

15705

INFORMATION FROM R.C.M.P.

Our File No. 15705
13236 Date 2/10/43

Full Name IKE SAKA - Shichi
(Surname in Block Letters)

Registration No. 12341 Male - Female
(check) Age Feb. 20, 1920

Former Address 3
R.R. # 3 - Kelowna BC.

Date Evacuated Outside Naturalized - Canadian-Born - National
Restricted Area (check)

Present Address R.R. # 3, Kelowna, B.C.
RETURNED TO JAPAN
S. S. MARINE FALCON
24th DEC 1940

Married - Single
(check) Name of Wife _____

Name of Mother UKEYAMA Name of Husband _____

Name of Father Kokichi

Names of Children under 16 _____

Requested by _____ Registered with Custodian
(Yes or No)

Additional Information Farmer.

15745
1326/12341

No 1319

DOMINION OF CANADA
DEPARTMENT OF FINANCE

Issued at Kelowna
Date Dec 19/46

The Government of Canada acknowledges that IKESAKA - SENICHI
has surrendered property situated in Canada as described herein and agrees to remit the yen equivalent of the net proceeds
of such property immediately, or upon liquidation if such action is required, to Japan under arrangements made with,
and approved by, the United States Government and the Military Authorities in Japan; Provided that from the proceeds
of such property there shall be retained such amounts as are required to repay advances made by the Government of Ca-
nada by way of Registration Grant.

NOT NEGOTIATED

sub

290.2 ✓

K. H. L.
for Comptroller of the Treasury

711 Stock Exchange Bldg.,
475 Howe Street,
Vancouver, B.C.,
January 29th, 1947.

Custodian of Enemy Property,
Royal Bank Building,
Vancouver, B.C.

Dear Sir:

Re: IKESAKA, Schiochi #12341

Please note that the above Japanese has been repatriated to Japan. The following is the status of his account with this Department, covering the repatriation transactions:

Money turned in - - - - - \$ 290.00

Draft Issued- - - - - \$ 290.00

It will be noted, therefore, that this party is not indebted to this Department in this connection. However, should any further monies come into your hands on this account it should be turned over to this office for transmission to the Japanese in question.

Yours truly,

F. G. Coburn
F. G. COBURN,
Supervising Treasury Officer.

FOG/EJ.

TREASURY DEPT. CLAIM \$ NIL
15703

15705
13286

Vomon

DEPOSIT FORM

G-657-A

Reg. No. 12341 NAME: IKESAKA - Joe SHOCHI
(please print) Surname Given Name

Cheques (must be certified)		Cash	Dollars	Cents
List Bank Name and Branch	A m o u n t			
		X 1		
		X 2		
		6 X 5	30	00
		6 X 10	60	00
		5 X 20	100	00
		1 X 50	100	00
		X 100		
		Total Bills	290	00
		Silver		
		Copper		
		Total Cheques		
		Total Amount	290	00
		Teller's Initials		

Herewith monies as shown above.

I wish to take all of these funds with me to Japan, plus \$ _____
now on deposit with the Custodian. Yes; X No: _____

I wish to take with me only the amount of the Government Guarantee
Yes _____ No _____

Date: _____, 1946

Signature S. Ikisaka

OR

I have no money to turn in.

Date: _____, 1946

Signature _____

23rd October, 1942
released 15th January, 1943

G. W. Mephereson, 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 Royston 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 following were reported as shareholders:

Minato, Keiji	Royston, B. C.	22 shares
Estate of Kennosuki Kaminishi	Vancouver, B. C.	284 shares
Iwasa, Matsutaro	Royston, B. C.	62 shares
Minato, Kinetsuke	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.	
		<hr/> 460 shares <hr/>

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

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

23rd October, 1942
released 15th January, 1943

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 Tomihire has been interned by the United States Government. To the best of our knowledge the remaining shareholders and the beneficiary of the Kaminishi 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 Tomihire
representing 22/460ths of the issued
share capital.

(b) Enemy Debt

Due to Senichi Tomihire	1,404.58	
Less: Due by S. Tomihire	<u>158.95</u>	1,245.63

Companies under control
or investigation by
Custodian, Canada
Daily News

	<u>5.00</u>
	<u>\$1,250.63</u>

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. Tomihire	Portland, Oregon, U.S.A.
K. Minato	Royston, B. C.

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	<u>15,043.07</u>
	<u>\$ 27,611.95</u>

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

23rd October, 1942
received 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. H. 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, Okanogan District.	

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

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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
P. T. Kato		363.70
G. Kobayashi		170.36
M. Kobayakawa		285.00
K. Onizaki		182.77
K. Okui		27.10
M. Damanti	x	30.00
G. Kato	x	65.00
M. Nishimura	x	<u>5.45</u>
		\$ 1,229.38

<u>Add:</u> Store coupons not traced to ledger account	<u>4.00</u>
	\$ 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. Tomihira	<u>158.93</u>
	\$ 3,200.67

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

23rd October, 1942
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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)	170.57
Shingles, windows and doors (book value)	175.10
Fuel oil - (estimated)	100.00
Gasoline - (estimated)	100.00
Mill supplies - (estimated)	300.00
Logging supplies - (estimated)	1,700.00
Barrels (book value)	29.00
	<u>2,676.27</u>

Lumber Inventory: Approximately
2,000,000 board feet. Priced
at ten dollars (\$10.00) per M
as used by the company in pre-
paring 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	2 million feet
Block 410 and 411	19 million feet
Block 523	5 million feet
Block 545	27½ million feet
Block 144	not stated
	<u>53½ million feet</u>

G. W. McPherson, Esq.,
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. Rustace 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	\$ 4,707.00	Average \$1.53 per ft
		3,068,000 F.B.M.		
Block 545	June 1940	Cruised at	\$53,268.00	Average \$2.00 per ft
		26,634,000 F.B.M.		

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

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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:

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

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Land taxes 1941	2,840.60
Land taxes 1942	2,877.30
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	323.32
	<u>\$ 8,399.34</u>

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
Konosuke Minato	6,401.30
S. Tomihira (Interned in U. S. A.)	904.58
S. S. Tomihira	500.00
G. K. Uchiyama	4,035.66
G. K. Uchiyama salary March, 1941	700.00
	<u>22,343.00</u>
Add: "Temporary Account re Timber"	<u>1,675.00</u>
	<u>\$ 24,018.00</u>

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

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There is no shareholder recorded as S. S. Tomihira but Mr. Uchiyama informs us that this is not S. Tomihira 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. Tomihira.

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-

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

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requested 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-

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

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one year, 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 sea 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 H. 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.

D. W. Macpherson, Esq.,
Vancouver, B. C.

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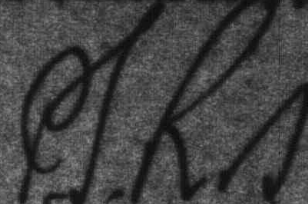
Conclusions and Recommendations

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,



Chartered Accountants.

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

<u>Assets</u>		<u>Liabilities</u>	
<u>Current Assets</u>		<u>Current Liabilities</u>	
Cash on hand	370.66	Accounts Payable:	7,644.25
Cash in Royal Bank of Canada,		Debtless Government re taxes	
Quebecland, B. C.	10,253.91	Provided Government and	
		Indemnities	8,399.34
Accounts Receivable:		Purchase of timber limits	38,859.73
Trade and general	27,611.95	Trade and general	10,518.75
Balance of sale of Pile Mill	2,745.00	Employees	285.78
Secured by mortgage	950.00	Shareholders	24,018.00
Japanese interests under			
control of the Canadian		Surplus accounts:	
Employees	253.00	Cash received from Vickers	
Directors	1,233.38	Lumber and Manufacturing	
	2,200.69	Co. Ltd., 12th January, 1941,	
		not allocated in books	
Inventories (estimated)	35,994.02		1,709.15
	22,676.27		
	69,294.86		
<u>Investment</u>		<u>Loan</u>	
Quebecland Golf Club shares	200.00	Norseton Life Insurance Company	
account		Loan on policy on life of G. K.	3,000.00
		Indemnity	153.35
		Insurance dividend	3,153.35
<u>Fixed Assets</u>		<u>Capital and Surplus</u>	
Timber and Land as at 31st	86,333.80	Share Capital:	
December, 1941	1,257.39	Issued 460 shares of \$100.00	46,000.00
Deduct timber cut 1st Jan-		each fully paid.	
uary to 31st March, 1942	87,036.41		
Real estate as at 31st Dec-		Surplus:	
ember, 1941	8,746.65	Balance per Exhibit 2	61,137.81
Deduct lots sold	210.00		
	6,576.65		
Plant and equipment as at			
31st December, 1941	40,363.24		
Deduct Pile Mill sold	3,745.00		
	36,618.24		
	132,231.30		
	\$ 201,726.16		

Total Inventories do not include logs in woods
or logs at mill.

The Royston Lumber Company Limited

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

Sales

Lumber shipments	19,197.32	
Lumber local sales	12,004.13	
Pine timber	4,788.31	
Wood and sawdust	<u>1,564.15</u>	37,553.91

Cost of Sales and Direct Charges

Inventory lumber 31st December, 1941	9,656.70	
Fuel oil	589.73	
Freight and express	315.91	
Gas and oil	1,352.15	
Mill supplies	624.83	
Logging supplies	1,036.98	
Truck and auto supplies	376.17	
Car switching	558.00	
Contract	3,306.54	
Insurance	2,408.87	
Cost of timber cut	1,297.39	
Wages and salary	23,805.43	
Workmen's compensation	1,161.50	
Unemployment insurance	243.01	
Land taxes 1942	<u>2,877.20</u>	
	49,710.41	

Deduct: Inventories 31st March, 1942

Lumber	20,000.00		
Wire rope	<u>1,700.00</u>	<u>21,700.00</u>	<u>28,010.41</u>
			9,543.50

Sundry Income

Profit on boarding house	267.55	
House rents	320.00	
Scrap iron	115.13	
Interest on war loan	<u>82.38</u>	
	785.06	

<u>Less: Loss on store operation</u>	<u>628.22</u>	<u>156.84</u>
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Carried forward 9,700.34

The Royston Lumber Company Limited

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

Brought forward		9,700.34
<u>General and Overhead Expense</u>		
Advertising	61.25	
Bank commission	33.64	
Discount	181.43	
P.L.I.B. charges	509.07	
Licenses	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	81.99	
Interest	979.31	
Commission re sale of Tie Mill	374.50	
	<u>4,250.55</u>	
Difference in cash on hand	<u>2.65</u>	<u>4,253.20</u>
Profit for three months ended 31st March, 1942 subject to depreciation of plant and equipment and income and excess profit taxes		<u>\$ 5,447.14</u>

Surplus Account to 31st March 1942

Balance per books 31st December, 1941		64,417.41
<u>Deduct:</u> 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	<u>1,043.55</u>	<u>8,726.74</u>
		55,690.67
<u>Add:</u> Net profit for three months to 31st March, 1942 before depreciation and income and excess profits tax		<u>5,447.14</u>
Balance 31st March, 1942 to Exhibit 1		<u>61,137.81</u>

The Royston Lumber Company Limited

Memoranda re Titles to Property

<u>Map Refer- ence</u>	<u>Legal Description</u>	<u>Registered Owner</u>	<u>Registered Charges</u>
1	Block 545, Nelson District	E. & N. Railway Co.	Balance payable by The Royston Lumber Co. Ltd. \$36,028.35 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 26639H	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 550H	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 7962H	Reservation minerals etc. to E. & N. Railway Co.
9	Block 79, Nelson District	Royston Lumber Co. Ltd. IT No 10305H	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 5547H	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 certificate 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 876H	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 20055H	Undersurface to Canadian Collieries (Dunsmuir) Limited. Minerals etc. to Soldiers Settlement.

The Royston Lumber Company Limited

Name re Titles to Property

<u>Map Refer- ence</u>	<u>Legal Description</u>	<u>Registered Owner</u>	<u>Registered Charges</u>
14	Lots 1 to 4, Block C, Section 4, Helson District Plan 1478	Royston Lumber Co. Ltd. IT's Nos. 10231H and 19793H	Reservations minerals to Canadian Collieries (Dunsmuir) Ltd.
15	Lot 151	Province of B.C.	Lease to The Royston Lum- ber Co. Ltd. \$115.00 per year expiring 30th March 1946.
16A	Lots 5, 6, and 7, Block C, Sec- tion 61, Comox District, Plan 9939	Royston Lumber Co. Ltd. IT No 15508H	None
16B	Lot 2 of Section 61, Comox Dist- rict, Plan 5187	Royston Lumber Co. Ltd. IT No 29085H	None
16C	Lot 1 of Section 61, Comox Dist- rict, Plan 976.	G. B. Capes, IT No 14724H	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 Sims, IT No 16628H	The Royston Lumber Co. Ltd. have Lis Pendens re action against owner and G. C. Gatten 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

20th January, 1943

F. G. Sheers, 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.

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, Ninto, 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 & 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 CON-
FIRMATION BY RETURN WIRE WILL BE APPRECIATED"

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

"RETEL INCLINE 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:-

"RETEL 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

F. G. Shewers, 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 net 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 compilation 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 B. 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

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-

F. G. Sheare, 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.

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. McPherson, Esq., Authorized Deputy of the Secretary of State and/or Custodian, the undersigned Controller is 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 INCLUDING 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 Controller as liquidated damages; cheques in respect of unaccepted bids will be returned in due course.
- (b) The assets are offered for sale without any warranty 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 office 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 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,
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
EVEN ON THE 15th DAY OF DECEMBER, 1942, AT THE OFFICE OF THE CONTROLLER,
ALL 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 agents in Canada.

THE ROTOTON 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
Kamloops Free Press	27th November, 1942

"Exhibit 3"

ARTHUR STEKL

5376 Marguerite St.
Vancouver, B. C.

December 16th, 1942

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

Dear Sir:

On behalf of a company which I will incorporate, I hereby offer 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:

ARTHUR STEKL

5376 Marguerite 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 10,000,000 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

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, Roys-
ton, B. C., as generally described in your advertise-
ment 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,

H. R. MacMILLAN EXPORT COMPANY LTD.
TIMBER DEPARTMENT

KS/Mr

(signed) Keith Shaw

H. R. MacMILLAN EXPORT COMPANY, LIMITED

LUMBER AND SHIPPING
Vancouver, Canada

January 18th, 1943

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:

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 B. & 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 B. & N. Railway Co.

Yours very truly,

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

KS/MF

(signed) Keith Shaw

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

	Arthur Stekl.	H. R. MacMillan Export Co. Ltd.
Initial Payment	60,000.00 ✓	50,000.00 ✓
Less: Payment on timber assumed by H. R. MacMillan Export Co. Ltd.	38,000.00	
Payments before end January, 1944	22,000.00 ✓	50,000.00
Interest on funds in hand:-	40,000.00 ✓	50,000.00
\$42,000.00 1 year at 3%	1,260.00	
\$50,000.00 1 year at 3%		1,500.00
Interest on unpaid balance at 5% 1 year		
Average of \$122,000.00	6,100.00	
Payments before end January, 1945	40,000.00 ✓	50,000.00
Interest on funds in hand:-		
\$88,100.00 1 year at 3%	2,643.00	
\$100,000.00 1 year at 3%		3,000.00
Interest on unpaid balance at 5% 1 year		
Average of \$82,000.00	4,100.00	
Payments before end January, 1946	40,000.00 ✓	
Interest on funds in hand		
\$132,200.00 1 year at 3%	3,966.00	
\$150,000.00 1 year at 3%		4,500.00
Interest on unpaid balance at 5% 1 year		
Average of \$142,000.00	2,100.00	
Payments before end July, 1947	22,000.00 ✓	
Interest on funds in hand		
\$155,300.00 6 months at 3%	2,329.50	
\$150,000.00 6 months at 3%		2,250.00
Interest on unpaid balance at 5% 6 months	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
Add: Payment due re timber.	38,000.00	38,000.00
	224,753.50	199,250.00

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, Cleverly & 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 \$30,000.00 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 step 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

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 M. & S. 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.

EUSTACE SMITH
Timber Estimating
and
Topographical Logging Maps
Timber Brokers

January 20th, 1943

Messrs. F. 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/c

(signed) Eustace Smith

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CANADA
DEPARTMENT OF THE SECRETARY OF STATE



506 Royal Bank Building,
Vancouver, B. C.
25th January 1943

File No. 147

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

Dear Sirs:

Re: Rowston Lumber Company

We are in receipt of your Report in duplicate covering the tenders received from public advertisement dated 24th November, 1942.

As stated in your report, tenders were opened on the 17th December 1942, and submitted to Mr Uchiyama. In view of his declining to agree to a sale the matter was referred to Ottawa and a decision approving the sale was agreed upon.

The report and recommendation of Mr Bustace Smith, who valued this property, is noted and also the matter of the clarification of the two offers received.

The tender from Mr Arthur Stahl, as shown in your statement, on comparison with the tender from H.B. MacMillan Co., Ltd is considerably the better offer and the acceptance of Mr Stahl's offer and terms is confirmed herein.

In addition to the conditions referred to on page 5 of your report, you will of course include the provision for proper insurance coverage to be maintained.

Documents necessary for the completion of this sale agreement should be prepared by the Custodian's Solicitors, Messrs Locke, Lane, Guild & Sheppard.

Yours truly,

"T.G. Shears"
Acting Director,

506 Royal Bank Building,
Vancouver, B.C.
26th January, 1943.

G.W. McPherson, Esq.,
Office of the Custodian,
Victoria Building,
7 O'Connor Street,
Ottawa, Ont.

C
O
P
Y

Dear Mr. McPherson,

Re: Royston Lumber Company Limited.

We have now received Messrs. P.S. Ross & Sons' Report on tenders received in response to an advertisement for the sale of the Royston Lumber Company Limited's assets.

Some clarification was made in regard to the two offers received. In the case of the H.R. MacMillan Export Co., Ltd., in addition to their offer of \$150,000.00 they claimed to understand that they would also assume the responsibility for the amount of \$38,000.00 still owing to the E. & N. Railway Co.

With regard to Arthur Stekl's offer, the arrangements for paying the balance was increased from \$3.00 to \$4.00 per thousand on the basis of not less than 10,000 feet per year with the interest on the deferred payments at 5% per annum.

On the basis that funds on hand would be worth 3% the report shows a schedule of comparison between the two offers received. The ultimate difference between the two offers being somewhat over \$25,000.00.

As agreed upon when you were here in Vancouver, we have accepted Mr. Stekl's offer and have confirmed the same with Messrs. P.S. Ross & Sons.

Yours truly,

F.G. Shears,
Acting Director.

FGS/PME

147

506 Royal Bank Building,
Vancouver, B.C.
26th January, 1943.

Messrs. P.S. Ross & Sons,
Royal Bank Building,
360 St. James Street,
Montreal, Que.

Dear Sirs:

Re: Royston Lumber Company Limited.

A Report on the tenders received in response to the advertisement for the sale of the assets of the Royston Lumber Company Limited has been received from your Vancouver Office and the tender of Mr. Arthur Stahl has been approved for the price of \$202,000.00.

Copy of our letter to Mr. G.W. McPherson in this regard is enclosed herein.

Yours truly,

F. G. Shears,
Acting Director.

FCS/PBH

Encl.

29th February, 1944

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

Attention Mr. P. G. Shears
Director

Dear Sirs:

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.

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 rehandling 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

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 State 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. Airth 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. Airth'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 property 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 \$262,000.00 on the terms offered. We immediately requested Messrs. Locke, Lane, Guild and Shepard to formally accept Mr. Stekl's offer on the conditions set out in our report.

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.

\$202,000
1,550
200,450

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

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

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		\$ 21,000.00
31st May, 1943	Balance due on initial payment of \$60,000.00	39,000.00
31st May, 1943	On account of next payment due	20,450.00
24th September, 1943	Sale of refrigerator (to apply on last payment)	300.00
24th September, 1943	Insurance claim received by Somerset Limited re damage to speeders	900.00
27th November, 1943	Cash on account of next payment due	10,000.00
28th December, 1943	Sale of lumber carrier (to apply on last payment due)	4,000.00
29th February, 1944	Cash on account of payments due	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 Stakl, 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. Airth 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 by the Forestry Department was attempted

to the trustees retained a special account out of
the amount of the penalty had been
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 Grane 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.

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 543

At the time we took control of the company's affairs a balance of principal of \$34,028.35 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:

Principal	\$ 38,028.35
Interest	4,138.32
Conveyance fee	10.00
	<hr/>
	\$ 42,176.70
	<hr/>

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 Milliers, B. C.

The company had leased a siding at Milliers, 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.

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 H. W. Spink, barrister and solicitor, Courtenay, H. G. 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.

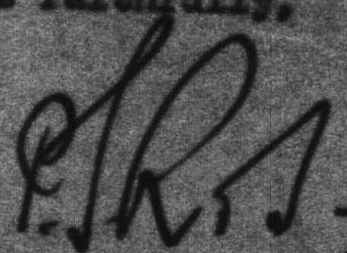
There were no claims filed as a result of this notice that were not shown in the company's books. It would appear that a number of liabilities in the company's books will not be paid as no claims for same have been filed. We are making further investigations and will report more fully at a later date.

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

<u>Assets</u>		<u>Per books</u>	<u>Expected to realise</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		950.00	950.00
Trade & General	13,982.24		
Shareholders	772.07		
Employees	1,128.93		
Directors	3,200.69		
	<u>19,083.93</u>		
Less Bad Debts			
Reserve	15,000.00	4,083.93	2,000.00
Somerset Limited		104,800.00	104,800.00
		<u>£ 178,904.86</u>	<u>£ 176,820.93</u>
<u>Liabilities</u>		<u>Per Books</u>	<u>Expected to rank for</u>
Dominion Income & Excess Profits			
Taxes		2,000.00	27,419.63
Sundry creditors accounts in			
books not claimed for		2,052.63	
Shareholders balances		20,045.46	20,045.46
Insurance Loan		3,153.35	3,153.35
Capital		46,000.00	
Surplus per Exhibit 1A		34,151.92	
Surplus re sale of assets in			
excess of book values		75,501.50	
		<u>£ 178,904.86</u>	<u>50,618.46</u>
Estimated surplus for distribution			
to shareholders before providing			
for additional liquidation expenses			<u>£ 126,202.47</u>

Reyston Lumber Company Limited

Surplus Account to 31st December, 1943

Balance at credit 31st December, 1942		43,623.20
Add profit on lumber sales	58.40	
Miscellaneous income	608.79	
Insurance premiums recovered	722.42	
Rentals recovered	199.26	
	<hr/>	1,588.87
		<hr/>
		45,212.07
Expenses		
Wages	2,556.23	
Land and school taxes	1,314.09	
Foreshore and land rentals	349.80	
Appraisal	684.31	
H. C. Airth expenses	687.64	
Truck and auto storage	112.50	
Safekeeping and storage	46.70	
Advertising	51.40	
Telephone, telegraph, postage	63.92	
Exchange	96.80	
Legal expense	161.75	
Electric light	53.93	
Sales tax	410.11	
Interest on timber purchase	1,571.45	
Sundries	99.52	
Custodian - fees	2,800.00	
	<hr/>	11,060.15
		<hr/>
Balance at credit 31st December, 1943		\$ 34,151.92
		<hr/>

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				
Petty cash	6.30			
Bank-General account	21,918.44			
Collection acct.	744.13			
Wenigama account	224.07			22,892.94
Receipts				
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.-Adjust- ment of taxes, insur- ance, etc.		1,881.93	1,881.93	
Canadian Collier's damage claim		1,325.00	1,325.00	
Courtenay Golf Club Shares		200.00	200.00	
Sundries		72.64	72.64	
	26,521.73	102,464.60		128,986.33
				151,879.27
Disbursements				
Account income tax		2,000.00	2,000.00	
Accounts payable	7,622.57	47,370.67	54,993.24	
Forestry Dept. Fire protection		3,023.16	3,023.16	
Land taxes		8,508.49	8,508.49	
Wages	3,264.53	2,982.41	6,246.94	
Car switching and freight charges	249.00	2.97	251.97	
Mill supplies and repairs	46.38		46.38	
Truck and auto supplies	373.55	135.00	508.55	
Workmen's Compens- ation Board		109.91	109.91	
Unemployment insur- ance	156.36	101.40	257.76	
Telephone, telegraph, postage, stationery, exchange etc.	113.79	185.56	299.35	
Carried forward	11,826.18	64,419.57	76,245.75	151,879.27

Brought forward	11,826.18	64,419.57	76,245.75	151,879.27
Legal expense	18.00	161.75	179.75	
Electric light	36.95	69.80	186.75	
Surveys and plans	55.50	17.50	73.00	
W. C. Airth expense				
Board	227.50	432.50	660.00	
Car mileage travelling	120.00	193.60	313.60	
Foreshore and ground				
rents		349.80	349.80	
Advertising	179.20	51.40	230.60	
Appraisal		684.31	684.31	
Custodian - Control		890.00	890.00	
Liquidation		2,800.00	2,800.00	
expenses		126.28	126.28	
Safekeeping and storage		46.70	46.70	
Sundries	37.92	13.88	51.80	
Victory Loan purchased	15,000.00		15,000.00	97,808.34
	27,551.25	70,257.09		
Balance on hand 31st December, 1943				<u>\$ 54,070.93</u>

Newton Lumber Company Limited

Balance Sheet as at 31st December, 1942

Exhibit 1.

Assets

Liabilities

<u>Current</u>			
Cash - balances on hand and at bankers		21,863.42	
Accounts receivable	16,539.26		
Trade and general	3,972.76		
Shareholders and directors	1,128.92		
Employees	21,638.95		
<u>Less: Provision for bad and doubtful accounts</u>	<u>15,000.00</u>		
Account secured by mortgage	6,638.95	7,538.95	
Victory Loan Bonds	<u>950.00</u>	<u>15,000.00</u>	
Inventories - estimated		<u>2,504.15</u>	
		46,956.52	
<u>Investment</u>			200.00
Shares in Courtenay Golf Club			
<u>Timber, Real Estate, Plant and Equipment</u>			
Timber lands	87,036.41		
Real estate	8,576.65		
Plant and equipment	<u>26,931.39</u>	122,544.35	
<u>Less: Depreciation written off</u>	<u>36,992.74</u>		
	<u>10,061.65</u>		
		<u>\$ 169,700.87</u>	
<u>Current</u>			
Accounts payable	540.31		
Dominion Government	4,418.00		
Provincial Government	<u>2,055.77</u>		
Warren's Compensation Board			
Trade and general	11,014.08		
Employees	3,723.64		
Shareholders	332.37		
Custodian re expenses	<u>20,240.70</u>	36,329.07	
	<u>1,016.24</u>		
<u>Purchase Money Obligations</u>			40,595.25
Balance owing on labor limits			
<u>Loan Account</u>			
G. E. Tobllynn, secured by			
Homaroh Life Insurance			
Company policy on life			
of Tobllynn			3,153.35
<u>Capital and Surplus</u>			
Share Capital			
Issued and fully paid	46,000.00		
460 shares of \$100.00 each			
<u>Surplus</u>			
Balance per Exhibit 4	<u>43,623.20</u>	<u>89,623.20</u>	
		<u>\$ 169,700.87</u>	

Exhibit 4.

Royaton Lumber Company Limited
Profit and Loss Account for the period
From 1st April, 1942 to 31st December, 1942

Lumber Sales

Car shipments	23,646.31
Local sales	22,843.66
Log sales	125.00
Fuel	51.86
Premium shipments - U. S. funds	520.22
	<hr/>
	47,187.05

Lumber inventory 1st April (estimated
2,000,000 bd. feet at \$10.00 per M 20,000.00

Fuel oil	100.00
Freight and express	12.75
Gas and oil	343.60
Mill supplies	108.42
Truck and auto storage, etc.	377.75
Car switching	444.00
Insurance	3,105.06
Wages and salaries (including watchman)	8,958.26
Workmen's Compensation Board	512.52
Unemployment Insurance	46.47
	<hr/>
	34,028.83

Loss - Estimated lumber inventory
31st December, 1942 100.00

33,928.83

13,258.22

Sundry Income

Rentals	92.40
Commission on pole sales	175.62
Sale of Community Hall goods	96.50
Profit on sale of store and boarding house inventories	225.66
Sundry	46.67
	<hr/>
	636.85

636.85

13,895.07

Carried forward

13,895.07

Exhibit 4.

Brought forward		13,895.07
<u>General and overhead expenses</u>		
Advertising, notices	183.66	
Bank charges	52.10	
Interest (E. & N. Fly. Co. and Machinery Purchase Agreement)	1,796.42	
Stationery	10.70	
Travelling	297.47	
Postage Excise	16.35	
Rental	50.00	
Light, power and water	191.06	
General expenses	87.77	
Telephone and telegraph	190.51	
Fees & expenses, Investigation & Control	1,266.28	
Board allowance U. S. Airth	551.00	
Plans and surveys	72.50	
Commission re sale of Tie Mill charged in error to operating prior statement	374.90	4,391.42
		<u>9,503.69</u>
Depreciation for 9 months ended 31st December, 1942		7,546.09
Net profit for 9 months ended 31st December, 1942		<u>\$ 1,957.56</u>

Surplus Account

to 31st December, 1942

Balance per statement at 31st March, 1942		61,137.81
<u>Less adjustments thereto</u>		
Provision for bad and doubtful accounts	15,000.00	
Forestry Dept. penalty re failure to burn slashing	2,700.00	
Depreciation 3 months to 31st March, 1942	2,515.36	
Wages accrued	555.42	
Sundry accounts	275.00	
	<u>21,045.78</u>	
Less sundry credits not previously included as income	1,573.61	19,472.17
		<u>43,665.64</u>
Add Net profit for 9 months to 31st December, 1942, as above		1,957.56
Balance 31st December, 1942 to Exhibit 3		<u>\$ 43,623.20</u>

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. H. 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	February 4th, 1943
Vancouver Sun	February 4th, 1943
Vancouver News-Herald	February 4th, 1943
Victoria Daily Times	February 4th, 1943
Victoria Daily Colonist	February 5th, 1943
Nanaimo Daily Free Press	February 4th, 1943
Courtenay Comox-Argus	February 11th, 1943
B. C. Gazette	February, 1943

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

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

Attention: Mr. F. G. Shears
Director

Dear Sirs:

Re: Royston Lumber Company Limited

Since our report to you dated the 29th February, 1944, we have continued the liquidation of the business of the above company and now wish to advise you of the progress made to date.

Attached to and forming part of this report are the following exhibits:

Exhibit "A" - Balance Sheet as at 31st October, 1945.

Exhibit "B" - Surplus Account to 31st October, 1945.

Exhibit "C" - Statement of Cash Receipts and Disbursements 1st October, 1942 to 31st October, 1945.

Exhibit "D" - Accounts Receivable 31st October, 1945.

Sale of property to Somerset Limited

In July, 1945 Mr. Stahl approached us requesting information as to what discount he might expect should he be able to arrange immediate settlement of the mortgage payable by Somerset Limited. At that date there was still outstanding approximately \$37,000.00 and prepayments had been made of \$17,500.00. You will recall that this matter was discussed at the end of 1943 and in early 1944 and a discount of two per cent for prepayment agreed upon. Mr. Stahl requested a discount of \$1,500.00 and

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 \$1,599.00 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.

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, Clerville 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 realised in cash consist of the following:

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. H. Spink of Courtenay 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 "evadee 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.

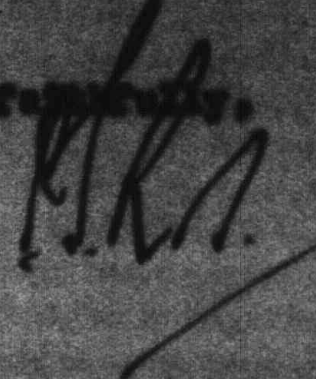
Office of the Custodian,
Vancouver, B. C.

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10th November, 1945.

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

Yours faithfully,

A handwritten signature in dark ink, appearing to be "R. K. N.", written over the typed name "R. K. N." and a horizontal line.

Reyaten Lumber Company LimitedBalance Sheet as at 31st October, 1945

<u>Assets</u>		<u>Per Books</u>	<u>Reported to Realign</u>
Petty Cash		1.26	1.26
Royal Bank of Canada			
Collection account		1,407.56	✓ 1,407.56
Current account		5,367.00	✓ 5,367.00
Victory Loan Bonds		125,000.00	✓ 125,000.00
Accounts Receivable			
Secured by mortgage		950.00	950.00
Trade and general	1,549.92		
Employees	1,128.93		
Directors	3,041.74		
	<u>5,720.59</u>		
<u>Deduct:</u> Reserve for bad debts	<u>5,000.00</u>	720.58	3,041.74
T. Duesen - see our report		2,100.00	2,900.00
Refund due re 1942 Income and Excess Profits taxes		<u>2,000.00</u>	<u>2,000.00</u>
		<u>¢ 137,546.50</u>	<u>134,067.46</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"		91,546.50	88,067.46
		<u>¢ 137,546.50</u>	<u>134,067.46</u>
Estimated surplus for distribution to shareholders before providing for additional liquidation expenses			¢ <u>134,067.46</u>

Royston Lumber Company LimitedSurplus Account
to 31st October, 1945

<u>Balance at credit 31st December, 1943</u>		34,151.92
<u>Add:</u> Interest re Somerset Limited	6,987.04	
Interest from Victory Bonds	2,487.50	
Accounts payable written off	1,937.02	
Bad debts recovered	<u>1,466.00</u>	<u>12,851.56</u>
		47,003.48
<u>Deduct:</u> Income taxes and interest thereon		
1940-1943	27,435.39	
Legal expenses	2,584.44	
Custodian - fees	2,500.00	
- expense	74.16	
Safeguarding expense re bonds	119.16	
Logging expense 1942	120.00	
Bank commission and exchange	60.36	
Income Tax Specialists - fee	75.00	
Bad debts written off	<u>329.09</u>	
Storage of records	<u>50.00</u>	<u>33,375.60</u>
		13,627.00
<u>Add:</u> Profit on realisation of assets	75,743.50	
Recovery Courtney Native Sons		
Building Co. Ltd.	500.00	
Temporary account re timber		
written off	<u>1,675.00</u>	<u>77,918.50</u>
<u>Balance at credit 31st October, 1945</u>		<u>\$ 92,546.30</u>

Royton Lumber Company Limited

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	6.30			
Bank - General account	21,918.44			
- Collection ac- count	744.13			
Wahyana account	224.07			22,892.94
<u>Receipts</u>				
Accounts receivable	14,237.50	3.24	14,240.74	
Bad debts recovered	-	1,460.00	1,460.00	
Lumber sales	14,450.35	-	14,450.35	
Premium U.S. Bonds	220.22	-	220.22	
Rentals	124.00	-	124.00	
Interest	224.79	-	224.79	
Government Ltd. - Payments	95,550.00	103,800.00	199,350.00	
- Adjustments of taxes, insurance etc.	1,881.93	5.00	1,886.93	
- Interest	-	6,987.04	6,987.04	
Canadian Cellulose				
Damage claim	1,325.00	-	1,325.00	
Trespass claim	-	1,242.00	1,242.00	
Courtenay Golf Club shares	200.00	-	200.00	
Courtenay Native Sons				
Building Co. Ltd.	-	500.00	500.00	
Interest from Victory Bonds	-	2,487.50	2,487.50	
Sundries	72.64	-	72.64	
	<u>128,986.33</u>	<u>116,484.76</u>		<u>245,471.11</u>
				<u>268,364.05</u>
<u>Disbursements</u>				
Account Income Tax	2,000.00	27,435.39	29,435.39	
Accounts Payable - Trade	54,993.24	135.61	55,128.85	
- Share- holders	-	20,592.79	20,592.79	
Forestry Dept - Fire protection	3,023.16	-	3,023.16	
Land Taxes	8,508.49	-	8,508.49	
Wages	6,246.94	-	6,246.94	
Carried forward	<u>74,771.83</u>	<u>48,163.79</u>	<u>122,935.62</u>	<u>268,364.05</u>

Disbursements

Brought forward	74,771.83	48,163.79	122,935.62	265,364.05
Car switching and freight charges	251.97	-	251.97	
Mill supplies and repairs	46.38	-	46.38	
Truck and auto supplies	508.55	-	508.55	
Logging supplies 1942	-	128.08	128.08	
Workmen's Compensation				
Board	109.91	-	109.91	
Unemployment insurance	257.76	-	257.76	
Telephone, telegraph, post- age, stationery, exchange, etc	299.35	80.36	379.71	
Legal expense	179.73	2,584.44	2,764.17	
Electric light	156.75	-	156.75	
Surveys and plans	73.00	-	73.00	
H. C. Airth expense				
Board	660.00	-	660.00	
Car mileage travelling	313.60	-	313.60	
Furniture and ground rents	349.80	-	349.80	
Advertising	230.60	-	230.60	
Appraisal	684.31	-	684.31	
Custodian -				
Control	890.00	-	890.00	
Liquidation	2,500.00	2,500.00	5,000.00	
Liquidation expenses	126.38	74.16	200.54	
Safeskeeping and storage	46.70	169.16	215.86	
Income Tax Specialists	-	75.00	75.00	
Sundries	51.80	5.00	56.80	
Victory Loan bonds purchased	15,000.00	110,000.00	125,000.00	
	<u>97,808.34</u>	<u>163,779.99</u>		<u>261,588.33</u>

Cash balance on hand 11th
October, 1943

6,775.72

Hoysten Lumber Company LimitedAccounts Receivable 31st October, 1945Trade and General

S. Asaka	5.55	
Aiyukai	25.00	
S. B. Gapes	125.00	
Kagetsu & Co. (1934)	250.00	
K. Yousa	5.00	430.55

In hands of H. Spink for
collection

1,179.36

0 1,549.91

Employees

K. Doi	100.00
F. T. Kato	367.70
O. Kobayashi	170.36
H. Kobayakawa	205.00
R. Akui	27.10
K. Aizashi	162.77

0 1,126.93

Directors

H. Iwasa	1,684.49
H. Iwasa	265.77
Keiji Minato	1,092.48

0 3,042.74

9th July, 1948.

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

Attention: Mr. F. G. Sheers, 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 - \$2,679.84

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	\$ 5.55	
Aiyukai	25.00	
G. B. Cupes	125.00	
Kogetsu and Co. (1934)	250.00	
K. Yoneda	5.00	410.55
In hands of R. Spink for collection		<u>1,139.36</u>

CARRIED FORWARD

\$ 1,549.91

Office of the Custodian,
Vancouver, B. C.

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9th July, 1948

BROUGHT FORWARD

\$ 1,549.91

Employees

K. Doi	100.00
P. T. Kato	363.70
G. Kobayashi	170.36
M. Kobayakawa	200.00
K. Akai	27.10
K. Aizawa	182.77

1,133.93

\$ 2,673.84

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 \$10,257.53. 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>
Kaifu Minato	22	5,500.00
Estate of Kannonuki Kaminishi	284	71,000.00
Natsuburo Iwaga	62	15,500.00
Kinsuke Minato	20	5,000.00
George K. Uchiyama	48	12,000.00
George K. Uchiyama (in trust)	2	500.00
Senichi Tomihira	22	5,500.00
	<u>460</u>	<u>\$ 115,000.00</u>

Office of the Custodian,
Vancouver, B. C.

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9th July, 1948

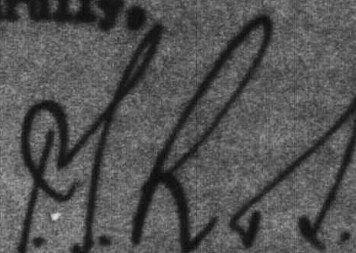
This represents an interim dividend of \$250.00 per share.

General

The only outstanding account to be settled in this estate is that of an old debt due from G. B. Copes of Courtney, B. C. This account was written off prior to the evacuation of the Japanese and Mr. Copes has since been paying \$25.00 per month to us. We have approached Mr. Copes 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.

Exhibit "A"

Reydon Lumber Company Limited

Balance sheet

As at 30th June, 1948

Assets

Cash			\$ 13,060.76
Accounts receivable			
Trade and general	1,549.91		
Employees	<u>1,128.97</u>		
	2,678.88		
<u>Deduct: Reserve for bad debts</u>	<u>2,678.88</u>		
			<u>\$ 13,060.76</u>

Capital and surplus

<u>Capital</u>			
<u>Issued and fully paid</u>			
460 shares of \$100.00		\$ 46,000.00	
<u>Surplus - per exhibit "B"</u>	82,060.76		
	<u>128,060.76</u>		
<u>Deduct: distribution to shareholders</u>	<u>115,000.00</u>		
			<u>13,060.76</u>
			<u>\$ 13,060.76</u>

Exhibit "B"

Royston Lumber Company Limited

Surplus Account

To 30th June, 1948

Balance at credit 31st December, 1943

\$ 34,151.92

Add: Interest re Somerset Limited

6,987.04

Interest from victory bonds

11,424.33

Accounts payable written off

1,917.82

Bad debts recovered

2,260.00

Premium on sale of bonds

3,581.29

Reduction in bad debt reserve

2,321.36

28,570.80

62,702.72

Deduct: Income taxes and interest thereon
1940 - 1941

27,435.39

Legal expenses

2,778.90

Custodian - fees

3,300.00

- expenses

74.16

Safekeeping expenses re bonds

248.32

Logging expense - 1942

128.08

Bank commission and exchange

80.36

Income tax specialists - fee

75.00

Bad debts written off

329.89

Storage of records

110.50

Workmen's compensation final

assessment

126.54

Taxes on distribution of surplus to
shareholders

18,857.53

Miscellaneous expenses

16.57

37,860.46

9,342.26

Add: Profit on realization of assets

75,743.50

Deduct: Amount transferred re T. Ives
equipment

5,000.00

70,743.50

Recovery Courtney Native Sons Building
Co. Ltd.

500.00

Temporary account re timber written off

1,675.00

72,918.50

Balance at credit 30th June, 1948

\$ 82,060.76

Rayston Lumber Company Limited
Statement of Cash Receipts and Disbursements
For the period 1st October, 1942 to 30th June, 1948

	1/30/42 to 31/12/42	1/1/44 to 31/12/43	1/1/45 to 30/6/48	Total
<u>Receipts</u>				
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)	14,237.50	3.24	3,991.74	18,232.48
Bad debts recovered		1,460.00	800.00	2,260.00
Lumber sales	14,450.25			14,450.25
Premium U.S. funds	520.22			520.22
Rentals	124.00			124.00
Interest	524.79			524.79
Conservat Ltd.				
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
Trespass claim		1,242.00		1,242.00
Courtney Golf Club shares	200.00			200.00
Courtney Native Sons Building Co. Ltd.		500.00		500.00
Interest from victory bonds		2,487.50	8,996.83	11,484.33
Income tax refund			2,000.00	2,000.00
Proceeds of sale of victory bonds				
Sundries	72.64		128,581.25	128,581.25
	151,879.27	116,484.78	144,369.82	412,733.87
<u>Disbursements</u>				
Income taxes	2,000.00	27,435.39		29,435.39
Accounts payable				
Trade	54,993.24	133.61		55,126.85
Shareholders		20,592.79		20,592.79
Forestry Department - fire protection	3,023.16			3,023.16
Land taxes	8,508.49			8,508.49
Wages	6,246.94			6,246.94
Car switching and freight charges	251.97			251.97
Mill supplies and repairs	46.38			46.38
Truck and auto supplies	508.55			508.55
Logging supplies - 1942		128.00		128.00
Workmen's Compensation Board	109.91		126.54	236.45
CARRIED FORWARD	75,688.64	48,291.87	126.54	124,107.05

	2/10/42 to 11/12/43	2/1/44 to 11/30/45	2/11/45 to 10/6/48	Total
BROUGHT FORWARD	\$ 75,688.64	48,292.87	126.54	124,107.05
Unemployment insurance	257.76			257.76
Telephone, telegraph, postage, stationery, exchange, etc.	299.35	80.36		379.71
Legal expense	179.75	2,584.44	194.46	2,958.65
Electric light	156.75			156.75
Surveys and plans	73.00			73.00
H.O. Airth expense				
Board	660.00			660.00
Car mileage travelling	313.60			313.60
Far-shore and ground rents	349.80			349.80
Advertising	230.60			230.60
Appraisal	684.31			684.31
Custodian				
Control	890.00			890.00
Liquidation	2,800.00	2,500.00	800.00	6,100.00
Liquidation expenses	126.28	74.16		200.44
Safeguarding and storage	46.70	169.16	189.66	405.52
Income tax specialists		75.00		75.00
Victory bonds purchased	15,000.00	110,000.00		125,000.00
T. Jones			2,900.00	2,900.00
Distribution to share- holders			115,000.00	115,000.00
Taxes on distribution			18,857.53	18,857.53
Sundries	51.80	5.00	16.52	72.32
	97,808.34	163,779.99	138,084.78	399,673.11

Cash balance - 30th June, 1948

\$ 13,060.76

P. S. Ross & Sons

CHARTERED ACCOUNTANTS

MONTREAL TORONTO WINNIPEG
CALGARY VANCOUVER

MAJ. GEN. J. G. ROSS, C.M.G.	S. E. HOULT
J. W. ROSS, LL.B.	S. S. PECKHAM
S. R. CAMPBELL	W. S. JEPHCOTT
J. A. GRANT	H. S. HAWTHORNE
W. L. GATEHOUSE	F. E. H. GATES
G. M. HAWTHORN	J. A. ROSS
I. A. ROSS	F. A. COFFEY
H. F. ROSS	G. G. HARRIS
S. M. SMITH	

ROYAL BANK BUILDING
360 ST. JAMES STREET

MONTREAL, QUE.

31st March, 1950

Office of the Custodian,
506 Royal Bank Building,
Vancouver, B. C.Attention: Mr. P. G. Shears, Director

Dear Sir:

re: Royston Lumber Company Limited

Under date of 9th July, 1948, we reported to you on the affairs of this company to 30th June. We now wish to advise that the company affairs have been completely wound up and submit our report and supporting exhibits as follows:

Exhibit "A" - Balance Sheet as at 30th June, 1948.Exhibit "B" - Surplus Account for the period 31st December, 1943 to 27th March, 1950.Exhibit "C" - Statement of Cash Receipts and Disbursements for the period 1st October, 1942 to 27th March, 1950.

Account receivable - G. B. Capes: Since our last report Mr. Capes has paid a total of \$450.00 on account of his old indebtedness. After consultation with Mr. G. K. Uchiyama, the former manager of the company, it was decided that in order to complete the winding up it was in the interests of all concerned to advise Mr. Capes that the company was considering his account settled. We have on file under date of 22nd December, 1949 a letter from Mr. G. K. Uchiyama confirming the forgiveness of this debt. Mr. Capes has been advised of this decision.

31st March, 1950

Distribution to shareholders: On 15th December, 1949 we made a further distribution to shareholders of \$11,500.00. This along with previous advances made a total of \$126,500.00 which has been accounted for as follows:

<u>Shareholders</u>	<u>Shares</u>	<u>Total Distribution</u>	<u>Advances</u>	<u>Final Distribution</u>
Keiji Minato	22	\$ 6,110.12	\$ 6,050.00	\$ 60.12
Estate of Kannosuki Kaminishi	284	78,876.07	78,100.00	776.07
Matsutaro Iwasa - 1950-26	62	17,219.43	17,050.00	169.43
Kinosuki Minato	20	5,554.65	5,500.00	54.65
George K. Uchiyama	48	13,331.16	13,200.00	131.16
George K. Uchiyama (In trust)	2	555.46	550.00	5.46
Senichi Tomihiro 33-44	22	6,110.12	6,050.00	60.12
<i>Share of Award</i>	460	\$ 127,757.01	\$ 126,500.00	\$ 1,257.01

The foregoing represents a repayment of \$277.73 per share on the original par value of \$100.00. On 30th July, 1947 a P.C.1 claim was filed on this company showing a distributable surplus of \$110,569.79. Taxes of \$18,857.53 were paid on this amount and, consequently, all payments of surplus out of this company are tax free in the hands of the shareholders.

We have been advised by Mr. Uchiyama that Senichi Tomihiro has quit claimed his interest in the shares of the company and that Tomihiro's interest should be divided among the remaining shareholders. We have been unable to locate this document and, as a result, have made the distribution in the normal manner. Tomihiro's share should be held by your department until his status in the company is properly determined.

General: We have received clearances from the Unemployment Insurance Commission, the Workmen's Compensation Board and the taxation authorities in respect of both income and excess profits taxes. The final meeting of shareholders was held on 27th March, 1950 after which the

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Vancouver, B. C.

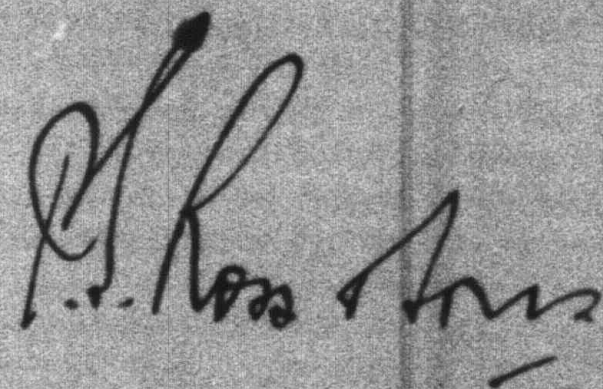
- 3 -

31st March, 1950

Liquidator's accounts were filed with the Registrar of Companies. At the expiration of three months the liquidation of the company should be complete.

We shall be pleased to furnish any additional information you require relative to the foregoing.

Yours faithfully,

A handwritten signature in dark ink, appearing to read "J. Ross Smith". The signature is written in a cursive, flowing style with a prominent initial "J" and a long, sweeping underline.

Chartered Accountants

Royston Lumber Company LimitedBalance SheetAs at 30th June, 1948Assets

Cash		\$ 13,060.76
Accounts receivable		
Trade and general	1,549.91	
Employees	<u>1,128.93</u>	
	2,678.84	
<u>Deduct:</u> Reserve for bad debts	<u>2,678.84</u>	
		<u>\$ 13,060.76</u>

Capital and SurplusCapitalIssued and fully paid

460 shares of \$100.00

\$ 46,000.00

Surplus82,060.76

128,060.76

Deduct: Distribution to shareholders115,000.0013,060.76\$ 13,060.76

Royston Lumber Company LimitedSurplus AccountFor the period 31st December, 1943 to 27th March, 1950

<u>Balance at credit 31st December, 1943</u>		\$ 34,151.92
<u>Add:</u> Interest re Somerset Limited	6,987.04	
Interest from victory bonds	11,484.33	
Accounts payable written off	1,917.02	
Bad debts recovered	2,260.00	
Premium on sale of bonds	3,581.25	
Reduction in bad debt reserve	<u>2,321.16</u>	28,550.80
		62,702.72
<u>Deduct:</u> Income taxes and interest thereon		
1940 - 1941	27,435.39	
Legal expenses	2,778.90	
Custodian - fees	3,300.00	
- expenses	74.16	
Safekeeping expense re bonds	248.32	
Logging expense - 1942	128.08	
Bank commission and exchange	80.36	
Income tax specialists - fee	75.00	
Bad debts written off	329.09	
Storage of records	110.50	
Workmen's compensation final assessment	126.54	
Taxes on distribution of surplus to shareholders	18,857.53	
Miscellaneous expenses	<u>16.59</u>	53,560.46
		9,142.26
<u>Add:</u> Profit on realization of assets	75,743.50	
<u>Deduct:</u> Amount transferred re T. Iwasa equipment	<u>5,000.00</u>	
	70,743.50	
Recovery Courtney Native Sons Building Co. Ltd.	500.00	
Temporary account re timber written off	<u>1,675.00</u>	72,918.50
<u>Balance at credit 30th June, 1948</u>		82,060.76
<u>Add:</u> Bad debts recovered		450.00
		82,510.76
<u>Deduct:</u> Custodian - fees	600.00	
Legal fees	66.00	
Storage of records	<u>87.75</u>	753.75
<u>Balance at credit 27th March, 1950</u>		\$ 81,757.01
Issued capital	46,000.00	
Surplus - as above	<u>81,757.01</u>	
<u>Distribution to shareholders - per exhibit "C"</u>		\$ 127,757.01

Royston Lumber Company Limited

Statement of Cash Receipts and Disbursements
For the period 1st October, 1942 to 27th March, 1950

	1/10/42 to 31/12/43	1/1/44 to 31/10/45	1/11/45 to 27/3/50	Total
<u>Receipts</u>				
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)	14,237.50	3.24	3,991.74	18,232.48
Bad debts recovered		1,460.00	1,250.00	2,710.00
Lumber sales	14,450.25			14,450.25
Premium U.S. funds	520.22			520.22
Rentals	124.00			124.00
Interest	524.79			524.79
Somerset Ltd. - 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
Trespass claim		1,242.00		1,242.00
Courtney Golf Club shares	200.00			200.00
Courtney Native Sons Building Co. Ltd.		500.00		500.00
Interest from victory bonds		2,487.50	8,996.83	11,484.33
Income tax refund			2,000.00	2,000.00
Proceeds of sale of victory bonds			128,581.25	128,581.25
Sundries	72.64			72.64
	<u>151,879.27</u>	<u>116,484.78</u>	<u>144,819.82</u>	<u>413,183.87</u>
<u>Disbursements</u>				
Income taxes	2,000.00	27,435.39		29,435.39
Accounts payable				
Trade	54,993.24	135.61		55,128.85
Shareholders		20,592.79		20,592.79
Forestry Department				
Fire protection	3,023.16			3,023.16
Land taxes	8,508.49			8,508.49
Wages	6,246.94			6,246.94
Car switching and freight charges	251.97			251.97
Mill supplies and repairs	46.38			46.38
Truck and auto supplies	508.55			508.55
Logging supplies - 1942		128.08		128.08
Workmen's Compensation Board	109.91		126.54	236.45
CARRIED FORWARD	\$ 75,688.64	48,291.87	126.54	124,107.05

Exhibit "C" (Continued)

	<u>1/10/42</u> <u>to</u> <u>31/12/43</u>	<u>1/1/44</u> <u>to</u> <u>31/10/45</u>	<u>1/11/45</u> <u>to</u> <u>27/3/50</u>	<u>Total</u>
BROUGHT FORWARD	\$ 75,688.64	48,291.87	126.54	124,107.05
Unemployment insurance	257.76			257.76
Telephone, telegraph, postage, stationery, exchange, etc.	299.35	80.36		379.71
Legal expense	179.75	2,584.44	260.46	3,024.65
Electric light	156.75			156.75
Surveys and plans	73.00			73.00
H. C. Airth expense -				
Board	660.00			660.00
Car mileage	313.60			313.60
Foreshore and ground rents	349.80			349.80
Advertising	230.60			230.60
Appraisal	684.31			684.31
Custodian				
Control	890.00			890.00
Liquidation	2,800.00	2,500.00	1,400.00	6,700.00
Liquidation expense	126.28	74.16		200.44
Safekeeping and storage	46.70	169.16	277.41	493.27
Income tax specialists		75.00		75.00
Victory bonds purchased	15,000.00	110,000.00		125,000.00
T. Iwasa			2,900.00	2,900.00
Distribution to share- holders			127,757.01	127,757.01
Taxes on distribution			18,857.53	18,857.53
Sundries	51.80	5.00	16.59	73.39
	<u>97,808.34</u>	<u>163,779.99</u>	<u>151,595.54</u>	<u>413,183.87</u>

Cash balance - 27th March, 1950

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