, on page 72, and suggested that the authors never intended that that should refer to the lumber business. I

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will read it. Page 72: "Since merchandise purchases for the year, added to any inventory on hand at the beginning of the year, represents the total cost of all goods available for sale during the year, it is impossible to determine the cost of goods sold without first considering the cost of all goods unsold at the end of the year. This necessitates stock-taking, which involves the counting, measuring, or weighing of all goods on the shelves, and in the warehouse of the firm or company. These goods must then be valued at cost or market, whichever ever is the lower. Only earned profits must be shown in the revenue statements and all assets must be shown at their true value at the date of the balance sheet. Any inflation in the valuation placed upon the inventory must necessarily inflate the profits to the same extent." "What do you say about that? A. I say that that applies to all companies that have inventories and are attempting to arrive at their profit or loss. 10

MR. MAYERS: RE-CROSS-EXAMINATION:

Q. One or two more questions: You have been referring to Pages 22 and the following in the statement for the year 1929, have you not? A. Yes. 20

Q. The figures there are the market price less certain expenses are they not? A. I don't know, it simply says price.

Q. You don't know that that has no reference whatever to the cost of production, do you? A. No.

Q. Would you think that it did? A. I don't know.

Q. You cannot say then whether you think for instance that manufacturing clear finish \$42 has any reference to the cost of production? A. No, I don't know that it has.

Q. You would think that it might? A. No, I would say it might not. 30

Q. Is it not much more probable that these figures are simply the market price less certain selling expenses? A. They don't refer to market prices.

Q. You are sure? A. They are the estimated value.

Q. You are sure they do not refer to market price? A. They state in their statement that they don't refer to market price, it is estimated value.

Q. Can you not say? A. I would judge it would have nothing to do with market price. The market price is considerably larger than the average that they show. 40

The Court: We are assuming that their books are honest. They are put in there as the estimated values. What else could they have estimated at, and what do you suggest that they use. A. It might be their estimated market value.

Mr. Mayers: What else could it be. A. I could make it all sorts of estimates based upon different expectations.

Q. And you have been examining their account for a period of over six months, is that right? A. Yes.

Q. You don't know that the figure is the market price less \$2.00 for shipping and selling? A. No, I don't.

Q. Now this summary on Page 25 has nothing to do with their profit and loss statement, has it? A. Is that 1930, or 1929.

Q. 1929. A. It has nothing to do with what.

10 Q. Their profit and loss statement? A. They have excluded it from their profit and loss statement. Had they included that in the year 1929 they would have upset their profits and taxes considerably.

Q. And that according to you would be a correct inventory at cost or market? A. Whichever is lower, is correct.

Q. Now supposing after the fire in 1931 the Cameron Lumber Company had purchased only lumber produced in the ten months following? A. I have not gone into the figures of that because that is so improbable.

20 Q. It would depend on the cost price and selling price? A. No, on their ability to sell something in the market.

Q. Would it largely depend on the ratio between selling and cost price? A. I say it is improbable that the company having 10 million feet of lumber in the yard, would not have in the course of their operations, have sold anything of their lumber in that year.

Q. Supposing that they had not sold any of that? A. I don't see why I should suppose anything.

30 Q. Well, I am asking, if you don't want to answer say so—Supposing the Cameron Company had sold only lumber produced in that period, would their profit depend on the selling price and cost price? A. Yes—selling price \$18.82.

Q. And cost price? A. Considerably more. The average cost of lumber for the 12 months ending December 31st 1931 is \$20.63, according to their statement

Q. Calculated on our methods? A. I am looking at your methods, total cost of manufacturing including logs \$20.63.

Q. Is not that the operation on the Wilfert Mill? A. I thought you were asking me the cost of production in 1931.

40 Q. And has that increased at all by extra expenses? A. I expect it has.

Q. In that book you are looking at? A. In this sheet, no. (Witness stands aside).

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WILLIAM SCOLLARD: duly sworn, testifies, examined by Mr. Bull:

Q. Where do you live? A. Seattle.

Q. What is your occupation? A. Certified Public Accountant.

Q. Where and when did you qualify as such? A. Missouri, and Washington. Sixteen years ago in Missouri and five years ago in Washington.

Q. Who were you with, that is after you qualified? A. The predecessor of Price Waterhouse & Company, Jones Caesar & Company. 10

Q. English or American? A. English.

Q. How long were you with Price Waterhouse following that? A. Fourteen years, with one year out in the United States Government at the time of the war.

Q. Were you employed by the United States Government during the war? A. Yes.

Q. In what capacity? A. Doing accounts of the contractors of camps for training of soldiers.

Q. Have you had any particular business in lumber on the Pacific Coast? A. Yes. 20

Q. Name some of the firms? A. In connection with use and occupancy on the coast the most important, Snowquami Falls Lumber Company, Washington, Puget Sound Sawmills and Shingle Company at Bellingham, Peshastem Lumber & Box Company, Peshastem, Washington, Quimault Lumber Company, Raymond, Washington.

Q. Have you made surveys for any particular lumber companies of British Columbia for the purpose of advising on a form of use and occupancy of insurance? A. Yes. 30

Q. Name this Company? A. Canadian Western Lumber Company, Vancouver, Port Alberni and Western—I think that is the name—

Q. Alberni Pacific Lumber Company? A. Yes, located at Alberni; Mayo Lumber Company at Duncan, Hammond Cedar Company, New Westminster.

Q. Have you recently advised on matters of accounting arising in the State of Washington, arising out of a claim for use and occupancy against overhead for the Puget Sound Lumber Company? A. Yes. 40

Q. When was that case ended? A. It was either in the early part of this year or the latter part of last year.

Q. You gave evidence in that case? A. In the first trial in the Superior Court of the State, but not in the case before the Federal Court of the United States.

Q. You were there? A. I was there in an advisory capacity.

Q. And consulted with Mr. Barrett-Lennard in this action?
A. I did.

Q. And investigated the Plaintiff's accounts? A. Not in detail, partially, particularly Mr. Barrett-Lennard's statement of the proportion of the profit and loss accounts over the period of 5, 6, and 8 months.

10 Q. I wish to confine my questions to you to one or two subjects. First, with regard to the pricing of inventories—You are aware from your examination of the books and what you have heard in Court, that the Plaintiff Company for some considerable time has been in the habit of valuing their inventories, both open and closing inventories at the sum of \$15? An average price of \$15. What do you say about that, is that good accountancy practice? A. It is not in accord with correct accounting principles, but there is not any harm done by consistently taking it at \$15 or \$10 a month, or any arbitrary figure a thousand, provided it is for internal information only. For the information of the public or whom it may concern, it would not be correct, because it
20 would not give the correct picture at any specified time.

Q. What is the correct method in order to ascertain the true position of the Company as to profit or loss at the end of a given period? A. The cost or market, whichever is lower should prevail, excepting in some very special cases, and I cannot say that the lumber industry is in that category.

Q. What are these special cases? A. Well, a business where the inventory at the beginning and the inventory at the end would consist of practically the same material and very little fluctuation in prices. I have in mind a gold mining company, their gold is always worth the same price, and it is always the same, always pure gold in the stock they may have on hand at the beginning or end; I think that is a good illustration, but there are other cases that I cannot now recall.
30

Q. You have produced a publication to me, called "Treasury Department, United States Internal Revenue, Regulations 74," "Income Tax, Revenue Act of 1928." You have made a certain reference there, which bears on this subject. Do you mind telling the Court what that is? A. This, Gentlemen—
40 Treasury Department United States Internal Revenue, is an interpretation of the proper way to take inventories in connection with the proportion of Income Tax Returns, as follows: "The bases of valuation most commonly used by business concern are (a) cost and (b) cost or market, whichever is lower." It goes on further to comment: "The following methods, among others, are sometimes used in taking or valuing inventories, but are not in

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accord with these regulations, viz; (1) Deducting from the inventory a reserve for price changes or an estimated depreciation in the value thereof. (2) Taking work in process, or other parts of the inventory, at a nominal price or at less than its proper value. (3) Omitting portions of the stock on hand. (4) Using a constant price or nominal value for so-called normal quantity of materials or goods in stock."

Q. That is No. 4—And that refers to the fixing of an arbitrary or constant value? A. That is what I infer.

Q. And as I understand from what you have read, that is not in accordance with the regulations of the income tax authorities of the United States. A. No, it would not accept the return of the inventory stated in that manner. 10

Q. For what reason? A. Because it would not reflect the true facts.

Q. Now the other subject is one of depreciation—You have ascertained, have you not, from the examination of the accounts which Mr. Lennard had in connection with the Plaintiff Company that no depreciation—no sums were allowed for depreciation by the Plaintiff in the year 1930—What is your opinion as to the proper allowance for depreciation of lumber plant, being part of the cost of producing the manufactured article? A. Well, before you can arrive at the cost of production a reasonable allowance for the depreciation of your plant, meaning buildings and machinery, should be taken into consideration. That of course is universally recognized by accountants in general. 20

Q. Should that be an annual charge? A. Oh yes—yes, each year should take its proportion of the depreciation that results as a result of using it and producing.

Q. Would it, in your opinion, be any answer to that to say that in the past the plant had been over-depreciated—or an excessive amount had been allowed for depreciation in past years? A. Well, that is frequently found to be the case after a period of 15 years operation, we will say, at the start, if the life of the plant was under-estimated. After operating for a period of years and that becomes apparent, the proper way to do would be to go back and revise the period for the probable life of the asset and then adjust each year from the beginning on. That would leave the ensuing years of life taking a more reasonable rate. If, for instance, it developed that 5 per cent per annum was too large, 3 per cent may be a better figure. That 3 per cent would continue and the years that had passed would be adjusted in accordance with that 3 per cent. The amount resulting therefrom would be a credit to the surplus account, because the profit for each of these years had been over-charged. 30 40

Q. Would that system result in a charge being made in each and every year during the life of the plant? A. Oh yes.

Q. The adjustment would bring about that result, would it? A. Yes.

Q. You have had some considerable experience in auditing accounts of lumber companies, have you? A. Quite a good deal.

Q. It has been suggested by my friend, Mr. Mayers, in cross-examining Mr. Lennard, that there is such a thing in the lumber business as non-recurring expenditures and non-recurring expenses, such as putting a new roof on certain buildings and so on. What would you say about that? Is it properly called a non-recurring expense? A. Well, the roof may have been let go so far as to require in some particular year a greater amount of expenditure on repairs than would have occurred had it been done periodically. That would take place, I think, as Mr. Barrett-Lennard very properly stated, in the ensuing year some other repair to the premises might be required as might likely have occurred in the years previous, as well as years to come. But I don't know that I would want to call that a non-recurring expense.

Q. Well, you heard what Mr. Barrett-Lennard said in that? A. Yes, I am quite in accord with his explanation of that.

CROSS-EXAMINATION BY MR. MAYERS:

Q. Mr. Scollard, you are retained by the insurance companies, are you? A. No, I am retained by Mr. Crombie.

Q. Who is Mr. Crombie? A. Adjuster for the interested insurance companies.

Q. And all the previous experience that you have mentioned in use and occupancy insurance is in cases where you have been acting for the insurance companies? A. No, on some occasions I was acting for the Assured.

Q. How many? A. Oh, I would say a dozen.

Q. Which ones were these? A. Canadian Western Lumber Company, this company that I mentioned at Port Alberni, Hammond Company at New Westminster, Raymond Lumber Company, at Raymond, Washington, however, I did not mention that Company here, Henry McClary Timber Company at McClary, Washington, White Star Lumber Company, at White Star, Washington, Kirby Lumber Company, at Beaumont, Texas, Pickford Lumber Company, Malvern, Ark., Syren Mill Company at Raymond, the Pacific States Lumber Company, Sellick, Washington. I was acting, however, jointly there for the Assured, as well as representing the insurance company—is that sufficient?

Q. Any more? A. That is about all that I can recall here now.

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Q. In these cases were you acting for the lumber companies in making a claim under the policies or in insuring? A. Making surveys for them as to the amount of insurance of use and occupancy they should carry.

Q. That applies to all the companies you have mentioned to me, does it? A. Yes.

Q. You have heard all that Mr. Barrett-Lennard has said, have you not? A. I did not get that.

Q. Have you heard all that Mr. Barrett-Lennard said in the box? A. I think that I have. 10

Q. Do you agree with all that he said? A. Well, he said so many things that I cannot—that is pretty broad.

Q. The Court: Does anything occur to you in which you differ from him? A. I cannot recall anything, my lord, what it may be.

Mr. Mayers: You recall, do you, that he said that if the value of my stock in trade had gone down during the year I am bound to take that into account in estimating my profit or loss—Do you recall that? A. Oh yes.

Q. Do you agree with him? A. Oh yes. 20

Q. Do you attach any importance to the rulings of our Dominion Taxation Office? A. Well yes, I would say that they are entitled to some respect.

Q. I will read you one of their rulings. It is some length, but I will have to read it all—Circular Number 268 of the Rules and Memoranda respecting the Income War Tax Act of Canada—Re claims for Inventory Decline: “There will be no doubt claims made, particularly for the 1930 taxation period, that the loss sustained in 1930 has to some extent been caused by over valuation of inventory as at the close of the 1929 period, and for that reason the 1929 period has borne too great a tax. In order that there may be uniformity of procedure in dealing with such claims you are advised that the Department will give consideration to claims for loss in inventory under the following conditions:— 30

1. The claim must be presented in 12 months from the date of final notice of the assessment.

2. There must be definite proof of loss on actual sale within twelve months from the date of the Inventory.

3. The loss will only be admitted in respect of merchandise actually sold and capable of identification at less than inventory prices, no allowance being made in respect of merchandise included in the inventory, but still on hand.” Do you agree with that? A. I do, as the correct foundation of accountancy principles. I would think that was very fair. 40

Q. Are you aware that the Dominion and Provincial authorities do accept estimates of profit and less with the inventory

valued at consistent arbitrary prices? A. I do not know that of my own knowledge. I do not deny that that is the case, however, and I may accept your word for it.

(Witness stands aside).

MR. BARRETT-LENNARD, recalled, testified, examined in chief by Mr. Bull:

Q. Mr. Lennard, since you were cross-examined this morning on the subject of what my friend called non-recurring expenses, have you examined the record of the Company? A. Yes.

10 Q. And what did you find in regard to 1929—I think you made a statement, haven't you? A. Yes. I found that in 1929, taking their statements of supplies and repairs combined, the total cost per thousand of supplies and repairs was \$3.10 a thousand, In 1930, using the same basis I find that the amount is \$2.06 per thousand. Less in 1930 than in 1929.

Q. Now, in this other statement you have also made a calculation, haven't you? A. In addition to that, taking pure labour, straight labour as applied to repairs, according to their own statements, I find for labour expended on repairs in December 20 1929, it was \$2,753.53. I jumped then from December to July 1931—I jumped because I have not had time to compute the other months.

Q. 1930 or 1931? A. 1930—I beg your pardon. In July 1930, labour applied on repairs was \$876.11; in August \$1,111.95; in September \$961.90; in October \$1,262.87; in November \$1,300.94; and in December \$1,483.28. Showing that these repairs are items which go on from month to month.

(Witness stands aside).

REBUTTAL

30 J. O. CAMERON, sworn, testified; Examined in chief by Mr. Mayers:

Q. You live in Victoria? A. Yes, sir.

Q. And you are the President of the Cameron Lumber Company, Limited? A. I am.

Q. I want you to deal with these items of non-recurring expenses that I mentioned to Mr. Barrett-Lennard this morning. Explain to me, first what was done, and why, to the roof of the power plant. A. Well I don't think the question applies to the roof of the power plant. We decided that it was important to 40 get all inflammable material out of the boiler room. And having decided on that, we tore out all the woodwork that was in there. Previously there had been a lumber flooring where the fuel came in and was fed into the boilers. There was a wooden floor. We took all of that woodwork out, and put in steel framing, and a

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steel floor all over the thing; and the boiler room was converted into a steel works, and everything inside steel, concrete and brick. And the wood was removed.

Q. Does what you are speaking about refer to these items totalling \$3,495.45 (handed to witness)? A. Well, I don't know exactly how much of that in the boiler house, the replacements on that floor, what they amounted to; but I do know that one item! And it was not recurring, because that will be there for all time as long as that boiler house is there, the steel works.

Q. Yes; but what you are speaking about is this item that I have got under the heading of Roof of Power Plant? A. I think so, yes. You call it roof, but as a matter of fact it was the floor, and the supports for the floor. 10

Q. Would that recur? A. I don't see how it could. No, it would not recur.

Q. Now, the replacement of old type furnaces with new grateless furnace; just explain that to me. A. Yes. When we put in our water tube boiler, I think that was in 1928, or 1929, they put in, in setting that boiler, the ordinary grate bars. In using ordinary grate bars, with the intense heat that was developed there, we found that those grate bars were being destroyed quite rapidly; and we decided we found another way, of having a grateless fire box, and we decided that it would be in our interest to change that. So that we went in and took out the setting for the grate bars, and the arrangement under that boiler, and put in the grateless fire box; which of course did away with the repairing of those grate bars from time to time as they became warped and burnt out. 20

Q. Would that expense recur? A. Well, I don't believe so. I don't think so. Of course there might have to be some little repair done from time to time in the fire box. But this work, we had to pay considerable for the plans of that, several hundred dollars; and then the fire resisting material that went into it, of course that went into the fire box at the time. I don't think that would be recurring. 30

Q. Apart from minor repairs, would that be a recurring expense? A. No.

Q. Then the alterations to the conveyor in power plant, just explain that to me, will you? A. Well, our chief Mr. Wirtanem, who has testified, came to me and said— 40

Mr. Bull: Never mind what he said.

Q. Just tell us what was done? A. What was done was, that we were employing an unusual number of men, I presume you might say, in feeding the boilers; and it came to me that if we would change the fire system in certain respects we could cut that force down two men. So that seemed important to me. And I

gave my consent for that change to be made. And the fire system was changed, and Mr. Wirtanem was able to dispense with the services of two men from that time on.

Q. Is that an expense which could recur? A. No, sir.

Q. Now, deal with the question of depreciation, or your omission to charge depreciation in 1930. By the way is that year unique, or were there any other years? A. No, we didn't charge any depreciation in 1928.

Q. Just deal with that question, will you? A. Well, some-
 10 times of course we spent more money in repairs and in improvements on the plant than at other times; sometimes we replaced an old machine with a new one; and if that were charged up—if that was charged up to operating expense why it of course naturally should not come in, then, as what you would call depreciation. The annual depreciation. So that I had the principle of taking all these things into consideration at the end of the year, and I would go through them, and I would figure up what I considered would be a fair amount for that particular year to charge for depreciation; and I instructed the accountants then to put them in.
 20 And some years the depreciation would be a small amount, and some years it would be a large amount. And I cannot conceive that it was any different as far as the Government was concerned in the matter of income tax for their examination—and they never found that it was; because if we charged it to capital investment, capital account, and took it off in the depreciation, it was no different than charging it to operating expense and not charging depreciation—not charging anything for depreciation. So that our depreciation was not any fixed amount at all.

Q. Were you aware in 1931 of the possibilities of operating
 30 under the co-operative system, which you heard me mention to Mr. Barrett-Lennard? A. Yes, sir. I was thoroughly familiar with it.

Mr. Bull: I submit this is certainly not rebuttal. Because it was never raised as part of their case, any possibility of the co-operative operation.

Mr. Mayers: My reason for this is that my learned friend has, without any pleading to support it, claimed leave to put in calculations and evidence based on 1930 figures, or on the experience of the Cameron Lumber Company in 1930. Now, if that had
 40 been pleaded I should have replied that the experience in 1930 was entirely irrelevant to any consideration of this question, because the conditions in 1931 were entirely different, and new methods of operation were possible. So I submit this is perfectly proper in reply.

The Court: Yes, I think I will allow it in—I am a little doubtful about it.

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Q. What have you to say about that, Mr. Cameron? A. Well, if the mill had not burnt, and we had gone on in the ordinary course of business, and had found that we were losing money, and that the operation was not paying its way, why naturally we would have followed— it would have been my policy then to follow the course which had been taken by several other Mills that I knew of, that had followed that principle of taking their expenses, and whatever was left after paying the expenses, dividing it with their workmen.

Q. By expenses you mean the fixed charges? A. I mean 10 all of the outgoing money, whatever they had to pay out; their outgoing, which would include of course the taxes, insurance, interest, necessary salaries; as was the principle that I was advised was adopted by other Mills. And in that way I would expect that the business of the Company would at least be carried on without losing money.

CROSS-EXAMINED BY MR. BULL:

Q. Mr. Cameron, I understand you to say that if your mill had not been burnt, and if you had gone on and found that you could not have made money, then you might have started a co- 20 operative scheme? A. I think that would naturally follow.

Q. And you would naturally have to go on for a certain length of time to see whether you were making money or not, wouldn't you? A. For a month.

Q. Only a month? Your own employees have admitted that one month is not a fair test, you have to use a period longer than that. A. Well, you might say a month or two months.

Q. Yes, and you might say five or six months. A. Not under conditions as they were.

Q. I say you might say five or six months before you would 30 find out? A. I don't think so; I don't think I would have waited that long.

Q. How long would you say would be a fair test? A. Well, I would say a month.

Q. You would say a month? A. Yes.

Q. Will you pledge your oath that if you had continued, the Mill had not burnt, then at the end of March 1931 you would have seriously considered taking your employees into partnership? A. When that was being done by other Mills.

Q. Do you say that, that at the end of March you would 40 have considered the co-operative scheme? A. Well, I cannot say that.

Q. Of course you cannot. A. I cannot visualize just exactly; but I am saying that that is one way in which a mill can be operated without losing money.

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Q. Yes. Did you in fact ever consider a co-operative scheme in 1931? A. I had no chance to.

Q. This is something that you have considered since this action is brought, isn't it? A. Well, I have had no opportunity to consider anything else, because we didn't have a mill.

Q. It was never considered during 1931, was it? A. I don't think so.

Q. No; and if you had done that, you would first have had to find in the way of overhead the sum of \$59,000, wouldn't you, for the year? A. I don't think so.

Q. Well, I will put it to you out of the pleadings, then. In the statement of defence, where the proper overhead before the fire is set out; you have read that, haven't you? A. I don't think I have ever read the pleadings.

Q. Do you want me to read them to you? (Reading the items) \$59,000; is that correct? A. I don't know.

Q. Well, it is your business. A. Well, I am depending on the accountants to keep those figures correct.

Q. All right. Let me give you the statement in one of the pleadings, and if there is anything you can criticize about it. A. I wouldn't say that I could criticize anything.

Q. You would say that that \$59,000 represented your overhead before the fire? A. Whose statement is this?

Q. It is the Defendant's, and which your Mr. D. O. Cameron said in his discovery he could not criticize (handed to witness). A. Well, if it had gone on in 1931 I could have criticized with regard to some of these items because they were reduced.

Q. What was reduced, the President's salary? A. No, I am not sure of that.

Q. Would you reduce your own salary? A. I would reduce my own salary if I reduced other people's.

Q. Yes. A. Well, I cannot remember these figures. And that insurance, I think I can reduce that some.

Q. Of course you would not carry any more use and occupancy, would you? A. Well, I don't know whether—

Q. Unless you could see that you were going to make; is that correct? A. I don't think much of use and occupancy insurance.

Q. Not unless you are making money? A. Well, I don't know that anybody has ever got it without having a lawsuit when they got through with it.

Q. And in this case the insurance was placed by your own Company, the Cameron Investment Company? A. It is a company in which I am interested.

Q. A company formed by the Cameron Lumber Company to carry their own insurance? A. No, it was not.

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Q. What was it formed for? A. To deal with real estate and insurance. And it owns real estate.

Q. It is owned and controlled by the Plaintiff Company?

A. No, it is owned and controlled by some of the same individuals.

Q. Well, by yourself and your brother and others interested in it? A. Myself and brother, we control both Companies.

Q. Yes. At any rate, to put it shortly, the idea of a co-operative scheme for 1931 never occurred to you until after the end of 1931? A. Oh yes, it was discussed a good many times. 10

Q. When? A. Well, it was discussed. I don't think the lumber men ever held a meeting that it was not discussed.

Q. When was it first discussed so far as your own business was concerned? A. Not with reference to this business.

Q. That is frank. It was never discussed with reference to your own business? A. No; it was discussed as a proposition for carrying on the business.

Q. Now, you have been asked to speak about these improvements to the power plant, and that sort of thing? A. Yes.

Q. In 1930 it happened to be the power plant—in other words, it happened to be something else, didn't it? A. It might be. 20

Q. But always something turning up that required money to be spent for it? A. If we wanted to make an improvement to our plant, certainly that is true.

Q. And you have heard Mr. Lennard's evidence to the effect that in 1929 you spent more on repairs than you did in 1930; and that is correct, isn't it? A. I think we spent a lot of money in 1929 on repairs and on enlargements and improvements.

Q. Yes, and in 1928 you probably spent money on some other kind of repairs? A. In additions. 30

Q. Yes, and so on, over the whole history of your Mill? A. I think either in 1928 or '29 we spent over 100,000 dollars in enlargements and improvements.

Q. And that was all capital, that was charged to capital? A. Well, most of it was charged to capital.

Q. I am now speaking of things that are charged to operating costs. It pretty well averages up one year after another, doesn't it? A. No, not one year after another, some years it is larger. 40

Q. For the purpose of your evidence apparently was to show that in 1930 what is called non-recurring expenses were abnormally large? A. No, I didn't say that. I said that they were non-recurring expenses in 1930. We might have had more non-recurring expenses in 1929, or '28 or '25, or any of the other years.

Q. You will agree, will you not, that this so-called non-recurring expenses are pretty well all the same average year in and year out? A. No.

Q. Because if there isn't one thing there is another? A. No, I wouldn't say that the non-recurring expenses are pretty well on an average; because they don't go that way.

Q. You don't go to 1930 as being exceptionally large? A. Yes.

Q. Because 1929 was larger? A. Yes, much larger.

10 Q. And probably 1928 was as large as 1929? A. I think so. But it would be non-recurring expenses nevertheless, and improvements to the plant.

Q. Now, you said something about depreciation in past years. Is this not correct—I suppose you know all about it, don't you, that depreciation has been allowed in your Company? A. Yes; the amount has always been fixed by me and given to the accountant.

Q. Do you know that the total to the end of 1930 was \$349,046.07? A. I wouldn't be surprised.

20 Q. That in 1927 it is 67,814; do you remember that? A. That was the year we were re-building, tore the mill down and rebuilt it.

Q. And the only two years that no depreciation is allowed are 1928 and 1930; is that correct? A. I don't remember the other years.

Q. Would you look over this statement and see if that is correct—taken from your own records? A. I do remember 1928 that no depreciation was allowed that year.

30 Q. Why not? A. Well, I didn't think that there was any necessary, and that it would be proper.

Q. Did you make any profits that year? A. In 1928?

Q. Yes? A. I think so; I think we made some profits.

Q. How much did you make in 1928? A. I don't know; I would have to refer to the book.

Q. Could you find out by looking at your books? A. I presume that these are the accounts. If they are taken off the books, and Mr. Lennard has taken them off.

Q. Taken off by Mr. Lennard you take it that they are correct? A. I don't know. I will have to refer to the books.

40 Q. They vary from year to year. For instance, in 1917 there is upwards of 67,000; in 1918 there was 16,000? A. Yes.

Q. 1919, 43,000; 1920, 47,000; 1931, 27,000; 1925, 10,000 odd; 1927, 9900 odd. Now, I suggest to you that your depreciation varied according to your profits for the year. A. No.

Q. Is that correct? A. No.

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Q. Why did you allow 9,900 in 1927, and 28,000 odd in 1923?
A. In 1923?

Q. Yes. A. I cannot tell you now; I would have to go back to examine.

The Court: How did you work it? A. It was on what had been done in the plant, in the way of additions and changes and improvements. If the plant had been put at the end of the year in as good a condition as it was in the first of the year, by improvements and additions, why it reduced the amount of depreciation, because I didn't consider that depreciation should go on. In the year when we tore the whole mill down and rebuilt it there was a heavy depreciation. 10

Q. You are speaking of 1917? A. Yes.

Q. And that was the reason that you allowed 47,075.44 in 1920? A. In 1920?

Q. Yes. A. I don't know.

Q. Have you any idea what that is based on? A. No—just as I have said, it was based on the way the business went.

Q. The way the profits went, isn't that it? A. No, it was the way that the plant was operated and worked. 20

Q. What improvements were there that were put in the plant in 1920? A. Well, I cannot tell you.

Q. Was there anything in the way of improvements since 1917? A. Oh, yes.

Q. Didn't you re-build your whole mill in 1917? A. 1917-18.

Q. Now, was there anything between those years and 1920?
A. Well, we had improvements going on all the time; but just what improvements were in 1920 I cannot remember now.

Q. Are you able to give any explanation, Mr. Cameron, other than the one I have suggested, that that allowance in each year depended on the profits? A. Well, I have told you as clearly as I can that that question of profits might have entered in it to some extent, but it could not make any difference in the final results. Because if the money was not charged off in the way of depreciation it would be charged off in improvements, or in work and repairs, and so on, to the plant. 30

Q. Just please explain that, will you? Take 1930, for instance, there is nothing allowed for depreciation at all? A. No.

Q. How do you explain that? A. Well, we had done a great deal of work in 1929 on the plant; we had built a new power house, put up a new smokestack, taken down the old, and made additions to the plant there; and I know one year we had to reconstruct the burner, it got in bad condition, and we had to get under and put new foundations under that, which cost us 40

quite heavily; and there were other times when there were additions; one year we had to do a very large amount of work there in going over and re-planking our whole yard—driving piles and re-planking the yard, so that we could put it in shape to use Ross carriers. It was originally put down with three-inch plank over the yard, and 15 foot centres from the piles. And on almost the whole of the yard carrying cars we had to drive additional piling, put in new joists, and 4 inch planking, in order to carry the loads, for the changing from the use of trucks, that is the

10 two-wheel lumber truck, to the carrier for handling the lumber.

Q. Now, have you finished? A. I have finished, yes.

Q. Now, do I understand you to say this, that in 1920 you allowed an abnormally high depreciation of 47,000 odd because you had just completed large improvements to your Mill? A. Well, I don't know.

Q. You did suggest that, didn't you? A. Perhaps that is true.

Q. Well, is that correct or not? A. Well, that is ten years ago, and I haven't as good a memory to say about those things in

20 a period of 12 years, and I have not thought about it.

Q. To the best of your recollection that is the best explanation you can make of the large amount written off in 1920? A. What?

Q. Is that your explanation for the large amount written off in 1920? A. I wouldn't like to say, because as I say, I don't remember the figures, I don't remember what we did in these particular years, and I cannot tell you.

Q. I am afraid we will have to start all over again. I pointed out to you, in 1920 you allowed \$47,000 depreciation; now

30 why did you do it? A. I don't know.

Q. You have no idea at all? A. Not now.

Q. But didn't you say a few moments ago that the reason must have been because there were a great many improvements made in the Mill prior to that? A. No, I would say that there were less improvements made to the Mill if we charged off \$47,000 for depreciation.

Q. I must say that I understood you quite differently. And then, in 1930 is it correct that you did not allow any depreciation that year because you had spent a large sum in improve-

40 ments? A. The year before?

Q. In 1929 you spent a large sum in improvements, and in 1929 you allowed depreciation of 29,184? A. Well, I don't remember how much was allowed.

Q. But your explanation of not allowing anything in 1930 is that you had made costly improvements in 1929, capital improvements? A. That was the principal reason for it.

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Q. You see it appears a little inconsistent to me, to go back to 1920 you say you allowed a large amount because you had made improvements then, and in 1930 you did not allow any because you had made improvements. A. No, I never said we allowed a large amount because we had made improvements.

Q. I so understood you. A. It is exactly contrary.

Q. We will look at the transcript. You remember the principle was this, that the more capital improvements there are in one year the more there is necessity for a proper allowance for depreciation, do you? A. No, the other way. 10

Q. You don't agree with that? A. No.

Q. That is, in succeeding years? A. No.

Q. What is the principle of depreciation, according to your views? A. The only thing that we have taken in the matter of this depreciation is to—we have carried a depreciation to somewhat state—to show the true condition. And when we got the depreciation down until it was around \$100,000, why I couldn't see any good sense in continuing to make heavy depreciations on a plant that one machine, or one department of it was worth \$100,000. 20

Q. Mr. Cameron, do you really understand the principle which lies behind this idea of writing off on account of depreciation? A. Well, I don't know whether I understand the principle or not.

Q. Apparently you do not. A. Well, perhaps not. But my idea of the depreciation was to make it somewhat correspond with the conditions that we had. They were not to fool anybody, or to make any false statements.

Q. No; that has never been suggested. A. Nobody was interested in the proposition except ourselves; and I have undertaken to make those from time to time as I thought the conditions at that time warranted. Purely arbitrary. 30

Q. I suppose you agree with your accountant Mr. Campbell, and Mr. Grogan your auditor, that depreciation of that plant is, properly speaking, part of the cost of production of the manufactured article, do you? A. Ordinarily, I think that is true. But I never have considered that depreciation was a part of the fixed charges of carrying on a plant when we were taking out an insurance policy to cover the cash outlays that would accrue in case we had a fire. 40

Q. I am not speaking of fixed charges now, I am speaking of the cost of operation, the cost of producing your manufactured goods. You agree with that? A. Oh, you need reasonable depreciation of course.

Q. Because you are using your plant in producing the goods each year. A. But if you have got a plant that is worth say

four hundred to five hundred thousand dollars, and it is depreciated until, I think I have heard it stated here that it is around \$125,000, why it doesn't seem that there is any call to be taking a lot of depreciation on that.

Q. Well, you would not have taken \$125,000 for that plant at the end of 1930, would you? A. No, I don't think so.

(Witness stands aside).

ALEXANDER WILLIAM MILLER—re-called, testifies: Examined in chief by Mr. Mayers:

10 Q. Mr. Barrett-Lennard referred to page 22 and the following pages in the statement for the year 1929. Will you tell me what those figures, that I understood him to say at first were cost of production, really do represent? A. That statement was made up by me at the end of the year, as information to the directors of our Company, the shareholders, the owners, as comparable—as an actual value of the stock that we had on hand, and which value could be obtained in the market at that time if disposed of, as it is in this state, without any further production, or without any further manufacture of it, just allowing a two-

20 dollar shipping and selling cost. We wished to make sure to be able to show the Directors at the end of the year the inventory was worth the value at which we took it in our books.

Q. So that the figures under the heading price are really the market value of each particular item of the inventory as it then stood, less two dollars? A. Allowance for shipping and selling, yes.

30 Q. Can you say how the volume of your business in 1931 if the mill had not burnt would be compared with the volume in 1930? A. Well, the volume would have been anyway quite as large. We had followed a curtailment policy during the latter part of 1930—during part of 1930, which I was always quite opposed to, and insisted on going on at full tilt, and finally Mr. Cameron decided to do that. And we did that in January and February.

Q. Of 1931? A. Yes, of 1931.

40 Q. What would you say the volume of business in 1931 would have been, compared in volume of business with that in 1930, if the mill had not burnt? A. We could have manufactured and sold as much lumber in 1931 as we did in 1930, and more, on account of our increased capacity, rather, I should say, increased operating time.

Q. Can you tell me anything about depreciation in 1920? A. Well, I have not had an opportunity of looking it up definitely, but as I remember, I think there was an appraisal taken at

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the end of 1920; Mr. Cameron, if he would probably recall, that the inventory—that the depreciation was written off at that time in connection with the appraisal which we had taken.

Q. What is that? A. In connection with an appraisal we had taken in 1920. I am pretty sure.

CROSS-EXAMINED BY MR. BULL:

Q. Do I understand you to say there had been a policy of curtailment towards the end of 1930? A. Well, we were intermittently—we were trying to—at least the Lumber Associations were trying to encourage the matter of control in order to stabilize the market, and we had fallen in line with that to considerable extent in 1930. 10

Q. Your mill run would show that? A. Our mill run would show that.

Q. Looking over a comparative table there I fail to see any sign of curtailment in 1930. When do you say that started? A. Our operating hours record will show it.

Q. Operating hours? A. Yes.

Q. Surely the Mill production would show it? A. It would. 20

Q. When do you suggest that started? A. Well, it started in I think it was about June, 1930, if I remember correctly.

Q. June, 1930? A. Probably earlier than that; I don't remember the month exactly.

Q. What is a fair average mill run for this mill? A. A fair average mill run would be, it might be from 140 to 180 thousand.

Q. I mean for a month? A. There is no one month you can determine an average. If you are making Jap squares in any particular month you can run the mill production up to 200,000 in a month. 30

Q. 2,200,000 in a month? A. No, 200,000 feet per day.

Q. 200,000 feet per day, that would be 2,500,000 a month of 25 working days? A. That would be five million, wouldn't it?

Q. Five million a month, yes. You say this policy of curtailment started about June, 1930? A. Well, I don't remember the dates, but if we had our book here I could name you the date; I can tell you the date by looking at the monthly hours operation.

Q. In January 1930 your mill run was 2,541,000? A. Right. 40

Q. February 3,112,000; March 2,943,000; April 2,844,000; June 2,361,000; July 2,392,000; then October 2,346,000; December 2,191,000; February 1931 2,251,000; pretty much the same? A. Our fire was in February.

Q. On the 25th? A. Yes.

Q. Take January, 2,535,000. A. It has increased 200,000 feet in the first month.

Q. The same exactly as January 1930? A. Possibly. You cannot take January as an average, because the month of January is a month during which there is usually a few days around New Years for repairs; conditions happen to a sawmill that have to be taken care of before we start up our operating after the Xmas and New Year's holidays.

10 Q. It would be quite fair as a general thing to take in a period in the future if conditions remain the same, at the same volume that you had in the same period before, would it not? A. I didn't get that question, Mr. Bull.

Q. I say when you are projecting a statement into the future, as we have done here by one of these exhibits, is it not a fair thing, if conditions are the same, to take the same quantities as the Mill actually produced in the corresponding period before the fire? A. Well, if you took the basis of production, you could not take January, as I say, on account of the particular reason
20 that we probably did not operate the same number of hours in January, due to holidays at the beginning of the month, which always affect it. And February we didn't have an opportunity—I think if you will refer to our time statement of our Mill, that is the hours of production each day, you will find in the month of January 1931 we were operating at five hours more per day each day; due to the fact that we had decided to drop off the curtailment policy, as it had not been proven to be very successful.

Q. In January 1931, then, your run was 2,535,174; which was the same or less than January 1930? A. It might be, I
30 don't know how many hours we run.

Q. January 1930, 2,541,000; and in January 1931, 2,535,000? A. If you recollect, in June and July our production was only 2,300,000 or 2,200,000.

Q. In July 2,392,000. A. And August?

Q. August 1,808,000. A. And September?

Q. September 2,241,000; October 2,346,000; so that you see there is very little difference. A. There is 250,000 feet a month approximately.

Q. In January 1931 it is the same as January 1930; and then
40 200,000 feet for October and September 1930; so that there is very little difference. A. There is very little difference in the two months of January.

(Witness stands aside).

Mr. Mayers: That is all, I think, my lord. If there is anything that occurs to me I will ask leave to put it in tomorrow morning.

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The Court: If you both would be satisfied to let the Jury go now I would like to discuss with you the questions that I could put to the Jury. Then, even if we cannot agree on them, we can get started, and then you might think it over during the adjournment.

Mr. Mayers: I was not thinking of any questions, my lord. It seems to me there is only one.

The Court: Don't you think the Court of Appeal would expect us to put questions?

Mr. Mayers: I don't think so; there is really only one question here. 10

The Court: Of course, if there is no question put—it will have to go to the Jury anyway. But on the other proposition I can imagine we would have to frame some questions in order to get any satisfactory result.

Mr. Mayers: I should not have thought so, with respect my lord; I should have thought the only question is whether the Plaintiff would have made its fixed charges.

The Court: But we have to see what proposition of law they are applying. The system of accounting would seem to me to be a question of law rather than of fact. 20

Mr. Mayers: I strenuously would oppose that, my lord. Surely there is no principle of law that prescribes the way in which a man keeps his books. It is purely a practical question, that the Jury is the tribunal to decide upon.

The Court: In any event, I would be in this position, I would prefer to put definite questions to the Jury, with a view if possible to avoid a new trial, because that would be expensive for the parties. But if you say that you are opposed to questions being put to the Jury, I would in any event have to tell the Jury that they are not obliged in law to answer the questions. We might not be able to accomplish very much, but I would very much prefer, and I think the Court of Appeal also, that specific questions be answered, so that, in accordance with the answers, the higher courts are able to apply the law. That is all I wish to say about it for the moment. 30

Mr. Bull: I think questions should be put; I was going to suggest them. And I think the form of the questions should be considered.

The Court: Would you be satisfied to have the Jury go now—they want to get back to their work, no doubt—and we will talk about the questions? 40

Mr. Bull: Yes, my lord.

Mr. Mayers: Has not the Court of Appeal said that the trial ought to be before the Jury?

The Court: Certainly I would not let them go if you object. I will let them stay.

Mr. Bull: On the question of time, as your lordship suggests, the question would be put. If they decided first on the main question whether the fixed charges would be earned in the relevant period, then they would not have to answer the other question at all. It is like damages in the ordinary accident case, you might say, analagous in this way, if there is liability then the jury considers the question of damages. So in this case.

10 The Court: You cannot tell how the Jury is going to answer any of these questions.

Mr. Bull: Quite so.

The Court: And I think any Appellate Court would want to know on what the Jury did make up their minds—as to the length of time it would require to build that building. I feel very strongly that that should be put as a specific question, and that that is essentially a question for the Jury.

Mr. Mayers: But they would not have to answer.

20 The Court: I cannot force them to answer; but I think it might assist a higher court to have a definite answer to that.

Mr. Bull: I cannot agree with my learned friend that the question of inventory prices and the question of depreciation are questions of fact. Because I am going to ask your lordship to charge the Jury that they must find a certain way on those two things, as being questions of law.

30 The Court: As Mr. Mayers put it in his opening, his question would be, would they have been covered in whole or in part for the fixed charges and expenses if no fire had occurred. I suppose that is the way he wants to go to the Jury; or only to ask the Jury to give a verdict for the Plaintiff or Defendant. What question would you suggest in that connection?

Mr. Bull: On the question of liability?

The Court: Yes.

Mr. Bull: Something like that, would the Plaintiff in the relevant period, that is the period which they find to be the period—would the Plaintiff have earned their fixed charges or any portion thereof, and if so, what portion?

The Court: If no fire had occurred?

Mr. Bull: If no fire had occurred.

40 The Court: Then I think you are both together on that. I would be satisfied to put it that way. That is the way Mr. Mayers opened.

Mr. Mayers: I am quite satisfied with those three questions.

The Court: Only two, then. The first is, how long would it take to re-build?

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Mr. Mayers: I suppose they should find formally that the Defendant has withdrawn its defence as to the amount of fixed charges, and that the amount we have put forward is the proper amount.

Mr. Bull: No necessity for a finding on that, because it is common ground, from the time my learned friend first got on his feet.

The Court: You admitted that. You have three questions, and the damages one of them. What were the fixed charges is common ground. How long would it take them to re-build—for 10 the second. Would they have been covered in whole or part if no fire had occurred?

Mr. Mayers: I have no objection to that.

The Court: The difficulty I see is this, that an Appellate Court will not know whether the Jury applied the Plaintiff's system of accounting or the Defendant's.

Mr. Bull: I am going to contend that is a matter for your lordship to instruct the Jury on the question of accounting, and the question of depreciation.

The Court: Well, we will have to make the best we can of it. 20

(Court here adjourned until 10 a.m. tomorrow, June 14, 1932).

Mr. Mayers: May I recall Mr. Miller for two questions?

The Court: Yes.

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MR. MILLER: Recalled, testifies; Examined in chief by Mr. Mayers:

Q. I want you to tell me the range of figures that the extra cost of the lumber purchased would add to the average cost of production. A. The average cost of production is taken on the basis of just the actual footage taken through the Mill. And be- 30 sides that we handled in 1930 4,727 odd thousand feet of lumber. The cost of handling that would be, the extra cost in connection with that would be between \$2 and \$6.50 per thousand, depending on the work which would be done during that operation.

Q. This is on the lumber purchased? A. On the lumber purchased.

Q. Would you give me the figures for the lumber purchased for the months of 1930 and the first few months of 1931? A. January 1930, 144,889 feet; February 228,118 feet; March 611,814; April 667,024 feet; May 678,654; June 770,203; July 40 373,964; August 253,384; September 145,885; October 188,288; November 344,633; December 321,138; making a total for the year 1930 of 4,727,972. In January 1931 30,050 feet; in February 111,375 feet.

CROSS-EXAMINATION BY MR. BULL:

Q. Mr. Miller, of that 4,727,972 feet produced in 1930 the average cost was \$31.63, wasn't it? A. I think, something like that.

Q. Whereas the total cost of manufacturing is \$23.20? A. Yes.

Q. Giving any consideration, then, to the lumber purchased would tend to increase the inventory prices of the stock on hand? A. Increase the inventory prices?

10 Q. Yes; the cost of purchased lumber was \$31.63 per thousand? A. Yes.

Q. Whereas the cost of manufacture was \$23.20? A. Yes; but it would reduce the cost of manufacturing to quite an extent.

Q. The cost of manufacture is given at \$23.20? A. That is in relation to the sales price, that has only relation to what we may sell it for. Whereas it raises our cost of manufacture on the actual lumber purchased now.

Q. \$31.63 was the purchase? A. That is as far as the lumber purchased is concerned.

20 Q. That is all right.

(Witness stands aside).

Mr. Bull: I take it your lordship is going to deal with the questions. In view of what we said yesterday I have to tell your lordship that I have revised my idea as to the form of questions I want to submit, your lordship.

The Court: I will give you a copy of these. I spent nearly all night on the work; I have been greatly worried on these; because this is not the case that is usually tried by a Jury. You might glance over them. I tried to make it fair to both sides. 30 It is to avoid the cost of a new trial that I am driving at. If they answered question 2 in the negative then of course the action would be dismissed. I will have to explain that to them. If they answer it in the affirmative, then I think the Court of Appeal should know whether or not they took into consideration the matters mentioned in questions 3 and 4.

Mr. Bull: Well, my lord, the general purport of the questions which I had drafted—there are only three—are to import into the questions the conditions of the policy, as to the past experience and future probabilities. For instance—may I hand a 40 copy to your lordship?

The Court: Isn't that a question of law entirely?

Mr. Bull: I think not. I think your lordship coming to a conclusion without a jury would have to consider the terms of the policy; therefore if the jury is to consider the question of fact

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surely they must also go into the terms of the policy. That is a matter for your lordship to instruct them on. The first one there is no difficulty about. The second is framed as it is so as to remove any objection: "If no fire had occurred, would the Plaintiffs having in mind the experience of the business before the fire and the probable experience thereafter, have earned during the period of reconstruction anything over and above the cost of operations excluding fixed charges?" The reason for that is to avoid as far as possible—because it is very easy for anyone to be confused on the question of overhead, and mingling of overhead with other operating costs. The way I propose to put it to the Jury is just—a company must earn its cost of manufacturing, its operating cost, before there is anything left for overhead. To determine the earnings there is first the costs of manufacture, operating costs, then overhead, and profits. And I think, putting it that way, if they answer that in the negative, that would be the end of the case. If, however, they answer that in the affirmative, then they must be of the opinion there is something left over and above the costs of operation, which would be applicable to fix the amount. And the third question is to find to what extent then would there be any surplus over the cost of operations. With regard to your lordship's questions 3 and 4, I quite see the use of that, although I thought your lordship might treat that as a matter of direction to the Jury, on which they were bound.

The Court: I think it is a matter of mixed law and fact, the way the case stands now.

Mr. Bull: I should have thought, my lord, that it was a question of absolute direction on one of two grounds, first, the question of law, and secondly on the evidence I am going to refer to—the evidence is all one way, in which case it would be equally a matter for a charge by your lordship.

The Court: Well, I would not take the responsibility of directing them specifically to find. The evidence is there, and I propose to review it for them.

Mr. Bull: Yes, my lord.

The Court: I would not say that they are bound to find. They might not believe any of this evidence; they might not even believe the witnesses, or the whole of the evidence of any witness.

Mr. Bull: Except the Plaintiff would be bound by his own witnesses.

The Court: Well, I would not take those two questions away from them, I think. Now as to question 2, I am inclined to think it is put in better shape—yes, 2 and 3, I think they are in better shape than mine are.

Mr. Bull: And one other criticism if I might venture to your lordship's question 2, it is predicated on ten months, which might be misleading.

The Court: I intended to mention to the Jury, the only reason I mentioned ten months there was because the Plaintiff's claim was based on the ten months period; but they would understand they could put it seven or eight months or anything else; they would work on that basis. And then on my B of 2, I put there on the average monthly basis. If they find it was seven
10 months, and they only had so much money, they would divide by seven. Well, I think I will have to do that while you go to the Jury.

Mr. Mayers: My lord, I have no objections to the first two of your lordship's questions. I strongly object to any amendment to the question such as my learned friend has put forward, because it is a very confusing and complex question. Your lordship can instruct sufficiently to cover everything that my learned friend wants. And while your question leads to a clear and concise answer, the question that is submitted by my learned friend
20 might lead to very considerable complications.

The Court: I will take your advice on it, Mr. Mayers—because I sat up all night on it, and it is the best I could do; and if I decided it now I would not have so much confidence in my view. I will put the questions as I have drawn them.

Mr. Mayers: May I object to the third question, then, my lord? Your lordship has put the actual cost of production; now there is no such thing in my contention.

The Court: That is for you to argue.

Mr. Mayers: But how can they answer the question on the
30 false basis?

The Court: I don't want to argue on it now, but it is suggested on the other side that the books show the actual costs of production.

Mr. Mayers: But, my lord, the whole contention is, on the one side, it was an actual cost of production, and the other side says it is not at all the cost of production; therefore that has to be submitted to the Jury, and not to be used as the basis of a question.

The Court: This is the way I intended to put it—you say
40 I cannot get the actual cost of production, and I do not need to do so; that is your point?

Mr. Mayers: Yes.

The Court: You take an arbitrary value of \$15, and you say this is the proper way to make it up; now the other side says that is not so at all. They take the actual production from your own books. And I think the Court of Appeal is entitled to know which of these views the Jury accepts.

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Mr. Mayers: My point is to put it in some of these questions by taking as a basis the application of so-called actual costs.

The Court: Well, I would not see any harm in that.

Mr. Mayers: Because I do not wish for a moment to have that assertion as it were made the basis of a question. As the question reads at present;—

The Court: (Interrupting): I think the actual costs of production, as set up by the Plaintiff.

Mr. Mayers: As set up by the Defendant.

The Court: As set up by the Defendant; I think that would 10
be all right.

Mr. Mayers: Yes.

Mr. Bull: It must not be taken that I am acquiescing in these alterations.

The Court: Oh, no. I would not change it now, I think, I might be in more trouble. I believe if these questions are answered the Court of Appeal will be able to apply the law. Possibly as your basis of computation, the actual costs of production as set out by the Defendant. All right, Mr. Bull.

Mr. Bull here addressed the Jury.

20

Mr. Mayers began his address.

Court adjourned until 2 p.m.

June 14, 1932; at 2 p.m.

Mr. Mayers continued his address.

Mr. Mayers: Now, question 3: "In answering question 2 have you reached your conclusion by taking as your basis of computation the actual costs of production"—I would ask your lordship now to amend that slightly, by saying: In answering question 2 have you considered depreciation in plant as a part of the necessary cost of production in 1931.

30

The Court: Perhaps it would be better to say, of such cost of production.

Mr. Mayers: Part of the necessary.

The Court: I do not want to get it brought into another question like necessary there; but so that there is an understanding that we are using the costs of production all the time.

Mr. Mayers: But depreciation may or may not be considered.

The Court: That is for you to argue with the Jury. But still I want to keep my questions as precise as I can. I will change 40
it to such costs of production.

Mr. Mayers: Yes, for 1931.

The Court: It can only refer to 3. That is the only place it can refer to.

Mr. Mayers: That, I hope, gentlemen, makes it quite clear to you. (Concluding his address).

Mr. Mayers: I now ask his lordship to instruct you that you are entitled to award interest at five per cent on the amount which you may find, from the date of the fire.

The Court: Well, I don't suppose that is disputed.

Mr. Bull: Not under the statute.

The Court: I would have to give that anyway by the law.

Mr. Mayers: It says the Jury on the trial of any issue may—

10 The Court: As a matter of fact if you find a verdict for the Plaintiff in so many dollars, then you will add to that five per cent from the date of the fire—until what—

Mr. Mayers: Until date.

The Court: Until date.

Mr. Mayers: I don't think the Jury have been asked to find any specific amount; but I think it might be well—all they are asked to do is to answer questions. But we can put a sixth question, and say: Do you award interest? And they can say yes or no to that.

20 The Court: Well, I think I better leave that for afterwards.

Mr. Mayers: Well, there is no harm in asking them.

The Court: I think you were in a case recently where you had about twenty questions, and now nobody knows what the result is.

Mr. Mayers: But I know what they mean.

The Court: But I am trying to get a half-way course; I think we will stick where we are, and let the chips fall where they will.

30 Mr. Mayers: Then interest will follow the verdict.

The Court: Without question, if the jury find for the plaintiff, they are entitled by law to five per cent.

Mr. Bull: Just one thing, about the amendment suggested to number 4—that might be very confusing; because the cost of production as used by the Defendants throughout these proceedings, as such, has not included anything for depreciation; depreciation is something separate and apart. It is referred to as being part of the cost of production, that is on the basis of showing a profit or loss; but where I have used cost of production in these statements there is nothing included in that amount for depreciation.

40 The Court: That is clear. And that is a ground too, because in their statement of claim they say excluding that.

Mr. Bull: One other thing, I would ask your lordship to carry in the minds of the Jury Exhibit 23; my contention was there was a miscalculation; but although there is an apparent

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miscalculation there of the three per cent deduction, it is corrected when it is carried out into the last column.

The Court: That is in response to some question the jury asked.

Mr. Bull: Yes, the three per cent is 4,338; but that does not show, that increase, in the last column.

The Court: I take a note of that.

CHARGE

The Court: Gentlemen of the Jury; In the first place it is essential to remember this, in a case tried by a Judge and Jury, 10 our functions are distinct and separate. The duty of the Judge is to direct the trial, to try and get the evidence in properly, and then tell you upon any questions of law what the law is. The facts are entirely for you. Now if at anytime during the course of what I have to say, I should indicate my view as to what the facts are, you should ignore that entirely. You are sworn to find the facts on the evidence. And I do not want you to take any indication whatever that I am giving you what I think about the facts, as leading you one way or the other to any conclusion. The facts are entirely for you. Keep that clearly in your mind. 20

It is a difficult case, at its best. But I still think you, being a special Jury, business men of experience, there is no reason at all why you, in arriving at your conclusion on the facts should not sit as judges, keep your minds as judges try to do, on the evidence, without thought of how it may affect one party or the other. And if you do that, there is no reason on earth why you should not reach the conclusion that ought to be reached upon these facts.

In every action that is brought into court, as the lawyers express it, the onus is on the Plaintiff; the Plaintiff has to prove his 30 case to your satisfaction before he may recover. And it is for you to say, on the whole of this evidence, whether or not the Plaintiff has discharged that onus. If the Plaintiff has, then the Company is entitled to judgment, for some amount at least. If they have failed to carry that onus, then the action will have to be dismissed.

Now that some discussion as to legal points has come up, what struck me about the cases that were cited by counsel on both sides this morning was this, that not any one of those cases related to an insurance policy; and I doubt, therefore, that they are 40 of very great assistance to us; though there is not doubt that they do lay down the law in regard to the fact which were then before the Court. You must continually throughout your consideration keep this fact clearly in mind that this Policy—and

they are all the same—this Policy is what is called in law an indemnity Policy. Now I do not know whether it has ever occurred to you or not, but it struck me when I heard it first, a life insurance policy is a bet, a wager; the life insurance company bets you that you live a long time, whereby they will collect a lot of premiums; you bet them that you will die soon, whereby your beneficiaries will collect the amount of the policy, although you may have only paid one premium. It is a wagering contract, recognized as such in law. I may be the poorest of men, a tramp, but if I have a life insurance policy for a million dollars, and my premiums are paid, if I die the insurance company must pay that million dollars, it does not make any difference who I am or what I am. And for that reason, as is often said, many people are worth more dead than alive. Now then, this is not that kind of a policy; this is another kind altogether. There is no wager about this. This is a cold contract by which the insurance company says, if you lost by reason of a fire the amount of your fixed charges, or some part thereof, we will put you back where you were before as to that matter, had there been no fire. Or, as they say in law, we will indemnify you. Now a similar condition arises in your ordinary fire insurance. You may insure your house furniture for three thousand dollars, and you pay your premium, and if you have a fire you do not collect \$3,000 necessarily, you have got to prove what you lost; you may have only lost \$1500 worth of stuff, and if so, that is all you can collect; because they only agreed to indemnify you; they were not going into whether you would have a fire or not, they said, if you do have a fire we will pay you what you are out, namely, the value of the furniture which was burnt. It you insure your automobile for a thousand dollars against theft, and it is stolen, you do not collect a thousand dollars necessarily, if it is proven that the car is only worth \$500, that is all you can collect. I do not want to repeat myself, but I do want you to carry that clearly in your minds if you will. The Plaintiff has got to prove its loss under this Policy before it can recover. Mr. Miller put it, I think, very frankly, he said, Well, we paid our premium and we thought we were entitled to collect. Now, he is perfectly honest about that. I was rather impressed by Mr. Miller; I do not say that as affecting one witness as against another, but he struck me as a pretty satisfactory witness—but that is for you, as I told you before, you size those things up for yourselves. But Mr. Miller said frankly, We paid our premium and we thought we ought to be able to collect. He is honest about it. He is honest about it, but he is wrong about it. The fact that he paid his premium does not touch the matter at all. The question is, did they prove their loss?

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Now, what is insured? You will have the policies before you, and this is what they insure:—this one that I have is the Canada Security Policy, it is for \$2500, on fixed charges as hereinafter defined; and it goes on to say: Under certain conditions this Company shall be liable under this Policy for the actual loss sustained, consisting of such fixed charges and expenses as must necessarily continue during a total or partial suspension of business; here is your limitation, to the extent only that such fixed charges and expenses would have been incurred had no fire occurred. Now I put a little line—I don't think there is anything wrong in doing it, so that the record will be clear—I have put a little line beside what I consider the essential things that you must look at in the Policy as the basis for your consideration. I do not change any word, or anything, but just so that you can quickly put your hand on what you want. And the other part—I put opposite paragraph 2, the words which have been mentioned so often, “due consideration in either case being given to the experience of the business before the fire and the probable experience thereafter.” Now that is the contract. That is the contract that they are suing on. And you are governed by it, and I am governed by it, and they are governed by it. 10

The Plaintiffs say, as I understand them, You should not give very much consideration to what took place before the fire. I am not prepared to lay it down as a proposition of law that you cannot consider anything else except the experience before and the probable experience after; I am not prepared to read those words as absolutely exclusively of every other consideration. But they are there, and they do say due consideration to be given to both these matters; and there is no other guide set up in the Policy by which you are to be guided in reaching your conclusion; and I know of no other guide. That is the one that the contract provides for. Now there are certain things admitted, which are not always admitted; these policies are admitted, you need not worry about that, and the fire is admitted, and the date of it. And there is another important thing admitted, and that is this, that the maximum amount which they can recover is \$115.56 per day, for the time that they were necessarily out of business. That is the limit that they can recover. And from that point of view, it is essential when you come to answer your questions to answer them having in mind always the working days; we talk generally about months, and so on, but I would like you to think of it as so many working days, all the way through. And if the Plaintiffs get the maximum then that they could recover, if it were say 200 days, it would be 200 times \$115.56—or whatever number of days you reach. And another thing that is common ground now, I understand that the experience of the Com- 30 40

pany is that \$3,000 a month is speaking generally as near as they can get to what their fixed charges are.

Now you have the questions Mr. Mayers handed to you. The first one is, What time would have been required—and Mr. Mayers is quite right in bringing your attention to that—with the exercise of due diligence and dispatch to re-build or to replace the buildings and equipment destroyed? I had inserted in my notes the word reasonable. They are not bound to put on a forced crew. But under all the circumstances they must use due diligence
 10 and dispatch, nothing more and nothing less. And that is for you on this question, whatever may be said by anybody else in the case, this question is essentially one for you. It is a sort of question where the Judge is always glad to have the assistance of a Jury.

Now just as briefly as I can I want to draw your attention to the evidence on this point of time. Rice was the first witness, a man from Seattle, who for some years, as was pointed out, has been engaged in selling, while he had experience in this line of work, in building; building other mills, including the Plaintiff's
 20 mill in 1917. He estimated it would take eight months after the site is cleared. Now, as I go along, watch this, because I refer to it out of my own notes, and if I cite anything that is not in accord with your recollection, you should come back and have it read to you from the transcript of the notes as taken by the Stenographer, because I may have taken a wrong note.

Rice admits in cross-examination that Tucker, who was going to be called for the defence, is one of the leading men in his line. Then Brown, John Henderson Brown, the man who is a real builder, and a construction engineer, was called for the Plaintiff,
 30 and he has built some big mills, the B. C. Fir and Cedar Lumber Company, Joseph Chew Shingle Company, Thurston-Flavelle Limited, Port Moody—these are all mills of importance, we all know them. And he was on the site on the 27th of April. And he went into consideration of what time it would require, and what work would require to be done to build another Mill. The idea was not to replace the old Mill just as it had been, but to build another Mill. He went into the details; he tells you how long it is going to take to do this, and that he puts his times as required, he doesn't leave one job to go on with another; he does
 40 them one after another; and he says that is the way it ought to be done; and he puts his time at 211 days, in addition to the time required for clearing, and in addition, further, to the time required for tuning in. Now as contended to you by Counsel there is just one little weak spot in Brown's evidence, at least you might think so or might not; if you look at Exhibit 14, Mr. Brown, when he made his first estimate, he was then assisting the

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insurance companies; when he made his first estimate to replace this mill just as it was, he only allowed in all at that time 186 days. You see his new figure is for another kind of Mill. But his first figure was 186 days.

Then Walton, from Everett, he had experience of a fire in 1926, he had his fire in July 1926 and he was not operating again until September, 1927. But you might find not so very much strength from this evidence, in this way, that he did not have the same proposition that was here, because here we only have to consider a sawmill being burnt, while Walton's sawmill, power plant, his sheds and part of his planing Mill were all destroyed. Perhaps you might think that there was more work to do there than there was to do here. And Tucker was employed by him. And Walton certainly said that Tucker had given him an estimate of six months. Mr. Tucker, in the box, did not come out, in the final analysis, as I read his evidence, he did not say, No, Walton is mistaken; what he did say is, I think he is mistaken, because I have no recollection whatever of giving that estimate. You saw him, and you will have to reach your best conclusion. Now, Walton also gives Tucker a good reputation; because he said in cross-examination that Tucker's opinion is as good as any you can get—I think those are his own words. 10 20

Mr. Farris, from the Great Central, he had an experience; his mill construction took six months and ten days; and it took, he said, sixty days more to get into operation. He built a sawmill, a power house and a boiler house, not quite the same as here.

Mr. Ford, the pile-driving man, said you could drive nine or ten piles a day. That is not disputed. In connection with piles you will remember this, Brown estimated 381 piles occurring in the new plant they were making, whereas in the old plant as the Mill stood, as pointed out by Mr. Tucker, instead of 381 it was 290, I think. However, you can get that definitely. And then also the Plaintiffs pointed out that Mr. Lennard, the accountant who was called, wrote a letter to Thompson, one of the insurance company's men, and said that Crombie the adjuster had given an estimate of eight months. It is for you to say what weight you should give to that, if any. We have no evidence whatever that Crombie knew any more about it than anybody on the street. He probably had some information from somebody. Now, the only one of all these witnesses who is a construction engineer was Brown. The others simply say, In my case this happened, and in my case this happened. Brown gave an estimate; and Brown is faced by Tucker. You have got Tucker's graph, study it; and remember, in the box he said he has been going along for years—you heard him give his evidence in chief, and you heard his cross- 30 40

examination; how did he strike you, is he a man who knows his job? Is he a man who stretched his evidence for the benefit of the parties who called him, or did he give his honest opinion? I have nothing to say about that whatever; that is entirely for you. Sometimes we find in cases of this sort that the truth lies somewhere between. Although witnesses are honest—I have noticed I know, even with honest people, sometimes, if they are called on one side, unconsciously—they do not know they are doing it—once they go on one side, it is something like a baseball game, you want your own side to win. I do not think I could avoid it if I were in the box; and I am not blaming anybody else—you might try to avoid it. So, therefore, sometimes—although you can use your own judgment about it—sometimes we find the truth somewhere between, in the feeling that each side has stretched it as far as he could honestly do so, for the benefit of the side calling him. Tucker's estimate is 118 days; allowing 12 days to tune in. Now that is as to time.

I suggest to you, Gentlemen, that you start right out and answer that question first try and get together on it somewhere and put it in working days, so many days. The minute you have done that, I would like you to do this: having reached that conclusion, whatever number of days you say, the minute you have done that—and I am only trying to assist you—then forget it—just forget it, say, Now that is one thing we have done, we are through with that; now, do not think about that any more, for the present at least. And the next thing that comes to your mind is the difficult question, and that is number 2: Would the Plaintiff Company, had no fire occurred, have earned its fixed charges during the last ten months of 1931? Now, I filled up that ten months in there because that is the figure that the Plaintiff suggested. And I would ask you, Mr. Foreman, the moment you have reached a conclusion on number 1, that you take that—I am not making any suggestion, but suppose you said 200 days, just write in there, Answer 200 days, and then strike out the words, ten months, that I have put in, and put in instead of the ten months, put in 200 days, or whatever days you fix. I am asking you to do that, now, Mr. Foreman, if you will. Now having done that, leave question 2, do not answer it yet, and go down to 3, and say, Now, before we answer 2, are we going to take into our consideration \$15 a thousand, or the costs of production as set up by the Defendant? It seems to me that is the only fair and honest way that you can answer 2. And if you say to 3—I am suggesting that you answer it first—decide what you are going to do—if you say, No, I don't think it has got anything to do with it, all right, say No. And then go to 4, and say, Well now, should we consider depreciation as a part of these costs of

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production? If you say no, all right. Then go back to 2, and then you know where you are. But if you say Yes, I think we should consider the costs of production, why say so. If, we should consider depreciation, say so. And if we are going to consider depreciation, answer the last thing of all, how much? Then having got that, whichever way you answer it, and it is up to you—whichever way you answer these two will guide you in how you ought to answer 2. And the success or failure of the Plaintiff in establishing its claim will depend very, very largely on how you answer that question.

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3 and 4 it seems to me are the vital things. That is where the big fight has been. And in that connection I think I ought to say this, now, both from the cases that were cited by counsel this morning, and from your own common sense, supposing you had never heard this thing discussed before, isn't this fairly clear, that what may be perfectly all right for your own purpose in running your own business as between your Directors and your Shareholders, what may satisfy or may not satisfy your banker, may be used for that purpose; what may satisfy or not satisfy an incoming shareholder may be used for the purpose—but none of these things is what you are considering here. Now, do not forget that. You are not dealing with shareholders, you are not dealing with purchasers, and you are not dealing with bankers; you are making a claim against an insurance company. There is nobody here says they have not kept their books properly. Why they have. I do not suppose you could find a better set of books; I never saw anything better. But the insurance companies say, They are fine books, and I am going to take you right on your own ground, and I am going to say, and prove by your own books, you could not make any money, and you did not make any money. And that is the defence.

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Now, these terms as to costs of production, while none of us may have thought of it when the case opened up, we have certainly heard a good deal now. What struck me is this—I don't know whether it appeals to you at all—aside from bookkeeping altogether, aside from making up claims altogether, I was thinking last night, Suppose I am running a little shop or factory, and I am making wheelbarrows, I have got to buy my wood and my iron, and hire my men; and I have got certain other things; and I find that it cost me ten dollars a wheelbarrow; if I sell it for \$12 I make \$2 on it, and if I sell it at \$8 I lose \$2 on it. Now, I don't know whether that is of any assistance to you or not. The defence say, You cannot show us whether you made a profit or loss unless you start out and work from your actual costs of production; because you cannot make money unless you sell for more than it costs you to produce. Now, the Plaintiff says that is ab-

40

surd; Mr. Mayers laughs at it. Why absurd? My figure, he says, is far more sensible; I take \$15—I think it came out in evidence that the Chemainus takes \$12; one witness, I think it was Miller, I am not certain of that, said, Why, you might as well take \$8, it would be just the same. Now, for their own purposes, from year to year, or even for taxation purposes, year after year, probably that same figure kept under the selling price on the market, why, that is all right. But, again, keep in mind what you are doing. It has got nothing to do with it. You are trying to show

10 that before you lost that mill in 1931 you would have made money; and you would have made your fixed charges, or a certain proportion of it. Now, can you ignore the costs of production, and take an arbitrary figure, in reaching a conclusion as to whether money would be made or lost? It is for you to say. Now then, you will have at this stage before you the statement of claim, showing how the Plaintiffs make up their figure; and you will have, on the other hand, Exhibit 17, showing how the Defendant makes up the answer. In my copy I have put a little circle around these figures, by which, as admitted by the witness in the box, Campbell,

20 I think, either Campbell or Grogan, that the cost for 1931 would have been less than in 1930, and was down to \$16.56, whereas in the two months just preceding the fire it was \$18.99—which they call \$19 flat. You find that all on Exhibit 17. Now, here is some evidence on this question; as to whether or not you should consider the costs of production. And the Plaintiffs at least cannot complain, I should think, if you accept the evidence of the witnesses whom they called on these questions. Now here is the evidence you have on this question of whether costs of production should be considered in ascertaining the true position. You first

30 have the authorities which were cited, the books; and no books have been cited to contradict the proposition as there laid down, and Mr. Grogan admits that the writers of these books are recognized authorities on the question of accountancy. That is your first bit of evidence. Lennard states positively that you must consider costs of production. Scollard, the accountant from Seattle, who had been with Price Waterhouse for years, he states positively, and Campbell admits it, the Plaintiff's own bookkeeper—I have a note of what he said—he admits in cross-examination, you must consider the cost of production to ascertain the true position. Grogan

40 repeated, after he was recalled, he stands on his own system; he says, I still insist that is the best system in making up this account; he says I didn't like it, I don't like it, it is a hybrid scheme, but it is the best I could do. And he admits that the \$15 has no relation whatever to the costs of production. Taylor, the man from the Puget Sound Lumber Company—I think he was called on another question—he admitted it, that you must, to ascertain your

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true position, consider the costs of production. And Miller, the secretary, he said this, According to my note, If we adopted anything else than the arbitrary value, \$15, some years we would show a big profit, and some years we would show a big loss. And that is the very contention of the Defendants in this case. That is exactly what they say. And they say, Unfortunately for you, Mr. Cameron, it is not our fault, but unfortunately for you, the period in review shows that that would have been one of the bad years, when you would have suffered a big loss. Now, that is the evidence on that question. You have the figures, as I told you, in Exhibit 17. Now, which do you think is the fair method? To take an arbitrary value of \$15, or \$10, or \$12, or \$8, or to take into question the costs of production? 10

And if you do take into account the costs of production, note this—I do not think this will be disputed—if you consider that the inventory at \$19 on the first of March, I think it is admitted on all hands that their stock, I don't care whether it is boxes, cross-arms, lumber, shingles, lath, or anything else that they made, that very stock that is standing in that yard on that day cost \$19 or more to produce. Because the costs of production had been coming down. And as you go back, up they go. I think that evidence is there. So that when the Defendants say, We take your own books, and we place the value at \$19 in the opening inventory, they say, well, we are giving you the benefit of the doubt, because if you took any other figure you would have to take a higher figure, and it would cost you more. And that is an answer to the Plaintiff's contention that you cannot fix the price, it cannot be done, because one piece cost so much, and another piece cost so much. But what I have been trying to understand—you can give such consideration as you see fit to it—what is that book Exhibit 8? Take it with you, I have not examined it, I have only listened to what has been said about it; why did they make up every month that statement of their average costs of production covering their whole product? That is a lot of work. If it does not mean anything, why did they do it? 20 30

Now then, the other main question is depreciation; about which you have heard a great deal. I am not going, as Mr. Bull requested me, to charge you on this question as a matter of law. I rather think it is not. Although the Court of Appeal will be in a position to deal with it better than I can. I am putting it to you as a question of fact, as requested by Mr. Mayers. Now then, in the pleadings, making up their claim they admitted—they say so in their statement of claim, and they stand on it—we do not allow for any depreciation as a part of the costs of production, we do not think we should, because our mill had been running a number 40

of years, and we had depreciated from time to time, one year \$69,000, some years ago, another year \$47,000, the last time we made an entry was at the end of 1929, when we depreciated to the extent of \$29,000; having done that, we depreciated to the full extent; and therefore we are not called upon to show any depreciation for 1930, or in 1931—and I suppose they would go on and say in 1932, or any other time; that would be where their argument would lead, I should think. Now, Mr. Cameron was called on this question, J. O. Cameron, I think, and he says, I did this myself, I

10 looked over the business at the end of the year, and I got the books and figured everything out, and I decided how much to allow for depreciation that year. When he is asked, Why did you in 1920 allow \$47,000?—I certainly could not find that he gave any satisfactory answer. You may have. I could not understand his explanation; why a large amount that year, and small amount another year, nothing at all the next year. Now, what have you got on the other side? And, as I say, you have got to decide it on the evidence. Here is what you have got. Campbell, the Plaintiff's bookkeeper and accountant, admits that depreciation is a

20 part of the costs of production. Mr. D. O. Cameron admits it. Mr. Grogan admits it—their auditor—Grogan put it very neatly, and he put it this way, he says, We did not allow any depreciation in making up our statement because we thought we had depreciated to the limit. And when it was put to him in cross-examination he acknowledged that each year a mill is used should bear its proper share of depreciation; for instance, if based on a life of twenty years, a certain amount is written off; and if the life turns out more than what was expected, the proper practice would be to go back over the years and re-adjust, and make a perfect re-distribution of the amount for depreciation, Now, from the transcript,

30 here are the questions as they were put to him:

“Q. Now, I was going to ask you about depreciation again, although I understand you to agree that the principle involved with depreciation ordinarily is one of the costs of production, you agree with that? A. Yes.

Q. Just the same as the wages? A. Yes, one of the expenses of doing business.

Q. And the only reason you say you have not taken into account depreciation for 1930 is that you thought it had already

40 been over-depreciated? A. That was the opinion of the management and I agreed with it.

Q. Now, if in previous years you had written down too much depreciation on the basis say of a life of twenty years, and then you found that the life was greater than twenty years, surely the proper way was to go back and re-adjust the depreciation as

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written off in previous years? A. Something of that nature will have to be done.

Q. Should not that be done, surely each year should bear its proper share of depreciation? A. Yes, it should."

Now, as I say, Gentlemen, I do not see how the Plaintiffs can complain when their own witness gives evidence of that sort.

Q. And it is a simple matter to adjust the measure of depreciation of previous years by using a surplus account, that is, going back over thirteen or fourteen years? A. Yes.

Q. And putting into the credit of the surplus account any 10 excess depreciation in any of those years? A. That is quite right, it could be done, make bookkeeping entries to that effect.

Q. So each year, including 1930, would bear its proper depreciation on the new basis? A. Yes.

Q. I am asking if you agree with that in principle? A. Yes."

Now then, do you think you should, on that evidence allow for depreciation? Again, I may say that both Lennard and Scolard swear positively that you must take depreciation into account, in making a statement of the nature that is called for here. Now 20 those are the main things.

I am not going to keep you much longer. There are various more or less small matters that have come up which you will have to consider. Perhaps a certain amount of give and take. Give them the consideration that you think they deserve, and see whether or not they really affect the main issue. My idea is that they are not, generally speaking, vitally important; and I am not going to canvass the evidence relating to them. They are such questions as this: Cross-arms, for instance, that were sold to the Telephone Company in 1930, an item of \$27,000, credited to 1931 30 because they had not been delivered. You have heard what has been said about that. Suppose you eliminated it altogether, what would the result be? Then the market was falling continually throughout 1930 and 1931, you have seen that because of the prices. There is another thing that Counsel for the Plaintiff stressed before you this morning, you have the statement, he pointed out that Camerons always got a higher price than anybody else, that statement shows it without question. Why should a higher price affect it? With the other people the price drops from a higher to a lower one continuously; and with the Camerons it drops from 40 a higher one to a lower one continuously. So that I cannot follow the argument. You may. I don't follow it. If it is a fact that Cameron's prices were dropping all the time, then I do not see that it makes any difference whether they got more than anybody else or not. You may. The non-recurring revenues and non-recurring

expenses, you heard that all discussed; suppose it was excluded altogether—it appears from the evidence, as I recollect, if you include that \$7,000 of non-recurring revenue as a rebate that came in, their books still show a loss in the last five months of 1930 far exceeding their fixed charges; so, suppose you cut it out altogether, where would you be? The interest on loans, that is another question that was discussed. I understand it to be admitted, if they had carried on they would have needed to borrow money, and their interest would have run about as usual. The general fact that the

10 industry has been dropping for two years was admitted by Mr. Miller. And then, another question that came up—and this is the last—the matter of that hidden reserve—it did look like, on paper at least, a very nice profit; that was about \$60,000, and the end of 1930 they reduced it to \$10,000 that wiped it out by \$50,000. That is only brought out before you—it is not brought into your figures, it is not brought into Exhibit 17 and not brought into the statement of claim but brought out before you, to show you that the Defendants contend, and they offer this as evidence, that the Company was not making and could not make money in 1931.

20 Now, I hope you will answer the questions, Gentlemen. You heard me say yesterday, there is no way of compelling you to answer them. You can go out there, if you like, and come in and say, We give judgment for the Plaintiff for so many dollars; or, you can come in and say, We give judgment for the Defendant; there is nobody can compel you to answer these questions; but I am asking you; because I earnestly have tried my best to give the best that is in me to the consideration of this case, because I recognize its importance, not only to the parties, but to the insuring public, and to the insurance companies, and I think certainly it is for the

30 benefit of both parties that you should answer the questions. Because, if you do, it does not make any difference if I happen to be wrong in my law—I often am—it does not make any difference, because the Court of Appeal and the higher courts can fix the points of law, and get it right; but it makes all the difference in the world if you go wrong in your facts, because it is pretty hard to put you right; and I think it is for the benefit of both parties that you answer these questions, and answer them in full: and if you do, I do not see how anyone can complain.

40 Is there anything more to be said? I will give you the original of these questions; please hand the others in, and Mr. Foreman, you take this one as the original (handed to the Foreman).

Mr. Mayers: Your lordship referred to the additional work done in Mr. Walton's Mill.

The Court: Yes.

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Mr. Mayers: Your lordship omitted to mention that that additional work took eight additional months.

The Court: Yes, he took all that.

Mr. Mayers: He took 20 months.

The Court: He took 20 months, was it?

Mr. Mayers: For the additional work, Tucker took 20 months.

The Court: All right. I take that from Mr. Mayers—because he has had the transcript before him.

Mr. Mayers: With regard to Mr. Bruce Farris, his work was 10 done in a nine-hour day and not in an eight-hour day.

The Court: That is correct.

Mr. Mayers: I would ask your lordship to tell the Jury that the Jury are entitled to consider the total cost of production as just an arbitrary \$15—

The Court: (interrupting) They have had your argument on it, and I do not think I shall say any more on the costs of production.

Mr. Mayers: Your lordship has been speaking as if the cost of production is not disputed, and I want the Jury to be clear in 20 understanding that it is for them to say whether their costs of production are real costs of production of anything, or the arbitrary figure.

The Court: All I have to say about that is that the Defendants were absolutely dependent on your own books; and the Jury can take Exhibit 8 and look at it.

Mr. Mayers: True, for our own purposes, we wanted to see the amounts that we had had to pay for a manufactured finished article, but that has no relation to any real part of the inventory as stock in the yards. 30

The Court: Well, I leave it to the Jury as it is.

Mr. Mayers: Your lordship said that no books had been cited, books of accountancy, against the books cited by the Defendants.

The Court: Yes.

Mr. Mayers: I would ask your lordship to inform the Jury that Mr. Foster's article in the Canadian Chartered Accountant is something entirely opposed to this.

The Court: I omitted to mention Foster's article. You can take it with you, Gentlemen. You heard Mr. Barrett-Lennard, 40 who is Foster's partner, give his explanation with regard to it.

Mr. Mayers: And your lordship also omitted to mention to the Jury that Mr. Grogan said that none of the passages cited have any reference to lumber manufacturing concerns.

The Court: That is true, he did.

Mr. Mayers: Your Lordship also, I think, erred in suggesting that Mr. Grogan said that he, Mr. Grogan, thought the Plaintiffs' scheme was a hybrid; all Mr. Grogan said was that he thinks Exhibit 17 was a hybrid.

The Court: Oh, did he? That is not the way I understood him.

Mr. Mayers: That is what he said.

The Court: All right.

Mr. Mayers: When Mr. Miller said that the adoption of the
 10 Defendant's method would show a big profit in one year and a big loss in another, I think it is quite clear from the context that he was using that as a reproach, as showing that the use of the Defendant's figure would produce quite a false picture. Your lordship put it to the Jury in a contrary manner. Your lordship also said—I understand you to charge that every stick in the stock in trade cost more than \$19.

The Court: On the average, I think so.

Mr. Mayers: That is totally opposed to the evidence, my
 20 lord. Some of that stock in trade, on Mr. Barrett-Lennard's own admission, only had labour to the extent of \$2.50.

The Court: Quite so; but I was speaking then, and I think his evidence shows, that on the average the cost of producing had decreased down to the time of the fire, and from then on. That is all I meant by it.

Mr. Mayers: Your lordship certainly said, which I submit is quite wrong, that every stick in the stock in trade cost more than \$19.

The Court: I did use that expression, because I was speaking in this way, that I understood one of the witnesses to admit it
 30 in cross-examination, and I think the record shows that the costs—going backwards the costs had increased.

Mr. Mayers: True.

The Court: Now, if I said it too broadly, as speaking of stick of the stock in trade, I will correct that in any way you see fit; you put it the way you think it ought to be put.

Mr. Mayers: I ask your lordship to instruct the Jury.

The Court: I will instruct the Jury to take that from you as you put it, as you can put it so much better than I can.

Mr. Mayers: Is that a dona ferentes?

40 The Court. No.

Mr. Mayers: The way I would put it is this, my lord, it is quite true—

The Court: Take this, Gentlemen of the Jury, as if it came from me.

Mr. Mayers: It is quite true that this arbitrary figure of \$19 would be increased to higher arbitrary figures if you pursued the

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investigation into the preceding months; but that arbitrary figure, of \$19, or higher has no relation to any real cost of production of any piece of the inventory stock in trade as it stands.

The Court: Well, the book is there, Gentlemen, containing all these statements; take it with you. See what it says, and see what it is; I have not looked at it.

Mr. Mayers: Now, your lordship said that our witnesses had conceded, in effect, that depreciation was part of the cost of production. I would ask your lordship to charge the Jury that that entirely depends on the state of the depreciation accounts. My 10 witnesses never intended to suggest that if you had depreciated to the extent that was more than ample to take care of your deterioration, therefore after that, depreciation must be necessarily a part of the cost of production.

The Court: Well, I thought I put that fairly. You contended, and your witnesses contended, that putting depreciation to the limit you are not required to allow any depreciation for 1930 or 1931; the other side say whatever depreciation is there should be allowed from year to year; and I understood your witnesses to concede it. From the evidence I read, certainly Grogan conceded 20 it—that the depreciation should be distributed over the whole period of operations, that each and every year should bear its share.

Mr. Mayers: As a mere abstract proposition.

The Court: That may be.

Mr. Mayers: But under these circumstances Mr. Grogan did not think it necessary or proper to allow anything in 1931.

The Court: Well, the Jury have had that before them half a dozen times; they know this is your contention.

Mr. Mayers: And your reference to the loss in the last five 30 months, I would submit that the Jury ought not, or certainly need not, consider any cut-out period of 1930, they can consider the whole of 1930 if they see fit.

The Court: The whole of 1929?

Mr. Mayers: The whole of 1930.

The Court: The whole of 1930, oh, certainly. There is no question about that. In the first seven months of 1930 they had made a nice profit. You have a statement, I think. They made a nice profit, but that was more than wiped out, and then some, in the last half. And you should certainly consider the whole year, 40 if you see fit. Try your best, Gentlemen.

The Foreman: Should we be unanimous, my lord?

The Court: In the meantime—this is as far as I can go, in the meantime it must be unanimous. Try your best. If you have any trouble you can come back at any time: I will be here.

The Jury here retired, at 3:21 p.m.

At 4:31 p.m. the Jury returned into Court.

The Foreman: Your lordship, we just wanted to ask, should we bring in our computations we made in answer to the questions— or figures?

The Court: No, except—you might look again—in 4-B you would have to show your computation there; that is, how much. How much have you allowed for depreciation, that is if you allow for depreciation, you would have to show your figures in dollars and cents. If you take Exhibit 17, the Defendants state you should
 10 take ten-twelfths on the assumption that it was ten months— ten-twelfths of twenty-nine, or take another amount. You might say, suppose it should work out at eight months, you might say eight-twelfths of what you think would be a fair allowance over all the years; instead of saying twenty-nine thousand you might say twenty thousand. Put it in figures. What else is bothering you now?

The Foreman: Number 2.

The Court: Any answer there would be Yes or No.

The Foreman: Number 2-B.

20 The Court: That one, per month you would have to figure out.

The Foreman: It is in days that we are figuring all the time.

The Court: That is right. But call 25 days a month there.

The Foreman: Then you say we should give those figures.

The Court: Yes, I think it would be far better if you would.

The Foreman: Thank you.

The Jury here retired, at 4:34 p.m.

At 4:55 p.m. the Jury returned.

FINDINGS OF JURY

30 The Registrar: Gentlemen of the Jury, have you agreed upon your verdict?

The Foreman: We have.

The Registrar: Hearken while your verdict is recorded:

Q1. What time would have been required with the exercise of due diligence and dispatch to re-build or replace the buildings and equipment destroyed? A. 221 days.

2. (a) Would the Plaintiff Company had no fire occurred have earned its fixed charges during the last ten months of 1931? A. No.

40 (b) If not wholly then to what extent, if any, on an average monthly basis would such charges have been earned? A. \$111.67 per day.

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3. In answering question 2 have you reached your conclusion by taking as your basis of computation the actual costs of production as set up by the Defendant or have you taken the arbitrary figure of \$15 per thousand? A. \$15 per thousand.

4. (a) In answering question 2 have you considered depreciation in plant as a part of such costs of production? A. Yes.

(b) If so, how much have you allowed on this account? A. \$13,120 per annum.

“S. J. DRAKE,” 10
 Foreman.

And so say you all?

The Jury: Yes.

The Court: All right, Gentlemen. You are discharged now.

Mr. Mayers: May I see that for one moment?

The Court: I think I better hear you tomorrow morning.

(Here followed a discussion regarding time to which to adjourn).

The Registrar: Here are two sheets of paper.

Mr. Mayers: That is no part of the record. 20

The Court: Well, I don't know.

Mr. Mayers: It is their own private computations.

The Court: Look at this (handed to Counsel).

Mr. Mayers: They have taken the depreciation into account, and they have found that we should make \$111.67 per day for 221 days, and they have actually carried out the calculation themselves.

Mr. Bull: I think that should be part of the record, those two sheets.

The Court: I fancy so. 30

Mr. Mayers: I have no objection.

The Court: If I had known I would have explained to them while they were there. But I think we should; it is in line with the course I have been trying to pursue, of letting the higher courts know exactly what was in the Jury's mind.

Mr. Bull: I think I would like to be heard on motion for judgment. (After further discussion) I think I should have to ask for time to consider this, in the light of this material which the Jury have handed in with their verdict.

The Court: I think I will have to file it. 40

Mr. Bull: Yes, my lord.

The Court: And I certainly will not enter judgment without hearing you. Whatever the proper judgment is, it should be on the terms of their findings. I do not mind saying if I had been trying the case alone I would not have reached that conclusion; but I was not trying it; and I had to make up my mind to let the

case go to the Jury, and I let it go; and I think I am bound to enter judgment in the terms of their finding.

Mr. Bull: But, still, your lordship will give me an opportunity.

The rider handed in by the Jury was filed, as follows:

“Exhibit 25 used.

“With a price of 15.00 per thousand and depreciation of \$13,120 per annum opening Inv. Feb. 28, 1931

	10,991,340 ft. @ 15.00	164,870.10
10	Output log cost 234,485.84	
	Less 12% 28,138.30	206,347.54
	<hr/>	
	Purchases:	61,098.88
		<hr/>
		432,316.52
	Labor Net	98,370.02
	Supplies net	32,371.19
	Taxes and licenses	4,751.79
	Gen. expense	3,057.53
20		<hr/>
		570,867.05
	Closing inventory at 15.00 10,502,455 ft.	157,536.83
		<hr/>
		413,330.22
	Depreciation @ 13,120 per annum 200 days	8,746.66
		<hr/>
		422,076.88
	Sales less disct. @ all'ces less 9%	460,316.97
		<hr/>
		38,240.09
30	Profit from rent	2,399.41
		<hr/>
		Gross Profit
		40,639.50
	Selling and office expenses less 17%	13,946.60
		<hr/>
	Insurance int. & debenture exp.	26,692.90
	And (Admin. Exp. Less 17%)	27,471.71
		<hr/>
	Net Loss 200 days	778.81
40	Which is \$3,894 per day of amount required to cover stated overhead of 115.56	
	115.56	
	3.89	
	<hr/>	
	111.67 for 221 days is 24,679.07	

“S. J. DRAKE,” Foreman.

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Rider

In answering question 4 (b) we took a beginning plant valuation of \$583,683 which we arrived at by taking 20 times the depreciation of the amount used by the Defendants in Exhibit 25 and then taking the valuation of 400,000 an amount given by Mr. J. O. Cameron as the value at the time of the fire, and dividing this by 14 the elapsed number of years between 1917 and 1931, giving a result of 13120 per annum. If the inventory book varies this amount of 400,000 this depreciation should be varied in proportion and the final results also in accordance.

“S. J. DRAKE,” 10
 Foreman.

(The court here adjourned until 10 a.m. tomorrow, June 15, 1932)

June 15, 1932: at 10 a.m.

Mr. Mayers: I move for judgment for \$24,679.07 with interest at five per cent from the 26th of February, 1931, until payment.

Mr. Bull: My lord, I submit that on the Jury's findings the Defendants are entitled to judgment.

Mr. Bull delivered argument. 20

Mr. Mayers delivered argument.

The Court: There is no doubt that the Jury intended to give a verdict for the Plaintiff. If I had not heard this argument, I would have been prepared, last night, to have given judgment, as I thought that that was the practice. But what I find is this, that in the particulars the opening inventory was \$234,599.34; the Jury changed that to \$164,870.10; and on the face of their own findings they have made an error of over \$69,000. And if I now give judgment under those circumstances I think I would be stultifying myself. I cannot do it. The action will have to be dismissed. 30

The Court here rose.

On June 17th, 1932, at 10 a.m.:

Mr. E. C. MAYERS, K. C. Appearing for the Plaintiffs.

Mr. H. ALAN MACLEAN Appearing for the Defendants.

Mr. Mayers: My lord, I am moving for judgment; and before proceeding further I think I should read to you a letter which I received from Mr. Bull, and which I would ask the Stenographer to copy into his notes:

The Royal Bank Building,
Vancouver, British Columbia,
16th June, 1932.

E. C. Mayers, Esq., K. C.,
Victoria, B. C.

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Discussion
(Cont'd)

Re Cameron v. Mount Royal, et al.

My Dear Mayers:—

I regret to say that the ground upon which I opposed your motion for Judgment yesterday is now found to be untenable.

10 Mr. Barrett-Lennard telephoned me last evening to say that after further consideration of the various statements he was convinced that as far as Exhibit 25 is concerned the opening inventory of logs was included in the "output log cost." Mr. Barrett-Lennard desired to communicate with you at once, but I informed him that it was my duty to communicate with you, which I did immediately on Long Distance telephone. I told you, and I now confirm this, that in view of my instructions having been wrong you must be placed in the same position that you were in immediately after the Jury brought in their verdict.

20 I am beginning a trial today, which will continue tomorrow. I will therefore be unable to personally attend on your Motion before the Trial Judge on Friday, but I hope that you will inform the learned Judge of the contents of this letter.

Mr. Maclean will appear on the Motion, and will resist any Motion which you may make for judgment in favour of the Plaintiff Company on all other grounds that are available.

Yours faithfully,
"ALFRED BULL."

AB/P

30 Mr. Mayers: In addition, my lord, I would like to file the notice of motion, with its admission of service, and the affidavit with the admission of service.

The Court: There is no object in letting in any further evidence; I do not think you should encumber the record with further affidavits.

Mr. Mayers: The affidavit shows—

The Court: I don't want any affidavits on this.

Mr. Mayers: I submit it should go in, because it shows exactly why the Jury made no error at all.

40 The Court: I am not going to allow any evidence with regard to the verdict. Mr. Bull says he was wrong. That is enough. I will allow you to make your motion for judgment. I think it is improper to take evidence with regard to the Jury's findings.

Mr. Mayers: That is what I submitted to you, to start with.

RECORD
 —
In the
Supreme Court
of British
Columbia
 —
 Discussion
 (Cont'd)

The Court: I am ruling against you on that.

Mr. Maclean: I am opposing my learned friend's formal motion for judgment, on the grounds that may appear on the facts, and the verdict. My first point is that this question of inventories is a question of law. And I would first refer your lordship to the words of the Policy, the relevant words of which are as follows: (reading from policy). I would draw your lordship's particular attention to the words "actual loss" in that Policy.

The Court: Well, Mr. Maclean, I think you better save 10 your ammunition for the higher Court. I have already ruled that I feel obliged to enter judgment on the Jury's findings, and I am going to stay by that.

Mr. Maclean: May I cite several authorities to your lordship?

The Court: Well, it would not do you any good. I was convinced when the Jury brought in their findings, that the findings entitle the Plaintiff to judgment. Only Mr. Bull stated—as I know that he innocently did—that there was a mistake on the face of the Jury's computation, I believe that as being so. He 20 had had the opportunity of consulting his accountants, Mr. Mayers had not had the same opportunity, and was somewhat taken by surprise, and that question was not as fully developed as it might have been. But any argument that you may address to me to the effect that these matters are matters of law, will be of no effect. Because I declared the first evening, and I declared again on Wednesday, that I felt bound to enter judgment on the Jury's findings. And I so enter it.

Mr. Mayers: Then judgment goes.

The Court: For the amount as stated. 30

Mr. Mayers: With interest at five per cent.

The Court: Draw your judgment, and I will sign it today; and that will be the end of it so far as I am concerned.

The Court here rose.

I hereby certify the foregoing to be a true and accurate report of the said proceedings.

"JUSTIN GILBERT"

"MABEL UNWIN"

Official Stenographer. 40

No. 13

JUDGMENT

BEFORE:

THE HONOURABLE MR. JUSTICE D. A. McDONALD

Victoria, B. C., this 17th day of June, 1932.

RECORD

*In the
Supreme Court
of British
Columbia*No. 13
Judgment
June 17, 1932

This action having, on the 8th, 9th, 10th, 13th, 14th, 15th and 17th of June, 1932, been tried before the Honourable Mr. Justice D. A. McDonald with a Special Jury of the County of Victoria, B. C., in the presence of E. C. Mayers, K. C., and F. G. Fowkes of Counsel for the Plaintiff and Alfred Bull and Hugh A. MacLean of Counsel for the Defendants, and the Jury having found
 10 of Counsel for the Plaintiff and Alfred Bull and Hugh A. MacLean of Counsel for the Defendants, and the Jury having found a verdict for the Plaintiff for \$24,679.07, and the said Mr. Justice D. A. McDonald having on the 15th and 17th of June, 1932 been moved to enter judgment for the Plaintiff and having on the 17th of June, 1932, ordered that judgment be entered for the Plaintiff for \$24,679.07, and interest on the said sum of \$24,679.07 at five per centum per annum from the 26th of February, 1931, until payment.

THEREFORE IT IS ADJUDGED that the Plaintiff re-
 20 cover against the Defendant Canada Security Assurance Company the sum of \$1,713.83, together with interest on the said sum of \$1,713.83, at five per centum per annum from the 26th of February, 1931 until payment;

THEREFORE IT IS ADJUDGED that the Plaintiff recover against the Defendant Fire Association of Philadelphia the sum of \$3,427.64, together with interest on the said sum of \$3,427.64, at five per centum per annum from the 26th of February, 1931, until payment:

THEREFORE IT IS ADJUDGED that the Plaintiff re-
 30 cover against the Defendant Imperial Insurance Office the sum of \$3,770.42, together with interest on the said sum of \$3,770.42, at five per centum per annum from the 26th of February, 1931 until payment:

THEREFORE IT IS ADJUDGED that the Plaintiff recover against the Defendant Home Fire & Marine Assurance Company the sum of \$6,855.30, together with interest on the said sum of \$6,855.30, at five per centum per annum from the 26th of February, 1931, until payment:

RECORD

*In the
Supreme Court
of British
Columbia*

No. 13

Judgment
June 17, 1932
(Cont'd)

THEREFORE IT IS ADJUDGED that the Plaintiff recover against the Defendant Eagle Star & British Dominions Insurance Company Limited the sum of \$3,427.64, together with interest on the said sum of \$3,427.64 at five per centum per annum from the 26th of February, 1931, until payment:

THEREFORE IT IS ADJUDGED that the Plaintiff recover against the Defendant The Mount Royal Assurance Company the sum of \$3,427.64, together with interest on the said sum of \$3,427.64 at five per centum per annum from the 26th of February, 1931, until payment:

10

THEREFORE IT IS ADJUDGED that the Plaintiff recover against the Defendant Union Fire Accident & General Insurance Company the sum of \$2,056.60, together with interest on the said sum of \$2,056.60, at five per centum per annum from the 26th of February, 1931, until payment:

AND IT IS ORDERED that the Plaintiff recover against the Defendants its costs of this action to be taxed.

BY THE COURT

"J. F. MATHER,"
District Registrar. 20

"D. A. M."
J.

Entered
June 29, 1932
Order Book
Vol. 29, Fol. 30
Per "L. J. B."

No. 14

NOTICE OF APPEAL

RECORD

—
*In the
 Supreme Court
 of British
 Columbia*

—
 No. 14
 Notice of
 Appeal
 July 22, 1932

TAKE NOTICE THAT THE MOUNT ROYAL ASSURANCE COMPANY, HOME FIRE & MARINE INSURANCE COMPANY, IMPERIAL INSURANCE OFFICE, FIRE ASSOCIATION OF PHILADELPHIA, CANADA SECURITY ASSURANCE CO., UNION FIRE ACCIDENT & GENERAL INSURANCE COMPANY, and EAGLE STAR & BRITISH DOMINIONS INSURANCE COMPANY LIMITED, the Defendants herein and each of them intends to appeal and does hereby appeal from the Judgment of the Honourable Mr. Justice D. A. McDonald pronounced herein on the 17th day of June, A. D. 1932 and entered on the 29th day of June, A. D. 1932, whereby he adjudged that the Plaintiff recover against the Defendant Canada Security Assurance Co. the sum of \$1,713.83 together with interest thereon at five per centum per annum from the 26th day of February, 1931, and from the Defendant Fire Association of Philadelphia, the sum of \$3,427.64 together with interest thereon at five per centum per annum from the 26th day of February, 1931, and from the Defendant Imperial Insurance Office, the sum of \$3,770.42 together with interest thereon at five per centum per annum from the 26th day of February, 1931, and from the Defendant Home Fire & Marine Insurance Company, the sum of \$6,855.30 together with interest thereon at five per centum per annum from the 26th day of February, 1931, and from the Defendant Eagle Star & British Dominions Insurance Company Limited the sum of \$3,427.64 with interest thereon at five per centum per annum from the 26th day of February, 1931, and from the Defendant the Mount Royal Assurance Company, the sum of \$3,427.64, together with interest thereon at five per centum per annum from the 26th day of February, 1931, and from the Defendant Union Fire Accident & General Insurance Company the sum of \$2,056.60 together with interest thereon at five per centum per annum from the 26th day of February, 1931, and the costs of the action.

AND FURTHER TAKE NOTICE that a Motion will be made to the Court of Appeal at the Court House, in the City of Vancouver, in the Province of British Columbia on TUESDAY the FOURTH day of OCTOBER, A. D. 1932 at the hour of ELEVEN o'clock in the FORENOON or so soon thereafter as Counsel may be heard on behalf of the said Defendants for an Order setting aside the said Judgment of the Honourable Mr. Justice D. A. McDonald and dismissing the said action as against the said Defendants and each of them on the following, amongst other grounds:

RECORD
 In the
 Supreme Court
 of British
 Columbia
 No. 14
 Notice of
 Appeal
 July 22, 1932
 (Cont'd)

1. The verdict of the Jury was against the evidence and the weight of evidence.

2. There was no evidence upon which the Jury could find that the Plaintiff during the time that it would have taken to rebuild or replace the building and equipment destroyed would have earned its fixed charges to the extent of \$111.67 per day, or at all.

3. The Jury did not give due consideration to the experience of the business prior to the fire.

4. The Learned Trial Judge misdirected the Jury in that he should have directed the Jury as a matter of law that the Plaintiff's Inventories of Lumber should be valued at the cost of production instead of at the arbitrary price of \$15.00 per thousand. 10

5. Alternatively, if the proper valuation of Inventories is a question of fact, there was no evidence upon which the Jury could find that \$15.00 per thousand was a proper valuation for the purpose of ascertaining the true position of the Plaintiff as to profit or loss during the period of reconstruction.

6. There was no evidence to support the finding of the Jury in answer to question 4 (b) as to the amount allowed for depreciation. 20

7. According to the evidence the Jury should have considered in answering question 2 a much larger sum for depreciation than they would have allowed according to their answer to question 4 (b).

8. The learned Trial Judge erred in allowing interest on the amount of the verdict from the date of the fire, AND on other grounds.

DATED at the City of Vancouver, in the Province of British Columbia, this 22nd day of July, A. D. 1932. 30

"W. W. WALSH"
 Solicitor for the Defendants.

TO THE PLAINTIFF,
 AND TO: W. S. LANE, Esquire,
 Its Solicitor.

THIS NOTICE OF APPEAL is filed by WALTER WILLIAM WALSH of the firm of Walsh Bull Housser Tupper & Molson, whose place of business and address for service is Suite 1500, the Royal Bank Building, Vancouver, B. C.

MEMO

All the evidence relating to question numbered One has been omitted by consent, the Defendants admitting that there was a preponderance of evidence to support the answer. 40

COURT OF APPEAL

No. 15

CAMERON LUMBER
COMPANY
Plaintiff (Respondent)
v.
MOUNT ROYAL ASSUR-
ANCE COMPANY et al
Defendants (Appellants)

JUDGMENT OF THE
HONOURABLE THE
CHIEF JUSTICE

RECORD

Court of Appeal

No. 15

Reasons for
Judgment
The Honour-
able the Chief
Justice
Jan. 10, 1933

10 This was an action on an indemnity policy. The Plaintiff's mill was destroyed by fire. The insurance had been taken out to cover the loss of profits (if any) which the Plaintiff might suffer beyond what he would have suffered had the mill been operating.

In arriving at the amount, if any, which the Defendants are entitled to under the policy, *due consideration was required to be given to the experience of the business before the fire and the probable experience thereafter.*

20 The case involved the determination of the cost of production of the logs and other assets dealt with and that cost of production was to be ascertained having regard to the consideration aforesaid. It is quite clear to me that the profit or loss must depend to a great extent upon the cost of production and that the finding of this question was a necessary factor in the ascertainment of the sum, if any, for which the Defendants were liable. The learned Judge in his charge to the jury stressed this question of the cost of production and told the jury, and quite properly, I think, that they must find this cost in the way pointed out by the contract. During the trial evidence was given of a practice to take an arbitrary figure as the cost of production.

30 The Canadian Government, it was said, authorized lumbermen, for income tax purposes, to adopt an arbitrary figure of \$15.00 per thousand for this purpose, on the assumption that over a period of years the cost of production would approximately amount to that sum. This was heavily stressed by Defendants and authorities of a similar practice in some other countries, not amounting to a general custom, not here applicable because of the contract itself, were cited during the trial. Question 2 of those submitted to the jury deals with the cost of production. After instructing them that such due consideration was to be given to the

40 experience of the business before the fire and the probable experience thereafter the learned Judge proceeded later in his charge to say:—

RECORD
 Court of Appeal
 No. 15
 Reasons for
 Judgment
 The Honour-
 ble the Chief
 Justice
 Jan. 10, 1933
 (Cont'd)

“Now before we answer question 2, are we going to take into our consideration \$15.00 per thousand or the cost of production as set up by the Defendant. It seems to me that is the only fair and honest way that you can answer Question 2.”

I think he here advised them to find in accordance with the contract, but with respect, I think he should have gone further and instructed them that they should not adopt any other mode of finding the cost of production.

The jury were in doubt as to how they should proceed on Question 2, and having been recalled by the Judge, he further 10 instructed them (Appeal Book p. 385) by saying:—

“What else is bothering you now?”

The Foreman: No. 2.

The Court: Any answer there would be yes or no.”

And at Page 387, after the verdict, the Judge said to them:—

“In answering question 2 have you reached your conclusion by taking as your basis of computation the actual costs of production as set up by the Defendant or have you taken the arbitrary figure of \$15.00 per thousand? A. \$15 20 per thousand.

In my opinion the learned Judge ought to have pointed out what the contract required as he did earlier in distinct terms, and should have told the jury that they had no right to take any other method of computation, arbitrary or otherwise.

I understand that the Jury by taking the proper method as pointed out by the contract might and probably would have arrived at a very different figure than \$15 per thousand, while on the other hand they might have arrived at that figure, not because it had been adopted as a means of ascertaining the income tax but because it was the right amount as arrived at in accordance 30 with the contract itself; but that apparently is not what the jury did, nor what they were in one part of the charge clearly instructed to do, and therefore they came to a conclusion which may be entirely wrong, and which, on the evidence of the Defendants' expert who examined the accounts at great length on the basis of the contract, brings about a result which is entirely different. I think, therefore, there must be a new trial, the jury having been instructed in a way which apparently led them to believe that they could take the arbitrary figure or the other as they saw fit, rather than that provided by the terms of the contract. 40

If the charge be right then the jury misunderstood it and came to the wrong conclusion. Their verdict, therefore, cannot

stand. I think the learned Judge should have told them that they had nothing to do with the arbitrary figure, in which case a very different result might, and on the evidence, would have resulted had the arbitrary figure been disregarded.

I think, therefore, the judgment should be set aside and a new trial ordered.

(Sgd.) "J. A. MACDONALD,"

C. J. B. C.

VICTORIA, B. C.
10 10th January, 1933.

RECORD
Court of Appeal
No. 15
Reasons for
Judgment
The Honour-
ble the Chief
Justice
Jan. 10, 1933
(Cont'd)

COURT OF APPEAL

No. 16

CAMERON LUMBER COM-
PANY
vs.
THE MOUNT ROYAL AS-
SURANCE COMPANY
et al.

JUDGMENT OF
THE HONOURABLE
MR. JUSTICE
M. A. MACDONALD

No. 16
Reasons for
Judgment
M. A.
Macdonald,
J.A.
Jan. 10, 1933

20 A jury awarded respondent \$24,679.07 under fire insurance policies covering loss by a fire on February 25th, 1931, that destroyed its lumber manufacturing plant, machinery, sawmill, lath-mill, wharf and other buildings. The condition in each policy issued by appellants was that if the plant insured should be destroyed or damaged by fire, "necessitating a total or partial suspension of business," respondent should be indemnified for the actual loss sustained (commencing with date of fire), consisting of

30 "such fixed charges and expenses as must necessarily continue during a total or partial suspension of business to the extent only that such fixed charges and expenses would have been earned had no fire occurred."

The policies provided for a per diem liability during total suspension limited to the actual loss sustained not exceeding 1/300 of the amount of the policy for each business day lost, due consideration to be given

"to the experience of the business before the fire and the probable experience thereafter."

The maximum amount that might be recovered was \$115.56 a day.

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 Court of Appeal
 No. 16
 Reasons for
 Judgment
 M. A.
 Macdonald,
 J.A.
 Jan. 10, 1933
 (Cont'd)

The fixed charges and expenses during suspension of operations amounted to \$31,157.05. The time required to replace the plant was fixed by the jury at 221 days and this finding is not questioned. The jury also found that while respondent would not have earned all its fixed charges for ten months after the fire (the time of suspension—really 221 days) it would have earned them in part, viz., at the rate of \$111.67 per day. In so finding the jury took into account as part of the cost of production depreciation at the rate of \$13,120.00 per year. It followed that respondent was entitled to recover at the rate of \$111.67 a day for 221 days or 10 \$24,679.07 in all.

In finding that respondent would have earned its fixed charges to the extent referred to it was necessary to ascertain the cost of production as an element in profit or loss. Rival views were presented to the jury as to the method of ascertaining these costs. Appellant's submission was that the jury should find the real cost of production by taking into account, stock on hand at the beginning of an accounting period; the inventory of stock at the close of that period; purchases, wages, outlays, depreciation (without exhausting the list), estimating by ordinary and approved 20 book-keeping methods the profit or loss for that period. Respondent submitted that a fixed arbitrary value of \$15.00 per thousand might be placed on stock on hand consisting of lumber, wood products, etc., i.e., the stock-in-trade at the opening of the accounting period and the same sum at the end of the period, so long as \$15.00 per M was not more than the market price. By this latter method it was urged the profit or loss could be ascertained; at all events with enough accuracy to answer reasonable requirements whether applied over a period of years or to the short period (221 days) in question in this action. 30

The jury accepted the respondent's method of computation. If right in doing so the verdict should not be disturbed; if not, the action should be dismissed because using the other method and taking figures disclosed by respondent's books it fell far short of earning any part of its fixed charges and expenses.

The burden was on respondent to show that it would have earned its overhead wholly or in part during the suspension period if the fire had not occurred, having regard

“to the experience of the business before the fire and the probable experience thereafter.” 40

In discharging that onus it cannot compel appellants to accept a method of computation not provided in the contract although it may be used by many lumber companies in obtaining information

for various purposes, unless by adopting it results are reasonably accurate. Amounts, dependent upon intricate computations, can seldom be estimated with scientific accuracy. If therefore this method shows approximate profits and losses for a short period no complaint should be made.

Respondent carried on operations at another mill—the Wilfert mill—during the period of suspension and the probable results likely to follow at the main plant had it continued to operate was tested by their experience at this mill. As it was a totally
 10 different operation certain allowances had to be made to show results fairly comparable with operations at the main plant. These allowances for extra costs and loss of certain sales of power and by-products were duly estimated and accepted by appellants. After doing so respondent submitted that in the ten months period it would have earned at the main plant a profit of \$3,255.29 had the fire not occurred.

In arriving at this profit the stock-on-hand on March 1st, 1931, immediately after the fire, was valued at \$234,549.34, and ten
 20 months later, viz., December 31st, 1931, at \$157,105.00 placing it at a cost value of \$15.00 per thousand. That figure respondent's accountant testified bore "no particular relation to the cost of production." He gave this evidence:—

Q. In fact that is an arbitrary figure which it has been your custom to use? A. That is right.

Q. A very conservative method when you are informing your shareholders of the position of affairs? A. Yes, \$15.00 is a very conservative price.

Q. But when you calculate actual profit or loss it would not be proper to take an arbitrary figure would it? A. To
 30 take the arbitrary value?

Q. I say when you are trying to ascertain actual profit or loss it would not be proper to take the arbitrary value of \$15.00? A. No.

He later qualifies this evidence but admitted that their records showed that the cost of manufacture, including logs at this time, was more than \$15.00 per M, viz., \$20.63. This sum would vary from month to month. The cost of manufacturing for February, 1931, was \$19.01 per M and the average for November and December, 1930, and January and February, 1931, \$20.30. The profit referred to, viz., \$3,255.29 was obtained by taking \$15.00 as
 40 the cost of production without regard to the actual costs disclosed by respondent's books. If that is not a proper method the inventory of stock on hand at the beginning and end of the period referred to should be substantially increased in value.

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 Reasons for
 Judgment
 M. A.
 Macdonald,
 J.A.
 Jan. 10, 1933
 (Cont'd)

Respondent justified its method of computation on the following grounds:—

They said it was impossible to estimate the actual cost of production of stock in the yard at any particular time; that lumber may be in stock for several years and that it accumulates during the year (it appreciates in value the longer it is stored); if manufactured it may be stored for future orders; it consists of lumber of different dimensions differing in size and quality; it is not like goods on a merchant's shelves and it is impossible to estimate separate costs; about 25 per cent of it would be lumber, part of it purchased to supplement their own production, the balance or about 80 per cent would be shiplap, timbers, cross-arms, etc. (all these products, however, are "sold by the thousand feet primarily; even cross-arms"); different classes of articles are manufactured at different costs, the smaller items costing more, the larger less: cost of production of lumber varies from \$6.00 to \$40.00; some operations are cheap, others more expensive. Hence it was impossible to put any cost production price on specific items in stock. 10

Yet their books show the average cost of production from month to month from the total stock, and also, taking March 1st, 1931, at \$19.00, going back over a considerable period higher costs are shown. This attempt to show accounting difficulties does not of course demonstrate that in taking an arbitrary valuation results approximately correct will be shown. That it is not an easy task may be conceded: not however that it is impossible. One can visualize a small operation with all the factors referred to included and no special book-keeping difficulty would be encountered. The same methods and principles would be applied on a larger scale. Modern accountancy I hope is quite equal to the task. Respondent knew at the time of the fire what its logs cost, the cost of labour and the general costs entering into manufacture of the products. It would naturally assume that the business would go along after the fire (had it not occurred) very much as it did before with any variation that might arise from a drop in labour costs and a drop in log costs. The reductions in the labour scale were known. It could estimate the cost of any new material required by the condition of the supply market. It could also assume sales of a corresponding amount. Any exceptional facts would be taken into consideration. 30

Respondent's sales manager testified:—

Q. Is it practically possible, and does anyone do it, to keep a system of costs of accounting on each piece or pile of lumber? A. I don't think anybody does. I think it 40

would be a very *expensive procedure* and would be probably prohibitive.

He uses the word "probably"; also "very expensive." I think that feature is exaggerated, but if it is necessary to go to some expense to prove a profit or loss it must be undertaken. A wrong method cannot be accepted because the right method may be expensive.

10 This system of accounting, although in use in the lumber industry (and doubtless fairly satisfactory when taken over a period of years) has never been accepted, as far as I know, to find profit or loss for a limited period. Respondent's sales manager appeared to have that in mind. He said:

"If you started out with an inventory for \$20.00 for the year, you start off in a year not knowing what conditions will be like during the year, the prices would probably go down under \$15.00 and you would take quite a loss. If the selling average went up to \$30.00 you take quite a profit, but if you strike an average *for a period of years* the average is accepted by all accounting systems and the Government accountant."

20 We are not concerned with a period of years. It is the experience of the business before the fire (for a reasonable time) and the probable experience thereafter that governs. I cannot agree, that part of that "experience" must be taken to include respondent's method of book-keeping. It is for loss sustained in a limited period that indemnity is provided for and it is not possible to estimate profit and loss aright by using a method applicable to a long period unless it is shown to be equally applicable to the shorter term. An independent accountant called by respondent in effect agreed with his view. As this statement might be regarded
30 as subject to qualification I refer to his evidence. After testifying in chief that lumber companies placed a fixed value on inventories at the beginning and end of a period he said on cross-examination:

Q. Did you ever make up a statement for the Bank, of the Company? A. Yes.

Q. Well, you know as a matter of fact, Mr. Taylor, do you not, that if you were obtaining credit from a bank for your Company, that the bank would not be content with inventories fixed at an arbitrary value? A. No.

40 Q. Isn't that correct? A. That is correct.

Q. They would ask to have those inventories fixed at the cost of production, or the market price, whichever was lower? A. Yes.

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No. 16
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M. A.
Macdonald,
J.A.
Jan. 10, 1933
(Cont'd)

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 Judgment
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 Macdonald,
 J.A.
 Jan. 10, 1933
 (Cont'd)

Q. And the purpose of that is in order that the bank can ascertain whether the Company was cutting at a profit or not? A. Yes—not necessarily, if it was running at a profit or not, but that information as a rule the bank requires.

Q. For information as to the true position of the company? A. It might be for information as to the true value of the security.

Q. Exactly. And in point of fact you could not tell whether the Company was making money or losing money over a given period if you fixed your inventories at an arbitrary value? A. I should say, yes, that the fixed value is better than a fluctuating value. 10

Q. Surely that is not right, if you are dealing with a limited period of time. I see what you mean over a period of years. It makes no difference to the shareholders. But if an outsider is interested and wants to know whether you are making money over a six months' period, an arbitrary valuation would not be of any assistance, would it? A. Well, as far as I know, the arbitrary valuation would be taken—would be usually taken then. 20

Q. But surely, you are an accountant, you can follow what I mean? A. Yes.

Q. You could not ascertain your profit over a six months period unless you knew what your stock-in-trade cost you to produce? A. You would need of course to take a different valuation both at the beginning and at the end of the period.

Q. Yes; you would take your opening valuation at the cost of production, and your closing valuation at the cost of production or the market value, whichever is lower? A. Yes. 30

Q. And in that way you could get the true position?
 A. Possibly.

These latter questions are directed to methods as applied to a six months period.

During the year 1930 respondent's accountant made monthly reports of operations showing costs of production; average sale prices and profit or loss and these accounts were audited by a chartered accountant. It shows a profit earned during the first seven months of \$18,279.00, but in the last five months that profit was lost and in addition about \$7,000.00 more or a total loss of \$25,461.00 in the last five months of that year. The fire occurred two months later. The Vice-President admitted that the statement disclosed this result but endeavoured to show that it was not accurate because during that year respondent purchased a 40

large quantity of lumber at an average cost of \$31.63 or \$32.00 per M plus the cost of handling and this went into their stock at the arbitrary value of \$15.00, thus explaining a book loss. Some of it was sold and the balance carried forward in the inventory to 1st March, 1931, at \$15.00. This led to the following evidence:—

Q. So that illustrates the point that I have been trying to demonstrate in the last two days that the \$15.00 valuation bears no relation whatever to the actual cost of production?

A. Certainly it don't.

- 10 There would be no justification for placing this particular lumber in the inventory at \$15.00 at any time. It would be an under-valuation. "I would say it is incorrect from a book-keeping standpoint." Mr. Cameron added: It is incorrect from any standpoint except that over a long period with an arbitrary price the over and under valuations may be reasonably self-corrective. In estimating the loss of over \$25,000.00 referred to overhead charges in that period amounted to \$15,000.00 and no allowance was made for depreciation. That, if provided for, would add to the loss. The explanation was given that the plant was over-de-
- 20 depreciated some years before, but in any event the proper proportion should be assigned to this period. No attempt was made to show to what extent, if any, this loss should be reduced by the special facts mentioned. I cannot believe either that when accounts are audited by chartered accountants the intention is to give the employer valueless information in respect to book profits or losses regardless of the true facts.

- Mr. Grogan's evidence (a chartered accountant—he prepared the claim on which the suit was based) should be regarded as the best available for respondent. All witnesses except Taylor
- 30 were employed by respondent in some capacity. He agreed that the cost of production as shown by respondent's books was an average of \$18.99 for January and February, 1931, and \$20.34 for the four months ending February 18, 1931. He qualified it by saying it contained items of expense in connection with lumber purchased, thus not confined to the cost of lumber manufactured. Taking this into consideration he said: "I presume it would be somewhere between \$15.00 and \$19.00," but "it is extremely hard to answer definitely." He explains this by saying "if it were a retail store where you had single articles purchase price and cost
- 40 price could be identified it would not present the same difficulty: it is not possible to identify in the year the cost of any lumber that is there." Yet they did estimate it with enough accuracy to arrive at an average price, placing it in the books in one month at \$19.00 and at higher amounts in preceding months. He said

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the lumber in the yard when the inventory was taken may not have been the lumber that was manufactured at the prices mentioned. But he admits that if any of that stock of lumber found in the yard on March 1st, 1931, was there prior to this four-month period when the average cost was \$20.34 it would cost more than that to produce it: as we go back the cost of production was higher. This computation must be based on experience before the fire and probable experience thereafter and at no time before the fire could the cost be as low as \$15.00 per M.

If the opening and closing inventory for ten months following the fire is taken at cost of production or market price, whichever is lower and taking as a guide the operations at the Wilfert mill as a clue to probable results at the main plant had it continued to operate; also making the allowances already referred to respondent would fall far short of earning its fixed charges and expenses. I refer to Exhibit 17 and the evidence of Grogan in respect thereto showing that respondent's success depends solely on adherence to this arbitrary valuation. He was taken over the figures in this Exhibit and comparing them with his own agreed that apart from inventory valuations they were alike except that he (wrongly) allowed no sum for depreciation. Another difference was an amount in respect to sales, insurance and interest. This statement shows a loss of \$66,293.63 after giving credit for excessive cost of operating the Wilfert mill and sale of power and by-products from the old plant had it been running. Following this checking of statements Mr. Grogan gave this evidence:—

Q. In order to ascertain the true position you must take the inventory at cost of production or market price, whichever is lower? A. Yes, provided—if the market price is lower than cost.

Q. I put it to you as a general principle, according to proper accounting, that it is the only fair method. Do you agree or not? A. Provided your selling price—provided the actual selling price—if your selling price is lower than your cost you must do it to be conservative.

Q. Whichever is the lower—you agree? A. Yes.

He then qualifies this admission by saying in respect to the \$15.00 valuation: "I think it does show the true position of profit and loss; it is a picture *you try to draw* to show the state of the business at that time." There is not much certainty in that statement. Of course two methods leading to results so vastly different cannot both be right.

If a five month period is considered after the fire, taking the opening inventory value at \$20.00, (the average for the four pre-

ceding months) and the closing inventory at \$17.00, respondent would fall short of earning its overhead by \$5,000.00 without regard to depreciation. An attempt was made to show that this closing cost—\$17.00—was just as arbitrary as the \$15.00 valuation. It was pointed out that where a closing inventory valuation of \$17.00 was given by appellants' accountant part of the stock so valued would be subject to a further cost of about \$3.00 in manufacturing and sold for \$47.70; other small parts too with costs added would sell for \$68.53. It is apparent however that while it is true part of the stock might be subject to further costs the average cost may be obtained with reasonable accuracy where the inventories show—as they do—the total stock in the yard with the percentages of upper and lower grades over the period under review.

The method of computation is a question of fact. If respondent's method works reasonably well it may be accepted. It has been challenged and the burden is on the respondent. Have we therefore any reasonable evidence to show that, as applied to a limited period, viz., 221 days, it discloses with reasonable accuracy the profit or loss? One would expect that independent chartered accountants would have been called. Their absence is significant. Taylor's evidence is not directed to this all-important point. He in effect disproves the theory when applied to a limited period. The evidence of the accountant Campbell is not directed to a limited period. Miller is not an accountant (secretary-treasurer and sales manager). He never studied accountancy in the higher branches and spoke as a salesman. His statement therefore that "it is the only way of determining a company's position over a period of years, or even a limited time" is of little value. Yet his evidence, read as a whole, does not support the view that if applied to a limited time a reasonably accurate result would be obtained. Grogan too refers to a period of years:—

Mr. Mayers: I want you to be quite clear on this. We have put forward our estimate on the basis of valuing inventories at a consistent price throughout. We have adopted \$15.00. Do you, or do you not justify that method of putting forward our calculation? A. I do.

The Court: Would you have got the same result if you had made it \$8.00—you would have got the same result? A. *Over a long period of years*, because the cost of production each year is absorbed into your profit and loss account.

No other witnesses testified for respondent on this specific point and unless we can find in the cross-examination of Barrett-Lennard and Scollard, appellants' witnesses, evidence justifying the

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jury in accepting this basis the case falls to the ground. Barrett-Lennard assented to a passage read to him from "The Canadian Chartered Accountant" favoring a fixed unit price but it was based on a price fixed "year in and year out." This quoted extract also showed — as respondent contended — and it is true — that the valuation of lumber inventories for accounting purposes is difficult owing to differences in grades, species, dimensions, etc. There is, however, a great difference between a difficult problem and one impossible of performance.

A basis of computation therefore was taken by the jury disclosing earnings that did not exist, and as there was no reasonable evidence to justify it in accepting that basis and as on the other hand, having regard to respondent's records and proper methods of accounting it is evident that fixed charges and expenses were not partly earned, I would allow the appeal and dismiss the action. 10

"M. A. MACDONALD," J. A.

Victoria, B. C.,
 10th January, 1933.

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COURT OF APPEAL

No. 16 A

CAMERON LUMBER
COMPANY vs.
MOUNT ROYAL ASSURANCE
COMPANY ET ALJUDGMENT OF
THE HONOURABLE
MR. JUSTICE
McPHILLIPS, J.A.RECORD
Court of Appeal
No. 16A
Reasons for
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McPhillips,
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Mar. 7, 1933

In my opinion the learned trial Judge, Mr. Justice D. A. McDonald, rightly entered judgment for the Plaintiff (Respondent) upon the findings of the special jury following a long trial extending over seven days. The action is one brought in the way of the enforcement of the provisions of Fire Insurance Policies issued by seven companies — Defendants in this action (Appellants). There is a large volume of evidence and in my opinion it amply supports the findings of the jury and fully warranting the entry of judgment thereon. Ordinarily juries do not give reasons and where questions are asked are content to answer the questions—here however the jury undertook to give some reasons for answering questions. I would think that the reasons might very well have been rejected—they were however received and being received by the learned trial judge were no doubt duly considered by him. The reasons would not appear to detract from the force of the answers as made to the respective questions. Upon this point of the jury giving reasons I would refer to what Lord Loreburn, L.C. said in *Lodge Holes Colliery Company Ltd. v. Wednesbury Corporation* (1908) A.C. 323 at p. 326—

“When a finding of fact rests upon the result of oral
“evidence it is in its weight hardly distinguishable from the
“verdict of the jury except that a jury gives no reasons.”

A great deal has been said at the Bar as to the right of the jury in taking the arbitrary figure of \$15.00 per thousand as being the actual costs of production. Now I would not look upon that as any formidable objection or objection at all. It might be said to be almost an incalculable matter. It would mean finding out the cost of each log and the lumber manufactured thereout. It is highly unreasonable considering the terms of the Insurance Policies and the nature of the fire loss to exact any such thing—in estimating the loss sustained the system and custom of arriving at costs of production has been well proved in the evidence and is that accepted in the Trade—and by the Government authorities.

In passing I might remark that the Insurance Companies embarking on this class of insurance must be held to have a knowledge of that which is well understood in the Trade, i.e., lumbering business—it is idle for Insurance Companies to advance any objection to

RECORD
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No. 16A
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(Cont'd)

what is universal custom in the Trade that they must know. Surely Insurance Companies would not be placing this class of insurance without knowledge of the conditions and the system and custom obtaining in lumbering operations and the manufacture of lumber. Upon this point in principle it occurs to me that what Lord Moulton said in *McHugh v. Union Bank of Canada* (1913) A.C. 299 at p. 309 well indicates the scope of judge and jury when assessing damages:—

“The tribunal which has the duty of making such assess-
ment, whether is be judge or jury, has often a difficult task, 10
“but it must do it as best it can, and unless the conclusions to
“which it comes from the evidence before it are clearly erron-
“eous they should not be interfered with on appeal inasmuch
“as the Courts of Appeal have not the advantage of seeing the
“witnesses—a matter which is of grave importance in draw-
“ing conclusions as to quantum of damage from the evidence
“that they give. Their Lordships cannot see anything to
“justify them in coming to the conclusion that Beck, J’s
“assessment of the damage is erroneous, and they are there- 20
“fore of opinion that it ought not to have been disturbed on
“appeal.”

Giving every attention and consideration to the argument that was so ably advanced before this Court on the part of Counsel for the Defendants (Appellants) that — actual loss — was not established by evidence. I consider that the evidence is ample and even were it possible to say that the answers of the jury are in their nature ineffective with which I do not agree—the evidence itself is so complete and all one way that judgment was rightly entered for the Plaintiff. In this connection I would refer to what Mr. Justice Duff (now Chief Justice of Canada) said in *McPhee* 30 vs. *Esquimalt and Nanaimo Railway Co.* (1914) 49 S.C.R. 43 at p. 53—

“By the law of British Columbia, the Court of Appeal in
“that province has jurisdiction to find upon a relevant ques-
“tion of fact (before it on appeal) in the absence of a finding
“by a jury or against such a finding where the evidence is of
“such a character that only one view can reasonably be taken
“of the effect of that evidence.

“The power given by 0.58, r. 4, to draw inferences of fact
“ . . . and to make such further or other order as the case 40
“may require, enables the Court of Appeal to give judgment
“for one of the parties in circumstances in which the court
“of first instance would be powerless, as, for instance, where
“(there being some evidence for the jury) the only course

“open to the trial judge would be to give effect to the verdict; while, in the Court of Appeal, judgment might be given for the Defendant if the court is satisfied that it has all the evidence before it that could be obtained and no reasonable view of that evidence could justify a verdict for the Plaintiff.”

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No. 16A
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(Cont'd)

10 “This jurisdiction is one which, of course, ought to be, and, no doubt, always will be exercised both sparingly and cautiously: *Paquin v. Beauclerk* (1906) A.C. 148, at page 161; and *Skeate v. Slaters* 30 Times L.R. 290.”

In later cases in England we find this question dealt with in this way—where all the facts are before the Court—and they are present here—and upon a study of the evidence only one possible verdict thereon could be reasonably given. It is not a case for—nor is the Court bound to order a new trial but judgment should be entered for the Plaintiff notwithstanding any frailty in the verdict of the jury and even against the finding of the jury (*Winterbotham Gurney & Co. v. Sibthorp* (1918) 1 K.B. 625 C.A.—*Banbury v. Bank of Montreal* (1918) A.C. 626; per Lord Haldane in 20 *Everett v. Griffiths* (1921) 1 A.C. 656). I would refer to what Swinfen Eady, L.J., said in *Winterbotham Gurney & Co. v. Sibthorp and Cox supra* at p. 630—

30 “Assuming the verdict was utterly unreasonable having regard to the evidence, such as no reasonable men could possibly have given, what is the proper course for this Court to adopt? His answer was to grant a new trial. Then suppose the same process continued, as it must continue, it must go on, if necessary, *ad infinitum*, because all the Court can do is to direct a new trial and not to draw any inference of fact. “In my opinion that is not the law, and although the Court ought to be exceedingly careful in interfering with the verdict of a jury, and still more so in giving a decision contrary to the finding of a jury, yet when it is manifest that all the facts have been ascertained, and there is only one verdict that can be reasonably given, in my opinion it is the duty of this Court to draw the inference and to decide according to the rights of the parties, and the Court is not confined to sending the case for a new trial.”

40 In my opinion the finding of the jury in the present case and the judgment of the learned trial Judge entered upon that finding was right. Here the verdict of the jury was for the Plaintiff and my opinion is—rightly so—and the learned trial Judge rightly entered judgment for the Plaintiff thereon and that judgment I would uphold—and I would dismiss the appeal.

7th March, 1933.

“A. E. McPHILLIPS,” J.A.

COURT OF APPEAL

No. 17

JUDGMENT

RECORD
Court of Appeal
 No. 17
 Judgment
 Jan. 10, 1933

CORAM:

THE HONOURABLE THE CHIEF JUSTICE OF BRITISH
 COLUMBIA
 THE HONOURABLE MR. JUSTICE MARTIN
 THE HONOURABLE MR. JUSTICE GALLIHER
 THE HONOURABLE MR. JUSTICE McPHILLIPS
 10 THE HONOURABLE MR. JUSTICE MACDONALD

Victoria, the 10th day of January A. D. 1933.

THIS APPEAL coming on to be heard in Vancouver on the 18th, 19th, and 20th days of October, 1932 in the presence of Mr. Alfred Bull, K. C. of counsel for the Appellants and Mr. Mayers of counsel for the Respondent. UPON reading the notice of appeal herein dated the 22nd day of July, 1932 and the appeal book herein, and UPON hearing what was alleged by counsel aforesaid, this Court did order this appeal to stand for judgment, and this appeal coming on this day for judgment:

20 THIS COURT DOTH ORDER AND ADJUDGE that this appeal be and the same is hereby dismissed, and that the judgment herein of the Supreme Court of British Columbia, dated the 17th day of June, 1932 be and the same is hereby affirmed.

AND THIS COURT DOTH FURTHER ORDER that the Respondent recover against the Appellants the costs of this appeal to be taxed.

BY THE COURT

"J. F. MATHER,"

Registrar.

30 "A.B."
 "H.D." D.R.
 "J. A. M.,"
 C. J.

Entered
 Jan. 17, 1933
 Order Book
 Vol. 9 Fol. 129
 Per "L. J. B."

RECORD

Court of Appeal

No. 18

Provisional
Order Allow-
ing Appeal
Feb. 9, 1933

COURT OF APPEAL

No. 18

PROVISIONAL ORDER

CORAM:

THE HONOURABLE THE CHIEF JUSTICE OF BRITISH
COLUMBIA.

THE HONOURABLE MR. JUSTICE McPHILLIPS.

THE HONOURABLE MR. JUSTICE MACDONALD

 Victoria, B. C., the 30th day of January A. D. 1933.

UPON MOTION made this day to this Court sitting at Vic- 10
toria, B. C., on behalf of the above-named Defendants ((Appel-
lants) for leave to appeal to His Majesty in his Privy Council
from the Judgment of this Honourable Court pronounced herein
on the 10th day of January 1933, and upon hearing Mr. Alfred
Bull, K. C. of Counsel for the Defendants (Appellants) and Mr.
E. C. Mayers, K. C., of Counsel for the Plaintiff (Respondent),

THIS COURT DOTH ORDER that subject to the perform-
ance by the said Defendants (Appellants) of the conditions here-
inafter mentioned, and subject to the final order of this Court
upon the due performance thereof, leave to appeal to His Ma- 20
jesty in his Privy Council against the said Judgment of this
Honourable Court be granted to the Defendants (Appellants).

AND THIS COURT DOTH FURTHER ORDER that the
said Defendants (Appellants) do within three months from the
date hereof provide security to the satisfaction of this Honourable
Court in the sum of £500-0-0 sterling for the due prosecution of
the said appeal and the payment of all such costs as may become
payable to the Plaintiff (Respondent) in the event of the Defend-
ants (Appellants) not obtaining an order granting it leave to
appeal, or of the appeal being dismissed for non-prosecution and 30
for the payment of such costs as may be awarded by His Majesty,
his heirs and successors, or by the Judicial Committee of the
Privy Council to the said Plaintiff (Respondent) on such appeal.

AND THIS COURT DOTH FURTHER ORDER that the
Defendants (Appellants) do within three months from the date of

this Order in due course take out all appointments that may be necessary for settling the transcript record on such appeal to enable the Registrar to certify that the transcript record has been settled and that the provisions of this Order on the part of the Defendants (Appellants) have been complied with.

AND THIS COURT DOTH FURTHER ORDER that the costs of the transcript record on appeal and of all necessary certificates and all costs of and occasioned by the said appeal shall abide the decision of the Privy Council with respect to the costs
10 of appeal.

AND THIS COURT DOTH FURTHER ORDER that upon the Defendants (Appellants) entering into good and sufficient security to the satisfaction of the Registrar of this Honourable Court at Vancouver, that the Defendants (Appellants) will pay the amount of the said Judgment if the said judgment or any part thereof is affirmed, execution of the said judgment shall be suspended pending the said appeal.

AND THIS COURT DOTH FURTHER ORDER that the Defendants (Appellants) be at liberty within three months from
20 the date of this Order to apply for an Order for leave to appeal as aforesaid on production of a Certificate under the hand of the Registrar of due compliance on its part with the terms of this Order.

AND THIS COURT DOTH FURTHER ORDER that all parties may be at liberty to apply to this Court wheresoever the same may be sitting.

BY THE COURT.

“B. H. TYRWHITT DRAKE,”
Registrar.

30 “E. C. M.”
“J. A. M.”
C. J.

Entered
Feb. 9, 1933
Order Book Vol. 9 Fol. 146.
Per “L. J. B.”

RECORD
Court of Appeal
No. 18
Provisional
Order Allow-
ing Appeal
Feb. 9, 1933
(Cont'd)

COURT OF APPEAL

No. 18

CERTIFICATE OF REGISTRAR AS TO SECURITY

RECORD
 Court of Appeal
 Certificate of
 Registrar as to
 Security
 Mar. 14, 1933

I, JAMES FREDERICK MATHER, Registrar of this Honourable Court at Vancouver, British Columbia, DO HEREBY CERTIFY that the Defendants (Appellants) herein have provided security to my satisfaction in the sum of Five hundred pounds (£500) Sterling, for the due prosecution of their appeal to His Majesty in his Privy Council against the Judgment of this Honourable Court herein, and that the said Defendants (Appellants) have taken out all appointments that are necessary for settling the transcript record on such appeal, to enable me to certify that the transcript record has been settled, and that the provisions of the Order of this Honourable Court made on the 20th day of January 1933 on the part of the said Defendants (Appellants) have been complied with. 10

DATED at Vancouver, B. C., this 14th day of March A. D. 1933.

“J. F. MATHER,”
 Registrar. 20

COURT OF APPEAL

No. 20

FINAL ORDER

RECORD
Court of Appeal
 No. 20
 Final Order
 Mar. 20, 1933

CORAM:

THE HONOURABLE THE CHIEF JUSTICE OF BRITISH
 COLUMBIA

THE HONOURABLE MR. JUSTICE McPHILLIPS

THE HONOURABLE MR. JUSTICE MACDONALD

Vancouver, B. C., the 20th day of March A. D. 1933.

- 10 UPON MOTION made unto this Court this day for a Final
 Order granting the above-named Defendants (Appellants) leave
 to appeal from the Judgment of this Court pronounced herein on
 the 10th day of January 1933 to His Majesty in his Privy Council,
 and upon reading the Order made herein on the 30th day of Janu-
 ary 1933 granting the said Defendants (Appellants) conditional
 leave to appeal, and the Certificate of the Registrar of this Court
 at Vancouver certifying that the said Defendants (Appellants)
 have made due compliance with the conditions imposed on them
 by the said Order, upon hearing Mr. Alfred Bull, K. C., of Coun-
 20 sel for the Defendants (Appellants) and Mr. E. C. Mayers, K. C.
 of Counsel for the Plaintiff (Respondent).

THIS COURT DOTH ORDER AND DECLARE that final
 leave to appeal to His Majesty in his Privy Council from the
 Judgment of this Court pronounced herein on the 10th day of
 January 1933, be and it is hereby granted to the said Defendants
 (Appellants).

BY THE COURT.

“J. F. MATHER,”

Registrar.

- 30 “E. C. M.”
 “J. F. M.,” D. R.
 “J. A. M.,” C. J.

Entered
 March 28, 1933.
 Order Book Vol. 9 Fol. 178.
 Per “S. C. G.”

SYNOPSIS OF CONTENTS OF EXHIBITS

Nos. 1 to 7 INCLUSIVE

RECORD

*In the
Supreme Court
of British
Columbia*

Synopsis of
Contents
of Plaintiff's
Exhibits
No. 1 to No. 7

Included in Appeal Book by consent of both Counsel in lieu of copies of each Exhibit:

Exhibit No.	Insurance Co.	Policy No.	Amt.	Prem.	Expiry Date
1	Canada Security	905489	\$2,500	\$44.25	July 10, 1931
2	Fire Assn. of Philadelphia	E21205	5,000	88.50	July 10, 1931
3	Imperial Insurance Office	291964	5,500	97.35	May 16, 1931 ¹⁰
4	Home Fire & Marine Insurance Co.	189888	10,000	177.00	May 16, 1931
5	Eagle, Star and British Dominions	1056590	5,000	88.50	Jan. 20, 1932
6	Mount Royal Assurance Co.	7000075	5,000	88.50	Jan. 20, 1932
7	Union Fire Ins. Co. Ltd.—Paris	4017266	3,000	53.10	May 16, 1931 ²⁰

The Assured under each Policy is CAMERON LUMBER COMPANY LTD.

Copy of typewritten clause attached to each of the above Policies:

BUSINESS INTERRUPTION

\$.....On FIXED CHARGES, as hereinafter defined.

1. The conditions of this contract are that if the buildings situate on the west side of Garbally Road in the City of Victoria, Province of British Columbia, Insurance Plan Sheet 60, Block 1601, and occupied as a Lumber Manufacturing Plant by the 30

CAMERON LUMBER COMPANY, LIMITED.

and/or machinery and/or equipment contained therein, be destroyed or damaged by fire occurring during the term of this Policy so as to necessitate a total or partial suspension of business, this Company shall be liable under this policy for the actual loss sustained consisting of:

I. Such fixed charges and expenses as must necessarily continue during a total or partial suspension of business, to

the extent only that such fixed charges and expenses would have been earned had no fire occurred;

10 II. Such expenses as are necessarily incurred for the purpose of reducing the loss under this policy; for not exceeding such length of time, commencing with the date of the fire and not limited by the date of expiration of this policy, as shall be required with the exercise of due diligence and despatch to rebuild, repair or replace such part of said buildings and machinery and equipment as may be destroyed or damaged subject to the following conditions and limits, to wit:

20 2. TOTAL SUSPENSION CLAUSE: The per diem liability under this policy during the time of total suspension of business of all the properties described herein shall be limited to the "Actual Loss Sustained," not exceeding 1/300 of the amount of this Policy for each business day of such suspension, except that in the case of business being operated on Sundays and/or holidays, in which event the said per diem liability shall not exceed 1/365 of the amount of this Policy for each business day of such suspension, due consideration in either case being given to the experience of the business before the fire and the probable experience thereafter.

30 3. PARTIAL SUSPENSION CLAUSE: The per diem liability under this policy during the time of a partial suspension of business shall be limited to the "Actual Loss Sustained" not exceeding that proportion of the per diem liability that would have been incurred by a total suspension of business which the actual per diem loss sustained, during the time of such partial suspension, bears to the per diem loss which would have been sustained by a total suspension of business, for the same time, of all properties described herein, due consideration being given to the experience of the business before the fire and the probable experience thereafter.

4. The word "day" however modified, wherever used in this contract shall be held to cover a period of twenty-four hours.

40 5. It is a condition of this insurance that the insured shall not be entitled to compensation on account of loss which may be occasioned by any ordinance or law regulating or prohibiting construction or repair or buildings, or by the suspension, lapse or cancellation of any license or lease, or for any remote loss.

6. It is a condition of this insurance that as soon as practicable after any loss, the insured shall resume complete or partial operation of the property herein described and shall make use

RECORD

*In the
Supreme Court
of British
Columbia*

Synopsis of
Contents
of Plaintiff's
Exhibits
No. 1 to No. 7
(Cont'd)

RECORD
 In the
 Supreme Court
 of British
 Columbia

Synopsis of
 Contents
 of Plaintiff's
 Exhibits
 No. 1 to No. 7
 (Cont'd)

of other property if obtainable, if by so doing the amount of loss hereunder will be reduced, and in the event of the loss being so reduced such reduction shall be taken into account in arriving at the amount of the loss hereunder.

7. It is a condition of this insurance that surplus machinery or duplicate parts thereof, equipment or supplies, which may be owned, controlled or used by the assured shall, in the event of loss, be used in placing the property in condition for continuing or resuming business.

8. It is a condition of this insurance, if this Policy covers liability for suspension of business due to damage to or destruction of buildings, machinery and equipment only, that this Company shall not be liable for any loss due to damage to or destruction of any stock, whether raw or in process or finished. 10

9. It is a condition of this insurance that in case the insured and this Company are unable to agree as to the time necessary to rebuild, repair or replace the described property, and/or the value of the subject of this insurance, and/or the amount of loss thereon the same shall be determined by arbitrators in the manner provided by this policy, the provisions of which policy shall govern in all matters pertaining to this insurance except as herein otherwise provided. 20

10. The liability hereunder shall not exceed the amount of insurance by this policy, nor a greater proportion of any loss than the insurance hereunder shall bear to all insurance, whether valid or not, and whether collectible or not, covering in any manner the loss insured against by this Policy.

11. In the event of the insurance hereunder being reduced by payment of loss, such reduction shall apply only to the amount of the policy, the daily limit of liability being unaffected thereby. Other insurance permitted. 30

12. WATCHMAN'S CLAUSE: Inasmuch as the rate of premium payable under this policy is affected and/or modified by the user and/or condition and/or location and/or maintenance of the insured property, it is understood and agreed between the Company and the insured that whenever the property herein described is shut down at night or on Sundays or holidays or if for any reason is closed or idle or not in operation or work has ceased (not including the noon hour or any hour between ordinary shifts or the period of temporary breakdown not extending into the regular hours of watchman's service), due diligence shall be used by the insured to keep one or more watchmen with clock 40

service constantly on duty in, on and about the premises during such time.

13. **BREACH OF CONDITION CLAUSE:** If any breach of a clause or condition in this contract or policy of insurance shall occur prior to a loss under this policy, such break shall not void the policy nor avail the insurer to avoid liability, unless such breach shall exist at the time of such loss under this contract or policy, it being understood that such breach of a Clause or condition is applicable only to the specific property effected thereby.

10 14. **PERMISSION** is hereby granted to erect new structures, make additions, alterations and repairs without limit of time and without notice to this Company, this insurance to cover in or on same according to the wording of the items above; to generate and use steam, gas, electricity, kerosene or crude oil for heat, light, power and fuel; to shut down or cease operations and for the premises to be vacant in whole or in part for a period not to exceed thirty (30) days at any one time without notice; to work overtime, at night, Sundays or holidays; to let the premises in whole or in part for purposes not more hazardous.

20 Permission granted to keep and use the necessary quantities of all articles, things and materials incidental to the business conducted therein and for the operation of said plant, allowing fifty (50) pounds weight of gunpowder, anything in this policy to the contrary notwithstanding, subject, however, to certain conditions hereinafter provided; for the traffic, use, stabling, or housing of tractors and motor vehicles (the insured's or others), using gasoline as motive power, and also of other vehicles of all kinds, it being understood and agreed by the Assured that no artificial light (other than incandescent electric light) be permitted in the room when the reservoir of any machine or device using petroleum or any of its products of greater inflammability than kerosene oil is being filled or drawn on, provided, however, that no gasoline, except that contained in the reservoir of any tractor or motor vehicle, will be kept in the building where same are stabled or housed, and that no gasoline will be stored or kept in any building used as an oil house, permission being granted for storage of approximately 600 gallons of gasoline in cement tank and the maintenance of an approved pump, subject to provisions herein governing the drawing thereof or filling of the reservoir

30 of any machine or device from same. Notwithstanding anything herein contained, the use, keeping, allowing or storing on the within described premises of dynamite, fireworks, Greek fire, or other explosives is prohibited, unless a specific permit therefor is attached to this policy. It is understood and agreed that bonded

40

RECORD

*In the
Supreme Court
of British
Columbia*

Synopsis of
Contents
of Plaintiff's
Exhibits
No. 1 to No. 7
(Cont'd)

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 Synopsis of
 Contents
 of Plaintiff's
 Exhibits
 No. 1 to No. 7
 (Cont'd)

and/or other indebtedness and/or deeds of trust may exist on the property insured hereunder without prejudice to this insurance.

15. LIGHTNING CLAUSE: Except as provided in the Electrical Exemption Clause below, loss caused by Lightning (meaning thereby the commonly accepted use of the term Lightning, and in no case to include loss or damage by cyclone, tornado or windstorm) shall be deemed to be loss by Fire within the meaning of this contract, provided, however, that if there is any other Fixed Charges insurance on said property this Company shall be liable only for such proportion of any Fixed Charges loss caused by Lightning as the amount, hereby insured bears to the whole of the Fixed Charges insurance thereon whether such other insurance contains a similar clause or not. 10

16. ELECTRICAL EXEMPTION CLAUSE: It is a special condition of this policy that this Company shall not be liable for any Fixed Charges loss caused by lightning or other electrical currents artificial or natural damaging dynamos, excitors, lamps, switches, motors or other electrical appliances or devices, unless fire ensues, and then only for the Fixed Charges loss as may occur from resultant fire or fire originating outside of the machines themselves. 20

17. Loss, if any, subject however to all the terms and conditions of this Policy, payable to the Assured."

Counsel for the Appellants and Respondents have further agreed that each policy contains the Statutory Conditions applicable to Fire Policies appearing in Insurance Act 8, B. C. 1925, Chapter 20.

EXHIBIT No. 9.

THIS AGREEMENT made the first day of November, in the year of our Lord One Thousand Nine Hundred and Twenty-Nine.

BETWEEN :

CAMERON LUMBER COMPANY, LIMITED, of the City of Victoria, in the Province of British Columbia (hereinafter called the "Lumber Company"), of the First Part.

10 AND :

BRITISH COLUMBIA ELECTRIC RAILWAY COMPANY, LIMITED, of the City of Victoria, in the Province of British Columbia (hereinafter called the "Power Company"), of the Second Part.

WHEREAS the Lumber Company operates a lumber Mill on Lot "D," Garbally Road, in the City of Victoria, Province of British Columbia (hereinafter called the "Said premises"), and for its mill purposes generates electricity and has agreed with the Power Company to supply it with surplus electrical energy
20 for power purposes up to but not exceeding One Thousand (1,000) Kilowatts, which surplus electrical energy the lumber Company has agreed to supply on the terms and conditions hereinafter set forth.

NOW THEREFORE IT IS HEREBY MUTUALLY AGREED by and between the parties hereto as follows:—

1. The Lumber Company will subject to Clause Eleven (11) hereof) supply to the Power Company all the surplus electrical energy available from its power plant not required by the Lumber Company for its own mill purposes up to eight hundred (800)
30 Kilowatts at the switch board on the Lumber Company's premises, in the manner following, namely, up to eight hundred (800) Kilowatts between the hours of 4:30 o'clock in the afternoon and until the hour of 7:30 in the morning of the following day, and up to five hundred (500) Kilowatts from the hour of 7:30 o'clock in

RECORD

*In the
Supreme Court
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Plaintiff's
Exhibit
No. 9
Agreement
Cameron
Lumber Co. v.
B.C. Electric
Rly. Co.
Nov. 1, 1929

RECORD
 In the
 Supreme Court
 of British
 Columbia
 Plaintiff's
 Exhibit
 No. 9
 Agreement
 Cameron
 Lumber Co. v.
 B.C. Electric
 Rly. Co.
 Nov. 1, 1929
 (Cont'd)

the morning until 4:30 in the afternoon in each and every day during the months of November, December and January (in any calendar year) on each and every day, up to eight hundred (800) Kilowatts from 5:00 o'clock in the afternoon until the hour of 8:00 o'clock in the morning of the following day, and up to five hundred (500) Kilowatts from 8:00 o'clock in the morning until 5:00 o'clock in the afternoon during the term of this agreement or any extension thereof, which surplus electrical energy the Power Company agrees to accept and pay for at the rate of one-third of one cent (1/3c) for each and every Kilowatt hour of electrical energy so delivered during the term of this agreement or any extension thereof as measured by an integrating watt meter or meters to be installed for that purpose by the Power Company on the premises of the Lumber Company. 10

2. All electrical energy shall be metered at the 550 volt bus bar on the Lumber Company's premises. The meters with the necessary equipment shall be supplied and installed by the Power Company.

3. The Lumber Company shall provide on its premises space and suitable housing for the Power Company's transformers and in case water-cooled transformers are used by the Power Company, then the Lumber Company agrees to supply necessary cooling water provided however that the Power Company returns this cooling water, at their own expense, to the hot well in the boiler room of the Lumber Company. 20

4. In the event of a question arising as to the reliability of the said meter or meters, as the case may be, then either party hereto shall have the right to call for a testing of the said meter or meters by the local Inspector under the Electricity Inspection Act, Revised Statutes of Canada, 1927, Chapter 55, and any subsisting amendments thereto. 30

5. The Lumber Company agrees to provide the Power Company, free of charge, a right of way on the said premises between its power house and Garbally Road for the purpose of erecting (with all the necessary fixtures) and maintaining—during the term of this agreement or any extension thereof—a four thousand (4,000) volt three (3) phase pole line.

6. In case the Lumber Company desires to shut down its plant in any or each year during the term of this agreement or any extension thereof, for overhaul, then it is agreed that the Power Company shall for such period supply electrical energy to the Lumber Company up to a maximum of five hundred (500) horsepower at a rate of one and two-tenths (1.2) cents per Kilowatt hour, which electrical energy the Lumber Company agrees 40

to accept and pay the Power Company for at the rate mentioned at its office, corner of Fort and Langley Streets, in the said City, within thirty (30) days from the date of the Company's bill, without any deductions whatsoever. The date of such period for overhaul to be approved of by the Power Company.

RECORD
 In the
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7. The Lumber Company agrees that the employees of the Power Company shall at all reasonable hours be given free access to the said premises for the purpose of examining, testing, repairing or removing its property.

Plaintiff's
 Exhibit
 No. 9
 Agreement
 Cameron
 Lumber Co. v.
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 Nov. 1, 1929
 (Cont'd)

10 8. All electrical apparatus such as transformers and meters installed by the Power Company for the purpose of carrying out this agreement shall be at all times the property of the Power Company and the Lumber Company will protect the power Company's property against any damage except by fire, acts of God, the elements and by other causes beyond their control.

20 9. This agreement shall remain in force and effect for a period of five years from the date that the Lumber Company is ready to deliver surplus electrical energy to the Power Company under the terms of this agreement and notice to that effect, in writing, having been given to the Power Company, and it is further agreed that at the expiration of the said five year period this agreement shall be automatically renewed without alteration or variation in any manner whatsoever and shall continue in force and effect thereafter from year to year unless six months previous notice in writing is given by either party to the other of its intention to terminate this agreement either at the expiration of the said period or any extension thereof.

30 10. It is further agreed that the Lumber Company has the privilege to dispose of any surplus mill fuel or refuse that is not necessary to use in carrying out this agreement.

40 11. It is agreed between the Lumber Company and the Power Company that the Lumber Company shall at all times during the term of this agreement or any extension thereof be at liberty to supply to the Power Company surplus electrical energy to the full capacity of the transformers installed by the Power Company on the Lumber Company's premises for the purpose hereof, and should the quantity of surplus electrical energy delivered be greater than that set out in Clause One (1) hereof then the same shall be accepted, measured and paid for by the Power Company under terms and conditions as set out in Clause One (1) hereof.

12. It is agreed between the Power Company and the Lumber Company that should the Lumber Company desire to stop

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*In the
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Agreement
Cameron

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Nov. 1, 1929
(Cont'd)

operating its saw-mill on account of adverse market conditions or from any other cause whatsoever, it shall be at liberty so to do, but as a condition precedent it shall give the Power Company at least two weeks' notice in writing of its intention to do so (shut-down due to fire or accident to machinery or equipment excepted), and during the period of shut-down the Lumber Company will not be required to operate its power generating plant for the purpose of supplying surplus electrical energy to the Power Company.

13. In the event of the Lumber Company deciding to shut 10
down its saw-mill and giving to the Power Company notice in
writing of its intention so to do as provided in Clause Twelve
(12) hereof, and the Lumber Company stop supplying surplus
electrical energy to the Power Company as set out in Clause One
(1) hereof, then the Power Company shall be permitted, during
such shut-down period, to take over the operation of the Lumber
Company's generating plant, supplying all necessary fuel, labour
and supplies incidental thereto which may be necessary therefor,
which shall include all fresh water used by the Power Company
in the circumstances, all of which shall be done at the expense of 20
the Power Company, and the electrical energy so generated by
the Power Company during such shut-down period may be used
by the Power Company free of charge.

14. It is agreed between the Power Company and the Lum-
ber Company that when the power generating plant of the Lum-
ber Company is taken over and operated by the Power Company,
such power generating plant will be returned by the Power Com-
pany to the Lumber Company at any time on one week's notice
in writing by the Lumber Company to the Power Company
requiring it so to do, when it will be returned to the Lumber 30
Company in as good an operating condition as that in which it
was received by the Power Company, ordinary wear and tear
excepted.

15. Any notice required to be given hereunder by either
party to the other shall be deemed to be well and sufficiently given
if directed under registered cover in the manner following: that
is to say, to the Lumber Company—

Cameron Lumber Company, Limited,
355 Garbally Road, Victoria, B. C.

and to the Power Company—

British Columbia Electric Railway Company, Limited,
1016 Langley Street, Victoria, B. C.

16. This agreement shall enure to the benefit of and be binding upon the parties hereto, their successors and assigns respectively.

IN WITNESS WHEREOF the parties hereto have hereunto set their hands, the day and year first above written.

10 SIGNED AND DELIVERED BY as for and on behalf of the Cameron Lumber Company, Limited, in the presence of: "A. D. K." "H. BARNES"

CAMERON LUMBER CO. LTD. "J. O. CAMERON," Pres. "A. W. MILLAR," Sec'y. Treas.

RECORD In the Supreme Court of British Columbia Plaintiff's Exhibit No. 9 Agreement Cameron Lumber Co. v. B.C. Electric Rly. Co. Nov. 1, 1929 (Cont'd)

20 SIGNED AND DELIVERED BY "ALBERT T. GOWARD" as Vice-President for and on behalf of the British Columbia Electric Railway Company Limited, in the presence of: "ATWELL D. KING," 543 Linden Ave., Victoria, B. C. Solicitor.

BRITISH COLUMBIA ELECTRIC RAILWAY COMPANY, LIMITED Per "A. T. GOWARD"

EXHIBIT No. 10 Plan of Cameron Mill omitted.

Exhibit No. 10 Omitted.

EXHIBIT No. 20 Photos of Burnt Mill omitted.

Exhibit No. 20 Omitted

EXHIBIT No. 8

OPERATING STATEMENT FOR MONTH OF JANUARY 1930 AND
 COMPARISON WITH YEAR 1929

	F. B. M.	Amount	Ave. Per M.	Ave. Jan. 1929	Ave. 12 Mos. 1929
LOGS					
Inventory at Beginning	3,096,340	45,923.35	14.83	12.54	12.54
Logs Purchased	1,093,381	16,587.14	15.17	15.42	14.87
Total	4,189,721	62,510.49	14.92	12.92	14.54
Less Inventory at this Date	1,649,166	24,542.16	14.88	12.54	14.83
Cost of Logs Disposed of	2,540,555	37,968.33	14.94	13.24	14.52
Disposition to Lumber Mill	2,540,555	37,968.33	14.94	13.34	14.57
" Others				13.13	14.42
Total	2,540,555	37,968.33	14.94	13.24	14.52
LUMBER					
Logs Cut	2,540,555	37,968.33	14.94	13.34	13.98
Manufacturing Expenses—Labour	2,540,555	16,093.60	6.33	4.97	5.58
" Supplies & Repairs		4,317.47	1.70	2.07	2.67
Fire Insurance		1,068.64	.42	.27	.41
Accident Insurance W. C. B.		539.50	.21	.19	.19
General & Administration		2,946.05	1.17	.95	1.07
Total Manufacturing Exp. (Excl. Logs)	2,540,555	24,965.26	9.83	8.45	9.87

Total Cost of Manufacturing (Incl. Logs)	2,540,555	62,933.59	24.77	21.79	23.85
Lumber Inventory at Beginning	9,282,526	139,237.86	15.00	15.00	15.00
Lumber purchased	144,887	4,407.68	30.42	28.58	32.37
Total Value of Lumber	11,967,968	206,579.13	17.26	16.89	23.55
Less Inventory at this Date	10,006,482	150,097.20	15.00	15.00	15.00
Value of Lumber Sold	1,961,486	56,481.93	28.80	25.77	25.80
Add Shipping Expense & Labour		2,460.61	1.25	1.48	1.30
“ Selling		1,408.81	.72	1.09	.58
Total Value of Lumber Sold		60,351.35	30.77	28.34	27.68
Lumber Value F. O. B.		58,067.05	29.61	28.89	27.43
LUMBER LOSS		2,284.30	1.16	.55	(Loss .25)

NET REVENUE FROM BY-PRODUCTS

Wood, Lath, Shingles, Box Factory,
Sash & Doors, Teaming, Properties,
Rentals, Power & Miscellaneous

PROFIT

Less—Financial, Expense, Interest,
Discount, Etc.

PROFIT AS PER BALANCE SHEET:

5,977.48
3,693.18
1,635.00
2,058.18

RECORD

*In the
Supreme Court
of British
Columbia*

Defendants'
Exhibit
No. 8
Comparative
Statement
January, 1930
(Cont'd)

Total Cost of Manufacturing (Incl. Logs)	3,112,350	75,266.66	24.18	21.40	23.85	5,652,905	138,200.25	24.45	21.59
Lumber Inventory at Beginning	10,006,482	150,097.20	15.00	15.00	15.00	9,282,526	139,237.86	15.00	15.00
Lumber purchased	228,108	7,668.33	33.62	32.85	32.37	372,995	12,076.01	32.38	32.46
<hr/>									
Total Value of Lumber	13,346,940	233,032.19	17.46	17.31	23.55	15,308,426	289,514.12	18.91	18.43
Less Inventory at this Date	10,398,693	155,980.36	15.00	15.00	15.00	10,398,693	155,980.36	15.00	15.00
<hr/>									
Value of Lumber Sold	2,948,247	77,051.83	26.13	25.77	25.80	4,909,733	133,533.76	27.20	25.77
Add Shipping Expense & Labour		3,295.33	1.12	1.28	1.30		5,755.94	1.17	1.36
" Selling		1,510.91	.51	.69	.58		2,919.72	.59	.86
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Total Value of Lumber Sold	81,858.07	27.76	27.74	27.68		142,209.42	28.96	27.99	
Lumber Value F. O. B.	96,240.73	32.64	27.97	27.43		154,307.78	31.43	28.36	
<hr/>									
LUMBER PROFIT	14,382.66	4.88	.23	(.25 Loss)		12,098.36	2.47	.37	

NET REVENUE FROM BY-PRODUCTS

Wood, Lath, Shingles, Box Factory,
Sash & Doors, Teaming, Properties,
Rentals, Power & Miscellaneous

PROFIT

Less—Financial, Expense, Interest,
Discount, Etc.

PROFIT AS PER BALANCE SHEET:

4,359.83	10,337.31
<hr/>	<hr/>
18,742.49	22,435.67
1,192.43	2,827.43
<hr/>	<hr/>
17,550.06	19,608.24

RECORD
*In the
 Supreme Court
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 Columbia*
 Defendants'
 Exhibit
 No. 8
 Comparative
 Statement
 February, 1930
 (Cont'd)

Total Cost of Manufacturing (Incl. Logs)	2,943,016	71,597.71	24.33	25.70	23.85	8,595,921	209,797.96	24.40	22.74
Lumber Inventory at Beginning	10,398,693	155,980.36	15.00	15.00	15.00	9,282,526	139,237.86	15.00	15.00
Lumber purchased	611,804	21,378.51	34.94	30.67	32.37	984,799	33,454.52	33.97	33.71
Total Value of Lumber	13,953,513	248,956.58	17.84	17.29	23.55	18,863,246	382,490.34	20.28	19.60
Less Inventory at this Date	10,853,499	162,802.45	15.00	15.00	15.00	10,853,499	162,802.45	15.00	15.00
Value of Lumber Sold	3,100,014	86,154.13	27.79	23.82	25.80	8,009,747	219,687.89	27.42	24.98
Add Shipping Expense & Labour		3,795.13	1.22	1.43	1.30		9,551.07	1.19	1.39
“ Selling		1,754.10	.57	.68	.58		4,673.82	.59	.78
Total Value of Lumber Sold	91,703.36	29.58	25.93	27.68			233,912.78	29.20	27.15
Lumber Sales F. O. B.	82,319.18	26.55	29.95	27.43			236,626.96	29.54	29.01
LUMBER LOSS	9,384.18	3.03	4.02	(.25 Loss)	Gain: 2,714.18			.34	1.86
PROFIT ON SALE OF LOGS									
NET REVENUE FROM BY-PRODUCTS									
Wood, Lath, Shingles, Box Factory,							14,474.51		
Sash & Doors, Teaming, Properties,									
Rentals, Power & Miscellaneous									
LOSS	4,137.20	5,246.98			GAIN:		17,188.69		
ADD—Financial, Expense, Interest,					Less:		4,954.14		
Discount, Etc.									
LOSS AS PER BALANCE SHEET:	\$7,373.69				GAIN:		\$12,234.55		

RECORD
 In the
 Supreme Court
 of British
 Columbia
 Defendants'
 Exhibit
 No. 8
 Comparative
 Statement
 March, 1930
 (Cont'd)

EXHIBIT No. 8

OPERATING STATEMENT FOR MONTH OF APRIL, 1930 AND
 COMPARISON WITH YEAR 1929

	F. B. M.	Amount	Avg. Per M. Apr. 1929	Avg. 12 Mos. 1929	Avg. 4 Mos. ending Apr. 30, 1930	Avg. 4 Mos. 1929
LOGS						
Inventory at Beginning	2,777,412	38,201.45	13.75	13.45	3,096,340	45,923.35
Logs Purchased	4,262,728	62,465.21	14.65	14.43	12,564,496	185,895.70
Total	7,040,140	100,666.66	14.30	14.05	15,660,836	231,819.05
Less Inventory at this Date	4,166,640	56,073.59	13.46	13.37	4,166,640	56,073.59
Cost of Logs Disposed of	2,873,500	44,593.07	15.52	14.49	11,494,196	175,745.46
Disposition to Lumber Mill						
" " Others	2,844,176	44,222.52	15.55	14.33	11,440,097	174,711.82
	29,324	370.55	12.64	14.62	54,099	1,033.64
Total	2,873,500	44,593.07	15.52	14.49	11,494,196	175,745.46
LUMBER						
Logs Ct.	2,844,176	44,222.52	15.55	14.33	11,440,097	174,711.82
Manufacturing Expenses—Labour						
" " Supplies & Repairs	2,844,176	14,597.77	5.13	5.38	11,440,097	61,120.14
Fire Insurance		3,787.01	1.33	3.28		23,705.72
Accident Insurance W. C. B.		1,067.48	.38	.25		4,375.17
General & Administration		526.57	.19	.20		2,167.22
		2,999.83	1.05	.77		10,919.07
Total Manufacturing Exp. (Excl. Logs)	2,844,176	22,978.66	8.08	9.88	11,440,097	102,287.32
						8.94
						9.41

Total Cost of Manufacturing (Incl. Logs)	2,844,176	67,201.18	23.63	24.21	23.85	11,440,097	276,999.14	24.21	23.17
Lumber Inventory at Beginning	10,833,499	162,802.45	15.00	15.00	15.00	9,282,526	139,237.86	15.00	15.00
Lumber purchased	667,024	24,469.58	36.68	34.50	32.37	1,651,823	57,924.10	35.07	34.10
Total Value of Lumber	14,364,699	254,473.21	17.71	18.33	23.55	22,374,446	474,161.10	21.19	20.81
Less Inventory at this Date	11,048,112	165,721.65	15.00	15.00	15.00	11,048,112	165,721.65	15.00	15.00
Value of Lumber Sold	3,316,587	88,751.56	26.76	25.58	25.80	11,326,334	308,439.45	27.23	25.18
Add Shipping Expense & Labour		3,773.74	1.14	.91	1.30		13,324.81	1.18	1.23
“ Selling		1,588.30	.48	.47	.58		6,262.12	.55	.67
Total Value of Lumber Sold	94,113.60	28.38	28.38	26.96	27.68	328,026.38	28.96	28.96	27.03
Lumber Sales F. O. B.	90,462.19	27.28	27.28	27.84	27.43	327,089.15	28.88	28.88	28.60
LUMBER LOSS	3,651.41	1.10	.88	(.25 Loss)	Loss: 937.23		.08	1.52	
Rebate Timber Tax on Logs—Less Solicitors' Fees	4,414.70				4,414.70				
NET REVENUE FROM BY-PRODUCTS Wood, Lath, Shingles, Box Factory, Sash & Doors, Teaming, Properties, Rentals, Power & Miscellaneous	4,855.86				19,330.37				
PROFIT	5,619.15				22,807.84				
Less—Financial, Expense, Interest, Discount, Debenture, Etc.	2,338.63				7,292.77				
PROFIT AS PER BALANCE SHEET:	\$3,280.52				\$15,515.07				

RECORD
 In the
 Supreme Court
 of British
 Columbia
 Defendants'
 Exhibit
 No. 8
 Comparative
 Statement
 April, 1930
 (Cont'd)

EXHIBIT No. 8

OPERATING STATEMENT FOR MONTH OF MAY 1930 AND
 COMPARISON WITH YEAR 1929

	F. B. M.	Amount	Avg. Per M. May 1929	Avg. May 1929	12 Mos. 1929	Avg. 5 Mos. ending May 31, 1930	Amount	Avg. 5 Mos. 1929
LOGS								
Inventory at Beginning	4,166,640	56,073.59	13.46	13.37	12.54	3,096,340	45,923.35	14.83
Logs Purchased	4,971,059	71,831.66	14.45	14.68	14.87	17,535,555	257,727.36	14.69
Total	9,137,699	127,905.25	14.00	14.16	14.54	20,631,895	303,650.71	14.72
Less Inventory at this Date	6,263,336	85,088.68	13.59	14.00	14.83	6,263,336	85,088.68	13.59
Cost of Logs Disposed of	2,874,363	42,816.57	14.90	14.55	14.52	14,368,559	218,562.03	15.21
LUMBER								
Disposition to Lumber Mill	2,845,667	42,334.33	14.85	14.85	14.57	14,285,764	217,046.15	15.19
“ “ Others	28,696	482.24	16.81	13.69	14.42	82,795	1,515.88	18.31
Total	2,874,363	42,816.57	14.90	14.55	14.52	14,368,559	218,562.03	15.21
Manufacturing Expenses—Labour								
“ “ Supplies & Repairs	2,845,667	42,334.33	14.88	14.85	13.98	14,285,764	217,046.15	15.19
“ “ Fire Insurance	14,579.91	5.12	7.11	5.58	2.67	14,285,764	75,700.05	5.30
“ “ Accident Insurance	4,551.15	1.60	2.80	3.35	.41	28,256.87	1.98	2.59
“ “ W. C. B. General & Administration	987.71	.35	.18	.26	.19	5,362.88	.38	.29
	522.18	.18	.79	1.52	1.07	2,689.40	.18	.22
	2,237.32	.79	8.04	12.04	9.87	13,156.39	.92	1.01
Total Manufacturing Exp. (Excl. Logs)	2,845,667	22,878.27	8.04	12.04	9.87	14,285,764	125,165.59	8.76
								9.90

Total Cost of Manufacturing (Incl. Logs)	2,845,667	65,212.60	22.92	26.89	23.85	14,285,764	342,211.74	23.95	23.86
Lumber Inventory at Beginning	11,048,112	165,721.65	15.00	15.00	15.00	9,282,526	139,237.86	15.00	15.00
Lumber purchased	678,654	22,431.87	33.05	32.85	32.37	2,330,477	80,355.97	34.48	33.92
Total Value of Lumber	14,572,433	253,366.12	17.39	18.01	23.55	25,898,767	561,805.57	21.69	21.61
Less Inventory at this Date	11,089,710	166,345.62	15.00	15.00	15.00	11,089,710	166,345.62	15.00	15.00
Value of Lumber Sold	3,482,723	87,020.50	24.98	25.14	25.80	14,809,057	395,459.95	26.71	25.17
Add Shipping Expense & Labour		3,618.51	1.04	1.09	1.30		16,943.32	1.14	1.20
“ Selling		1,611.93	.46	.52	.58		7,874.05	.53	.64
Total Value of Lumber Sold	92,250.94	26.48	26.75	27.68		420,277.32	28.38	28.38	27.01
Lumber Sales F. O. B.	92,543.25	26.57	28.40	27.43		419,632.40	28.34	28.34	28.56
LUMBER PROFIT	292.31	.09	1.65	(.25 Loss)	Loss: 644.92		.04	1.55	
NET REVENUE FROM BY-PRODUCTS									
Wood, Lath, Shingles, Box Factory,						28,362.57			
Sash & Doors, Teaming, Properties,		4,617.50							
Rentals, Power & Miscellaneous									
PROFIT	4,909.81					27,717.65			
LESS—Financial, Expense, Discount,									
Interest, Etc.	1,886.11					9,178.88			
PROFIT AS PER BALANCE SHEET:	\$3,023.70					\$18,538.77			

Total Cost of Manufacturing (Incl. Logs)	2,261,845	56,738.30	25.08	22.37	23.85	16,547,609	398,950.04	24.11	23.57
Lumber Inventory at Beginning	11,089,710	166,345.62	15.00	15.00	15.00	9,282,526	139,237.86	15.00	15.00
Lumber purchased	770,203	24,472.16	31.77	34.05	32.37	3,100,680	104,828.13	33.81	33.95
Total Value of Lumber	14,121,758	247,556.08	17.53	18.04	23.55	28,930,815	643,016.03	22.23	21.99
Less Inventory at this Date	11,480,225	172,203.35	15.00	15.00	15.00	11,480,225	172,203.35	15.00	15.00
Value of Lumber Sold	2,641,533	75,352.73	28.53	23.05	25.80	17,450,590	470,812.68	26.98	24.68
Add Shipping Expense & Labour		3,338.62	1.26	1.00	1.30		20,281.94	1.16	1.15
" Selling		1,806.23	.68	.42	.58		9,680.28	.56	.59
Total Value of Lumber Sold	80,497.58	30.47	24.47	27.68		500,774.90	28.70	26.42	
Lumber Sales F. O. B.	73,151.22	27.69	26.19	27.43		492,783.62	28.24	28.01	
LUMBER LOSS	7,346.36	2.78	1.72	(.25 Loss)		7,991.28	.46	1.57	
NET REVENUE FROM BY-PRODUCTS									
Wood, Lath, Shingles, Box Factory,						33,811.29			
Sash & Doors, Teaming, Properties,									
Rentals, Power & Miscellaneous	5,448.72								
LOSS	1,897.64					PROFIT 25,820.01			
ADD—Financial, Expense, Interest,									
Discount, Etc.	1,817.04					LESS 10,995.92			
LOSS AS PER BALANCE SHEET:	3,714.68					PROFIT 14,824.09			

RECORD
 In the
 Supreme Court
 of British
 Columbia
 Defendants'
 Exhibit
 No. 8
 Comparative
 Statement
 June, 1930
 (Cont'd)

EXHIBIT No. 8
 OPERATING STATEMENT FOR MONTH OF JULY 1930 AND
 COMPARISON WITH YEAR 1929

	F. B. M.	Amount	Avg. Per M.	Avg. July 1929	12 Mos. 1929	Avg. July 1930	7 Mos. ending July 31, 1930	Amount	Avg. 7 Mos. 1929	Avg. 7 Mos. 1930
LOGS										
Inventory at Beginning	5,808,858	77,709.94	13.38	14.25	12.54	3,096,340	45,923.35	14.83	12.54	12.54
Logs Purchased	1,123,133	15,913.59	14.17	15.66	14.87	20,719,952	304,221.65	14.68	14.72	14.72
Total	6,931,991	93,623.53	13.51	14.60	14.54	23,816,292	350,145.00	14.70	14.30	14.30
Less Inventory at this Date	4,508,715	59,781.34	13.37	14.36	14.83	4,508,715	59,781.34	13.26	14.36	14.36
Cost of Logs Disposed of	2,423,276	33,842.19	13.97	15.17	14.52	19,307,577	290,363.66	15.04	14.28	14.28
Disposition to Lumber Mill	2,392,758	33,452.54	13.98	15.61	14.57	19,040,367	285,922.69	15.02	14.18	14.18
“ “ Others	30,518	389.65	12.77	14.10	14.42	267,210	4,440.97	16.62	14.40	14.40
Total	2,423,276	33,842.19	13.97	15.17	14.52	19,307,577	290,363.66	15.04	14.28	14.28
LUMBER										
Logs Cut	2,392,758	33,452.54	13.98	15.61	13.98	18,940,367	285,922.69	15.10	14.05	14.05
Manufacturing Expenses—Labour	2,392,758	12,941.09	5.40	6.41	5.58	18,940,367	101,378.14	5.35	5.76	5.76
“ “ Supplies & Repairs		2,637.27	1.10	2.48	2.67		34,931.80	1.85	2.58	2.58
Fire Insurance		1,725.02	.73	.62	.41		8,901.60	.47	.38	.38
Accident Insurance W. C. B.		461.27	.19	.23	.19		3,605.72	.19	.21	.21
General & Administration		3,174.00	1.33	1.16	1.07		18,601.28	.98	1.00	1.00
Total Manufacturing Exp. (Excl. Logs)	2,392,758	20,938.65	8.75	10.90	9.87	18,940,367	167,418.54	8.84	9.93	9.93

Total Cost of Manufacturing (Incl. Logs)	2,392,758	54,391.19	22.73	26.51	23.85	18,940,367	453,341.23	23.94	23.98
Lumber Inventory at Beginning	11,480,225	172,203.35	15.00	15.00	15.00	9,282,526	139,237.86	15.00	15.00
Lumber purchased	373,964	12,037.65	32.19	34.78	32.37	3,474,644	116,865.78	33.63	34.15
Total Value of Lumber	14,246,947	238,632.19	16.75	19.19	23.55	31,697,537	709,444.87	22.38	22.70
Less Inventory at this Date	11,168,520	167,527.78	15.00	15.00	15.00	11,168,520	167,527.78	15.00	15.00
Value of Lumber Sold	3,078,427	71,104.41	23.09	27.29	25.80	20,529,017	541,917.09	26.40	25.08
Add Shipping Expense & Labour		2,980.06	.97	1.25	1.30		23,262.00	1.13	1.18
“ Selling		1,571.73	.52	.52	.58		11,252.01	.55	.58
Total Value of Lumber Sold	75,656.20	24.58	24.58	29.06	27.68		576,431.10	28.08	26.84
Lumber Sales F. O. B.	78,743.32	25.58	25.58	28.90	27.43		571,526.94	27.84	28.15
LUMBER PROFIT	3,087.12	1.00(Loss .16)	(.25 Loss)	Loss: 4,904.16	.24		1.31		
NET REVENUE FROM BY-PRODUCTS									
Wood, Lath, Shingles, Box Factory,									
Sash & Doors, Teaming, Properties,	2,456.10					36,267.39			
Rentals, Power & Miscellaneous									
PROFIT	5,543.22					31,363.23			
Less—Financial, Expense, Interest,	2,087.49					13,083.41			
Discount, Etc.									
PROFIT AS PER BALANCE SHEET:	3,455.73					18,279.82			

RECORD

In the
Supreme Court
of British
Columbia

Defendants'
Exhibit
No. 8
Comparative
Statement
July, 1930
(Cont'd)

EXHIBIT No. 8
OPERATING STATEMENT FOR MONTH OF AUGUST 1930 AND
COMPARISON WITH YEAR 1929

	F. B. M.	Amount	Avg. Per M.	Avg. 12 Mos. 1929	Avg. 8 Mos. ending Aug. 1929	F. B. M.	Amount	Avg. 8 Mos. 1930
LOGS								
Inventory at Beginning	4,508,715	59,781.34	13.37	14.36	12.54	3,096,340	45,923.35	14.83
Logs Purchased		1,205.68		14.47	14.87	20,719,952	305,427.33	14.74
Total	4,508,715	60,987.02	13.53	14.39	14.54	23,816,292	351,350.68	14.75
Less Inventory at this Date	2,693,239	35,638.59	13.23	13.34	14.83	2,693,239	35,638.59	13.23
Cost of Logs Disposed of	1,815,476	25,348.43	13.96	14.97	14.52	21,123,053	315,712.09	14.95
Disposition to Lumber Mill	1,808,972	25,258.26	13.96	15.65	14.57	20,849,339	311,180.95	14.93
“ Others	6,504	90.17	13.86	14.44	14.42	273,714	4,531.14	16.55
Total	1,815,476	25,348.43	13.96	14.97	14.52	21,123,053	315,712.09	14.95
LUMBER								
Logs Cut	1,808,972	25,258.26	13.96	15.65	13.98	20,749,339	311,180.95	15.00
Manufacturing Expenses—Labour	1,808,972	11,773.83	6.51	5.51	5.58	20,749,339	113,151.97	5.46
“ Supplies & Repairs		2,941.75	1.63	2.40	2.67		37,873.55	1.82
Fire Insurance		1,571.71	.87	.41	.41		10,473.31	.50
Accident Insurance W. C. B.		412.40	.22	.20	.19		4,018.12	.19
General & Administration		2,150.87	1.19	.93	1.07		20,752.15	1.00
Total Manufacturing Exp. (Excl. Logs)	1,808,972	18,850.56	10.42	9.45	9.87	20,749,339	186,269.10	8.97

Total Cost of Manufacturing (Incl. Logs)	1,808,972	44,108.82	24.38	25.10	23.85	20,749,339	497,450.05	23.97	24.15
Lumber Inventory at Beginning	11,168,520	167,527.78	15.00	15.00	15.00	9,282,526	139,237.86	15.00	15.00
Lumber purchased	253,384	8,214.70	32.42	32.53	32.37	3,728,028	125,080.48	33.55	33.86
Total Value of Lumber	13,230,876	219,851.30	16.62	19.05	23.55	33,759,893	761,768.39	22.56	23.12
Less Inventory at this Date	10,897,062	163,455.91	15.00	15.00	15.00	10,897,062	163,455.91	15.00	15.00
Value of Lumber Sold	2,333,814	56,395.39	24.16	27.39	25.80	22,862,831	598,312.48	26.17	25.41
Add Shipping Expense & Labour		2,768.60	1.19	1.96	1.30		26,030.60	1.14	1.28
“ Selling		1,513.31	.65	.55	.58		12,765.32	.56	.57
Total Value of Lumber Sold	60,677.30	26.00	26.00	29.90	27.68	637,108.40	27.87	27.87	27.26
Lumber Sales F. O. B.	53,941.42	23.11	23.11	28.15	27.43	625,468.36	27.36	27.36	28.15
LUMBER LOSS	6,735.88	2.89	2.89	1.75	(.25 Loss)	Loss: 11,640.04	.51	.51	.89
NET REVENUE FROM BY-PRODUCTS									
Wood, Lath, Shingles, Box Factory,									
Sash & Doors, Teaming, Properties,							41,761.83		
Rentals, Power & Miscellaneous	5,494.44								
LOSS	1,241.44					GAIN:	30,121.79		
PLUS—Financial, Expense, Interest									
Discount, Etc.	1,414.67						14,498.08		
LOSS AS PER BALANCE SHEET:	2,656.11					PROFIT	15,623.71		

RECORD
 In the
 Supreme Court
 of British
 Columbia
 Defendants'
 Exhibit
 No. 8
 Comparative
 Statement
 August, 1930
 (Cont'd)

EXHIBIT No. 8

OPERATING STATEMENT FOR MONTH OF SEPTEMBER 1930 AND
 COMPARISON WITH YEAR 1929

	F. B. M.	Amount	Avg. Per M.	Avg. Sept. 1929	12 Mos. 1929	Avg. F. B. M.	9 Mos. ending Sept. 1929	Amount	Avg. Sept. 1929	30/30	Avg. 9 Mos. 1929
LOGS											
Inventory at Beginning	2,693,239	35,638.59	13.23	13.34	12.54	3,096,340	45,923.35	14.83	14.83	14.83	12.54
Logs Purchased	4,394,517	57,165.47	13.01	15.65	14.87	25,114,469	362,592.80	14.44	14.44	14.44	14.79
Total	7,087,756	92,804.06	13.09	14.50	14.54	28,210,809	408,516.15	14.48	14.48	14.48	14.42
Less Inventory at this Date	4,824,334	62,782.62	13.01	14.66	14.83	4,824,334	62,782.62	13.01	13.01	13.01	14.66
Cost of Logs Disposed of	2,263,422	30,021.44	13.26	14.28	14.52	23,386,475	345,733.53	14.78	14.78	14.78	14.39
LUMBER											
Disposition to Lumber Mill	2,241,981	29,818.54	13.30	14.24	14.57	23,091,320	340,999.49	14.77	14.77	14.77	14.38
“ “ Others	21,441	202.90	9.46	21.61	14.42	295,155	4,734.04	16.04	16.04	16.04	14.41
Total	2,263,422	30,021.44	13.26	14.28	14.52	23,386,475	345,733.53	14.78	14.78	14.78	14.39
LUMBER											
Logs Cut including overrun 124,348'	2,366,329	29,818.54	12.60	12.52	13.98	23,115,668	340,999.49	14.75	14.75	14.75	14.02
Manufacturing Expenses—Labour	2,366,329	11,050.50	4.67	4.36	5.58	23,115,668	124,202.47	5.37	5.37	5.37	5.51
“ “ Supplies & Repairs		2,419.20	1.02	2.56	2.67		40,292.75	1.74	1.74	1.74	2.56
Fire Insurance		1,502.67	.64	.40	.41		11,975.98	.52	.52	.52	.39
Accident Insurance W. C. B.		401.45	.17	.16	.19		4,419.57	.20	.20	.20	.20
General & Administration		5,194.66	2.19	1.52	1.07		25,946.81	1.12	1.12	1.12	1.07
Total Manufacturing Exp. (Excl. Logs)	2,366,329	20,568.48	8.69	9.00	9.87	23,115,668	206,837.58	8.95	8.95	8.95	9.73

Total Cost of Manufacturing (Incl. Logs)	2,366,329	50,387.02	21.29	21.52	23.85	23,115,668	547,837.07	23.70	23.75
Lumber Inventory at Beginning	10,897,062	163,455.91	15.00	15.00	15.00	9,282,526	139,237.86	15.00	15.00
Lumber purchased	145,885	4,168.52	28.57	31.81	32.37	3,873,913	129,249.00	33.36	33.57
Total Value of Lumber	13,409,276	218,011.45	16.26	18.00	23.55	36,272,107	816,323.93	22.51	23.09
Less Inventory at this Date	10,997,062	164,955.91	15.00	15.00	15.00	10,997,062	164,955.91	15.00	15.00
Value of Lumber Sold	2,412,214	53,055.54	22.00	23.22	25.80	25,275,045	651,368.02	25.77	25.10
Add Shipping Expense & Labour		2,758.38	1.14	.98	1.30		28,788.98	1.14	1.22
“ Selling		1,748.75	.72	.41	.58		14,514.07	.57	.55
Total Value of Lumber Sold		57,562.67	23.86	24.61	27.68		694,671.07	27.48	26.87
Lumber Sales F. O. B.		50,680.96	21.01	25.04	27.43		676,149.32	26.75	27.69
LUMBER LOSS		6,881.71	2.85(Gain .43)	(.25 Loss)			18,521.75	.73(Gain .82)	
NET REVENUE FROM BY-PRODUCTS									
Wood, Lath, Shingles, Box Factory, Sash & Doors, Teaming, Properties, Rentals, Power & Miscellaneous		7,272.62					49,034.45		
PROFIT		390.91					30,512.70		
Less—Financial, Expenses, Interest, Discount, Etc.		1,281.48					15,779.56		
LOSS AS PER BALANCE SHEET:		890.57					PROFIT 14,733.14		

RECORD
 In the
 Supreme Court
 of British
 Columbia
 Defendants'
 Exhibit
 No. 8
 Comparative
 Statement
 Sept., 1930
 (Cont'd)

EXHIBIT No. 8
 OPERATING STATEMENT FOR MONTH OF NOVEMBER 1930 AND
 COMPARISON WITH YEAR 1929

	F. B. M.	Amount	Avg. Per M.	Avg. Nov. 1929	Avg. 12 Mos. 1929	F. B. M. Amount	Avg. Nov. 30, 1930	Avg. 11 Mos. 1930
LOGS								
Inventory at Beginning	2,947,713	37,769.90	12.81	14.67	12.54	3,096,340	45,923.35	14.83
Logs Purchased	5,351,115	69,323.34	12.95	14.89	14.87	30,986,543	438,465.01	14.15
Total	8,298,828	107,093.24	12.90	14.74	14.54	34,082,883	484,388.36	14.21
Less Inventory at this Date	6,099,878	78,868.81	12.93	14.11	14.83	6,099,878	78,868.81	12.93
Cost of Logs Disposed of	2,198,950	28,224.43	12.84	15.40	14.52	27,983,005	405,519.55	14.49
LUMBER								
Disposition to Lumber Mill	2,185,385	28,066.75	12.84	15.40	14.57	27,623,025	399,406.98	14.46
“ “ Others	13,565	157.68	11.62	14.56	14.42	359,980	6,112.57	16.98
Total	2,198,950	28,224.43	12.84	15.40	14.52	27,983,005	405,519.55	14.49
Manufacturing Expenses—Labour								
“ “ Supplies & Repairs	2,185,385	28,066.75	12.84	15.40	13.98	27,647,373	399,406.98	14.45
“ “ Fire Insurance	2,185,385	10,899.57	4.99	5.74	5.58	27,647,373	146,844.39	5.31
“ “ Accident Insurance W. C. B.		3,794.81	1.74	2.95	2.67		47,125.96	1.70
“ “ General & Administration		1,651.73	.76	.57	.41		14,956.79	.54
Total Manufacturing Exp. (Excl. Logs)	2,185,385	18,938.43	8.67	10.27	9.87	27,647,373	244,819.29	8.85

Total Cost of Manufacturing (Incl. Logs)	2,185,385	47,005.18	21.51	25.67	23.85	27,647,373	644,226.27	23.30	24.18
Lumber Inventory at Beginning	11,042,290	165,634.33	15.00	15.00	15.00	9,282,526	139,237.86	15.00	15.00
Lumber purchased	344,633	7,740.96	22.46	24.68	32.37	4,406,834	141,987.35	32.22	32.56
Total Value of Lumber	13,572,308	220,380.47	16.23	18.51	23.55	41,336,733	925,451.48	22.39	25.71
Less Inventory at this Date	10,794,603	161,919.02	15.00	15.00	15.00	10,794,603	161,919.02	15.00	15.00
Value of Lumber Sold	2,777,705	58,461.45	21.05	30.54	25.80	30,542,130	763,532.46	25.00	25.86
Add Shipping Expense & Labour		2,728.97	.98	1.65	1.30		34,419.89	1.13	1.28
“ Selling		1,460.80	.53	.87	.58		17,387.79	.56	.56
Total Value of Lumber Sold	62,651.22	22.55	22.55	33.06	27.68		815,340.14	26.69	27.70
Lumber Sales F. O. B.	49,390.60	17.78	17.78	28.45	27.43		774,688.08	25.36	27.63
LUMBER LOSS	13,260.62	4.77	4.77	4.61	.25		40,652.06	1.33	.07
NET REVENUE FROM BY-PRODUCTS									
Wood, Lath, Shingles, Box Factory,									
Sash & Doors, Teaming, Properties,									
Rentals, Power & Miscellaneous	6,802.32						61,837.93		
LOSS	6,458.30						PROFIT 21,185.87		
ADD—Financial, Expense, Interest,									
Discount, Etc.	1,558.94						LESS 19,456.15		
LOSS AS PER BALANCE SHEET:	\$8,017.24						PROFIT \$ 1,729.72		

RECORD
 In the
 Supreme Court
 of British
 Columbia
 Defendants'
 Exhibit
 No. 8
 Comparative
 Statement
 Nov. 1930
 (Cont'd)

EXHIBIT No. 8
 OPERATING STATEMENT FOR MONTH OF DECEMBER 1930 AND
 12 MONTHS TO DECEMBER 31st, 1930 AND COMPARISON WITH
 YEAR 1929

	F. B. M.	Amount	Avg. Per M.	Avg. Dec. 1929	Avg. 12 Mos. 1929	12 Mos. ending Dec. 31, 1930	Avg.
					F.B.M.	Amount	
LOGS							
Inventory at Beginning	6,099,878	78,868.81	12.93	14.11	3,096,340	45,923.35	14.83
Logs Purchased	4,600,031	60,130.96	13.07	15.29	35,586,574	498,595.97	14.01
Total	10,699,909	138,999.77	12.99	14.59	38,682,914	544,519.32	14.08
Less Inventory at this Date	8,506,355	109,813.84	12.91	14.83	8,506,355	109,813.84	12.91
Cost of Logs Disposed of	2,193,554	29,185.93	13.31	14.25	30,176,559	434,705.48	14.41
Disposition to Lumber Mill	2,191,274	29,154.03	13.30	14.21	29,814,299	428,561.01	14.37
“ “ Others	2,280	31.90	14.00	23.54	362,260	6,144.47	16.96
Total	2,193,554	29,185.93	13.31	14.25	30,176,559	434,705.48	14.41
LUMBER							
Logs Cut	2,191,274	29,154.03	13.30	10.58	29,838,647	428,561.01	14.36
Manufacturing Expenses—Labour	2,191,274	11,439.53	5.22	5.20	29,838,647	158,283.92	5.30
“ Supplies & Repairs		3,260.28	1.49	2.97		50,386.24	1.69
Fire Insurance		1,409.34	.64	.35		16,366.13	.55
Accident Insurance W. C. B.		327.21	.15	.06		5,571.32	.19
General & Administration		2,553.50	1.17	1.41		33,201.54	1.11
Total Manufacturing Exp. (Excl. Logs)	2,191,274	18,989.86	9.67	9.99	29,838,647	263,809.15	8.84

Total Cost of Manufacturing (Incl. Logs)	2,191,274	48,143.89	21.97	20.57	23.85	29,838,647	692,370.16	23.20
Lumber Inventory at Beginning	10,794,603	161,919.02	15.00	15.00	15.00	9,282,526	139,237.86	15.00
Lumber purchased	321,138	7,576.67	23.59	29.77	32.37	4,727,972	149,564.02	31.63
Total Value of Lumber	13,307,015	217,639.58	16.36	16.91	23.55	43,849,145	981,172.04	22.38
Less Inventory at this Date	11,106,903	166,603.52	15.00	15.00	15.00	11,106,903	166,603.52	15.00
Value of Lumber Sold	2,200,112	51,036.06	23.20	24.95	25.80	32,742,242	814,568.52	24.88
Add Shipping Expense & Labour		2,988.51	1.36	1.68	1.30		37,408.40	1.14
“ Selling		1,374.35	.62	.81	.58		18,762.14	.57
Total Value of Lumber Sold	55,398.92	25.18	27.44	27.44	27.68	870,739.06	26.59	26.59
Lumber Sales F. O. B.	45,655.99	20.75	24.46	24.46	27.43	820,344.07	25.05	25.05
LUMBER LOSS	9,742.93	4.43	2.98	2.98	.25	50,394.99	1.54	1.54
NET REVENUE FROM BY-PRODUCTS	2,710.16					64,548.09		
Wood, Lath, Shingles, Box Factory, Sash & Doors, Teaming, Properties, Rentals, Power & Miscellaneous								
LOSS	7,032.77					PROFIT	14,153.10	
ADD—Financial, Expense, Interest, Discount, Etc.	1,878.40					LESS	21,334.55	
LOSS AS PER BALANCE SHEET:	\$8,911.17					LOSS	\$ 7,181.45	

RECORD
 In the
 Supreme Court
 of British
 Columbia
 Defendants'
 Exhibit
 No. 8
 Comparative
 Statement
 Dec. 1930
 (Cont'd)

EXHIBIT No. 8
 OPERATING STATEMENT FOR MONTH OF JANUARY 1931 AND
 COMPARISON WITH YEAR 1930

	F. B. M. 8,506,355	Amount 109,813.84	Avg. per M. Avg. Jan. 1930 12.91	14.83	Avg. 12 Mos. 1930 14.83
LOGS					
Inventory at Beginning					
Less Rebate Cameron Bros. Tbr. Co. Logs Cut this Month		1,874.56			
Logs Purchased	8,506,355 535,871	107,939.28 6,827.59	12.69 12.74	15.17	14.01
Total	9,042,226	114,766.87	12.69	14.92	14.08
Less Inventory at this Date	6,507,052	83,460.28	12.83	14.88	12.91
Cost of Logs Disposed of	2,535,174	31,306.59	12.35	14.94	14.41
Disposition to Lumber Mill	2,535,174	31,306.59	12.35	14.94	14.37
" " Others	Nil	Nil			16.96
Total	2,535,174	31,306.59	12.35	14.94	14.41
LUMBER					
Logs Cut	2,535,174	31,306.59	12.35	14.94	14.36
Manufacturing Expenses—Labour	2,535,174	8,938.11	3.53	6.33	5.30
" " Supplies & Repairs		3,703.06	1.46	1.70	1.69
Fire Insurance		1,165.51	.45	.42	.55
Accident Insurance W. C. B.		354.46	.14	.21	.19
General & Administration		2,635.80	1.04	1.17	1.11
Total Manufacturing Exp. (Excl. Logs)	2,535,174	16,796.94	6.62	9.83	8.84

Total Cost of Manufacturing (Incl. Logs)	2,535,174	48,103.53	18.97	24.77	23.20
Lumber Inventory at Beginning	11,106,903	166,603.52	15.00	15.00	15.00
Lumber purchased	30,050	872.74	29.04	30.42	31.63
Total Value of Lumber	13,672,127	215,579.79	15.77	17.26	22.38
Less Inventory at this Date	11,347,283	170,209.22	15.00	15.00	15.00
Value of Lumber Sold	2,324,844	45,370.57	19.51	28.80	24.88
Add Shipping Expense & Labour		2,394.81	1.03	1.25	1.14
“ Selling		1,191.73	.52	.72	.57
Total Value of Lumber Sold		48,957.11	21.06	30.77	26.59
Lumber Sales F. O. B.		52,134.57	22.42	29.61	25.05
LUMBER PROFIT		3,177.46	1.36	Loss: 1.16	Loss: 1.54
NET REVENUE FROM BY-PRODUCTS					
Wood, Lath, Shingles, Box Factory, Sash & Doors, Teaming, Properties, Rentals, Power & Miscellaneous		3,906.92			
PROFIT		7,084.38			
Less—Financial, Expense, Interest, Discount, Etc.		1,999.13			
PROFIT AS PER BALANCE SHEET:		\$5,085.25			

RECORD
 In the
 Supreme Court
 of British
 Columbia
 Defendants'
 Exhibit
 No. 8
 Comparative
 Statement
 January, 1931
 (Cont'd)

EXHIBIT No. 8

OPERATING STATEMENT FOR MONTH OF FEBRUARY 1931 AND
COMPARISON WITH YEAR 1930

	F. B. M. Amount	Avge. Avge.		2 Mos. ending Feb. 28, 1931	Avge. 2 Mos. 1930
		Per M. Feb. 1930	12 Mos. F.B.M. Amount		
LOGS					
Inventory at Beginning	6,507,052	83,460.28	12.83	14.88	14.83
Less Rebate Cameron Bros. Tbr. Co. Logs	1,527.23				3,401.79
Logs Purchased	6,507,052	81,933.05	12.59	15.19	14.01
	374,756	5,034.16	13.43	15.19	14.01
Total	6,881,808	86,967.21	12.64	15.08	14.08
Less Inventory at this Date	4,624,947	59,462.39	12.86	13.05	12.91
Cost of Logs Disposed of	2,256,861	27,504.82	12.19	16.01	14.41
Disposition to Lumber Mill	2,251,713	27,419.05	12.18	15.92	14.37
“ “ Others	5,148	85.77	16.66	26.76	16.96
Total	2,256,861	27,504.82	12.19	16.01	14.41
LUMBER					
Logs Cut	2,251,713	27,419.05	12.18	15.92	14.36
Manufacturing Expenses—Labour	2,251,713	8,708.42	3.87	4.74	5.30
“ “ Supplies & Repairs	2,936.96	1.30	2.24	1.69	1.39
Fire Insurance	1,214.31	.54	.38	.55	.50
Accident Insurance W. C. B.	321.95	.14	.17	.19	.14
General & Administration	2,208.67	.98	.73	1.11	1.00
Total Manufacturing Exp. (Excl. Logs)	2,251,713	15,390.31	6.83	8.26	8.84
					32,187.25
					6.72
					8.97

Total Cost of Manufacturing (Incl. Logs)	2,251,713	42,809.36	19.01	24.18	23.20	4,786,887	90,912.89	18.99	24.45
Lumber Inventory at Beginning	11,347,283	170,209.22	15.00	15.00	15.00	11,106,903	166,603.52	15.00	15.00
Lumber purchased	111,375	3,160.02	28.37	33.62	31.63	141,425	4,032.76	28.52	32.38
Total Value of Lumber	13,710,371	216,178.60	15.77	17.46	22.38	16,035,215	261,549.17	16.31	18.91
Less Inventory at this Date	10,991,340	164,870.07	15.00	15.00	15.00	10,991,340	164,870.07	15.00	15.00
Value of Lumber Sold	2,719,031	51,308.53	18.87	26.13	24.88	5,043,875	96,679.10	19.17	27.20
Add Shipping Expense & Labour		2,854.36	1.05	1.12	1.14		5,249.17	1.04	1.17
“ Selling		1,295.40	.48	.51	.57		2,487.13	.49	.59
Total Value of Lumber Sold	55,458.29	20.40	27.76	26.59	26.59	5,043,875	104,415.40	20.70	28.96
Lumber Sales F. O. B.	51,949.26	19.11	32.64	25.05		104,083.83	20.64	31.43	
LUMBER LOSS	3,509.03	1.29	4.88	1.54		331.57	.06	2.47	
NET REVENUE FROM BY-PRODUCTS			(Profit)					(Profit)	
Wood, Lath, Shingles, Box Factory,									
Sash & Doors, Teaming, Properties,									
Rentals, Power & Miscellaneous	4,075.53					7,982.45			
PROFIT	566.50					7,650.88			
LESS—Financial, Expense, Interest,									
Discount, Etc.	1,213.13					3,212.26			
LOSS AS PER BALANCE SHEET:	646.63					PROFIT	4,438.62		

RECORD

In the
Supreme Court
of British
Columbia

Defendants'
Exhibit
No. 8
Comparative
Statement
February, 1931
(Cont'd)

EXHIBIT No. 8
 OPERATING STATEMENT FOR MONTH OF DECEMBER 1931 AND
 COMPARISON WITH YEAR 1930

	F. B. M.	Amount	Avg. Per M.	Avg. Dec. 1930	12 Months ending F. B. M. Amount	Dec. 31, 1931 Avg.	12 Mos. 1930 Avg.
LOGS							
Inventory at Beginning	1,472,199	19,344.15	13.14	12.93	8,506,355	109,813.84	12.91
Less Rebate Cameron Bros. Tbr. Co.					5,900.97		14.83
Logs Purchased	1,472,199	19,344.15	13.14	12.93	8,506,355	103,912.87	12.22
Total				13.07	6,915,441	75,719.16	10.95
Less Inventory at this Date	1,472,199	19,344.15	13.14	12.99	15,421,796	179,632.03	11.65
Cost of Logs Disposed of	1,280,939	17,363.47	13.55	12.91	1,280,939	17,363.47	13.55
Disposition to Lumber Mill	191,260	1,980.68	10.35	13.31	14,140,857	162,268.56	11.48
“ “ Others	191,260	1,952.20	10.21	13.30	14,035,702	160,771.36	11.45
Total		28.48		14.00	105,155	1,497.20	14.20
LUMBER	191,260	1,980.68	10.35	13.31	14,140,857	162,268.56	11.48
Logs Cut (Overrun 138,262')	329,522	1,952.20	5.92	13.30	14,876,260	160,771.36	10.81
Manufacturing Expenses—Labour		3,218.63	9.77	5.22		74,360.43	5.00
“ “ Supplies & Repairs		1,215.52	3.69	1.49		31,531.33	2.12
Fire Insurance		794.04	2.41	.64		10,740.53	.72
Accident Insurance W. C. B.		173.12	.52	.15		2,746.75	.18
General & Administration		2,435.11	7.39	1.17		26,805.81	1.80
Total Manufacture Exp. (Excl. Logs)	329,522	7,836.42	23.78	8.67	14,876,260	146,184.85	9.82
							8.84

Total Cost of Manufacturing (Incl. Logs)	329,522	9,788.62	29.70	21.97	14,876,260	306,956.21	20.63	23.20
Lumber Inventory at Beginning	8,710,911	130,663.64	15.00	15.00	11,106,903	166,603.52	15.00	15.00
Lumber purchased	3,430	66.78	19.47	23.59	2,071,102	42,624.04	20.58	31.63
Total Value of Lumber	9,043,863	140,519.04	15.54	16.36	28,054,265	516,183.77	18.40	22.38
Less Inventory at this Date	8,615,034	129,225.49	15.00	15.00	8,615,034	129,225.49	15.00	15.00
Value of Lumber Sold	428,829	11,293.55	26.34	23.20	19,439,231	386,958.28	19.91	24.88
Add Shipping Expense & Labour		1,087.25	2.53	1.36		22,003.04	1.13	1.14
“ Selling		1,032.53	2.41	.62		14,569.22	.75	.57
Total Value of Lumber Sold	13,413.33	31.28	25.18	25.18	19,439,231	423,530.54	21.79	26.59
Lumber Sales F. O. B.	11,035.49	25.73	20.75	20.75		367,819.01	18.92	25.05
LUMBER LOSS	2,377.84	5.55	4.43	4.43		55,711.53	2.87	1.54
NET REVENUE FROM BY-PRODUCTS								
Wood, Lath, Shingles, Box Factory,								
Sash & Doors, Teaming, Properties,								
Rentals, Power & Miscellaneous								
LOSS								
ADD—Financial, Expense, Interest,	Loss:	1,803.54			Gain:	19,222.91		
Discount, Etc.		4,181.38				36,488.62		
ADD—Depreciation		223.71				10,964.39		
LOSS AS PER BALANCE SHEET:		4,405.09				47,453.01		
		\$4,405.09				2,530.60		
						\$49,983.61		

RECORD
In the
Supreme Court
of British
Columbia
 Defendants'
 Exhibit
 No. 8
 Comparative
 Statement
 Dec., 1931
 (Cont'd)

RECORD

EXHIBIT No. 18

In the
Supreme Court
of British
Columbia

YEAR ENDED 31st DECEMBER, 1930

Statement as per Company's auditors Findings Statement showing results on basis of Lumber Inventories at cost

Defendants' Exhibit No. 18 Dec. 31, 1930		Feet	Amount	Average	Feet	Amount	Average	
	Inventory—							
	opening logs	3,096,340	45,923.35	14.83				
	Logs purchased	35,586,574	498,595.97	14.01				
		38,682,914	544,519.32	14.08				
	Closing inventory	8,506,355	109,813.84	12.91				10
	Cost of logs disposed of	30,176,559	434,705.48	14.41				
	Disposition of logs—							
	To Mill	29,814,299	428,561.01	14.37				
	To Others	362,260	6,144.47	16.96				
	Logs Cut	29,838,647	428,561.01	14.36				20
	Labour		158,283.92	5.30				
	Supplies & Repairs		50,386.24	1.69				
	Fire Insurance		16,366.13	.55				
	General and administration		33,201.54	1.11				
	W. C. B.		5,571.32	.19				
	Opening Inventory	29,838,647	692,370.16	23.20	29,838,647	692,370.16	23.20	30
	Lumber	9,282,526	139,237.86	15.00	9,282,526	221,388.24	23.85	
	Purchases	4,727,972	149,564.02	31.63	4,727,972	149,564.02	31.63	
	Closing inventory	43,849,145	981,172.04	22.38	43,849,145	1,063,322.42	24.24	
	Lumber	11,106,903	166,603.52	15.00	11,106,903	257,680.15	23.20	
	Shipping expenses and labour	32,742,242	814,568.52	24.88	32,742,242	805,642.27	24.61	
	Selling expenses		37,408.40	1.14		37,408.40	1.14	40
			18,762.14	.57		18,762.14	.57	
	Financing, etc.		870,739.06	26.59		861,812.81	26.32	
			21,334.55			21,334.55		
			892,073.61			883,147.36		
	Sales		820,344.07	25.05		820,344.07	25.05	
	Sundry Revenues		64,548.09			64,548.09		
			884,892.16			884,892.16		
	BALANCE, PROFIT OR LOSS		7,181.45			1,744.80		
	Non recurring revenue		7,055.27			7,055.27		
	CORRECTED BALANCE		14,236.72			5,310.47		

EXHIBIT No. 18

SEVEN MONTHS ENDED 30th JULY, 1930

Statement as per Company's auditors Findings Statement showing results on basis of Lumber Inventories at cost

RECORD
In the
Supreme Court
of British
Columbia

	Feet	Amount	Average	Feet	Amount	Average
Inventory—						
opening logs	3,096,340	45,923.35	14.83			
Logs Purchased	20,719,952	304,221.65	14.68			
10	23,816,292	350,145.00	14.70			
Closing inventory	4,508,715	59,781.34	13.26			
Cost of logs disposed of	19,307,577	290,363.66	15.04			
Disposition of logs—						
to Mill	19,040,367	285,922.69	15.02			
To Others	267,210	4,440.97	16.62			
20	18,940,367	285,922.69	15.10			
Logs Cut						
Labour		101,378.14	5.35			
Supplies & Repairs		34,931.80	1.85			
Fire Insurance		8,901.60	.47			
General and Administration		18,601.28	.98			
W. C. B.		3,605.72	.19			
30	18,940,367	453,341.23	23.94	18,940,367	453,341.23	23.94
Opening inventory						
Lumber	9,282,526	139,237.86	15.00	9,282,526	221,388.24	23.85
Purchases	3,474,644	116,865.78	33.63	3,474,644	116,865.78	33.63
Closing inventory	31,697,537	709,444.87	22.38	31,697,537	791,595.25	24.97
Lumber	11,168,520	167,527.78	15.00	11,168,520	267,374.37	23.94
Shipping Expenses and Labour	20,529,017	541,917.09	26.40	20,529,017	524,220.88	25.53
40						
Selling expenses		23,262.00	1.13		23,262.00	1.13
		11,252.01	.55		11,252.01	.55
Financing, etc.		576,431.10	28.08		558,734.89	27.22
		13,083.41			13,083.41	
		589,514.51			571,818.30	
Sales		571,526.94	27.84		571,526.94	27.84
Sundry Revenues		36,267.39			36,267.39	
		607,794.33			607,794.33	
BALANCE, PROFIT OR LOSS		18,279.82			35,976.03	
Non Recurring Revenue		4,417.70			4,417.70	
CORRECTED BALANCE		13,862.12			31,558.33	

Defendants'
Exhibit
No. 18
July 30, 1930

RECORD

In the
Supreme Court
of British
Columbia

EXHIBIT No. 18

FIVE MONTHS ENDED 31st DECEMBER, 1930

Statement as per Company's auditors Findings Statement showing results on basis
of Lumber Inventories at cost

Defendants' Exhibit No. 18 Dec. 31, 1930		Feet	Amount	Average	Feet	Amount	Average	
	Inventory—							
	Opening logs	4,508,715	59,781.34	13.26				
	Logs Purchased	14,866,622	194,374.32	13.07				
		19,375,337	254,155.66	13.12				
	Closing inventory	8,506,355	109,813.84	12.91				10
	Cost of logs disposed of	10,868,982	144,341.82	13.28				
	Disposition of logs—							
	To Mill	10,773,932	142,638.32	13.24				
	To Others	95,050	1,703.50	17.92				
	Logs Cut	10,898,280	142,638.32	13.09				
	Labour		56,905.78	5.22				20
	Supplies & Repairs		15,454.44	1.42				
	Fire Insurance		7,464.53	.68				
	General and Administration		14,600.26	1.34				
	W. C. B.		1,965.60	.18				
		10,898,280	239,028.93	21.93	10,898,280	239,028.93	21.93	
	Opening inventory							
	Lumber	11,168,520	167,527.78	15.00	11,168,520	256,875.96	23.00	30
	Purchases	1,253,328	32,698.24	26.09	1,253,328	32,698.24	26.09	
		23,320,128	439,254.95	18.84	23,320,128	528,603.13	22.67	
	Closing Inventory							
	Lumber	11,106,903	166,603.52	15.00	11,106,903	255,458.77	23.00	
		12,213,225	272,651.43	22.32	12,213,225	273,144.36	22.36	
	Shipping expenses and labour		14,146.40	1.16		14,146.40	1.16	
	Selling expenses		7,510.13	.61		7,510.13	.61	40
			294,307.96	24.10		294,800.89	24.14	
	Financing, etc.		8,251.14			8,251.14		
			302,559.10			303,052.03		
	Sales		248,817.13	20.37		248,817.13	20.37	
	Sundry Revenues		28,280.70			28,280.70		
			277,097.83			277,097.83		
	BALANCE, PROFIT OR LOSS		25,461.27			25,954.20		
	Non Recurring revenue		2,637.57			2,637.57		
	CORRECTED BALANCE		28,098.84			28,591.77		

EXHIBIT No. 19
MONTHLY PROFIT AND LOSS BALANCE AS
PER ASSURED'S BOOKS

1930	January	2,058.18
	February	17,550.06
	March	7,373.69
	April	3,280.52
	May	3,023.70
10	June	3,714.68
	July	3,455.73
	August	2,656.11
	September	890.57
	October	4,986.18
	November	8,017.24
	December	8,911.17
		7,181.45

RECORD
*In the
Supreme Court
of British
Columbia*

Defendants'
Exhibit
No. 19
Monthly
Profit and Loss
Balance
Jan. to Dec.,
1930

These figures do not take into consideration any provision for depreciation and inventories are taken on the flat basis of 15.00
20 Per M.

RECORD
 In the
 Supreme Court
 of British
 Columbia
 Defendants'
 Exhibit
 No. 21
 Memorandum
 January, 1931

EXHIBIT No. 21

MEMORANDUM RE. JANUARY, 1931

Assured's statement shows a profit of.....	\$5085.25	
Deductions considered necessary:		
1. Sales of uppers were 42.3% of total sales as compared with a monthly average of 33.4% showing that month has an exceptional credit due to sales of high quality produce with no corresponding reduction in inventory values shown. The upper sales amounted to 983,402 at 33.97 and commons 1,341,442 at 13.96. Applying averages over a cons. period the sales would have been 776,498 uppers and 1,548,346 commons. The reduction in selling values would be.....	4142.03	10
and the average selling price would drop from 22.42 to 20.64	<hr/> 943.22	
2. Rebate received from Cameron Bros. Timber Co. on logs cut in January but purchased in a previous period	1874.56	20
	<hr/> 931.34	
3. Depreciation for the month based upon a provision of 29,184.16 for the year 1929	2432.01	
	<hr/> 3363.35	
4. Charge for completion of months mill run through planer and kilns	1114.50	
	<hr/> 4477.85	
LOSS		

EXHIBIT No. 22

MEMORANDUM FEBRUARY, 1931.

RECORD

*In the
Supreme Court
of British
Columbia*Defendants'
Exhibit
No. 22
Memorandum
February, 1931

Assured's statement shows a loss of \$ 646.63

Additions to loss:

- | | |
|---|---------|
| 1. Rebate Cameron Timber Co. logs cut this month purchased in prior months | 1527.23 |
| 2. Depreciation for the month based upon a provision of \$29,184.16 for the year 1929 | 2432.01 |
| 3. Charge for completion of months mill run | 735.68 |

10

Loss	5341.55
------	---------

DEDUCTIONS

- | | |
|--|---------|
| 1. Sales of uppers were 28.5% of total sales as compared with monthly average of 33.4% showing that month has had an exceptional debit due to sales of a quality less than average with no corresponding increase in inventory. The uppers sales amounted to 774,335 ft. at \$33.33 and commons 1,944,696 ft. at \$13.44. Applying averages the sales would have been 908,156 ft. of uppers at \$33.33 and 1,810,875 ft. commons at \$13.44. The increase in selling values would be | 2660.46 |
|--|---------|

20

Loss	2681.09
------	---------

RECORD
 In the
 Supreme Court
 of British
 Columbia

EXHIBIT No. 23
 CAMERON LUMBER COMPANY, LIMITED
 Statement "D" of Estimated Profit and Loss
 for the 5 months ended July 31, 1931

Defendants' Exhibit No. 23 Statement "D" Estimated Profit and Loss July 31, 1931		Feet	Value	
	Opening Inventory, Feb. 28/31 @ \$20.	10,991,340	\$219,826.80	
	Output Log Cost	\$146,067.29		
	Less 3%	43,382.02	141,685.27	
	Purchases	36,596.34		
	Less 10%	3,659.63	995,484	32,936.71
		23,496,690	394,448.78	10
	Labour	69,799.44		
	Less 10% for 5 mos.	6,979.94		
	10% for 2 mos.	2,791.90	9,771.84	60,027.60
	Supplies	24,110.14		
	Less 10%	2,411.01	21,699.13	20
	Taxes and Licenses		1,230.18	
	General Expenses	2,083.91		
	Less 10%	208.39	1,875.52	
		23,496,690	479,281.21	
	Inventory at Closing at \$17.00	10,985,618	186,755.50	
	Cost of Sales	12,511,072	292,525.71	
	Depreciation at \$29,184.16 per annum		12,160.07	30
			304,685.78	
	Sales—Less Discounts & Allowances	298,600.15		
	Less 1%	2,986.00	295,614.15	
	Profit from Rent		9,071.63	
			1,513.98	
	GROSS PROFIT OR LOSS		7,557.65	40
	Selling Expense	6,735.20		
	Office Expense	3,248.19		
		9,983.39		
	Less 14%	1,397.67	8,585.72	
			16,143.37	
	Fire Insurance	6,769.97		
	Int. & Debenture Exp.	5,326.20		
	Adminis'tion	5,475.00		
	Less 14%	766.50	4,708.50	16,804.67
	NET LOSS		\$32,948.04	

Based upon "C"—five months ended February 28, 1931.

EXHIBIT No. 24

CAMERON LUMBER COMPANY, LIMITED
Statement "D" of Estimated Profit and Loss
for the 6 months ended August 31, 1931

RECORD
 In the
 Supreme Court
 of British
 Columbia

		Feet	Value	
	Opening Inventory, February 28, 1931 @ \$20.00	10,991,340	219,826.80	Defendants' Exhibit No. 24 Statement "D" Estimated Profit and Loss Aug. 31, 1931
	Output Log Cost	175,846.81		
	Less 6%	10,550.81	165,296.00	
10	Purchases	41,308.85		
	Less 10%	4,130.88	37,177.97	
		1,141,369	37,177.97	
		84,667.12	422,300.77	
	Labour	84,667.12		
	Less 10% for 5 mos.	8466.71		
	10% for 3 mos.	4233.35	71,967.06	
		12,700.06	71,967.06	
	Supplies	27,888.42		
	Less 10%	2,788.84	25,099.58	
20		27,888.42	25,099.58	
	Taxes and Licenses		3,916.31	
	General Expense	2,722.17		
	Less 10%	272.21	2,449.96	
		2,449.96	2,449.96	
	Inventory at Closing at \$17.00	26,008,904	525,733.68	
		11,085,618	188,455.50	
		14,923,286	337,278.18	
30	Cost of Sales		14,592.08	
	Depreciation at \$29,184.16 per annum		14,592.08	
			351,870.26	
	Sales—Less Discounts and Allowances	357,673.12		
	Less 3%	10,730.19	346,942.93	
		10,730.19	346,942.93	
			4,927.33	
	Profit from Rent		1,714.48	
			3,212.85	
	GROSS PROFIT OR LOSS		3,212.85	
40	Selling Expense	8,483.95		
	Office Expense	3,872.13		
		12,356.08	12,356.08	
	Less 15%	1,853.41	10,502.67	
		1,853.41	10,502.67	
			13,715.52	
	Fire Insurance	8,272.64		
	Int. & Debenture Exp.	6,131.53		
	Administration	6,650.00		
	Less 15%	997.50	20,056.67	
		5,652.50	20,056.67	
	NET LOSS		33,772.19	

Based upon "C" six months ended February 28, 1931.

RECORD
*In the
 Supreme Court
 of British
 Columbia*

EXHIBIT No. 25

CAMERON LUMBER COMPANY, LIMITED
 Statement "D" of Estimated Profit and Loss
 for the 8 months ended October 31, 1931

Defendants' Exhibit No. 25 Statement "D" Estimated Profit and Loss Oct. 31, 1931		Feet	Value	
	Opening Inventory February 28, 1931 at \$20.00	10,991,340	219,826.80	
	Output Log cost	234,485.84		
	Less 12%	28,138.30	18,077,925	206,347.54
	Purchases	67,887.64		
	Less 10%	6,788.76	1,768.717	61,098.88
		30,837,982	487,273.22	
	Labour	117,456.73		
	Less 10% for 8 months	11,745.67		
	" 10% " 5 "	7,341.04	19,086.71	98,370.02
	Supplies	35,967.99		
	Less 10%	3,596.80	32,371.19	
	Taxes and Licenses		4,751.79	20
	General Expenses	3,397.03		
	Less 10%	339.70	3,057.33	
	Inventory at Closing at \$17.00	30,837,982	625,823.55	
		10,502,455	178,541.74	
	Cost of Sales	20,335,527	447,281.81	
	Depreciation at \$29,184.16 per annum		19,456.11	30
			466,737.92	
	Sales—Less Discounts & Allowances	505,842.83		
	Less 9%	45,525.86	460,316.97	
	Profit from Rent		6,420.95	
			2,399.41	
	GROSS PROFIT OR LOSS		4,021.54	
	Selling Expense	11,568.99		40
	Office Expense	5,234.14		
		16,803.13		
	Less 17%	2,856.53	13,946.60	
	Fire Insurance	11,569.37		17,968.14
	Interest & Debenture Expense	8,432.34		
	Administration	\$9,000.00		
	Less 17%	1,530.00	7,470.00	27,471.71
	NET LOSS		45,439.85	

Based upon "C"—eight months ended February 28, 1931.

EXHIBIT No. 11

W. B. CROMBIE

Adjuster of Fire and Auto Losses
 Pemberton Building,
 Victoria, B. C.

RECORD

*In the
 Supreme Court
 of British
 Columbia*

No. 11

Letter

W. B. Crombie

to

A. W. Miller

Dec. 19, 1931

December 19, 1931.

A. W. Miller, Esq.
 Secty.-Treasurer,
 Cameron Lumber Co. Ltd.,
 10 Victoria, B. C.

Dear Sir:

Re Claim under Use & Occupancy Insurance

Considerable delay has been experienced in getting together the required data for submission to the various Companies concerned to enable them to judge as to the merits or otherwise of your Company's claim. This in turn led to further delay and explanatory correspondence with the Auditors and I have now received definite replies from all of the Companies interested.

20 This letter is to advise you that after careful consideration of the facts and figures submitted from your records through your Auditor they have reached the conclusion that your Company has no cause for claim under the Policy Contracts.

Yours very truly,

"W. B. CROMBIE,"

Adjuster.

WBC/RK

RECORD

*In the
Supreme Court
of British
Columbia*

EXHIBIT No. 12

COMPARISON OF LUMBER AVERAGE SALES PRICES

Defendants'
Exhibit
No. 12
Comparison
Lumber
Average Sales
Prices
1930-1931

1930

	15 Mills reporting to B. C. Lbr. Mfgrs. Association	23 Mills reporting to West Coast Lbr- men's Association		Cameron Lumber Co.	
		Monthly	Year to Date Average	Monthly	Year to Date Average
Jan.	19.65	20.36	20.36	29.61	29.61
Feb.	20.67	19.95	19.99	32.64	31.43 10
Mar.	20.70	20.32	20.33	26.55	29.54
Apr.	19.83	20.22	20.18	27.28	28.88
May	19.24	19.23	19.97	26.57	28.34
June	17.65	18.76	19.88	27.69	28.24
July	17.02	17.44	19.63	25.58	27.84
Aug.	16.69	16.52	19.27	23.11	27.36
Sept.	15.61	16.60	19.12	25.04	26.75
Oct.	15.75	15.74	18.67	19.74	26.12
Nov.	14.86	15.72	18.46	17.78	25.36
Dec.	15.03	15.39	18.39	20.75	25.05 0

1931

Jan.	15.34	15.01	15.01	22.42	22.42
Feb.	15.26	15.01	14.88	19.11	20.64
Mar.	15.17	15.27	15.05	22.01	21.00
Apr.	14.81	14.43	14.83	21.60	21.14
May	14.78	14.39	14.72	19.37	20.87 30
June	14.26			20.55	20.84
July	13.37	12.77	14.22	15.97	20.26
Aug.	13.59	13.43	13.96	15.21	19.84
Sept.	12.57	13.18	14.02	13.26	19.05
Oct.	12.60	12.81	13.86	17.02	18.88
Nov.	13.11	Ceased	Publishing	17.33	18.77
Dec.	12.75	"	"	25.73	16.92

RECORD

*In the
Supreme Court
of British
Columbia*

EXHIBIT No. 14

Estimate of time required for re-building mill submitted to
W. B. Crombie by Mr. Brown, omitted.

Exhibit
No. 14
Omitted

EXHIBIT No. 15

Detailed estimate of Exhibit No. 14 omitted.

Exhibit
No. 15
Omitted

EXHIBIT No. 16

Plan of Cameron Mill showing burnt area omitted.

Exhibit
No. 16
Omitted

EXHIBIT No. 17
CAMERON LUMBER CO. LTD.
Estimated Statement of Profit & Loss for the
Ten Months ended 31st December, 1931.

RECORD
—
*In the
Supreme Court
of British
Columbia*

	Opening Inventory			Defendants'
	Sundry	69,679.27		Exhibit
	10,991,340 ft. @ 19.00	208,835.46	278,541.73	No. 17
	Purchases		126,529.88	Estimated
	Wages		64,307.80	Statement
10	Scowing, towing and wharfage		5,706.49	Profit and Loss
	Taxes and Licenses		3,117.37	Dec. 31, 1931
	Accident Insurance		1,877.37	
	Repairs		26,895.74	
	Power		12,229.13	
	General Manufacturing Expenses		2,900.00	
	Depreciation 10/12 of 29,184.16		24,320.10	
			<hr/>	
	Closing Inventory		546,398.61	
	Sundry	27,879.51		
20	8,615,034 ft. @ 16.56	142,664.96	170,544.47	
			<hr/>	
	Log Costs	10.20	375,854.14	
	Labour	3.33		
	Supplies	1.39		
	Insurance50		
	Accident Ins.14		
	General Administration 1.00	16.56		
	Sales, less discounts	309,190.37		
	Less, crossarms, 1930	2,070.09	307,120.28	
30			<hr/>	
	Less, excessive costs at Wilfert Mill		68,733.86	
			22,216.72	
			<hr/>	
	Profit from rents and by-products		46,517.14	
	per statement	1,396.84		
	Additional claimed	32,930.20	34,327.04	
			<hr/>	
			12,190.10	
	Selling expenses	10,005.44		
40	Advertising	1,147.64		
	Office Expenses	5,227.74	16,380.82	
			<hr/>	
			28,570.92	
	Insurance	13,330.00		
	Interest, 10/12 of 13,000	10,833.00		
	Administration	13,559.71	37,722.71	
			<hr/>	
			66,293.63	