

Bundle 553, #4
VOL. 267

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ARTHUR STEKL
5376 Marguerite Street
Vancouver, B. C.

August 18th, 1944

Royston Lumber Company Limited
c/o Frederick Field & Company,
Royal Bank Building,
Vancouver, B. C.

Dear Sirs:

Re: Courteney Lots

Mr. Leon P. Anderton, Courteney sent me for
the sold two Courteney lots after deducting his commission
of \$50.00 ~~\$450.00~~

I enclose here my cheque for the same amount,
to be applied on the next payment on the agreement with
the Somerset Limited.

Yours very truly,

"Arthur Stekl"

Enclosure

EXHIBIT NO. 1381-27
DATE 19 Oct 1948
FILED BY R. A. MacLennan

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COPY

CANADA
DEPARTMENT OF THE SECRETARY OF STATE
OFFICE OF THE CUSTODIAN

ADDRESS FILE
CONTAINED HEREIN
IS THE PROPERTY OF
THE CUSTODIAN'S OFFICE
PLEASE RETURN
TO
FILE NO.

"P. S. ROSS & SONS"

The Secretary of State, under and by virtue of authority given to him by Regulation 8 of the Consolidated Regulations Respecting Trading with the Enemy (1939) by his duly authorized Deputy GLENN WILLOUGHBY MCPHERSON, hereby appoints MESSRS. P. S. ROSS AND SONS, Chartered Accountants, Inspectors under the said Regulations, and authorizes the said company to inspect all books and documents belonging to or under the control of Royston Lumber Company Limited and further requires any person able to give any information with respect to the business or trade of the said Royston Lumber Company Limited to give such information.

DATED at Vancouver this 13th day of January, 1942.

"G. W. McPherson"
(G. W. McPherson)
Authorized Deputy for the
Secretary of State

EXHIBIT NO. 1381-28
DATE 19 DEC 1948
FILED BY

G. W. McPherson

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CUSTODIAN OF ENEMY PROPERTY

P.S. ROSS & SONS

Royal Bank Building,
Vancouver, B.C.
20th May, 1942.

COPY

G.W. McPherson, Esq.,
Authorized Deputy of the Secretary
of State and/or Custodian,
Royal Bank Building,
Vancouver, B.C.

Dear Sir:

Re: Royston Lumber Company Limited

At your request we have taken control of the affairs of the above Company, although at this date, we have not received a formal appointment. We have engaged the services of Mr. H.C. Airth on a temporary basis, who is in charge of the property at Royston, B.C.

The Principal assets of the Company are the following:-

A complete logging operation consisting of approximately 12 miles of railroad, and the necessary equipment to a logging railroad operation.

The timber owned by the Company we are advised, is between 50 and 55,000 M feet. The Company operates a sawmill which has a capacity of approximately 40,000 board feet per day. This sawmill is a complete unit, which can produce all kinds of lumber. The insurance appraisal value of the logging and saw mill equipment is \$197,000.00, and the timber being Crown granted, should have a value of between two and three dollars per thousand.

Considerable interest has been shown by parties interested in acquiring this property, but Mr. G. Uchiyama, the manager who holds a substantial portion of

EXHIBIT NO. 1381-29
DATE 19 DEC 1948
FILED BY G.W. McPherson.

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G.W. McPherson, Esq.,
Vancouver, B.C.

20th May, 1942.

the Company's shares and a Power of Attorney covering a majority of the remaining issued capital, is not reconciled to making a sale, but has promised to discuss this with the other shareholders and will advise us if he will consent to a sale and the approximate price which will be acceptable.

There is a substantial balance in the bank and an inventory of approximately two million feet of lumber in the yard. This should insure the payments due for a considerable time on the last block of timber purchased. This balance due on the timber is practically the only liability of the Company.

Yours faithfully,

"P.S. ROSS & SONS"

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WHEREAS, By Order in Council Number P.C. 1665 dated the fourth day of March 1942 as amended by Order in Council Number P.C. 2483 dated the twenty seventh day of March 1942, the Custodian may order that all or any property whatsoever situated in any protected area of British Columbia belonging to any person of the Japanese race may for the purpose of protecting the interests of the owner or any other person, be vested in the Custodian;

AND WHEREAS, the ROYSTON LUMBER COMPANY LIMITED being duly incorporated under the laws of the Province of British Columbia has issued four hundred sixty shares of its common stock to the following persons:

Estate of K. Kaminishi
M. Iwasa
G.K. Uchiyama
Kinoshuke Minato
Keiji Minato
S. Tomihiro

AND WHEREAS, it appears that the beneficiaries of the Estate of K. Kaminishi and all of the other shareholders are persons of the Japanese race.

AND WHEREAS it appears that the interest of the said persons and all the creditors of the said company should be protected.

NOW THEREFORE, the Secretary of State of Canada acting in his capacity as Custodian by his duly authorized Deputy GLENN WILLOUGHBY McPHERSON, hereby orders that the interests of:

Estate of K. Kaminishi
M. Iwasa
G.K. Uchiyama
Kinoshuke Minato
Keiji Minato
S. Tomihiro

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and any other persons of the Japanese race in the said company to be, and is hereby vested in the Custodian in accordance with the provisions of Order in Council Number P.C. 1665 dated the fourteenth day of March 1942 as amended by Order in Council Number P.C. 2483 dated the twenty-seventh day of March 1942.

DATED at Vancouver this 21st day of May 1942.

(G.W. McPherson)
Authorized Deputy of the Secretary
of State and/or Custodian

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WHEREAS, by Order dated the twenty-first day of May 1942 the Secretary of State, acting in his capacity as Custodian by his duly authorized deputy, GLENN WILLOUGHBY McPHERSON, the interests of:

Estate of K. Kamishiki
M. Iwasa
G.K. Uchiyama
Kinosuke Minato
Keiji Minato
S. Tomihito

were vested in the Custodian and it appears that by reason of the interest of the said persons, being all of the shareholders of the ROYSTON LUMBER COMPANY LIMITED, it is desirable that the said ROYSTON LUMBER COMPANY LIMITED be prohibited from carrying on business except under the supervision and control of a controller;

NOW THEREFORE, the Secretary of State by his duly authorized deputy, GLENN WILLOUGHBY McPHERSON, hereby prohibits the said ROYSTON LUMBER COMPANY LIMITED from carrying on business except under the supervision and control of P.S. ROSS AND SONS, Chartered Accountants, who are hereby appointed controllers with full power to supervise and control the ROYSTON LUMBER COMPANY LIMITED in all matters pertaining thereto and without restricting the generality of the foregoing, including power to control all banking arrangements in such manner as may to the Controller appear to be advisable.

The Secretary of State will, in the future, determine what remuneration and expenses incurred, whether for the original inspection and/or the subsequent supervision and control of the ROYSTON LUMBER COMPANY LIMITED are to be paid by the said company.

DATED at Vancouver this 21st day of May, 1942.

(G.W. McPherson)
Authorized Deputy of the Secretary
of State and/or Custodian

EXHIBIT No. 1381-31
DATE 19 Oct 1948
FILED BY

G.W. McPherson

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CUSTODIAN OF ENEMY PROPERTY

P. S. ROSS & SONS
Chartered Accountants

Royal Bank Building,

G. W. McPherson, Esq.,
1409 Royal Bank Building,
Vancouver, B. C.

EXHIBIT NO. 1381-32 Vancouver, B. C.
DATE 19 OCT 1948
FILED BY G. W. McPherson 10th October, 1942.

Dear Sir:

Re: Royston Lumber Company Ltd.

Under date of 21st May, 1942, we were appointed to supervise and control the affairs of the above company, and on the same date the shares of the company were vested in the name of the Custodian.

Prior to that date, Mr. G. K. Uchiyama, who held a power of Attorney from the majority of the shareholders and the former Manager of the company, had been attempting to effect a disposal of the company's assets. He was unable to obtain a satisfactory offer although a number of intended purchasers had been approached. We subsequently brought forward a buyer and Mr. Uchiyama later agreed that he would accept a reasonable figure and would like to discuss with our purchaser the sale of the property. However, at a meeting arranged, Mr. Uchiyama would not state any price on the company's assets and it was impossible to make the deal. He informed us that he would like to discuss the matter with the other shareholders and now states that he has done so and it is the shareholders wish that the company's assets should be left intact for the duration. We arranged to have the property watched and as there was two million feet of rough lumber in the yard it was considered advisable to manufacture this and dispose of same before the lumber would spoil. This was done throughout the summer in order that the lumber would be as dry as possible to allow the maximum saving in freight rates. We are advised by our Representative at the property, that provided freight cars and labor are available, this should be completed within the next two weeks.

We have forwarded to you a copy of a letter from the Assistant Timber Controller for B. C., dated 28th August, wherein it is requested that everything possible should be done to resume the operation of this company. In our opinion, due principally to the shortage of labor in the logging and lumber industry, it would not be practical for the Custodian to

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G. W. McPherson, Esq.

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10th October, 1942.

attempt to carry on the operations of the company. The alternative, therefore, if the Timber Controller's request is to be carried out, would be to sell the property out-right or lease the log and saw mill equipment and sell the timber on a stumpage basis as cut.

In view of the large value of equipment and machinery it would not be advisable to lease the property except to persons prepared to deposit a good sum of money to insure that the equipment and supplies will not be lost and damaged.

We have not the authority to dispose of this property and would appreciate receiving your views and instructions at an early date.

Yours very truly,

"P. S. Ross & Sons"

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EXHIBIT No. 1381-34
DATE 19 Oct 1948
FILED BY J. McPherson
DEPARTMENT OF THE SECRETARY OF STATE
OF CANADA



WHEREAS under Regulation 15 of the Consolidated Regulations

Respecting Trading with the Enemy (1939), the Secretary of State of Canada on the twenty-first day of May 1942 prohibited the ROYSTON LUMBER COMPANY LIMITED from carrying on business except under the supervision and control of Messrs. P.S. Ross & Sons, Chartered Accountants.

AND WHEREAS Mr. D.D. Rosenberry, the Assistant Timber Controller for British Columbia, has requested the above company to resume its operations as quickly as possible, in view of the fact that lumber is urgently required for Canadian and United Kingdom defence work.

AND WHEREAS it appears to the Secretary of State of Canada that the business of the said ROYSTON LUMBER COMPANY LIMITED should be wound up and the assets disposed of, with a view to the purchaser resuming the company's operations.

NOW THEREFORE, the Secretary of State of Canada by his duly authorized Deputy GLENN WILLOUGHBY MCPHERSON hereby revokes the order of the twenty-first day of May 1942 appointing Messrs. P.S. Ross and Sons supervisors and in substitution for that order hereby appoints FREDERICK FIELD, Chartered Accountant in the City of Vancouver in the Province of British Columbia, a representative of Messrs. P.S. Ross and Sons, as controller of the affairs of the said ROYSTON LUMBER COMPANY LIMITED.

The Secretary of State of Canada hereby confers upon FREDERICK FIELD, Chartered Accountant in the City of Vancouver in the Province of British Columbia, a representative of Messrs. P.S. Ross and Sons, such powers as are exercisable by a liquidator in a voluntary winding-up of a company including power in the name of the said ROYSTON LUMBER COMPANY LIMITED,

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OF CANADA

or in his own name and by deed or otherwise to convey or transfer any property and power to apply to the Court having power to appoint a receiver or liquidator or to grant a winding-up order, or a judge thereof to determine any question arising in the carrying out of this order.

The Secretary of State orders that the remuneration payable and costs, charges and expenses incurred in connection with the original inspection, supervision and control and in the winding-up of the business to such amount as may be approved by the Secretary of State of Canada, shall be defrayed out of the assets of the business and shall be charged on such assets in priority to any other charges thereof.

DATED at Vancouver this twenty-eighth day of October, 1942.

"G. W. McPherson"

(G. W. McPherson)
Authorized Deputy of the Secretary
of State and/ or the Custodian.

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EXHIBIT No 1381-35
DATE 19 OCT 1948
FILED BY G.W. McPherson

LOGGING AND SAWMILL OPERATION FOR SALE

NOTICE OF CALLS FOR
TENDERS FOR ASSETS OF

Royston Lumber Company
LIMITED

ROYSTON, B.C.

Under instructions of G. W. McPherson, Esq., Authorized Deputy of the Secretary of State and in accordance with the provisions of the Public Assets Act, the Royston Lumber Company, Limited, generally described as follows:

A FULLY EQUIPPED SAWMILL, AND LOGGING OPERATION INCLUDING A SUBSTANTIAL GRANTY OF NEW SUPPLIES TOGETHER WITH GROWN GRANTY TIMBER LIMITS SAID TO CONTAIN FIFTY TO SIXTY MILLION BOARD FEET. THE MILL CAPACITY IS SAID TO BE FORTY THOUSAND FEET PER SHIFT. THE LOGGING RAILROAD CONSISTS OF APPROXIMATELY TWELVE MILES OF LINE TOGETHER WITH LOCOMOTIVES, FLAT CARS ETC. THE COMPANY ALSO OWNS A FORESHORE LEASE IN CLOSE PROXIMITY TO THE SAWMILL OPERATION.

The assets are offered for sale to be operated as a going concern and tenders will be received by the undersigned Controller at the office up to noon (daylight saving time), the 16th day of December, 1942, upon the following terms and conditions:

- (a) A certified cheque to the order of the Controller for 10% of the tender price shall be enclosed therewith; subject to the condition that should the tender be accepted, the tenderer shall be bound to complete the purchase of the assets on the terms of his offer and the condition will be cancelled and the amount of the tender shall be returned to the Controller as liquidated damages in respect of unaccepted bids will be returned in due course.
- (b) The assets are offered for sale without any warranty, express or implied, as to the state of repair of such assets, and while the general state of repair of the assets, from the inventories in the office of the Controller, the sale thereof shall be made in each case subject to shortages and overages, the shortages to be at the charge of the tenderer, and the overages for the benefit of the successful tenderer.
- (c) Neither the highest nor any tender will necessarily be accepted.
- (d) The purchaser and/or purchasers shall pay all transfer taxes and dues, if any, payable to the Crown.
- (e) The envelopes enclosing offers should be marked "Tender" and addressed as follows:

Frederick Field, Controller,
The Royston Lumber Company Limited,
675 West Hastings Street,
Vancouver, B. C.

INVENTORIES MAY BE INSPECTED DURING OFFICE HOURS ANY DAY UP TO NOON ON THE 15TH DAY OF DECEMBER, 1942. AT THE OFFICE OF THE CONTROLLER, 411 ROYAL BANK BUILDING, 675 WEST HASTINGS STREET, VANCOUVER. AND ARRANGEMENTS CAN BE MADE WITH THE CONTROLLER FOR INSPECTION OF THE PROPERTY, EQUIPMENT AND SUPPLIES.

FREDERICK FIELD
Controller of the Royston Lumber
Company Limited assets in Canada.
24th November, 1942.

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Please refer to
File No. 147

CANADA
DEPARTMENT OF THE SECRETARY OF STATE
OFFICE OF THE CUSTODIAN

501 Royal Bank Bldg., LTD
Vancouver, B. C.
June 30th, 1942



Messrs. P. S. Ross & Sons,
Chartered Accountants,
Royal Bank Building,
Vancouver, B. C.

Dear Sirs:

Re: Royston Lumber Company Limited

I have your preliminary report of May 20th,
since which date you have received your formal appointment as
Controller.

You advised me verbally that Mr. Rosenberry,
Timber Controller, is anxious that the above company's logging
operations be continued in the interest of the War Effort. I have
requested that you obtain a letter to this effect.

You also advised that Mr. Uchiyama desired that
the company's property remain dormant for the duration and that in
spite of several letters written to him, he had taken no real action
to obtain an expression of opinion of the other shareholders for whom,
you advise, he holds a Power of Attorney.

As a result of this, I wired him on June 23rd as
follows:-

"OPERATION OF ROYSTON CONSIDERED NECESSARY AND REQUIRE DEFINITE
DECISION FROM YOU AND OTHER SHAREHOLDERS AS TO SALE OR LEASE STOP
IF NO DECISION RECEIVED BY SATURDAY JUNE TWENTY SEVENTH CUSTODIAN
WILL VEST COMPANY AND DEAL WITH SAME AS HE SEES FIT IN INTERESTS
OF WAR EFFORT."

and received a reply dated June 26 as follows:-

"YOUR TELEGRAM DATED TWENTY THIRD RECEIVED THIS MORNING
STOP WE DECIDED TO LEASE IF NECESSARY TO OPERATE IN INTEREST
OF WAR EFFORT STOP TERMS AND DETAILS RELY ON YOUR FAIR
ARRANGEMENT - G K UCHIYAMA."

I would appreciate receiving a report from you on
this entire matter, with your recommendations as to what should be done.

Yours truly,

"G.W. McPherson"
G.W. McPHERSON
Authorized Deputy of the Secretary
of State and/or Custodian

GWMCP/CM

EXHIBIT No. 1381-36
DATE 20 02 1948
FILED BY G.W. McPherson

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Black 4/10 & 4/11

Standing Timber

[illegible]

(Name only)

the end

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Journal on Shipments

DATE	DEBITS	CREDITS	BALANCE	DATE
1921 Jan 5	717			
1921 Jan 17	718			
1921 Jan 19	719			
1921 Jan 21	720			
1921 Jan 23	731			
1921 Jan 24	732			
1921 Jan 25	733			
1921 Jan 26	734			
1921 Jan 27	735			
1921 Jan 28	736			
1921 Jan 29	737			
1921 Jan 30	738			
1921 Jan 31	739			
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1921 Nov 20		1034		
1921 Nov 21		1035		
1921 Nov 22		1036		
1921 Nov 23		1037		
1921 Nov 24		1038		
1921 Nov 25		1039		
1921 Nov 26		1040		
1921 Nov 27		1041		

Bundle 553, #4
VOL 267

Three Jambes

Bundle 553, #4
VOL 267

Franklin Local Sales

DATE	BALANCE	CREDITS	DEBITS	BALANCE
------	---------	---------	--------	---------

1942
Jan 31
Feb 18
Mar 19

179,305'
164,631'
106,691'

48
106
131

301290
473610
- 7749 -
475313
1000413

Note average 1850 per m

ESTACE SMITH LIMITED
1114 Standard Bank Building
Vancouver, B. C.

December 21, 1942



Messrs. P. S. Ross & Sons,
Royal Bank Building,
Vancouver, B. C.

Dear Sirs: INTERIM REPORT ON THE ROYSTON LUMBER COMPANY HOLDINGS
IN TIMBER

I made a preliminary examination of the area already logged and, as we had previously checked Blocks 523 and 545, and also had originally made a close cruise of Blocks 410 and 441, are able - after deducting the cut-over area - to form a fair idea of the amount of timber not yet removed.

The area left on Block 410, according to our cruise, should cut out about as follows:

FIR,	3,185
CEEDAR,	1,895
HEMLOCK,	350
BALSAM,	325
SMALL FIR,	30
PINE,	40
TOTAL	5,825 M. Feet

EXHIBIT No. 1381-39
DATE 20. 02. 1948
FILED BY J. W. McPherson

Block 411, from which no timber has as yet been logged, only Cedar Poles removed, should cut as follows, our cruise:

FIR,	3,875
SMALL FIR,	210
CEEDAR,	550
HEMLOCK,	450
BALSAM,	155
PINE,	220
TOTAL	5,460 M. Feet

Block 545 - from which no timber has yet been removed - and Block 523 - from which about 900 M. Has been taken off - should, together, cut out 28,814 M. feet, and 4,455 Cedar Poles.

Blocks 344 and 144 should still carry at least 2,000 M. feet, and other patches of timber owned by the Royston Lumber Company that could be picked up, would carry a further 2,000 M. feet.

This would give altogether approximately 45 million feet of un-cut timber, varieties as follows:

FIR,	30,097 M
SMALL FIR,	4,270 "
CEEDAR,	4,233 "
HEMLOCK,	3,795 "
BALSAM,	903 "
PINE,	801 "
TOTAL	44,099 M. Feet

Bundle 553, #4
VOL 267

- 2 -

with 4,455 CEDAR POLES.

VALUATION - We feel that the above timber, being Crown Grant and also being partially developed, should be worth about \$3.00 per M. - either as a Logging Operation for the open market, or as raw material for the Royston Mill.

Yours very truly,

EUSTACE SMITH LIMITED

Per..Eustace. Smith.....
Manager

ES/G.

Bundle 553, #4
VOL 267

COEX

ESTACE SMITH

1114 Standard Bank Building,

Vancouver, B. C.

January 15th, 1943

Messrs. P. S. Ross & Sons,
Royal Bank Building,
Vancouver, B. C.

Dear Sirs:

Following your instructions, I have made an examination of the Royston Lumber Company property at Royston, Vancouver Island, and have made an estimate of the amount of standing timber which they still have left to log.

In order to give you a picture of the value of this property as a whole, which includes Sawmill, Buildings, Logging Equipment and Logging Railway, together with about ten miles of steel laid - I have asked Messrs. Galbraith, Clertew & Overton Ltd., who have been recommended to me as reliable and in close touch with present values, for a valuation of property outside of the standing timber on this tract, and enclose herewith copy of their report.

In checking over their figures, I feel that the values given are certainly high enough, particularly as to Steel Rails and Logging Trucks.

In placing a value on the timber left on the holdings, which I estimate amounts to about 45 million feet B. M., I have given a figure of \$3.00 per M. This timber was bought for less than \$2.00 per M., but with the development already done and with a main road to the edge of the timber, I consider that a price of \$3.00 per M. would not be too high.

I understand that there is \$38,000.00 owing on the timber to complete title, so that the actual value of the timber stand, minus the amount owing, should be about \$97,000.00

The Mill, Machinery, Logging Equipment & including supplies, wire rope, etc. Logging Railway, Buildings and Motor Vehicles, should be worth in the vicinity of \$96,300.00 - which will make a total value of \$193,300.00, and I would judge that a sale at that price would be good business.

You will realize that if the Mill is put into operation at capacity there will be only about a four year operation to liquidate the present timber holding. There may be more timber which could be secured, but that is by no means sure.

The past history of the Royston Lumber Company has been quite good, but the chief reason for successful production of lumber has been due to the large supply of cheap labour that was available - mostly Japanese, who were only paid what the business could easily afford.

To start up the Mill again under present conditions would call for very close figuring in order to make a profit, as the Mill is not modern, and there is no Mill-pond for log sorting, which is a great inconvenience when cutting to special order, as no selection of logs can be made and no storage of raw material can be built up to take care of any stop in the log production.

EXHIBIT No. 1381-40

DATE 20-02-1948

FILED BY

E. W. McPherson



Bundle 555, #4
101.267

F. S. ROSS & SONS (ROYSTON LUMBER CO.) - 2 -

For the above reasons, I feel that the value I have given for the property above whole is very fair, and is based on the value of the timber at a good stumpage price and a fair price for the Mill, Logging Machinery, supplies and housing accommodation, as well as the Wharf and waterfrontage, which may be of value as a waterfront Millsite. See page 1

I would be prepared to recommend a total price of \$193,300.00, the purchaser to complete payment for the F. & N. timber.

I have not sufficient knowledge of the value of the Company's Real Estate situated at Courtenay and Campbell River - which is of no value to the Mill, but this could no doubt be liquidated separately, for some figure.

Yours very truly,

ES/g.

...Eustace. Smith.....



Bundle 553, #4
VOL 267

COPY

EUSTACE SMITH LIMITED
1114 Standard Bank Building
Vancouver, B. C.

Messrs. P. S. Ross & Sons,
Royal Bank Building,
Vancouver, B. C.

Dear Sirs:

Re: Royston Lumber Company

I have made an examination of the three separate bids you have received for the Assets of the above Company, as Tenders Nos. "A" - "B" and "C".

Before analyzing these bids, I am assuming that all the property of the Company will be delivered free of debt, and that the bids made on this property do not take into consideration the \$38,000.00 owing on standing timber, which would be cleaned up by the Royston Lumber Company.

Not knowing the identity of the different parties who have bid on the property, I am taking it for granted that they are all capable of carrying out any contract they may enter into.

We will commence with OFFER "A" - This offer, which is the largest amount bid by quite a considerable amount, is rather vague, in that the cash payment is \$60,000.00, and the balance at the rate of \$3.00 per M., based on the amount of stumpage removed, would not be sufficient to complete the payment of \$202,000.00 - that is - presuming our estimate of 45 million feet is approximately correct.

If this offer were altered to specify definite payments over a certain period, regardless of what timber was cut, it would be better - or the price per M Feet should be increased to \$4.00.

As nearly as I can find out, the Mill has only been producing in the vicinity of 7 million feet per annum, and the receipts from stumpage at \$4.00 per M would not be likely to exceed \$30,000.00 per year - so that if this offer were augmented to specify that the timber removed was to be paid for at the rate of \$4.00 per M., as logged, up to the total price - as offered - with a definite time to complete all payments, it would seem to me to be well worth consideration.

OFFER "B" - This offer is a very definite one, but low as compared with Offer "A". If this Offer "B" were by any chance to include the payment of the \$38,000.00 by the purchaser, rather than by your Company, it would be practically equivalent to Offer "A" and, under those circumstances, to be considered.

OFFER "C" - This offer appears to me to be definitely too low to be considered, although the cash payment is quite large.

I expect that no matter who buys this timber, it will be put into operation immediately. This is quite an important matter, as unless the Mill is put into production, the depreciation of value will be continuous - also, the production of lumber being so important at the present time, this timber should be brought to market as soon as possible.

It is quite possible that reasonable adjustments could be made on Offer "A", to assure a definite sale and immediate production of lumber.

This is definitely the time of year to commence putting the Mill into shape for operation.

EXHIBIT No. 1381-41

DATE 20 Oct 1948

FILED BY

J. W. McPherson



Bundle 555, #4
VOL 267

F. S. ROSS & SONS (ROYSTON)

- 2 -

Taking into consideration the above, I would recommend that the offer made by party designated "A" should be accepted, provided that the balance to be paid by stampage on the upset price of \$202,000.00, be paid at the rate of \$4.00 per M., rather than \$3.00 per M., and that total payments are to be completed within five years.

Yours very truly,

..Rustace.SmithF.....

ES/G.



Bundle 555, #4
VOL 267

C O P Y

EUSTACE SMITH

1114, Standard Bank Building
Vancouver, B. C.

JANUARY 20th. 1943



Messrs.
P. S. Ross & Sons,
Royal Bank Building,
Vancouver, B. C.

Dear Sirs:-

RE. ROYSTON LUMBER COMPANY MILL PROPERTY

I am just in receipt of your letter of this date, together with enclosure of a clarified statement of the conditions of Tender submitted by "A" for the purchase of the above property, and after looking over this bid and making comparisons with bids "B" and "C" - I feel that if this Tender can meet the security conditions necessary in a sale of this nature, there is no question in my mind that Tender "A" is so much better than either Tender "B" or "C", that it should be accepted.

I might say that when you advertised this property for sale, I never expected you would receive so high a bid as "A".

Also - In my opinion, this Offer "A" is definitely full value for the property.

Yours very truly,

Eustace Smith

Eustace Smith

ES/G.

EXHIBIT No. 1381-42
DATE 20-01-1948
FILED BY

J. W. McPherson

Bundle 555, #4
101.267

C O P Y

THE ROYSTON LUMBER CO. LTD.

Manufacturers of

Rough and dressed fir lumber

EXHIBIT No. 1381-43
DATE 21-DEC-1948
FILED BY R. A. MacKinnon

R. R. No. 1,
Cumberland, B.C.

April 7th/43

Messrs P. S. Ross & Sons,
Royal Bank Building,
Vancouver, B. C.

Attention Mr. R. F. Wray.

Dear Sirs: Replying to your file 295-144. Employment of extra men on pay-roll.

While negotiations are not complete for disposal of Royston Lbr. Co., assets and Messrs. Stekl brothers one or both continue weekly inspection visits to this plant and are particularly interested in looking over timber limits personally. It will be necessary to have such a man available who knows locations, corner posts, etc., and can also handle speeder.

Unfortunately after such a severe winter, snow made railroad grades impassable on several trips, but then we opened up and examined donkey engines and other equipment stored here. Between trips I found plenty to keep Mr. Morrison busy and so reported.

Should negotiations with these people not soon develop into a sale it is both their opinion as well as my own that it will be necessary to overhaul and turn over some of this equipment to offset depreciation and one or more extra men will be necessary for this purpose.

In the meantime it is my intention to lay off Matthew Plercy and put Ches. Morrison back watching when shifts change on Saturday.

I understand that a millwright and operator has moved into Courtenay who expects (or is hired) to operate this sawmill. They have also had a woods foreman up through the timber, arranging levels, roads etc., to make a start since the first of this month. But in no case have either of these men interfered in any way with any of our plant or equipment. I felt that you should have this information.

In going over these timber limits with Mr. Morrison myself I found that 19 million ft estimated by Japanese as on 410 & 411 is no reality scattered over 333. 335. 344 and a big slice on 144 as well as even some on 33 and old 79 along the Trent river. You have a complete map and can check these berths.

In our estimation sufficient scattering timber areas to cover the Japanese estimates.

You can figure that had you used a cruiser or woods engineer this information would have cost you much more than Morrison's and my wages and expenses for the past six weeks.

Yours very truly,

H. C. Alrth.

bundle 555, #4
101267

LOGGING EQUIPMENT:

1. Steam Donkey, mfg. by Vancouver Engineering Co. 9 1/2 x 11"	1750.00
1. Steam Donkey 9 x 10", mfg. by Vancouver Engineering Co.	1750.00
1. Steam Donkey 10 x 12" mfg. by Vancouver Engineering Co.	2000.00
1. Gas Engine 6 H.P.	60.00
1. Mercury Yarder Type 29 -good	1900.00
1. Twin Mercury Yarder Type 34 -good	2250.00
1. Hayes Anderson Powered Donkey with No. 4 Skagit Hoist -good	2000.00
1. Fordson Tractor with Double Drum Hoist -good	1400.00
1. Caterpillar Tractor D7 with Winch Bulldozer	5000.00
1. 3 HP Gas Engine with Pump complete unit -good	175.00

ROLLING STOCK

1. Shay Gear Drive Locomotive 67.5 HP	6000.00
1. Side rod drive Locomotive 40.7 HP mfg. by the Montreal Locomotive Works Co. Ltd. (Baldwin Locomotive)	1500.00
1. Gasoline Speeder, equipped with a 1936 Chevrolet-engine crew car	500.00
6. Flat Cars, 1 wrecked	300.00
5. Skeleton Cars	6000.00
2. Tank Cars	5000.00
	4000.00

RAILS

Approximately 12 miles - 55 type

4158500
4158500
39000.00

SAW MILL IN ROYSTON - CAPACITY ABOUT 28,000 BFM

1. 72" x 18' Horizontal Boiler - 125 Pound Pressure complete Mounting, and Stack.	2000.00
1. 72" x 18' Horizontal Boiler - 135 Pound Pressure complete Mounting, and Stack	2250.00
1. Steam Engine 16 x 20" Frost	750.00
1. Steam Engine 14 x 18"	650.00
1. Steam Engine 10 x 12"	450.00
1. Steam Engine 4 x 5" Vertical	75.00
1. Circular Headsaw - 56" lower and 52" upper Circular-saw	250.00
1. Carriage with 4 Blocks, with Handsetwork and 8 x 8 1/2" E. Long #8 54"	650.00
1. Feed Engine for Carriage Heaps Lidgetwood Type 6' wide	500.00
1. 6" Edger Heaps 6 x 42	500.00
1. Circular Resaw - mfg. by Cowan & Company	400.00
1. Sticker 8" mfg. by Cowan & Company	250.00
1. Rip Saw, Cowan & Company	250.00
1. Yates Planer - 6 x 15" - 6 knives No. 91 -good	2000.00
1. 32" American Knife Grinder	400.00
1. Columbia American Sander, Mfd. by Cowan & Company	800.00

12145.00
12145.00

LUMBER CARRIERS

1. 1928 Willamette Lumber Carrier	Victoria, estimate	1000.00
1. 1934 Willamette Lumber Carrier		2000.00
1. Lift Truck, mfd. by Willamette Hyster Co. Model No. 114		3000.00

VEHICLES

1. 1932 Ford 1 1/2 Ton Truck, flat Body	Victoria, estimate	1000.00
1. 1935 International 2 Ton Truck, flat Body		1500.00
1. 1937 Ford 2 Ton Truck, flat Body	Victoria, estimate	1200.00
1. 1938 Hayes Anderson 2 1/2 Ton Truck, flat Body	Victoria, estimate	1500.00
1. 1941 Ford 2 Ton Truck, flat Body	Victoria, estimate	1750.00
1. 1932 Chevrolet Coupe	Victoria, estimate	300.00
1. 1935 Chevrolet Coupe	Victoria, estimate	350.00
1. Old Garford Solid Tired Truck		100.00
1. Ford Wheel Tractor		1000.00
Blower System		600.00
Conveyor System		750.00
Belts		650.00
Transmission Chain, etc.		1750.00
Dry Kiln installed		600.00
Dry Kiln not installed, incomplete		150.00
Yard Trucks		100.00

EXHIBIT NO. 1381-44

DATE 21 Oct. 1948

FILED BY

g w mcl h u r o n

bundle 555, #4
101267

Pipe System	500.00
Electrical System	500.00
Fire Fighting Equipment	500.00
Garage Stores	2000.00
Office Equipment	400.00
Logging Blocks and Wire	2000.00
Axes, Saws & Tools	500.00
Supplies Stored Back of Office	1000.00
Oil Stores and Supplies	175.00
Black Smith Shop	25.00
Stored in old Tool House	200.00
Gin Pole System at Log Deck	150.00
Time Clock & Watchman's Clock Outfit	300.00
Saw Filing Room	500.00
Pumps	1000.00
Planer Mill Grinding Room & Supplies	350.00
Pile Driver on Dock at Royston	1200.00
Stiffleg Derrick on Dock at Royston	750.00
Fordson Caterpillar Tractor with Double Drum Ersted Winch	
Buildings at Mill	Not valued
Dock at Royston	Not valued
Land at Mill	Not valued
Land at Royston	Not valued

\$124260.00

These prices are the current resale value of all the equipment listed based on its being removed from its present setting and brought to Vancouver.

To arrive at its net value to the estate the following is the rule that is usually followed:

Dismantling and shipping	7 1/2%
Freight, cartage and handling	5%
Defective & unsaleable goods	10%

The goods listed would sell readily on to-day's market at the prices valued, and all should liquidate within one year.

Yours truly,

GALBRAITH CLERIHUE & OVERTON LIMITED

"H.R. Galbraith"

H.R. Galbraith

HRG:ER

Bundle 555, #4
101.267

MEMORANDUM OF GOVERNMENT COUNSEL
(D. T. Braidwood)

Re: Settlement of Royston Lumber Company Limited Claim

At the conclusion of the hearings in this case, the net amount of the claim was \$464,854.00. Government Counsel considered the evidence presented on behalf of the claimant had not established any justification for such a large difference between sale price and the fair market value, and in view of the amount claimed, it was not considered likely that any agreement could be reached between Counsel and that it would be necessary for the case to be continued before the Commissioner, and argument submitted.

However, without prejudice, Mr. MacLennan, Counsel for the claimant, indicated that a substantial part of his claim would be withdrawn if a compromise settlement could be agreed upon.

A conference was therefore held between Mr. MacLennan and myself at which Mr. G. W. McPherson and Mr. Shears were present, and the following proposition submitted by Mr. MacLennan:

Items to be withdrawn were as follows:

Claim for land (as agricultural value etc. apart from timber)	\$33,495.00
Claim for right-of-way	47,500.00
Claims for foreshore rights	2,400.00
Claim for goodwill	<u>75,000.00</u>
(In addition to items shown as amended at Hearings, of \$20,965.00)	\$158,395.00

These amounts and other changes in the claim are shown on the attached Statement and indicate that claimant's counsel suggests a settlement of \$75,000.00. I am not prepared to agree that a fair settlement calls for such an amount, and consider that \$65,000.00 would be the maximum figure which might be considered. This amount is arrived at after giving consideration to the following:

Item 1 - 34 Lots

While it might be argued that the value of these lots was taken into consideration by Mr. Eustace Smith, the appraiser, at the time the offer to purchase was submitted to him, this is not clearly established, and Mr. MacLennan's suggested award of \$4700.00 for these lots may be considered fair.

Item 2

The same argument applies to the lots at Courtney and the amount of \$600.00 may be considered fair.

Item 3 - Standing Timber

Eustace Smith's valuation is at \$3.00 per M and there is agreement as to this value. Claimant's claim as to quantity of timber on the basis of Spatz figures is 53 million feet. Smith's cruise is 45 million feet, a difference of approximately 8 million feet. Mr. MacLennan is suggesting that an adjustment should be made for \$21,000. which represents a value for an additional 7 million feet. While I feel that the average of the two appraisals might fairly be taken and an adjustment for 4 million or \$12,000.00 considered, there is evidence that the quantity of timber taken from these limits indicates Smith's cruise as being very conservative and on the basis of a generous settlement have considered an adjustment of 6 million feet for \$18,000.00.

EXHIBIT NO. 1381-45

DATE 20th 9/42

FILED BY

M. Braidwood

bundle 553, #4
VOL 267

Item 4

The sawmill buildings were not included in the appraisal made by Galbraith, nor specifically dealt with by Eustace Smith. Evidence is to the effect that many of these buildings were not suitable for Occidental use and that their value to the purchaser of the mill operation was small. However, it is considered that the figures used by Mr. MacLennan may represent a fair valuation.

Item 5 - Equipment

Galbraith's appraisal of \$85,260.00 indicated that if the equipment was removed to Vancouver and sold by individual items, the net result would be 22% less. This makes a difference of \$19,300.00. While this lesser valuation was used as a basis for accepting the offer, the equipment was not moved to Vancouver, and an award of the amount of this difference may be considered fair.

Item 6 - Railway Steel

The same consideration applies here in regard to Galbraith's valuations and a 22% reduction, making a difference of \$8,700.00, is acceptable.

Item 7

In regard to the telephone system, the only value would be for the telephone wire and the amount indicated by Mr. MacLennan may be considered as fair.

Item 8

No extra amount is now being claimed in connection with the sale of lumber in the claim for which was \$60,555.00, and which was sold by the Custodian for \$47,168.00.

Some further adjustment may be considered necessary in regard to equipment which cannot be clearly accounted for, and for this reason a total of \$65,000.00 is suggested as a maximum settlement. Added

It should be noted that on the basis of Eustace Smith's cruise and the higher valuation made by Galbraith, a fair market price may have been indicated of \$256,560.00
the Custodian's sale for this was \$201,452.00
showing an approximate difference of 55,000.00

Government Counsel's suggestion for a settlement at \$65,000.00 would appear to make a generous allowance for any discrepancy in valuations and fully represent fair market value.

Burton MacLennan
Government Counsel

Bundle 555, #4
101267

Claim	Gross Claim	Withdrawn	Sale Price	Appraisals at Royston Less 22 1/2% for Removal	Claimant's Suggested Settlement	Government Counsel Suggested Settlement

[illegible]

Bundle 353, #4
VOL 267

ROYSTON LUMBER COMPANY LIMITED

Appraisals
Eustace Smith
Galbraith

Gross Claim		Sale Price	
<p>Real Estate: 4 Lots at Campbell River 6 Lots at Courtenay 30 Lots at Royston Standing Timber - 55½ million @ \$4.50 (page 116) (purchased \$2.00 (page 227))</p>		<p>Less Disc. \$202,452.46 1,000.00</p>	
Samml - Buildings	60,620.30	-	\$85,260.00
" - Equipment	133,983.86	-	-
Railway Steel (\$35.00 ton)	42,000.00	-	39,000.00
Telephone	2,600.00	-	-
Foreshore rights	2,400.00	-	-
<p>Lumber in yards (2,018,514 @ \$30.00) Timber Lands (exclusive of Tbr. @ \$5.00 acre) Right-of-way Goodwill Accounts Receivable Cables (Included in Equipment) Samml (The Mill sold by company)</p>		<p>47,167.89 60,555.00 33,495.00 47,520.00 75,000.00 17,215.00 2,200.00 1,550.00</p>	
		<p>\$734,439.16 176,980.00</p>	
		<p>\$248,620.35</p>	

66,077.00 - page 499
 Ex. 44
 30,125.00 } 22½%
 \$231,202.00
 \$202,000.00 - page 426

\$135,000.00 - 45 million @ \$3.00
 page 427. Ex. 39/40

2 x 45

MEMORANDUM OF CLAIMANT'S COUNSEL
(J.A. MacLennan)

Re: Settlement of Royston Lumber Company Claim

TO: The Honourable Mr. Justice Bird.

MAY IT PLEASE YOUR LORDSHIP:

EXHIBIT No. 1361-4L
DATE 29-9-49
FILED BY M^r MacLennan

Government Counsel has today supplied me with

Memorandum of the basis of the proposed settlement discussions and I wish to make it clear to your Lordship that the proposed settlement was discussed:

1. On the basis that \$107,000.00 approximately was the proper valuation to be placed on the particular items discussed.
2. That the proposals for settlement had not been discussed with the Claimant and would be subject to the Claimant's acquiescence.
3. That the sum of \$107,000.00 was reduced to the figure of \$75,000.00 as the absolutely bare minimum which Claimant's Counsel could anticipate would be acceptable to the Claimant but without any assurance that such a figure would be accepted.
4. That in discussions with Government Counsel to arrive at settlement, several legitimate claims were not discussed and in particular:
 - (a) Good will.
 - (b) Felled and bucked timber.
 - (c) The differences between Skelding's valuations on the equipment for the Claimant and Galbraith's valuations for the Government. *we used Galbraith's figures for purpose of settlement.*
 - (d) Value of the wharf and foreshore rights.
 - (e) The actual difference between the 53 million feet of timber as admitted by Government witness and 69 million feet being Claimant's estimate and supported by evidence of actual cut.
 - (f) The difference between Eustace Smith's estimate of January 15th, 1943 (Exhibit 40) of \$231,328.85, and the figure of \$202,000.00 recommended by Eustace Smith in his report of January 18th, 1943, being a net difference of \$29,328.85.
 - (g) That the land (excluding timber) had some value, the old mill site having been sold in 1946 for \$5,000.00.
 - (h) That the Government credit of \$47,167.89 for the lumber ~~with~~ the yard should be reduced by the figure of \$10,000.00, being the expenses to produce the finished lumber.

2 1/2 million feet was there lying unyarded for 8 or 10 years.

Short term value of the timber.

Good will.

(1) That Stedl, the purchaser of the property, was given a reduction of \$1500.00 at the time of his last payment in consideration of him paying up the balance when he was legally already bound to pay the balance in full.

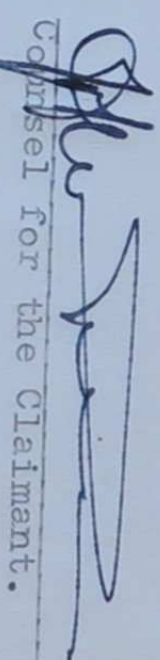
(2) That it is now well recognized that motor vehicles were sold by the Government at an under-valuation and the motor vehicles involved in this transaction at the Government valuation apart from the lumber carriers, totaled \$13,700.00.

It is respectfully submitted that were it not for the discussions leading to settlement which have not been approved by the Claimant, your Lordship would have no hesitation in recommending at least \$150,000.00 to the Claimant.

It is therefore submitted that Government Counsel's suggestion for settlement at \$65,000.00, far from making a generous allowance for any discrepancies in valuations, fails to take into consideration subsequent legitimate claims which should now be considered.

DATED at Vancouver, B.C. this 9th day of November, A.D. 1949.

ALL OF WHICH IS RESPECTFULLY SUBMITTED.


Counsel for the Claimant.

Bundle 553, #4
VOL 267

bundle 553, #4
VOL 267

HOYSTON LUMBER COMPANY

MEMORANDUM OF CLAIMANT'S COUNSEL

J. A. MacLENNAN,
Barrister, etc.,
Vancouver, B.C.

C. W. MCBAIN
LAND DEPARTMENT
VICTORIA, B. C.

H. S. IRWIN
ASSISTANT AGENT
VICTORIA, B. C.

M. H. BARRY
ACCOUNTING AGENT
VICTORIA, B. C.

ESQUIMALT AND NANAIMO RAILWAY CO.
LAND DEPARTMENT

Checks must be made payable to the REGISTRAR & NANAIMO
RAILWAY COMPANY, Land Department, with
required exchange added.

P. O. BOX 459

VICTORIA, B. C. March 14th, 1950.

PLEASE REFER TO FILE NO. 1994-A.

Messrs. MacLennan & Robinson,
Barristers, Solicitors, Etc.,
430-433 Rogers Building,
470 Granville Street,
Vancouver, B. C.

RECEIVED
MARCH 5 1950

EXHIBIT NO. 1351-47.
DATE March 17 - 1950
FILED BY J. A. MacLennan

Attention: Mr. J. A. MacLennan.

Dear Sir:-

Re: Royston Lumber Company Limited.

Replying to your letter of March 11th.

Block 703, Nelson District, was not sold by our
Company to either the Royston Lumber Company or the Vanwest
Logging Company Limited - it was sold direct to Mr. Arthur
Stekl, and date of purchase is shown in our books as
November 1st, 1943. Mr. Stekl assigned his interest in
the property to Vanwest Logging Company Limited by
assignment dated Aug. 6th, 1945.

Sale to Stekl was based on -

Fir	101 M.
Ced.	221 "
Hem.	84 "
Bal.	94 "
	<u>500 M.</u>

This was an old 1939 cruise, when timber did not
have the same value as subsequently during the war years,
also small timber which was ignored during the original
cruise became of value later.

It might be stated that had the Royston Lumber Com-
pany (Uchiyama) continued in business, it is certain that
they would have purchased the area in question. It might
also be stated that the major part of Block 703 contained
only reproduction, which, while of little value in 1939,
has some value now.

Trusting that this information will prove of
some assistance to you,

Yours very truly,

J. A. MacLennan
Chief Timber Ranger.

Granville 553, #4
VOL 267

EXHIBIT No. 1381-33
DATE 19 Oct 1948
FILED BY Jim McPherson

The Royston Lumber Company Limited
Report on Investigation
October 23rd, 1942

P. S. ROSS & SONS
CHARTERED ACCOUNTANTS

MONTREAL

TORONTO

WINNIPEG

CALGARY

VANCOUVER

Bundle 553, #4
VOL 267

MONTREAL
WINNIPEG
CALGARY
VANCOUVER

ESTABLISHED 1836

CABLE ADDRESS: PHILROSS

P. S. Ross & Sons
CHARTERED ACCOUNTANTS, TRUSTEES & LIQUIDATORS

ROYAL BANK BUILDING
VANCOUVER, B. C.

23rd October, 1942
released 15th January, 1943

BRIDGEN, JAMES O. ROSS, (CMA)
A. F. C. ROSS, (CMA) (P.A.)
JOHN W. ROSS, (CMA) (P.A.)
ROBERT W. SCOTT, C.A.
S. R. CAMPBELL, C.A.
J. H. CAMPBELL, C.A.
S. B. PETERMAN, C.A.
GUY E. HODGKIN, C.A.
J. H. HODGKIN, C.A.
W. O. JENNICOFT, C.A.
H. S. HAYTHORN, C.A.
G. M. HAYTHORN, C.A.
JAN A. ROSS, C.A.
JOHN A. ROSS, C.A.

G. W. McPherson, Esq.,
Authorized Deputy of the Secretary
of State and/or Custodian,
Royal Bank Building,
Vancouver, B. C.

Sir:

Since our preliminary report of the 20th May, 1942, on The Roy-
ston Lumber Company Limited, and our subsequent appointment as controllers
on 21st May, 1942, we have continued our investigation of the company and
report as follows:-

Ownership

The company was incorporated under the British Columbia Companies
Act and we are advised by the Registrar of Companies, Victoria, B. C. that
at 20th December, 1940, (the last annual meeting of the company) the follow-
ing were reported as shareholders:

Minato, Keiji	Royston, B. C.	22 shares
Estate of Kamosuki Kamishshi	Vancouver, B. C.	284 shares
Iwasa, Matsutaro	Royston, B. C.	62 shares
Minato, Kinosuke	Royston, B. C.	20 shares
Uchiyama, George K.	Royston, B. C.	48 shares
Uchiyama, George K. (In trust)	Royston, B. C.	2 shares
Tomihiro, Senichi	Portland, Oregon	22 shares
	U. S. A.	

460 shares

The sole executrix of the Kamishshi Estate has given a power of
attorney to G. K. Uchiyama to vote the company shares in the name of the
Estate.

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G. W. McPherson, Esq.,
Vancouver, B. C.

23rd October, 1942
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We have not had the minute book or shareholder's register of the company produced for our inspection but the share certificate books do not show any transfers of shares or new shares issued since 20th December, 1940. We also note that the company advised you that the foregoing list of shareholders was the same at 20th December, 1941. We have made an inspection of the share certificate books but have been unable to reconcile the figures to the above list of shareholders. We are making further investigations of these records and will report to you at a later date.

Extent and Nature of Enemy Interest

We understand that Senichi Tomihiro has been interned by the United States Government. To the best of our knowledge the remaining shareholders and the beneficiary of the Kamnishi Estate were formerly resident in British Columbia, but are now evacuated from the Defence Area.

Therefore the Enemy Interest in this company is represented by the following:

(a) Enemy Ownership

22 shares in the name of Senichi Tomihiro
representing 22/460ths of the issued
share capital.

(b) Enemy Debt

Due to Senichi Tomihiro 1,404.58
Less: Due by S. Tomihiro 158.95 1,245.63

Companies under control
or investigation by
Custodian, Canada
Daily News

5.00

\$1,250.63

Directors, Officers and Employees

We understand the following are the last directors of the company:

G. K. Uchiyama	Royston, B. C.
M. Iwasa	Royston, B. C.
S. Tomihiro	Portland, Oregon, U.S.A.
K. Minato	Royston, B. C.

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G. W. McPherson, Esq.,
Vancouver, B. C.

23rd October, 1942
released 15th January, 1943

The company employed seventy to one hundred men in the logging and sawmill operations. The employees were principally Japanese, and have now been evacuated.

Mr. G. K. Uchiyama was managing-director of the company.

Nature of Business

The company operated for a number of years near Royston, B. C. (Vancouver Island) a logging and sawmill business. Timber areas were purchased from the Esquimalt and Nanaimo Railway as required in the company's operations.

Financial Position

The following statements are attached hereto:

Exhibit 1. Balance Sheet as at 31st March, 1942.

Exhibit 2. Profit and Loss Account for the three months ended 31st March, 1942.

Bank Balance: We have experienced some difficulty in reconciling the balance shown by the company's books with the Bank Statements of the Royal Bank of Canada, Cumberland, B. C. We are now satisfied that the difference is forty-five dollars and fifty-seven cents (\$45.57) and assume this is represented by cheques entered in the books but never presented at the bank. Due to the evacuation of the Japanese staff we are unable to confirm this.

Accounts Receivable - Trade and General: You will note these accounts in the attached balance sheet total twenty-seven thousand, six hundred eleven dollars and ninety-five cents (\$27,611.95). This is summarized from the trial balance of the company's books as follows:-

Trade Accounts Control	12,568.88
Various other trade accounts not in personal ledger	15,043.07
	<u>\$ 27,611.95</u>

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G. W. McPherson, Esq.,
Vancouver, B. C.

23rd October, 1942
released 15th January, 1943.

In our examination of the Trade Accounts Ledgers we note that accounts totalling twenty thousand, nine hundred ninety-seven dollars and forty-one cents (\$20,997.41) are included therein. This is in excess of the control account of twelve thousand, five hundred sixty-eight dollars and eighty-eight cents (\$12,568.88) by the amount of eight thousand, four hundred twenty-eight dollars and fifty-three cents (\$8,428.53). It would appear to have been the policy of the company not to make entries writing off bad accounts in the detail ledger, although such entries appear in controlling account. This is the only explanation we can offer of this difference. Up to the 30th September, 1942, the sum of twelve thousand two hundred twenty-six dollars and ten cents (\$12,226.10) has been collected on these accounts. Prior to our appointment as controllers, the company entered into a contract with Mr. N. W. Spink, Barrister and Solicitor, Courtenay, B. C. to collect the accounts receivable on the following commission basis:

5% on the first 2/3rds collected.
10% on the balance.

While Mr. Spink has deposited the sum of seven hundred fifty dollars and nineteen cents (\$750.19) in the company's bank account we have not had a report or statement from him. We have repeatedly requested same and if our last reminder is not replied to we will request your legal department to pursue this matter.

We have not attempted to estimate the amount of Trade Accounts Receivable that will be collected.

Accounts Receivable - Secured by Mortgage: Details of this are as follows:

G. B. Gapes (not including interest to be determined) \$ 950.00
Secured by mortgage on Lot 1, Section 61,
Comox District.

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G. W. McPherson, Esq.,
Vancouver, B. C.

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released 15th January, 1943

Accounts Receivable - Japanese Interests under control of the

Custodian: These consist of the following:

M. Ebisuzaki & Co.	3.00
Kagetsu & Company	<u>250.00</u>
	\$ 253.00

The balance due from Kagetsu & Company is shown in the ledger as "transferred from lumber account" on 31st January, 1934. It would appear this account is statute barred.

Accounts Receivable - Employees: The company made a practice of advancing money and selling lumber, etc. to employees. The repayments were either in cash or by deductions from payrolls. The following balances were uncollected at 31st March, 1942:

K. Doi	100.00
F. T. Kato	363.70
G. Kobayashi	170.36
M. Kabayokawa	285.00
K. Onizaki	182.77
K. Okui	27.10
W. Damanti	30.00
G. Kato	65.00
N. Nishimura	<u>5.45</u>

\$ 1,229.38

Add: Store coupons
not traced to
ledger account

4.00

\$ 1,233.38

The three accounts marked **x** were subsequently paid.

Accounts Receivable - Directors: This is summarized as follows:

M. Iwasa	1,684.49
M. Iwasa (Logging Camp Account)	265.77
Keiji Minato	1,091.48
S. Tomihiro	<u>158.95</u>

\$ 3,200.69

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Inventories: With the exception of the lumber stock detailed Inventories were not made by the Japanese staff before their evacuation. We have estimated the value of the inventories as follows:-

Store merchandise (realization value)	370.87
Shingles, windows and doors (book values)	176.40
Fuel Oil - (estimated)	100.00
Gasoline - (estimated)	100.00
Mill supplies - (estimated)	200.00
Logging supplies - (estimated)	1,700.00
Barrels (book value)	29.00

2,676.27

Lumber Inventory: Approximately 2,000,000 board feet. Priced at ten dollars (\$10.00) per M as used by the company in preparing former annual statements

20,000.00
\$ 22,676.27

As it was the practice of the company not to include a valuation of the logs in the woods felled and bucked in its annual statements we have not shown same. We understand there was approximately 1,500,000 board feet felled and bucked timber at 31st March, 1942.

Timber and Land: This amount of eighty-seven thousand, thirty-six dollars and forty-one cents (\$87,036.41) represents the original purchase cost of the company's timber less allowances for the stumpage on timber cut. Mr. Uchiyama has estimated the remaining timber to be at least 53,500,000 board feet calculated as follows:-

Block 344
Block 410 and 411
Block 523
Block 545
Block 144

2 million feet
19 million feet
5 million feet
27½ million feet
not stated
53½ million feet

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Vancouver, B. C.

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Information we have received would indicate that Mr. Uchiyama's estimate is a little high. This will be determined when we have the report of Mr. Eustace Smith, who is making an examination of the company's property. We understand that Blocks 523 and 545 were recently purchased by the company and have not been touched. The particulars of these purchases are as follows:-

Block 523	August 1940	Cruised at 3,068,000 F.B.M.	\$ 4,707.00	Average \$1.53 per A
Block 545	June 1940	Cruised at 26,634,000 F.B.M.	\$53,268.00	Average \$2.00 per A

The timber is on Crown Lands and, therefore, no royalty on the stumpage cut is payable to the Provincial Department of Lands.

Real Estate: This has a book value of eight thousand, five hundred seventy-six dollars and sixty-five cents (\$8,576.65). We have had the records of the Land Titles Office at Victoria, B. C. searched for registered interests of the company. We attach hereto a schedule showing particulars of this search, together with a map showing the location of all the lots and blocks. We believe they may be summarized as follows:

Map reference Nos. 1-9 Timber areas purchased by the company. Logged, partly logged and intact valued at eighty-seven thousand, thirty-six dollars and forty-one cents (\$87,036.41).

Map reference Nos. 10-12 Millsite

Map reference Nos. 13-15 Storage space at loading dock, waterfront lease, etc.) cost per the company's books \$8,576.65

Map reference Nos. 16, 16A and 16B, also lots in Campbell River area not located on map) Residential Property, probably bought as an investment or acquired in settlement of accounts receivable)

Plant and Equipment: This had a net book value at 31st December,

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1941, of forty thousand, three hundred sixty-three dollars and twenty-four cents (\$40,363.24). In March, 1942, an auxiliary Tie Mill was sold for the sum of three thousand, seven hundred forty-five dollars (\$3,745.00). The balance covers assets of the company which may be described briefly as follows:-

1. The complete equipment of a railroad logging operation, including approximately twelve miles of railroad, locomotives and logging cars, donkey engines and rigging, road building equipment, etc.
2. A complete sawmill, operated by a steam plant, with planers, a small dry kiln, storage buildings, etc.
3. Motor vehicles including two automobiles, five trucks, two lumber carriers and a lumber piler. This equipment was all impounded by the Royal Canadian Mounted Police and stored in Victoria, B. C. in March, 1942. We have had two trucks, a lumber carrier and the lumber piler returned to Royston, B. C. to facilitate the remanufacturing and shipping of the company's inventory of lumber.
4. Dock or loading wharf at the waterfront at Royston, B. C. to permit the loading of lumber on scows for export.
5. Employees' houses, bunkhouses and various buildings at the company's millsite.

We propose to have an independent valuation of the company's plant and equipment made.

Accounts Payable - Provincial Government and Municipalities:

This consists of the following:

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Land taxes 1941	2,840.80
Land taxes 1942	2,877.20
School taxes	111.20
Workmen's Compensation Board	
1941 additional assessment	1,043.55
1942 assessments	1,161.50
Medical Aid dues	41.57
Forest Protection Dues	323.52

\$ 8,399.34

Accounts Payable - Purchase of Timber Limits: This amount of thirty-eight thousand, eight hundred fifty-nine dollars and seventy-three cents (\$38,859.73) represents the balance on the purchase from the Esquimalt and Nanaimo Railway of Block 545 of thirty-eight thousand, twenty-eight dollars and thirty-five cents (\$38,028.35), previously referred to in this report, and interest to 31st March, 1942, at six percent (6%) per annum.

Accounts Payable - Trade: Included in this total of ten thousand, five hundred eighteen dollars and seventy-five cents (\$10,518.75) is an amount of five dollars (\$5.00) due to the Canada Daily News, a Vancouver Newspaper owned by an internee whose affairs are under our control. The majority of these trade accounts were paid in April, 1942.

Accounts Payable - Shareholders: The details of this account are as follows:

K. Kaminishi	4,873.53
K. Kaminishi	1,227.93
K. Kaminishi and K. Minato	3,700.00
Kenosuke Minato	6,401.30
S. Tomihiro (Interned in U. S. A.)	904.58
S. S. Tomihiro	500.00
G. K. Uchiyama	4,035.66
G. K. Uchiyama salary March, 1941	700.00

Add: "Temporary Account re Timber"

22,343.00
<u>1,675.00</u>
<u>\$ 24,018.00</u>

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There is no shareholder recorded as S. S. Tomihiro but Mr.

Uchiyama informs us that this is not S. Tomihiro and this amount of five hundred dollars (\$500.00) belongs to all the shareholders. We are not inclined to accept this explanation without additional proof and have, in the meantime, added this to the balance under the heading of due to the enemy interest of S. Tomihiro.

The "Temporary Account re Timber - \$1,675.00" would appear to be a revaluation of timber limits and as such is not a proper credit to the shareholders. While the company's records are not clear, it would appear that a large portion of the balance of twenty-two thousand, three hundred forty-three dollars (\$22,343.00) may represent similar credits that were offset in the company's books by charges to the timber account.

Suspense Account - \$1,709.15: This represents a cheque received from the Victoria Lumber and Manufacturing Co. Ltd., Chemainus, B. C., and deposited in the company's bank account on 12th January, 1942. We have not particulars of what is covered by this cheque but as the Victoria Lumber and Manufacturing Co. Ltd. acted as selling agents for all the lumber of the company not sold locally, it is possible the cheque represents rebates on lumber export commissions and freight which are usually made at the year end.

Loan Account: This amount of three thousand dollars (\$3,000.00) represents a loan from the Monarch Life Insurance Company against two policies on the life of G. K. Uchiyama wherein the company is the beneficiary. The books of the company show that while the premiums in the past were paid by the company they were charged to the personal account of G. K. Uchiyama.

Application of Control

In a letter to us dated 10th April, 1942, a copy of which we have submitted to you, the company's managing director, Mr. G. K. Uchiyama, re-

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quested the Custodian to take care of the company's assets for the duration. As all the staff had been evacuated with the exception of Mr. Uchiyama, and as Mr. Uchiyama remained at the property by special dispensation, prompt action was necessary. We were able to engage the services of an experienced lumberman, Mr. H. C. Airth, to take charge of the property and to engage the necessary watchman to maintain complete protection of the property. Subsequently you appointed us on 21st May, 1942, as controllers. We then established control of the company's bank account and ascertained that the assets of the company were properly stored and insured. It was considered advisable to dispose of the lumber inventory both in the interests of the war effort and the fact that lumber will check and perish if not disposed of within a reasonable time. As it was the previous policy of the company to manufacture the majority of its lumber output in a rough state until definite sale orders were received from its sales agent, the Victoria Lumber and Manufacturing Co. Ltd., it was necessary to start up the mill operations in the planing section in order that the inventory of lumber could be remanufactured so as to receive the maximum sales return. This was completed during the late summer and early fall as the lumber was then as dry as possible, which would insure a maximum saving in railroad freight. None of the other assets of the company have been sold.

All of the foregoing was approved of by yourself, both verbally and by correspondence, and we are preparing a report of the transactions during the period of our control, and is to be submitted forthwith.

Existing Contracts

The following contracts are in force at the present time:

1. Lease of Lot 151 from the Provincial Government, being the area on which the company's dock is situated, this is for a term of twenty-

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Vancouver, B. C.

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one years, expiring on the 30th March, 1946, at an annual rental of two hundred thirty dollars (\$230.00).

2. Sales contract with the Victoria Lumber and Manufacturing Co. Ltd. wherein the company is permitted to make local sales, but all shipments by rail or by scow for export are subject to a commission of one dollar (\$1.00) per thousand board feet and fifty cents (\$.50) per thousand board feet respectively, payable to the sales agent.

We are of the opinion that this contract will apply to a large portion of the inventory of approximately two million feet (2,000,000') that has been sold during the period of our control. The Victoria Lumber and Manufacturing Co. Ltd. have made no claim for commission on these sales, and in view of the fact they did not assist in any way in the disposal of this inventory, it is possible that they will not make any claim.

3. Contract with N. W. Spink, barrister and solicitor, covering the collection of the company's accounts receivable. Details of this contract appear under the heading of financial position.

Prospects for Continued Operation

In view of the fact that the majority of the employees were of the Japanese race and are now evacuated from the Defence Area, we have not attempted to continue the company's operations. We feel that the present labour market would be a great obstruction to operations by the Custodian. We are also of the opinion that the plan of the mill would require a greater amount of labour than is usual or economical in a white operation. This would entail a considerable expense in having the mill modernized. In view of this, we would not recommend the company should be operated by the Custodian.

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G. W. Meperson, Esq.,
Vancouver, B. C.

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Conclusions and Recommendations

In view of the objections to the operation of this plant by the Custodian, and the fact that the timber controller has requested that this plant be put into operation in the interests of the war effort, we would recommend that the timber and equipment of the company be sold.

In the preparation of this report we would point out that the staff and the management of the company were not available to give any information required by us. Our information is based on the books of the company, personal inspections of the property, and data we have received from outside sources.

If there is any further information you require in connection with the foregoing please advise us, and we will obtain same.

Yours faithfully,

P. J. Mac Don

Chartered Accountants.

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The Royston Lumber Company Limited
Balance Sheet as at 31st March, 1942

<u>Assets</u>		
<u>Current Assets</u>		
Cash on hand	370.66	
Cash in Royal Bank of Canada, Cumberland, B. C.	<u>10,253.91</u>	10,624.57
<u>Accounts Receivable:</u>		
Trade and General	27,611.95	
Balance of sale of Tie Mill	2,745.00	
Secured by mortgage	950.00	
Japanese interests under control of the Custodian	<u>253.00</u>	
Employees	1,233.38	
Directors	<u>3,200.69</u>	
Inventories (estimated)		35,994.02
		<u>22,676.27</u>
		69,294.86
<u>Investment</u>		
Courtenay Golf Club shares account		200.00
<u>Fixed Assets</u>		
Timber and land as at 31st December, 1941	88,333.80	
Deduct timber cut 1st January to 31st March, 1942	<u>1,297.39</u>	87,036.41
Real estate as at 31st December, 1941	8,786.65	
Deduct lots sold	<u>210.00</u>	8,576.65
Plant and equipment as at 31st December, 1941	40,363.24	
Deduct Tie Mill sold	<u>3,745.00</u>	<u>36,618.24</u>
		<u>132,231.30</u>
		<u>\$ 201,726.16</u>

Note: Inventories do not include logs in woods or logs at mill.

Liabilities

<u>Current Liabilities</u>	
<u>Accounts Payable:</u>	
Dominion Government re taxes	
Provincial Government and Municipalities	
Purchase of timber limits	
Trade and General	
Employees	
Shareholders	
<u>Suspense Account:</u>	
Cash received from Victoria Lumber and Manufacturing Co. Ltd., 12th January, not allocated in books	
<u>Loan</u>	
Monarch Life Insurance Company loan on policy on life of Uchiyama	
<u>Capital and Surplus</u>	
Share Capital:	
Issued: 460 shares of \$ each fully paid	
Surplus:	
Balance per Exhibit 2	

The Royston Lumber Company Limited
Balance Sheet as at 31st March, 1942

Exhibit 1

		<u>Liabilities</u>	
		<u>Current Liabilities</u>	
		<u>Accounts Payable:</u>	
		Dominion Government re taxes	7,644.25
		Provincial Government and Municipalities	8,399.34
		Purchase of timber limits	38,859.73
		Trade and General Employees	10,518.75
		Shareholders	285.78
			<u>24,018.00</u>
		Suspense Account:	89,725.85
		Cash received from Victoria Lumber and Manufacturing Co. Ltd., 12th January, 1941, not allocated in books	1,709.15
		<u>Loan</u>	
		Monarch Life Insurance Company loan on policy on life of G. K. Uehlyama	3,000.00
		Insurance dividend	<u>153.35</u>
		Capital and Surplus	3,153.35
		Share Capital:	
		<u>Issued:</u> 460 shares of \$100.00 each fully paid.	46,000.00
		Surplus:	
		Balance per Exhibit 2	<u>61,137.81</u>
			<u>107,137.81</u>
			<u>\$ 201,726.16</u>
			<u>\$ 201,726.16</u>

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Exhibit 2

The Royston Lumber Company Limited

Profit and Loss Account from 1st January to 31st March 1942

Sales

Lumber shipments
Lumber local sales
Mine timber
Wood and sawdust

19,197.32
12,004.13
4,788.31
1,564.15

37,553.91

Cost of Sales and Direct Charges

Inventory lumber 31st December, 1941

Fuel oil
Freight and express
Gas and oil
Mill supplies
Logging supplies
Truck and auto supplies
Car switching
Contract
Insurance
Cost of timber cut
Wages and salary
Workmen's compensation
Unemployment insurance
Land taxes 1942

9,656.70
589.73
315.91
1,352.15
624.83
1,036.98
376.17
558.00
3,306.54
2,608.87
1,297.39
23,805.43
1,161.50
143.01
2,877.20

49,710.41

Deduct:

Inventories 31st March, 1942
Lumber
Wire rope

20,000.00
1,700.00

21,700.00

28,010.41
9,543.50

Sundry Income

Profit on boarding house
House rents
Scrap iron
Interest on war loan

267.55
320.00
115.13
82.38

785.06

628.22

156.84

Less: Loss on store operation

Carried forward

9,700.34

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Exhibit 2 continued

The Royston Lumber Company Limited

Profit and Loss Account from 1st January to 31st March 1942

Brought forward		
General and Overhead Expense		9,700.34
Advertising	61.25	
Bank commission	33.64	
Discount	181.43	
P.L.I.B. charges	509.07	
Licences	707.00	
Stationery	114.75	
Legal fees, etc.	38.70	
Travelling	232.45	
Postage and Excise stamps	36.00	
Wharf rental	230.00	
Electricity	139.83	
Forest protection	323.52	
General expense	207.51	
Telephone and telegrams	81.59	
Interest	979.31	
Commission re sale of The Mill	374.50	
Difference in cash on hand	4,250.55	
Profit for three months ended 31st March, 1942 subject to depreciation and excess profit taxes	2.65	4,253.20
Surplus Account to 31st March 1942		\$ 5,447.14
Balance per books 31st December, 1941		64,417.41
Deduct: Adjustment re cheques drawn in 1941 not properly entered	115.10	
Income and excess profits tax 1941	7,568.09	
Additional Workmen's compensation 1941	1,043.55	8,726.74
Add: Net profit for three months to 31st March, 1942 before depreciation and income and excess profits tax		55,690.67
Balance 31st March, 1942 to Exhibit 1		5,447.14
		61,137.81

Bundelle 553, #4

The Royston Lumber Company Limited
Memo re Titles to Property

Map Refer- ence	Legal Description	Registered Owner	Registered Charges
1	Block 545, Nelson District	E. & N. Railway Co.	Balance payable by The Royston Lumber Co. Ltd. \$38,028.35 and interest from 12th November, 1941
2	Block 523, Nelson District	E. & N. Railway Co.	E. & N. advise conveyed 14th January, 1942
3	Blocks 410 & 411, Nelson District	Royston Lumber Co. Ltd. IT No 26639N	Reservations of E. & N. Railway Co.
4	Block 333, Nelson District	E. & N. Railway Co.	E. & N. advise conveyed 20th September, 1937
5	Block 334, Nelson District	E. & N. Railway Co.	E. & N. advise conveyed 20th September, 1937
6	Block 144, Nelson District	Royston Lumber Co. Ltd. IT No 550N	Reservations of conveyance from E. & N. Railway
7	Block 344, Nelson District	E. & N. Railway Co. Ltd.	E. & N. advise conveyed 31st January, 1938
8	Lot 33, Nelson District	Royston Lumber Co. Ltd. IT No 7962N	Reservation minerals etc. to E. & N. Railway Co.
9	Block 79, Nelson District	Royston Lumber Co. Ltd. IT No 10305N	Reservation minerals etc. to E. & N. Railway Co.
10	Lot 1 of Section 29, Township 11 Nelson District Plan 1929	Royston Lumber Co. Ltd. IT No 5547N	Reservation minerals etc. to E. & N. Railway Co.
11	Lot 2 of Section 29, Township 11 Nelson District Plan 1929	Royston Lumber Co. Ltd. IT No 36495-1	Reservations etc. to E. & N. Railway Co. See cer- tificate of encumbrance re charge of P. B. Yates Machine Co.
12	Lot 3 of Section 29, Township 11 Nelson District Plan 1929	Royston Lumber Co. Ltd. IT No 876N	Reservations etc. to E & N Railway Co.
13	Lots 1 to 30, Block D, Section 4, Nelson District Plan 1478	Royston Lumber Co. Ltd. IT No 20055N	Undersurface to Canadian Collieries (Dunsmuir) Limited. Minerals etc. to Soldiers Settlement.

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The Royston Lumber Company Limited
Memo re Titles to Property

Map Refer- ence	Legal Description	Registered Owner	Registered Charges
14	Lots 1 to 4, Block G, Section 4, Nelson District Plan 1478	Royston Lumber Co. Ltd. IT's Nos. 10231N and 19793N	Reservations minerals to Canadian Collieries (Dunsmuir) Ltd.
15	Lot 151	Province of B.C.	
16A	Lots 5,6, and 7, Block G, Sec- tion 61, Comox District, Plan 3939	Royston Lumber Co. Ltd. IT No 15508N	Lease to The Royston Lum- ber Co. Ltd. \$115.00 per year expiring 30th March 1946.
16B	Lot 2 of Section 61, Comox Dist- rict, Plan 5187	Royston Lumber Co. Ltd. IT No 29085N	None
16C	Lot 1 of Section 61, Comox Dist- rict, Plan 976.	G. B. Capes, IT No 14724N	Mortgage in favour The Royston Lumber Co. Ltd. \$450.00 at 8%
17	Lot 1, Section 14 Comox District, plan 4127 except that part there- of included in Plan 4721	Charles Simms, IT No 16828N	The Royston Lumber Co. Ltd. have Lis pendens re action against owner and G. C. Catton under "Mechanics Lien Act"

Also not on Map - (Probably in Campbell River Area)

Lot 17 of Lot 66, Sayward District	Royston Lumber Co. Ltd. IT No 83330 I	None
Lots 11 & 12 of Lot 66, Sayward District, Plan 3708	Royston Lumber Co. Ltd. IT No 83484 I	None

Bundle 558, #4

EXHIBIT NO. 1381.33
DATE _____
FILED BY _____

The Royston Lumber Company Limited

Report on Tenders

January 20th 1943

P. S. ROSS & SONS
CHARTERED ACCOUNTANTS

MONTREAL

TORONTO

WINNIPEG

CALGARY

VANCOUVER

Bundle 553, #4
VOL. 267

MONTREAL,
WINNIPEG,
CALGARY,
VANCOUVER.

ESTABLISHED 1858

GALE ADDRESS PHILROSS

P. S. Ross & Sons

CHARTERED ACCOUNTANTS, TRUSTEES & LIQUIDATORS

ROYAL BANK BUILDING
VANCOUVER, B.C.

MEMBERS OF THE
INSTITUTE OF CHARTERED
ACCOUNTANTS, CANADA
(INCORPORATED IN CANADA)
A. F. G. ROSS, (CAN) F.A.A. (CAN)
JOHN W. ROSS, C.A., F.C.A. (CAN)
ROBERT W. SCOTT, C.A.
JOHN A. GRANT, C.A.
H. B. PUGHMAN, C.A.
W. L. GATHERHOUSE, C.A.
W. S. JERROLD, C.A.
F. E. H. DATES, C.A.
O. M. HAYTHORN, C.A.
JOHN A. ROSS, C.A.

20th January, 1943

F. G. Shears, Esq.,
Acting Director,
506 Royal Bank Building,
Vancouver, B. C.

Dear Sir:

Re: The Royston Lumber Company Limited

Under date of 28th October, 1942, our Mr. Frederick Field was appointed controller with the powers of a liquidator to wind up the business of the above company. The assets of the company, with the exception of accounts receivable, have been advertised for sale and tenders received.

We attach hereto the following exhibits:-

- Exhibit 1. Copy of the Advertisement for Tenders.
- Exhibit 2. List and dates of Publication of Advertisement.
- Exhibit 3. Copy of Tender Received from Arthur Stekl.
- Exhibit 4. Letter from Arthur Stekl dated 19th January, 1943, wherein his tender is clarified.
- Exhibit 5. Copy of Tender Received from H. R. MacMillan Export Co. Ltd.
- Exhibit 6. Letter from H. R. MacMillan Export Co. Ltd. wherein their tender is clarified.

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F. G. Shears, Esq.,
Vancouver, B. C.

20th January, 1943

Exhibit 7. Schedule showing a Comparison
of the Net Return to the Com-
pany of the Two Offers from
Stekl and H. R. MacMillan
Export Co. Ltd.

Exhibit 8. Copy of Mr. Eustace Smith's
Valuation Report of Assets
Offered for Sale.

Exhibit 9. Copy of Mr. Eustace Smith's
Recommendation of Offers
Submitted.

The tenders were opened on 17th December, 1942, in the presence
of yourself and Mr. G. W. McPherson. A wire was then forwarded to the
former manager of the company, Mr. G. K. Uchiyama, Minto, B. C. as follows:-

"HAVE OFFER TWO HUNDRED TWO THOUSAND WITH SIXTY THOU-
SAND CASH FOR LANDS TIMBER AND EQUIPMENT ETC OF ROY-
STON LUMBER COMPANY LIMITED STOP THIS DOES NOT INCL-
UDE BANK BALANCE AND ACCOUNTS RECEIVABLE AND COMPANY
TO PAY OWN LIABILITIES STOP P. S. ROSS AND SONS HAVE
SOLD LUMBER INVENTORY FOR APPROXIMATELY FORTY THOU-
SAND NET AFTER DEDUCTING MANUFACTURING AND SHIPPING
COSTS STOP OTHER OFFERS ARE ONE HUNDRED FORTY THOU-
SAND HALF CASH STOP ONE HUNDRED FIFTY THOUSAND ONE
THIRD CASH STOP I CONSIDER THIS OFFER FOR TWO HUND-
RED TWO THOUSAND SHOULD BE ACCEPTED STOP YOUR COM-
FIRMATION BY RETURN WIRE WILL BE APPRECIATED"

Mr. Uchiyama replied on 19th December, 1942, by wire as follows:-

"RETTEL DECLINE TO SELL ASSETS OF ROYSTON LUMBER COM-
PANY LIMITED"

In view of this, Mr. McPherson decided that as he proposed to
leave for Ottawa in the next few days the matter should be referred to your
department at Ottawa and on 12th January, 1943, the following wire was re-
ceived from Mr. McPherson:-

"RETTEL JUST RECEIVED DECISION COMMITTEE CABINET AP-
PROVING SALE STOP YOU MAY ACCEPT OFFER"

In the interim, in the absence of Mr. Uchiyama's consent to
accept the offer, we had Mr. Eustace Smith make a valuation of the company's
assets and we attach hereto as "Exhibit 8" a copy of his report. You will

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F. G. Shears, Esq.,
Vancouver, B. C.

20th January, 1943

note he values the assets at one hundred ninety-three thousand three hundred dollars (\$193,300.00) net or not including a balance payable on the timber of thirty-eight thousand twenty-eight dollars and eighty-five cents (\$38,028.85). On the basis of the tenders as attached hereto, his valuation should be considered as two hundred thirty-one thousand three hundred twenty-eight dollars and eighty-five cents (\$231,328.85).

In the completion of his valuation Mr. Smith made use of the services of a reliable firm of machinery dealers for the purpose of placing a valuation on the machinery and equipment.

We would draw your attention to the remarks made by Mr. Smith relative to the general prospects and hazards or drawbacks in this particular operation. A purchaser in making an offer is required to realize that the timber available is not sufficient to permit an offer for the mill property based on a valuation as a going concern.

In addition to the two offers received, we have a tender from C. W. Logging Co. Ltd. for one hundred and forty thousand dollars (\$140,000.00), seventy thousand dollars (\$70,000.00) cash and the balance to be mutually arranged.

In discussions with Mr. Keith Shaw of H. R. MacMillan Export Co. Ltd. we were advised that this company's tender was based on the assumption they would pay a liability to the E. and N. Railway Company of thirty-eight thousand twenty-eight dollars and eighty-five cents (\$38,028.85) for the balance on a timber purchase. We permitted them to clarify their offer and similarly the other tenderers were approached by us and given permission to clarify their offer. The C. W. Logging Co. Ltd. advise us its offer assumed the Royston Lumber Company Limited would pay all liabilities. Mr. Stekl also advised us the company is to pay all liabilities but he will pay interest on the unpaid balance, and, as we considered a minimum annual

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F. G. Shears, Esq.,
Vancouver, B. C.

20th January, 1943

payment should be provided and his rate of payment was slightly low to ensure completion at the time all timber was removed, he clarified his offer to a minimum payment with an increase of one dollar (\$1.00) per thousand board feet cut.

We would point out that the net book value of the assets of the company being offered for sale was one hundred thirty-two thousand two hundred thirty-one dollars and thirty cents (\$132,231.30) at 31st March, 1942. We are informed that Mr. Uchiyama on 14th March, 1942, granted an option to purchase all the holdings of the Royston Lumber Company Limited for the sum of two hundred ten thousand dollars (\$210,000.00). At that date the company had an inventory of lumber on hand which we have disposed of for a net amount after remanufacturing and shipping expenses of approximately forty thousand dollars (\$40,000.00).

As the offers of both Mr. Stekl and H. R. MacMillan Export Co. Ltd. would appear worthy of consideration we have compared the two in our "Exhibit 7". You will note that Mr. Stekl's tender would seem more favourable in the eventual return to the company in the amount of twenty-five thousand five hundred three dollars and fifty cents (\$25,503.50).

We consider the financial standing of the H. R. MacMillan Export Co. Ltd. is well enough known to eliminate the necessity of investigation unless, of course, their offer is to be accepted. We have an excellent confidential bank report on Mr. Stekl.

The offer of H. R. MacMillan Export Co. Ltd. is more favourable in the matter of terms being of shorter duration. But in view of the additional amount of Mr. Stekl's offer of twenty-five thousand five hundred three dollars and fifty cents (\$25,503.50) and Mr. Eustace Smith's recommendation, we would recommend Mr. Stekl's offer be accepted on the follow-

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F. O. Shears, Esq.,
Vancouver, B. C.

20th January, 1943

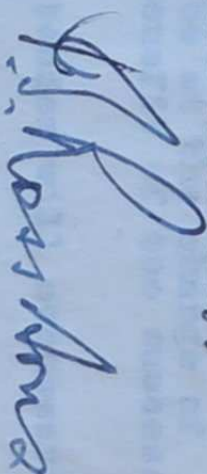
ing conditions:-

1. His personal covenant is to continue to guarantee the deferred payments after the agreements have been assigned to the company.
2. The company formed to have a reasonable sum of cash capital to ensure proper operations.
3. The custodian or his appointed representatives to have the authority to, at any time, make an inspection of the new company's records and assets.
4. Operations to be commenced immediately and to be continuous until the payment of the balance of the purchase price has been made.

Since advertising the company's assets for sale it has come to our attention that a small auxiliary sawmill was sold by the company for three thousand seven hundred fifty dollars (\$3,750.00) prior to 31st March, 1942. This asset was included in an appraisal made in March, 1943, which we have used as an inventory of the machinery and equipment for the inspection of intended purchasers. While the advertisement provides for the sale of the property "as is" we feel a purchaser would be justified in requesting an allowance for this item and if we are approached in this matter we will, with your approval, make some reasonable allowance.

Your approval of our recommendation and instructions to proceed will be appreciated.

Yours faithfully,



Chartered Accountants.

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LOGGING AND SAWMILL OPERATION FOR SALE

Notice of Calls for tenders
for assets of

THE ROYSTON LUMBER COMPANY LIMITED
Royston, B. C.

Under instructions of G. W. Mepherston, Esq., Authorized Deputy
directed to call for tenders for purchase of the assets of the Royston
Lumber Company Limited generally described as follows:

A FULLY EQUIPPED SAWMILL AND LOGGING OPERATION INCLUD-
ING A SUBSTANTIAL QUANTITY OF NEW SUPPLIES TOGETHER
WITH CROWN GRANTED TIMBER LIMITS SAID TO CONTAIN
FIFTY TO SIXTY MILLION BOARD FEET. THE MILL CAPACITY
IS SAID TO BE FORTY THOUSAND FEET PER SHIFT. THE
LOGGING RAILROAD CONSISTS OF APPROXIMATELY TWELVE
MILES OF LINE TOGETHER WITH LOCOMOTIVES, FLAT CARS,
ETC. THE COMPANY ALSO OWNS A FORESHORE LEASE IN
CLOSE PROXIMITY TO THE SAWMILL OPERATION.

The assets are offered for sale to be operated as a going concern
and tenders will be received by the undersigned Controller at his office up
to noon (daylight saving time), the 16th day of December, 1942, upon the
following terms and conditions:

- (a) A certified cheque to the order of the Controller
for 10% of the tender price must be enclosed
therewith; subject to the condition that should
the tenderer not fulfill the terms of his offer
and the conditions of the Notice calling for
tenders, his tender will be cancelled and the
amount deposited by him forfeited to the Con-
troller as liquidated damages; cheques in re-
spect of unaccepted bids will be returned in
due course.
- (b) The assets are offered for sale without any war-
ranty whatsoever on the part of the Controller
as to quantity, condition or state of repair of
such assets, and while the general idea thereof
may be obtained from the inventories in the of-
fice of the Controller, the sale thereof shall
be made in each case subject to shortages and
overages, the shortage to be at the charge of
and the overages for the benefit of the success-
ful tenderer.
- (c) Neither the highest nor any tender will necessarily
be accepted.
- (d) The purchaser and/or purchasers shall pay all trans-
fer taxes and dues, if any, payable to the Crown.
- (e) The envelopes enclosing offers should be marked
"Tender" and addressed as follows:

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"Exhibit 1" Cont'd

Frederick Field, Controller,
The Royston Lumber Company Limited,
c/o P. S. Ross and Sons,
675 West Hastings Street,
Vancouver, B. C.

INVENTORIES MAY BE INSPECTED DURING OFFICE HOURS ANY DAY UP TO
NOON ON THE 15th DAY OF DECEMBER, 1942, AT THE OFFICE OF THE CONTROLLER,
411 ROYAL BANK BUILDING, 675 HASTINGS STREET WEST, VANCOUVER, AND ARRANGE-
MENTS CAN BE MADE WITH THE CONTROLLER FOR INSPECTION OF THE PROPERTY,
EQUIPMENT AND SUPPLIES.

24th November, 1942

Frederick Field,
Controller of the Royston Lumber
Company Limited assets in Canada.

Bundle 558, #4
VOL 267

THE ROYSTON LUMBER COMPANY LIMITED
List of Dates and Publications of Advertisement
For Tenders for Assets of Company

Vancouver Daily Province	25th November, 1942
Vancouver Sun	26th November, 1942
Vancouver News Herald	27th November, 1942
Victoria Times	26th November, 1942
Victoria Colonist	27th November, 1942
Nanaimo Free Press	27th November, 1942

It is understood, that on this date and by mutual agreement with the company the necessary company, that will place itself for the company will be prepared with effect-
 from of 27th November, 1942, the company of which is the
 to company, will be on account of the firm payment to be

Yours truly,

(Signed) Arthur Wood

bundle 553, #4
 VOL 267

"Exhibit 3"

ARTHUR STEKL
5376 Marguerite St.
Vancouver, B. C.

December 16th, 1942

Frederick Field, Controller,
The Royston Lumber Company Limited,
c/o P. S. Ross and Sons,
675 West Hastings Street,
Vancouver, B. C.

Dear Sir:

On behalf of a company which I will incorporate, thousand) for the sum of \$202,000.00 (Two hundred and two thousand) for the assets of the Royston Lumber Company Limited as set out in your advertisement of November 24th, 1942, payable \$60,000.00 (Sixty thousand) on acceptance of the offer and production of the necessary documents, and the balance by paying to you \$3.00 (Three) for each thousand feet, board measure, on all logs cut from the Crown Granted timber limits mentioned in your advertisement.

It is understood, that on this offer being accepted I will immediately incorporate the necessary company, and this company will enter into the agreements. I will at the same time satisfy you that the company will be provided with sufficient working money to operate the mill and limits.

I enclose herewith my own certified cheques in the sum of \$21,000.00 (Twenty-one thousand) which, if this offer is accepted, will be on account of the first payment to be made.

Yours truly,

(signed) Arthur Stekl

Enclosure:

bundle 553, #4
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"Exhibit 4"

ARTHUR STEKL
5376 Marquerite Ave.
Vancouver, B. C.

January 19th, 1943

Frederick Field, Controller,
The Royston Lumber Company Limited,
c/o P. S. Ross and Sons,
675 Hastings Street, West,
Vancouver, B. C.

Dear Sir:

I made you an offer on the 16th of December last to purchase the assets of the Royston Lumber Company Limited. In the discussions with you since there has been some question as to whether or not the rate of payment was sufficient, and whether or not interest should be paid on the deferred balances from time to time.

I will agree that the balance would be paid at the rate of \$4.00 per thousand, on the basis of not less than 10,000 board feet measure yearly, instead of \$3.00 as set out in my offer, and that the deferred payments from time to time should bear interest at the rate of 5% per annum, with the privilege, of course, to me to prepay at any time and in any amounts. I am prepared to close the matter immediately on this basis. It is, of course, understood that my offer of the 16th ult. stands, and that this letter is merely a clarification of any possible misunderstanding.

Yours truly,

(signed) Arthur Stekl

bundle 553, #4
VOL 267

H. R. MacMILLAN EXPORT COMPANY, LIMITED
LUMBER AND SHIPPING
Vancouver, Canada

December 16th, 1942

Mr. Frederick Field, Controller,
The Royston Lumber Company Limited,
c/o P. S. Ross and Sons,
675 West Hastings Street,
Vancouver, B. C.

Dear Sir:

We hereby submit the following offer for assets of the Royston Lumber Company, Limited, Royston, B. C., as generally described in your advertisement of November 24th, 1942.

The total amount of the offer is \$150,000.00 with a cash payment of \$50,000.00 and the balance in two payments of \$50,000.00 each, in one and two years, without interest. We are enclosing a certified cheque of \$15,000.00 as ten percent of the tender price.

This offer is for all the physical assets of the Royston Lumber Company, Limited, such as sawmill and equipment, timber and lands, logging railroad and equipment, logging equipment, supplies, real estate and leases, and any other such assets of the business.

Yours very truly,

KS/Mr

H. R. MacMILLAN EXPORT COMPANY LTD.
TIMBER DEPARTMENT
(signed) Keith Shaw

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VOL 267

H. R. MacMILLAN EXPORT COMPANY, LIMITED
LUMBER AND SHIPPING
Vancouver, Canada

January 16th, 1943

Mr. Frederick Field, Controller,
The Royston Lumber Company Limited,
c/o P. S. S. Ross and Sons,
675 West Hastings Street,
Vancouver, B. C.

Dear Sir:

The following letter is to clarify the offer made to you in our letter of December 16th, 1942.

We understand that there is an amount of approximately \$38,000.00 still owing to the E. & N. Railway Co. as part of the purchase price of the timber purchased from them by the Royston Lumber Company, Limited.

In our offer of \$150,000.00, on the terms set out in the letter of December 16th, 1942, we are to assume responsibility for the above payment still due to the E. & N. Railway Co.

Yours very truly,

H. R. MacMILLAN EXPORT COMPANY, LTD.
TIMBER DEPARTMENT

KS/Mr

(signed) Keith Shaw

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Exhibit 7
ROYSTON LUMBER COMPANY LIMITED
Schedule showing Comparison of Ultimate Return of the
Stekl and H. R. MacMillan Export Co. Ltd. offers on the basis
of investing the funds as received at 3% interest

<u>Initial Payment</u> <u>Less: Payment on timber assumed by</u> <u>H. R. MacMillan Export Co. Ltd.</u>	<u>Arthur</u> <u>Stekl.</u>	<u>H. R. MacMillan</u> <u>Export Co. Ltd.</u>
Payments before end January, 1944	60,000.00	50,000.00
Interest on funds in hand:-	38,000.00	
\$42,000.00 1 year at 3%	22,000.00	50,000.00
\$50,000.00 1 year at 3%	40,000.00	50,000.00
Interest on unpaid balance at 3%	1,260.00	
Average of \$122,000.00		1,500.00
Payments before end January, 1945	6,100.00	
Interest on funds in hand:-	40,000.00	50,000.00
\$88,100.00 1 year at 3%		
\$100,000.00 1 year at 3%	2,643.00	3,000.00
Interest on unpaid balance at 3%		
Average of \$82,000.00		
Payments before end January, 1946	4,100.00	
Interest on funds in hand	40,000.00	
\$132,200.00 1 year at 3%		
\$150,000.00 1 year at 3%	3,966.00	4,500.00
Interest on unpaid balance at 3%		
Average of \$42,000.00		
Payments before end July, 1947	2,100.00	
Interest on funds in hand	22,000.00	
\$155,300.00 6 months at 3%		
\$150,000.00 6 months at 3%	2,329.50	2,250.00
Interest on unpaid balance at 3%	275.00	
\$11,000.00		
Total principal, interest to be received and credit for interest on funds to be invested	186,753.50	161,250.00
<u>Add: Payment due re timber.</u>	<u>38,000.00</u>	<u>38,000.00</u>
	<u>224,753.50</u>	<u>199,250.00</u>

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EUSTACE SMITH
Timber Estimating
and
Topographical Logging Maps
Timber Brokers

January 15th, 1943

Messrs. P. S. Ross and Sons,
Royal Bank Building,
Vancouver, B. C.

Dear Sirs:-

Following your instructions, I have made an examination of the Royston Lumber Company property at Royston, Vancouver Island, and have made an estimate of the amount of standing timber which they still have left to log.

In order to give you a picture of the value of this property as a whole, which includes Sawmill, Buildings, Logging Equipment and Logging Railway, together with about ten miles of steel laid -, I have asked Messrs. Galbraith, Clerkew & Overton Ltd., who have been recommended to me as reliable and in close touch with present values, for a valuation of property outside of the standing timber on this tract, and enclose herewith copy of their Report.

In checking over their figures, I feel that the values given are certainly high enough, particularly as to Steel Rails and Logging Trucks.

In placing a value on the timber left on the holdings, which I estimate amounts to about 45 million feet B. M., I have given a figure of \$3.00 per M. This timber was bought for less than \$2.00 per M., but with the development already done and with a main road to the edge of the timber, I consider

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that a price of \$3.00 per M. would not be too high.

I understand that there is \$38,000.00 owing on the timber to complete title, so that the actual value of the timber stand, minus the amount owing, should be about \$97,000.00.

The Mill, Machinery, Logging Equipment - including supplies, wire rope, etc. - Logging Railway, Buildings and Motor Vehicles, should be worth in the vicinity of \$96,300.00 - which will make a total value of \$193,300.00 and I would judge that a sale at that price would be good business.

You will realize that if the Mill is put into operation at capacity there will be only about a four year operation to liquidate the present timber holding. There may be more timber which could be secured, but that is by no means sure.

The past history of the Royston Lumber Company has been quite good, but the chief reason for successful production of lumber has been due to the large supply of cheap labour that was available - mostly Japanese, who were only paid what the business could easily afford.

To start up the Mill again under present conditions would call for very close figuring in order to make a profit, as the Mill is not modern, and there is no Mill-pond for log sorting, which is a great inconvenience when cutting to special order, as no selection of logs can be made and no storage of raw material can be built up to take care of any stop in the log production.

For the above reasons, I feel that the value I have given for the property as a whole is very fair, and is based

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on the value of the timber at a good stumpage price and a fair price for the Mill, Logging Machinery, supplies and housing accommodation, as well as the Wharf and waterfrontage, which may be of value as a waterfront Millsite.

I would be prepared to recommend a total price of \$193,300.00, the purchaser to complete payment for the E. & N. timber.

I have not sufficient knowledge of the value of the Company's Real Estate situated at Courtenay and Campbell River which is of no value to the Mill, but this could no doubt be liquidated separately, for some figure.

Yours very truly,

(signed) Eustace Smith.

bundle 558, #4
VOL 267

"Exhibit 9"

EUSTACE SMITH
Timber Estimating
and
Topographical Logging Maps
Timber Brokers

January 20th, 1943

Messrs. P. S. Ross and Sons,
Royal Bank Building,
Vancouver, B. C.

Dear Sirs:

Re: Royston Lumber Company Mill Property.

I am just in receipt of your letter of this date, together with enclosure of a clarified statement of the conditions of Tender submitted by "A" for the purchase of the above property and, after looking over this bid and making comparisons with bids "B" and "C" - I feel that if this tender can meet the security conditions necessary in a sale of this nature, there is no question in my mind that Tender "A" is so much better than either Tender "B" or "C", that it should be accepted.

I might say that when you advertised this property for sale, I never expected you would receive so high a bid as "A".

Also - in my opinion, this offer "A" is definitely full value for the property.

Yours very truly,

ES/g

(signed) Eustace Smith

bundle 553, #4
VOL 267

EXHIBIT NO. 1381-33
DATE _____
FILED BY _____

Royston Lumber Company Limited
Report on Liquidation
29th February, 1944

P. S. ROSS & SONS
CHARTERED ACCOUNTANTS
MONTREAL TORONTO WINNIPEG CALGARY VANCOUVER

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MONTREAL
TORONTO
VANCOUVER
CALGARY
VANCOUVER

P. S. Ross & Sons
CHARTERED ACCOUNTANTS, TRUSTEES & LIQUIDATORS

ROYAL BANK BUILDING
VANCOUVER, B.C.

29th February, 1944

Office of the Custodian,
506 Royal Bank Building,
Vancouver, B. C.

Dear Sirs:

Attention Mr. F. G. Shears
Director

Re: Royston Lumber Co. Ltd.

Under date of 23rd October, 1942, we submitted a report on our investigation of the above company. This report contained financial statements of the company as at 31st March, 1942. While our appointment as Controllers of the company was dated 21st May, 1942, at your request we took control of the company early in April, 1942.

The company's affairs continued under our control until 28th October, 1942, when you appointed our Mr. Frederick Field as Controller with the powers of a Liquidator.

The following statements are attached hereto:

Exhibit 1. Statement of Affairs as at 31st December, 1943.

Exhibit 1A. Surplus Account to 31st December, 1943.

Exhibit 2. Receipts and Disbursements for the Fifteen Months Period from 1st October, 1942 to 31st December, 1943. (Period of Liquidation)

Exhibit 3. Balance Sheet as at 31st December, 1942.

Exhibit 4. Profit and Loss Account for the Nine Months ended 31st December, 1942.

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We also enclose with this report copies of the agreements between the company, Somerset Limited and Arthur Stekl.

Operations for the 9 Months ended 31st December, 1942

When we established control of the company in April, 1942, an inventory of lumber of approximately 2,000,000 board feet was on hand. A large percentage of this inventory had been cut for further processing or remanufacture upon sales orders. In addition, a very small percentage of it was strip piled so that it could not be held indefinitely without considerable checking and spoiling. We also were requested by Mr. D. D. Rosenberg, the Assistant Timber Controller, at Vancouver, to effect a quick disposal of this inventory. In view of this, we engaged the services of an experienced lumberman, Mr. H. C. Airth, to handle the lumber sales and take charge of the company's assets at Royston, B. C.

Upon Mr. Airth's recommendation, part of the sawmill plant was re-opened to allow the remanufacturing of a large part of the inventory. While we have not a valuation of the inventory before remanufacture, it was our opinion, confirmed by Mr. Airth, that \$16.00 per thousand board feet would have been a fair offer as considerable rehanging costs would have to be borne by a purchaser before remanufacturing. The company had valued its yard stock at \$10.00 per M. While some footage trimming loss is involved in remanufacturing, the total footage sold was 1,998,000 board feet. This netted the sum of \$46,489.97 or \$23.27 per thousand board feet.

In engaging a crew to operate the plant and attend to the loading and shipping, the services of two watchmen were dispensed with. Therefore, it is difficult to estimate the cost of remanufacturing but the payroll for the period of operation from 1st April, 1942, to 30th November, 1942, amounted to \$8,958.26.

With the exception of the foregoing and a nominal cost of gas, oil, supplies and car switching, estimated at \$1,013.68, the carrying charges

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of this period would have continued had the plant not been in operation.

Approximately one-half of the lumber was shipped by rail to various destinations in Canada and the United States of America. The remainder was sold to various former customers of the company in the vicinity of Royston, B. C.

In remanufacturing and selling the inventory, Mr. Alrth was instructed not to favour any one or group of buyers and to follow the usual practices in the lumber industry. We are satisfied this was done and that prices were obtained in conformity with the regulations of the Timber Controller.

During the period of operations, a small fire started in a fuel bunker. This was attended by the Cumberland Fire Brigade and brought under control with little damage. At the request of the Insurance Adjuster, the repairs were completed by Mr. Alrth's men, and the cost was refunded by the Insurance Company.

After completing the shipping of the lumber inventory, the crew was engaged several days in lining boilers, greasing machinery, covering machines not moveable to storage, etc. The Japanese had not left the plant properly protected against winter conditions.

Sale of Plant, Timber, etc. to Somerset Limited

We reported to you on the 20th January, 1943, covering the results of bids received in response to our offering the company's properties for sale by public tender. This report contained the valuations placed on the assets as a result of appraisal.

On 25th January, 1943, based upon the recommendations contained in the report, you approved of the sale to Mr. Stekl for \$202,000.00 on the terms offered. We immediately requested Messrs. Locke, Lane, Guild and Sheppard to formally accept Mr. Stekl's offer on the conditions set out in our report.

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While our advertisement for tenders contained the usual clause offering the assets "where is, as is", there were a few items to be settled by negotiation between ourselves and Mr. Stekl. They were determined as follows:

1. As stated in our report of 20th January, 1943, a Tie Mill appeared in the inventory of assets presented to us that had previously been sold by Uchiyama on behalf of the company for \$3,745.00. This inventory was presented to Mr. Stekl and, as the Tie Mill was located a considerable distance from the main plant, Mr. Stekl did not inspect same but assumed it was on hand. Being a major item, Mr. Stekl requested some allowance. By negotiation and with your consent, the sum of \$1,550.00 was deducted from the purchase price of \$202,000.00.

2. In November, 1942, a runaway coal car of the Canadian Collieries (Dunsmuir) Limited came into this company's siding and damaged logging cars. It was agreed with Mr. Stekl that we would have the Collieries repair this damage.

3. The penalty assessed by the Provincial Forestry Department of \$2,700.00 for failure of the company to burn slashing (covered more fully later in this report) was determined as follows:

- (a) In the event that the burning is done by Mr. Stekl before the end of 1944, he is to receive \$1,000.00 out of any rebate received by us from the Provincial Forestry Department.

- (b) If Mr. Stekl does not burn the slashing in 1944, any reduction of the rebate receivable before the end of 1944 made by the Provincial Forestry Department will be deducted from the \$1,000.00 payable to Mr. Stekl.

4. The company's trespass claim against the Canadian Collieries (Dunsmuir) Limited (referred to more fully later in this report) was determined to be for the benefit of the company. This trespass occurred before Mr. Stekl's examination of the property.

As previously stated, our instructions to accept the offer were given the solicitors in January, 1943. However, considerable time elapsed before the final agreements were executed. While some of this delay was due to settling the foregoing points, we feel that it was to a large extent beyond our control as the solicitors for both parties had certain difficulty in reconciling a number of points to be determined. With your consent, in May, 1943, our solicitors were instructed to advise Mr. Stekl we must have his assurance that the sale would be consummated before the end of that month or he would be considered to be in default. The balance of the initial payment was received on 31st May, 1943, and the agreements were signed on 10th June, 1943. Mr. Stekl was then given possession of the assets.

In addition to the foregoing settlements that affect the purchase price, the following points were determined:

1. As Mr. Stekl nominated a company to be formed by him (Somerset Limited) to be the purchaser, he appears as a guarantor in the agreements. We insisted on this as we have excellent bank reports on Mr. Stekl and these were a consideration in our recommending the acceptance of his offer.

2. Mr. Stekl's solicitors insisted on a warranty of title. This, being contrary to the advertisement for tenders and your policy, was refused. Upon our solicitors' advice, and with your consent, Somerset Limited was given an undertaking that in the event that title to any of certain principal assets was proven by third persons a fixed sum as set out in a schedule to the agreements would be refunded. This schedule only includes

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the principal assets that possibly could be claimed by third persons and the values were as set out in an independent valuation we had obtained. This warranty is limited to the time required to complete the purchase and to procure the freeholds in the property to be registered in the name of the purchaser and in any event is limited to the period of one year.

3. As your decision to sell the property was influenced by the request of the Assistant Timber Controller to have same placed in production, the agreements provided that Somerset Limited should immediately commence continuous operations. You will note that the agreements provide operations being excused in the event of circumstances beyond the purchaser's control. Operations were commenced with a skeleton crew about the 19th July, 1943, but due to the inability to obtain sufficient labour for proper operations they were closed down on 31st July, 1943. We have on file correspondence with officials of the Selective Service Department, wherein it is conceded they are unable to supply the labour required. You will note, however, that the agreements provide that the purchaser must satisfy the Assistant Timber Controller of the inability to operate being due to circumstances beyond their control. We have advised Somerset Limited that we do not consider it is excused from operating until this approval of the Assistant Timber Controller is obtained. To date, we have not received this. This was reported upon to you in our letter of 16th August, 1943.

4. While the agreements provided for the payment of a balance of \$140,450.00 on terms with 5% interest, Somerset Limited requested the right to pay the balance forthwith and to receive a discount of 2% of the gross amount. This request was recommended by us as, if carried out, it would eliminate the necessity for supervising future operations with the costs attendant thereon, and you agreed that this be done.

The payment of the balance before the end of July

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was not made. With your consent this was extended several months, the last extension expiring 31st October, 1943. This extension, however, was only to apply on the prepayment of entire balances not due. The balance of \$140,450.00 is payable monthly at \$4.00 per thousand board feet, B. C. Log Scale, with a minimum of \$40,000.00 per year. This balance is determined at each 30th June, commencing 30th June, 1944. The inability to continue operations does not relieve the purchaser from making these payments.

The following payments have been received from Somerset Limited:

Deposit with tender		\$
31st May, 1943	Balance due on initial payment of \$60,000.00	21,000.00
31st May, 1943	On account of next payment due	39,000.00
24th September, 1943	Sale of refrigerator (to apply on last payment)	20,450.00
24th September, 1943	Insurance claim received by Somerset Limited re damage to speeders	300.00
27th November, 1943	Cash on account of next payment due	900.00
28th December, 1943	Sale of lumber carrier (to apply on last payment due)	10,000.00
29th February, 1944	Cash on account of payments due	4,000.00
		68,000.00
		<u>\$ 163,650.00</u>

In addition, we have received settlement in full of adjustments as at 31st May, 1943, including taxes, rentals, etc.

The agreements provide that alterations may be made by the purchaser with our consent. At the request of Somerset Limited and Arthur Stekl, the following alterations to the plant and equipment have been authorized by us:

1. Tear down two small buildings of no material value to permit the extension of the log deck.
2. Convert a Steam Engine Donkey to Gasoline power. This is an improvement.

3. Remove several small Japanese dwellings considered not suitable for white habitation and occupying space needed for yard storage.

Since our approval was given to the foregoing, we have not inspected the property to ascertain whether these alterations have been completed.

In addition to the foregoing, certain improvements in the layout of the machinery in the sawmill have been effected. Also, before commencing operations, a considerable amount of work was done in overhauling the plant.

Since the option of Somerset Limited to pay the balance in full and receive a discount expired 31st October, 1943, Mr. Stekl informed us upon several occasions it was his intention to do this and requested we should obtain your approval of the same discount in consideration thereof. We still are of the opinion that we should offer a nominal discount in consideration of the payment of the balance, as under the present circumstances some expense will continue to effect proper supervision of the property. In view of this, we have advised Mr. Stekl upon receipt of a definite offer to pay the balance we will take up the matter of discount with you.

Penalty re Failure to Burn Slashing

Under the provisions of the "B. C. Forest Act" a penalty of \$5.00 per acre may be assessed in the event that slashing is not burned on logged off areas. Under date of 17th August, 1942, the company received notice to burn approximately 540 acres of logged off land. This was referred to Mr. H. C. Airth and his opinion was as follows:

1. The dry conditions in the woods made this extremely dangerous, particularly in the case of this company as the proximity of the City of Cumberland made it possible that if the fire got out of control valuable property could be damaged.

2. The labour to properly control the burning did not appear available in this district.

In view of this, we did not instruct Mr. Alrth to burn the slash-
ing. We were aware that most of the burns attempted by logging operators in
August and September, 1942, on this area of Vancouver Island got out of
control and in some cases damaged property of others. On 23rd December,
1942, the company was assessed \$2,700.00 penalty for failure to burn.

On the 2nd February, 1943, although we had given the Forestry
Department an undertaking to retain \$2,700.00 in a special account out of
any sale of the company's assets, we were informed the penalty had been
assessed in all cases where notice to burn had not been complied with, and
in view of this, the Forestry Department would proceed to attach the com-
pany's assets in the event the penalty was not paid forthwith. Upon advice
of our solicitors the penalty was paid.

In the event that a burn to the satisfaction of the Forestry Depart-
ment is effected before the end of 1944, we understand that a maximum of
75% of the penalty is refundable. This percentage is reduced if the burn-
ing is done after 1944.

Company Books and Records

Upon delivery of the assets to Mr. Stekl, we had all the books
and records shipped to Grone Storage Company Limited, Vancouver, for stor-
age. This is with the exception of the current records to be retained in
our office until the company's affairs are determined.

War Loan Bonds

With your permission the sum of \$15,000.00 has been invested in
War Loan Bonds. These are held in safekeeping by the company's bankers,
The Royal Bank of Canada, Cumberland, B. C.

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Dominion Income and Excess Profits Taxes

Upon examination of the company's books and records the Dominion Income Tax Department assessed the company the additional sum of \$24,706.09 for the years 1940 and 1941. This, with interest to January, 1944, of \$2,713.56 amounted to a total of \$27,419.65 to be paid. As the returns for these years were filed by a firm of taxation accountants, we secured their approval of these reassessments. The principal items upon which these reassessments were made were underestimates and undervaluations of inventories and capital expenditures charged to expense. We recommended the payment of the assessments and received your approval of same under date of 19th January, 1944.

We filed a tentative income tax return for the year 1942 on 30th June, 1943, to avoid the possibility of the company's being penalized and paid the sum of \$2,000.00 on account of same. While the final return we are filing discloses a loss for taxation purposes in 1942, we consider some expenses such as bad debts reserve and a portion of the depreciation may not be allowed by the Department. It is likely the assessors will allow only a small portion of the depreciation as only part of the plant was in operation part of the year. We are requesting the Income Tax Department to assess the 1942 return as soon as possible.

Balance due Esquimalt and Nanaimo Railway Company
re Purchase of Timber Block 545

At the time we took control of the company's affairs a balance of principal of \$38,028.35 was outstanding under an agreement to purchase this block of timber. Of this amount one instalment of \$10,393.87 was not due until 15th June, 1944. With your consent an arrangement was made with the Esquimalt and Nanaimo Railway Company to pay off the principal balance in full with interest only to date of payment. This was completed on 8th September, 1943, and the total payment was made up as follows:

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Principal	\$ 38,028.35
Interest	4,138.35
Conveyance fee	10.00

\$ 42,176.70

Trespass of Canadian Collieries (Dunsmuir) Limited

As previously advised you, the Canadian Collieries (Dunsmuir) Limited in 1942 entered on the company's property and cut timber to provide mining timber for their operations at Cumberland, B. C. A survey made by Mr. Eustace Smith disclosed that approximately 414,000 board feet had been removed. Mr. Smith considered at least \$3.00 per thousand board feet should be paid for this timber. We have an offer of \$671.25 from the Canadian Collieries (Dunsmuir) Limited and we have submitted same to Mr. Eustace Smith. Mr. Smith considers at least \$1,000.00 should be received in settlement. We are now of the opinion that we should call on the principals of the company at Nanaimo, B. C., and endeavour to effect a reasonable settlement.

Railway Siding at Hilliers, B. C.

The company had leased a siding at Hilliers, B. C. about forty miles south of Royston, B. C. on the Esquimalt and Nanaimo Railway for the purpose of loading cedar poles from the operations of Cameron Lake Logging Company Limited. The company received a commission on all poles sold.

Mr. Stekl was not interested in continuing this lease and with your consent we relinquished same to avoid the payment of future rentals.

Investment Courtenay Golf Club

The company's investment of \$200.00 in the Courtenay Golf Club was represented by two promissary notes maturing August, 1943. We placed these with the company's bankers for collection, with due advice to the Club, and the notes were paid.

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Accounts Receivable

As previously advised you, the accounts receivable were, prior to our taking control of the company's affairs, placed in the hands of N. W. Spink, barrister and solicitor, Courtenay, B. C. for collection. We are not satisfied with the progress of these collections nor can we obtain from him regular statements of collection. He is of the opinion that further progress cannot be made without taking action against most of the debtors. In view of this, we requested your permission to authorize him to take the necessary action but you did not consider this should be done at present. In the event that our next statement from Mr. Spink does not show some reasonable progress we consider we should seek legal advice as to whether or not the company's contract with him can be terminated.

Notice to Creditors of Appointment of Liquidator

We attach hereto a copy of this notice together with the list of publications in which it appeared.

There were no claims filed as a result of this notice that were not shown in the company's books. It would appear that a number of liabilities in the company's books will not be paid as no claims for same have been filed. We are making further investigations and will report more fully at a later date.

General

We are advised by Mr. Stekl that he hopes to pay off the balance owing by him during the month of March, 1944.

We shall be glad to furnish any further information you require.

Yours faithfully,


Chartered Accountants

Royston Lumber Company Limited
Statement of Affairs, 31st December, 1943

Exhibit 1.

<u>Assets</u>		<u>Per books</u>	<u>Expected to realize</u>
Petty cash		1.16	1.16
Royal Bank of Canada			
Collection account		1,407.56	1,407.56
Current account		52,662.21	52,662.21
Victory Loan Bonds		15,000.00	15,000.00
Accounts Receivable			
Secured by mortgage			
Trade & General		950.00	950.00
Shareholders	13,982.24		
Employees	1,772.07		
Directors	3,200.69		
Less Bad Debts	19,083.93		
Reserve	15,000.00		
Somerset Limited	4,083.93	2,000.00	
	104,800.00	104,800.00	
	\$ 178,904.86	\$ 176,820.93	
<u>Liabilities</u>		<u>Per Books</u>	<u>Expected to rank for</u>
Dominion Income & Excess Profits		2,000.00	27,419.65
Taxes			
Sundry creditors accounts in books not claimed for		2,052.63	20,045.46
Shareholders balances		20,045.46	3,153.35
Insurance Loan		3,153.35	
Capital			
Surplus per Exhibit 1A		46,000.00	
Surplus re sale of assets in excess of book values		34,151.92	
		75,501.50	
		\$ 178,904.86	50,618.46
Estimated surplus for distribution to shareholders before providing for additional liquidation expenses			\$ 126,202.47

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Royston Lumber Company Limited

Surplus Account to 31st December, 1943

Exhibit 1A

Balance at credit 31st December, 1942

43,623.20

Add profit on lumber sales
Miscellaneous income
Insurance premiums recovered
Rentals recovered

58.40
608.79
722.42
199.26

1,588.87

45,212.07

Expenses

Wages
Land and school taxes
Foresore and land rentals
Appraisal
H. C. Alrth expenses
Truck and auto storage
Safekeeping and storage
Advertising
Telephone, telegraph, postage
Exchange
Legal expense
Electric light
Sales tax
Interest on timber purchase
Sundries
Custodian - fees

2,556.23
1,314.09
349.80
684.31
687.64
112.50
46.70
51.40
63.92
96.80
161.75
53.93
410.11
1,571.45
99.52
2,800.00

11,060.15

Balance at credit 31st December, 1943

\$ 34,151.92

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Exhibit 2.

Royston Lumber Company Limited

Statement of Liquidation Receipts and Disbursements

From 1st October, 1942 to 31st December, 1943

	1/10/42 to 31/12,1942	1/1/43 to 31/12,1943	Total 1/10/42 to 31/12,1943	
Cash on hand and in bank 1st of period	21,918.44			
Petty cash	6.30			
Bank-General account Collection acct.	744.13			
Wahyama account	224.07			
Receipts				22,892.94
Accounts receivable	13,573.92	663.58	14,237.50	
Lumber sales	12,387.59	2,062.66	14,450.25	
Premium U.S. funds	520.22		520.22	
Rentals	40.00	84.00	124.00	
Interest		524.79	524.79	
Somerset Ltd.-Payments		95,650.00	95,650.00	
Somerset Ltd.-Adjustment of taxes, insurance, etc.				
Canadian Collier's damage claim		1,881.93	1,881.93	
Courtenay Golf Club Shares		1,325.00	1,325.00	
Sundries		200.00	200.00	
		72.64	72.64	
	<u>26,521.73</u>	<u>102,464.60</u>	<u>128,986.33</u>	
Disbursements				151,879.27
Account income tax		2,000.00	2,000.00	
Accounts payable	7,622.57	47,370.67	54,993.24	
Forestry Dept. Fire protection				
Land taxes				
Wages	3,264.53	3,023.16	6,287.69	
Car switching and freight charges		8,508.49	8,508.49	
Mill supplies and repairs	249.00	2,982.41	3,231.41	
Truck and auto supplies	46.38	2.97	49.35	
Workmen's Compensation Board	373.55	135.00	508.55	
Unemployment Insurance		109.91	109.91	
Telephone, telegraph, postage, stationery, exchange etc.	156.36	101.40	257.76	
	<u>113.79</u>	<u>185.56</u>	<u>299.35</u>	
Carried forward	<u>11,826.18</u>	<u>64,419.57</u>	<u>76,245.75</u>	<u>151,879.27</u>

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Exhibit 2.

Brought forward				
Legal expense	11,826.18	64,419.57	76,245.75	151,879.27
Electric light	18.00	161.75	179.75	
Surveys and plans	86.95	69.80	156.75	
H. C. Airth expense	55.50	17.50	73.00	
Board				
Car mileage travelling	227.50	432.50	660.00	
Foreshore and ground	120.00	193.60	313.60	
Rents				
Advertising				
Appraisal	179.20	349.80	349.80	
Custodian - Control		51.40	230.60	
Liquidation		684.31	684.31	
expenses		890.00	890.00	
Safekeeping and storage		2,800.00	2,800.00	
Sundries		126.28	126.28	
Victory Loan purchased	37.92	46.70	46.70	
	15,000.00	13.88	51.80	
	27,551.25		15,000.00	
Balance on hand 31st December, 1943		70,257.09		97,808.34
				\$ 54,070.93

Royston Lumber Company Limited
Balance Sheet as at 31st December, 1942

A s s e t s

Current

Cash - balances on hand and at bankers
Accounts receivable
Trade and General
Shareholders and directors
Employees

Less: Provision for bad and
doubtful accounts

Account secured by mortgage
Victory Loan Bonds
Inventories - estimated

Investment
Shares in Courtenay Golf Club

Timber, Real Estate, Plant and Equipment

Timber lands
Real estate
Plant and equipment
Less: Depreciation written off

21,863.42

16,537.26
3,972.76
1,128.93

21,638.95

15,000.00

6,638.95
950.00

7,588.95
15,000.00
2,504.15

46,956.52

200.00

36,992.74
10,061.45

87,036.41
8,576.65
26,931.29

122,544.35

\$ 169,700.87

L i a

Current

Accounts payable
Dominion Government
Provincial Government
Workmen's Compensation Board
Trade and General
Employees
Shareholders
Custodian re expenses

Purchase Money Obligations
Balance owing on timber lim

Loan Account

G. K. Uchiyama, secured by
Monarch Life Insurance
Company policy on life
of Uchiyama

Capital and Surplus

Share Capital

Issued and fully paid
460 shares of \$100.00 e

Surplus

Balance per Exhibit 4

Royston Lumber Company Limited
Balance Sheet as at 31st December, 1942

Exhibit 3.

		<u>Liabilities</u>	
		<u>Current</u>	
		<u>Accounts payable</u>	
	21,863.42	Dominion Government	540.31
		Provincial Government	8,418.00
		Workmen's Compensation Board	<u>2,055.77</u>
		Trade and General	11,014.08
		Employees	3,725.64
		Shareholders	332.37
		Custodian re expenses	<u>20,240.70</u>
			1,016.28
		<u>Purchase Money Obligations</u>	36,329.07
		Balance owing on timber limits	40,595.25
		<u>Loan Account</u>	
		G. K. Uchiyama, secured by	
		Monarch Life Insurance	
		Company policy on life	
		of Uchiyama	
	200.00	<u>Capital and Surplus</u>	3,153.35
		<u>Share Capital</u>	
		Issued and fully paid	
		460 shares of \$100.00 each	
		<u>Surplus</u>	46,000.00
		Balance per Exhibit 4	<u>43,623.20</u>
			89,623.20
			<u>\$ 169,700.87</u>
			<u>\$ 169,700.87</u>
			<u>\$ 169,700.87</u>

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Royston Lumber Company Limited

Profit and Loss Account for the period

From 1st April, 1942 to 31st December, 1942

Exhibit 4.

Lumber Sales

Car shipments
Local sales
Log sales
Fuel
Premium shipments - U. S. funds

23,646.31
22,843.66
125.00
51.86
520.22

Lumber inventory 1st April (estimated)
2,000,000 bd. feet at \$10.00 per M

47,187.05

Fuel oil
Freight and express
Gas and oil
Mill supplies
Truck and auto storage, etc.
Car switching
Insurance
Wages and salaries (including watchman)
Workmen's Compensation Board
Unemployment Insurance

20,000.00
100.00
12.75
343.60
108.42
397.75
444.00
3,105.06
8,958.26
512.52
46.47

Less - Estimated lumber inventory
31st December, 1942

34,028.83
100.00

33,928.83
13,258.22

Sundry Income

Rentals
Commission on pole sales
Sale of Community Hall goods
Profit on sale of store and
boarding house inventories
Sundry

92.40
175.62
96.50
225.66
46.67

636.85

Carried forward

\$ 13,895.07
13,895.07

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Brought forward

General and overhead expenses

Advertising, notices	163.66
Bank charges	52.10
Interest (E. & N. Ry. Co. and Machinery Purchase Agreement)	1,796.42
Stationery	10.70
Travelling	297.47
Postage	16.35
Excise	50.00
Rental	191.06
Light, power and water	87.77
General expenses	190.61
Telephone and telegraph	1,266.28
Fees & expenses, Investigation & Control	551.00
Board allowances, H. C. Alrth	72.50
Plans and surveys	
Commission re sale of Tie Mill charged in error to operating prior statement	
	<u>374.50</u>

Exhibit 4.

13,695.07

Depreciation for 9 months ended 31st December, 1942

4,391.42

Net profit for 9 months ended 31st December, 1942

9,503.65

7,546.09

\$ 1,957.56

Surplus Account

to 31st December, 1942

Balance per statement at 31st March, 1942

61,137.81

Less adjustments thereto

Provision for bad and doubtful accounts Forestry Dept. penalty re failure to burn slashing

15,000.00

Depreciation 3 months to 31st March, 1942

2,700.00

Wages accrued

2,515.36

Sundry accounts

555.42

Less sundry credits not previously included as income

275.00

21,045.78

19,472.17

Add Net profit for 9 months to 31st December, 1942, as above

41,665.64

1,957.56

Balance 31st December, 1942 to Exhibit 3

\$ 43,623.20

bundle 553, #4
VOL 267

NOTICE TO CREDITORS

re

ROYSTON LUMBER COMPANY LIMITED

Under the Consolidated Regulations Respecting Trading with the Enemy (1939) the Secretary of State of Canada in an order dated the 28th day of October, 1942, has required that the business of the above company be wound up and has appointed the undersigned as Controller of the Company with the powers of a Liquidator.

Every creditor of the company must file Proof of Debt with the Controller within thirty days of the date hereof in the form prescribed by the Court under the Winding-up Act (Dominion).

Frederick Field, C.A.,

Controller,
Royston Lumber Company Limited,
care of P. S. Ross and Sons,
The Royal Bank Building,
675 West Hastings Street,
Vancouver, B. C.

Vancouver, B. C.
2nd February, 1943

LIST OF PUBLICATIONS IN WHICH NOTICE APPEARED

Vancouver Daily Province
Vancouver Sun
Vancouver News-Herald
Victoria Daily Times
Victoria Daily Colonist
Nanaimo Daily Free Press
Courtenay Comox-Arbus
B. C. Gazette

February 4th, 1943
February 4th, 1943
February 4th, 1943
February 4th, 1943
February 5th, 1943
February 4th, 1943
February 11th, 1943
February, 1943.

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VOL. 267

EXHIBIT NO. 1381-33
DATE _____
FILED BY _____

Royston Lumber Company Limited

Report on Liquidation

10th November, 1945

P. S. ROSS & SONS
CHARTERED ACCOUNTANTS

MONTREAL

TORONTO

WINNIPEG

CALGARY

VANCOUVER

Bundle 553, #4
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CABLE ADDRESS PHILROST

CHARTERED ACCOUNTANTS

CALGARY VANCOUVER
 OTTAWA
 TORONTO
 WINDSOR

CONTRACTS

Royal Bank Building,
Vancouver, B. C.
10th November, 1945.

Director

Re: Royston Lumber Company Limited

Bundle 553, #4 VOL 267

Office of the Custodian,
Vancouver, B.C.

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10th November, 1945.

With your approval it was arranged that he be granted a discount of \$1,000.00. The balance was paid immediately and instructions given to the solicitors, Messrs. Locke, Lane, Guild & Sheppard, to arrange for discharge of the mortgage. The discharge of the mortgage was finally completed on the 6th October, 1945. It should be noted that the consent was obtained of Mr. Arthur Stekl, as guarantor, to release of the mortgage.
War Loan Bonds

Since our last report a further \$110,000.00 has been invested in Victory Loan Bonds as follows:

Seventh Victory Loan	\$ 75,000.00
Eighth Victory Loan	10,000.00
Ninth Victory Loan	25,000.00

Trespass of Canadian Collieries (Dunsmuir) Limited

As mentioned in our last report, we called on the management of Canadian Collieries (Dunsmuir) Limited at Nanaimo, B. C. with reference to the timber cut on the company's property. As a result of this visit we received a cheque in the sum of \$1,242.00, being the full amount of our claim as recommended by Mr. Eustace Smith.

Creditors' Claims

All accounts for which formal proof of debt was filed and which were in agreement with the company's records have been paid. A number of creditors shown by the records who failed to file claims were written to, and no reply having been received the accounts have been written off. There has also been written off the sum of \$1,599.80 standing on the books to the credit of Y. Uchida & Company. This account dates back prior to 1938 and is in connection with certain logs shipped to Japan. We received a letter from Mr. G. K. Uchiyama dated the 5th August, 1943, wherein he states that this credit balance was held pending a final settlement and that no settlement having been made the amount should be written off.

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Office of the Custodian,
Vancouver, B. C.

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10th November, 1945.

Shareholders' Balances

The sum of \$18,239.45 has recently been paid to your office covering the remainder of balances shown as due to shareholders. This completes the payment of all liabilities of the company with the exception of the account of Mr. T. Iwasa afterwards referred to.
T. Iwasa - Dr. \$2,100.00

This represents the balance due by Iwasa on a D 7 Caterpillar tractor purchased from the company in September, 1939, for the sum of \$7,600.00. Payments made were transfers from a contract carried on by Iwasa for the company. When the company's assets were sold this tractor was included. The appraisal of the company's equipment by Messrs. Galbraith, Clerihue and Overton placed a value on this tractor of \$5,000.00. It would therefore appear that the company is liable to Mr. T. Iwasa for \$2,900.00 as follows:

Appraised value of tractor	5,000.00
Less: Amount due to company	<u>2,100.00</u>
	<u>\$ 2,900.00</u>

Amongst the company records were found \$1,000.00 debentures of Courtenay Native Sons Building Company Limited. These debentures were long past due and no interest had ever been paid on them. The Native Sons Assembly, who operated the building, made an offer early in 1944 of \$200.00 for these debentures which was refused. Subsequently in 1944 this offer was increased to \$500.00 and after investigation of the Association's financial position and upon the assurance that the remaining bondholders had agreed to accept a similar settlement the offer was recommended by us and received your approval. The sum of \$500.00 was received in November, 1944.

The remaining assets of the company not realized in cash consist of the following:

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VOL 267

10th November, 1945.

Accounts Receivable	
Trade and General	\$ 1,549.91
Employees	1,128.93
Directors	3,041.74
Mortgage - G. B. Capes	950.00
Refund due re 1942 taxes	2,000.00

Of the trade and general receivables the sum of \$410.55 is shown on Exhibit "D". The balance of \$1,139.36 represents the accounts in the hands of Mr. N. Spink of Courteney for collection. Mr. Spink advises that he is unable to make any further collections unless he is authorized to take legal action. The details of the amounts due by employees and directors are also shown by Exhibit "D". We are doubtful if any collection can be made from the employees but the directors' balances will be recovered when the surplus of the company is distributed. Regular payments of \$25.00 are being made by Mr. Capes but so far these payments have been treated as applying on an old balance of approximately \$4,000.00, not on the books but admitted by Mr. Capes as owing. We would recommend that Mr. Uchiyama be consulted as to whether payment of this balance in full is to be insisted upon.

With regard to the refund due by the Dominion Government of \$2,000.00, we mentioned this fully in our last report. We have made a number of requests for refund of this money and a tax clearance but so far this has not been received.

This company is what is termed an "evacuee company" and you will recall the assets were disposed of at the insistence of the Timber Controller. At such time as you wish to distribute the assets of the company amongst the shareholders we shall be glad to make suggestions as to the procedure to be followed. In the meantime, we would recommend that the assets in our hands be transferred to your office and a release of control granted to Messrs. P. S. Ross & Sons and to our representative, Mr. Frederick Field.

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Office of the Custodian,
Vancouver, B. C.

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10th November, 1945.

We shall be glad to furnish any further information you require.

Yours respectfully,

E. H. Macdonald

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Royaton Lumber Company Limited

Exhibit "A"

Balance Sheet as at 31st October, 1945

<u>Assets</u>		<u>Per Books</u>	<u>Expected to Realize</u>
Petty Cash		1.16	1.16
Royal Bank of Canada			
Collection account			
Current account		1,407.56	1,407.56
Victory Loan Bonds		5,367.00	5,367.00
Accounts Receivable		125,000.00	125,000.00
Secured by mortgage			
Trade and General			
Employees		950.00	950.00
Directors			
<u>Deduct: Reserve for bad debts</u>			
	1,549.91		
	1,128.93		
	<u>3,041.74</u>		
	5,720.58		
	<u>5,000.00</u>		
T. Ivase - see our report		720.58	3,041.74
Refund due re 1942 Income and		2,100.00	2,900.00
Excess Profits taxes		2,000.00	2,000.00
		<u>\$ 137,546.30</u>	<u>134,867.46</u>
<u>Capital and Surplus</u>			
<u>Capital</u>			
Issued and fully paid			
460 shares of \$100.00 each	46,000.00		46,000.00
<u>Surplus</u>			
Per Exhibit "B"	91,546.30		88,867.46
	<u>\$ 137,546.30</u>		<u>134,867.46</u>

Estimated surplus for distribution to shareholders before providing for additional liquidation expenses

\$ 134,867.46

Bundle 553, #4
VOL 267

Royston Lumber Company Limited

Exhibit "B"

Surplus Account
to 31st October, 1945

Balance at credit 31st December, 1943
Add: Interest re Somerset Limited
Accounts payable written off
Bad debts recovered

Deduct: Income taxes and interest thereon
1940-1941

Legal expenses
Custodian - fees
Safekeeping expense re bonds
Logging expense 1942
Bank commission and exchange
Income Tax Specialists - fee
Bad debts written off
Storage of records

Add: Profit on realization of assets
Recovery Courteney Native Sons
Building Co. Ltd.
Temporary account re timber
written off

Balance at credit 31st October, 1945

34,151.92

6,987.04
2,487.50
1,917.02
1,460.00

12,851.56
47,003.48

27,435.39
2,500.00
74.16
119.16
128.08
80.36
75.00
329.09
50.00

33,375.68
13,627.80

75,743.50
500.00

1,675.00

77,918.50

\$ 91,546.30

bundle 553, #4
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Royston Lumber Company Limited

Exhibit "C"

Statement of Cash Receipts and Disbursements
From 1st October, 1942 to 31st October, 1945

	1 Oct/42 to 31 Dec/43	1 Jan/44 to 31 Oct/45	Total 1 Oct/42 to 31 Oct/45
<u>Cash on hand and in bank</u> <u>1st October, 1942</u>			
Petty cash			
Bank - General account	6.30		
- Collection account	21,918.44		
Uchiyama account	744.13		
	<u>224.07</u>		
<u>Receipts</u>			22,892.94
Accounts receivable	14,237.50		
Bad debts recovered		1,460.00	
Lumber sales	14,450.25		
Premium U.S. Funds	520.22		
Rentals	124.00		
Interest	524.79		
Somerset Ltd. - Payments	95,650.00	103,800.00	199,450.00
- Adjustments of taxes, insurance etc.			
Canadian Collaterals	1,881.93	5.00	
Damage claim		6,987.04	
Trespass claim	1,325.00		
Courteney Golf Club shares		1,242.00	
Courteney Native Sons	200.00		
Building Co. Ltd.			
Interest from Victory Bonds		500.00	
Sundries		2,487.50	
	<u>72.64</u>		
	<u>128,986.33</u>	<u>116,484.78</u>	<u>245,471.11</u>
<u>Disbursements</u>			268,364.05
Account Income Tax			
Accounts Payable - Trade	2,000.00	27,435.39	
- Shareholders	54,993.24	135.61	
Forestry Dept - Fire protection		20,592.79	
Land Taxes			
Wages	3,023.16		
	8,508.49		
	<u>6,246.94</u>		
Carried forward	<u>74,771.83</u>	<u>48,163.79</u>	<u>122,935.62</u>
			<u>268,364.05</u>

Bundle 553, #4
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Disbursements

Brought forward

Car switching and

freight charges

Mill supplies and repairs

Truck and auto supplies

Logging supplies 1942

Workmen's Compensation

Board

Unemployment insurance

Telephone, telegraph, post-

age, stationery, exchange, etc

Legal expense

Electric light

Surveys and plans

H. C. Airth expense

Board

Car mileage travelling

Foreshore and ground rents

Advertising

Appraisal

Custodian -

Control

Liquidation

Liquidation expenses

Safeguarding and storage

Income Tax Specialists

Sundries

Victory Loan bonds

purchased

Exhibit "C" (Cont'd)

74,771.83

48,163.79

122,935.62

268,364.05

251.97
46.38
508.55

-
-
128.08

251.97
46.38
508.55

128.08

109.91
257.76

-
-

109.91
257.76

257.76

299.35
179.75
156.75
73.00

80.36
2,584.44

379.71
2,764.19
156.75
73.00

73.00

660.00
313.60
349.80
230.60
684.31

-
-
-
-

660.00
313.60
349.80
230.60
684.31

684.31

2,800.00
126.28
46.70

2,500.00
74.16
169.16
75.00
5.00

890.00
5,300.00
200.44
215.36
75.00
56.80

56.80

15,000.00
97,808.34

110,000.00
163,779.99

125,000.00

261,588.33

Cash Balance on hand 31st
October, 1945

15,000.00
97,808.34

110,000.00
163,779.99

125,000.00

261,588.33

\$ 6,775.72

Exhibit "D"

Royston Lumber Company Limited

Accounts Receivable 31st October, 1945

Trade and General

S. Asaka	5.55
Aiyukai	25.00
G. B. Gapes	125.00
Kagetsu & Co. (1934)	250.00
K. Yoneda	5.00
In hands of N. Spink for collection	410.55

Employees

K. Doi	100.00
F. T. Kato	363.70
G. Kobayashi	170.36
M. Kabayakama	285.00
R. Akui	27.10
K. Aulzaki	182.77

Directors

M. Iwasa
M. Iwasa
Keiji Minato

1,139.36	\$ 1,549.91
100.00	\$ 1,128.93
363.70	
170.36	
285.00	
27.10	
182.77	
1,684.49	
265.77	
1,091.48	
	\$ 3,041.74

bundle 553, #4
VOL 267

EXHIBIT NO. 1381-33
DATE 1
FILED BY 1

Royston Lumber Company Limited

Report on Winding-up

9th July, 1948

P. S. ROSS & SONS
CHARTERED ACCOUNTANTS

MONTREAL TORONTO WINNIPEG CALGARY VANCOUVER

bundle 353, #4
VOL 267

P. S. ROSS & SONS

CHARTERED ACCOUNTANTS

MONTREAL TORONTO WINNIPEG

CALGARY VANCOUVER

M. J. SEN, J. G. ROSS, C.M.A.,
 J. R. CAMPBELL, G. E. HOLT,
 J. A. GAGNANT, W. J. CHAN,
 W. J. GATCHEL, W. J. HAWTHORNE,
 I. A. ROSS, F. E. HOLT,
 H. I. ROSS, F. A. COFFEY,
 O. J. HARRIS.

ROYAL BANK BUILDING

360 ST. JAMES STREET

MONTREAL, QUE.

9th July, 1948.

Office of the Custodian,
506 Royal Bank Building,
Vancouver, B. C.

Attention: Mr. F. G. Shears, Director

Dear Sir:

Re: Royston Lumber Company Limited

Since our report dated 10th November, 1945, we have continued to supervise the affairs of this company and now wish to report to 30th June, 1948. Attached to and forming part of this report are the following:

Exhibit "A" - Balance Sheet as at 30th June, 1948.Exhibit "B" - Surplus Account to 30th June, 1948.

Exhibit "C" - Statement of Cash Receipts and Disbursements
for the period 1st October, 1942 to 30th
June, 1948.

Accounts receivable - \$2,678.84

Since our last report we have collected accounts totalling \$3,991.74. The remaining accounts are considered worthless and have been fully reserved for. They consist of the following:

Trade and General

S. Asaka
 Aljukai
 G. B. Capes
 Kegetsu and Co. (1934)
 K. Yoneda

In hands of N. Spink for
collection

\$ 5.55
 25.00
 125.00
 250.00
5.00

410.55

CARRIED FORWARD

1,139.36
 \$ 1,549.91

Bundle 555, #4
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Office of the Custodian,
Vancouver, B. C.

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9th July, 1948

BROUGHT FORWARD

\$ 1,549.91

Employees

K. Doi
F. P. Kato
G. Kobayashi
M. Kobayakama
R. Akai
K. Aizaki

100.00
363.70
170.36
285.00
27.10
182.77

1,128.92

\$ 2,678.84

We have been unable to obtain a statement from Mr. Spink of the collections he has made of the accounts left with him for collection by the Japanese prior to their evacuation.

Victory bonds

These have been disposed of in order to make an interim distribution to shareholders of \$115,000.00.

Distribution to shareholders

The distributable surplus of this company has been determined by the local income tax department as \$110,569.79. In accordance with the regulations we have filed a P.C. 1 claim and paid taxes on the above amount of \$18,857.53. As a result no additional taxes will have to be paid by shareholders on any funds coming into their hands.

The distribution of \$115,000.00 already made has been determined as follows:

	<u>Shares</u>	<u>Amount</u>
Keiji Minato	22	5,500.00
Estate of Kamosuki Kaminishi	284	71,000.00
Matsutaro Iwasa	62	15,500.00
Kinosuke Minato	20	5,000.00
George K. Uchiyama	48	12,000.00
George K. Uchiyama (in trust)	2	500.00
Senichi Tomihiro	22	5,500.00
	<u>460</u>	<u>\$ 115,000.00</u>

Office of the Custodian,
Vancouver, B. C.

- 3 -

9th July, 1948

This represents an interim dividend of \$250.00 per share.

General

The only outstanding account to be settled in this estate is that of an old debt due from G. B. Capes of Courtnay, B. C. This account was written off prior to the evacuation of the Japanese and Mr. Capes has since been paying \$25.00 per month to us. We have approached Mr. Capes with the idea of obtaining a compromise settlement but he has stated he is not in a position financially to arrange such a settlement. If we can dispose of this account in the near future we will be in a position to call the final meeting of shareholders.

We shall be pleased to furnish any additional information you may require.

Yours faithfully,



Chartered Accountants.

Royston Lumber Company Limited

Balance Sheet

As at 30th June, 1948

Exhibit "A"

A s s e t s

Cash

\$ 13,060.76

Accounts receivable
Trade and General
Employees

1,549.91
1,128.93

Deduct: Reserve for bad debts

2,678.84
2,678.84

\$ 13,060.76

Capital and Surplus

Capital

Issued and fully paid

460 shares of \$100.00

\$ 46,000.00

Surplus - per exhibit "B"

82,060.76

128,060.76

Deduct: Distribution to shareholders

115,000.00

13,060.76

\$ 13,060.76

Royston Lumber Company Limited

Surplus Account

To 30th June, 1948

Exhibit "B"

Balance at credit 31st December, 1943

\$ 34,151.92

Add: Interest re Somerset Limited
Interest from victory bonds
Accounts payable written off
Bad debts recovered
Premium on sale of bonds
Reduction in bad debt reserve

6,987.04
11,484.33
1,917.02
2,260.00
3,581.25
2,321.16

28,550.80

Deduct: Income taxes and interest thereon
1940 - 1941

62,702.72

Legal expenses
Custodian - fees

27,435.39
2,778.90
3,300.00

- expenses

Safekeeping expense re bonds
LOGGING expense - 1942

74.16
248.32

Bank commission and exchange
Income tax specialists - fee

128.08
80.36

Bad debts written off
Storage of records

75.00
329.09

Workmen's compensation final
assessment
Taxes on distribution of surplus to
shareholders

110.50
126.54

Miscellaneous expenses

18,857.53
16.59

53,560.46

9,142.26

Add: Profit on realization of assets
Deduct: Amount transferred re T. Iwasa
equipment

75,743.50

Recovery Courtney Native Sons Building
Co. Ltd.

5,000.00
70,743.50

Temporary account re timber written off

500.00
1,675.00

Balance at credit 30th June, 1948

72,918.50

\$ 82,060.76

Reyston Lumber Company Limited
Statement of Cash Receipts and Disbursements

Exhibit "C"

For the period 1st October, 1942 to 30th June, 1948

	Receipts			Total
	1/10/42 to 31/12/43	1/1/44 to 31/10/45	1/11/45 to 30/6/48	
Cash on hand and in bank				
1st October, 1942	\$ 22,892.94			22,892.94
Accounts receivable (\$13,019.54 re lumber sales May to September 1942)				
Bad debts recovered	14,237.50	1,460.24	3,991.74	18,232.48
Lumber sales	14,450.25		800.00	2,260.00
Premium U.S. funds	520.22			14,450.25
Rentals	124.00			520.22
Interest	524.79			124.00
Somerset Ltd.				524.79
Payments	95,650.00	103,800.00		199,450.00
Adjustments of taxes, insurance, etc.	1,881.93	5.00		1,886.93
Interest		6,987.04		6,987.04
Canadian Collieries				
Damage claim	1,325.00			1,325.00
Wrespass claim				
Courtney Golf Club shares	200.00	1,242.00		1,242.00
Courtney Native Sons Building Co. Ltd.				200.00
Interest from victory bonds		500.00		500.00
Income tax refund		2,487.50	8,996.83	11,484.33
Proceeds of sale of victory bonds			2,000.00	2,000.00
Sundries	72.64		128,581.25	128,581.25
	151,879.27	116,484.78	144,369.82	412,733.87
Disbursements				
Income taxes				
Accounts payable	2,000.00	27,435.39		29,435.39
Trade				
Shareholders	54,993.24	135.61		55,128.85
Forestry Department - Fire protection		20,592.79		20,592.79
Land taxes	3,023.16			3,023.16
Wages	8,508.49			8,508.49
Car switching and freight charges	6,246.94			6,246.94
Mill supplies and repairs	251.97			251.97
Truck and auto supplies	46.38			46.38
Logging supplies - 1942	508.55			508.55
Workmen's compensation Board		128.08		128.08
	109.91		126.54	236.45
CARRIED FORWARD	75,688.64	48,291.87	126.54	124,107.05

Bundle 553, #4
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