

agreed to furnish Mr. Shepley with some of those issued previously and not called upon.

The details of directors' meetings were gone into and explained by Mr. Macaulay.

The financial statements were then taken up. Mr. Shepley dwelt upon the apportionment of surplus. Mr. Macaulay said that this had been carried out at the rate of 93½ p.c. to the policy-holders and 6½ to the shareholders. In 1892 this was changed, the proportions now being 95 p.c. to the policy-holders and 5 p.c. to the shareholders.

The statement showed the amounts of this division during the company's existence. There were various items showing that funds had been transferred to make up interest to the shareholders. In order to further explain these points, Mr. T. B. Macaulay was sworn, and the remainder of the investigation was carried on with two witnesses.

Mr. Macaulay said that the sums shown had been added in anticipation of profits, and these profits had been later earned. He said that the proportion of the surplus put aside for the policy-holders was greater than in any other Canadian company. He said that in doing this some little injustice had been done to the shareholders, and it was in order to assure the latter of 6 p.c. return that other profits had been used. He considered that the shareholders were entitled to this, and justified the method used.

Mr. T. B. Macaulay, secretary and actuary of the company, made an excellent witness, and was complimented as such by one of the commissioners.

Mr. Kent asked Mr. Macaulay what his views were regarding the advisability of allowing policy-holders, the privilege of voting, at the same time remarking that the Sun Life was looked upon as being one of the most important companies in the country, and the views of the management on this question would carry a great deal of weight. He preferred that Mr. Macaulay should take a few days to consider the question.

The history of the Illinois Traction Company, and the Cornwall Street Railway were gone into, and the company's holdings explained.

The custom of writing off and writing up, as shown in the profit and loss on investments account, was given a lengthy exposition by Mr. Macaulay. He explained how this was done, and why it was done. He asserted that it was a fair proceeding, and that every commercial organization had a great deal of this to do. The instances quoted during 1904 were large amounts. There were written up the following amounts:—

Company.....	\$ 40,000
Mexican Light, Heat and Power Company.....	\$ 40,000
Georgia Electric.....	45,000
Illinois Traction.....	473,933

Amounts written off were:—

Cornwall Street Railway (preferred stock).....	\$100,000
Central Market Street Ry. (preferred stock).....	67,425
Dayton, Springfield and Urbana.....	125,000
Columbus, Lebanon and Springfield (bonds).....	85,000
Columbus, Lebanon and Springfield (stock).....	145,881
Denver and South Western.....	35,627

Various transactions of similar nature were gone over, Mr. Macaulay explaining that whenever a doubt existed as to the value of a security it was written down. It did not follow that these securities were bad investments, but they were at least doubtful, and there were instances where these transactions had afterwards turned out well.

Mr. Shepley began with one account, that dealing with profit and loss on sale of securities. This had had three titles, which Mr. T. B. Macaulay explained had followed the development of the account, the opening of the account having been made to properly show profit and loss of securities without placing the items in the ordinary profit and loss account. After explaining the origin of the account, Mr. Macaulay went on to show the division of the balance. This was treated by dividing it among the various branches. The system was to total up the amounts credited to the various branches and divide the balance *pro rata*. This method was thought to be unjust to the shareholders, and a change was made later by which they received a greater proportion.

This account for the years 1900, 1901, 1902 and 1903 was aken up. In 1902 the account showed only actual profits and losses of sales of securities, together with some small expenses which belonged to these transactions. In this year the division of profits showed a larger share than usual placed to the credit of the shareholders. It was in this year that the principle was inaugurated of giving the shareholders a 6 p.c. return.

In 1892 Mr. Macaulay said that transactions were of actual sales showing profits and losses, with the exception of two items. One was the writing off of interest due from a mortgage on the Beaudry estate, the other the writing down of a sum of \$19,665, depreciation of bonds of the People's Light & Heat Company, of Halifax. Financial troubles had overtaken the People's Light & Heat Company; the property was absorbed by the Halifax Tramway Company, and the Sun Life was paid in stocks of the latter company, and by this means it was able to reach the actual value of the holdings. The balance for this year was distributed as previously.

Taking the account for 1903, Mr. Macaulay said that it represented only actual profits and losses, with the exception of an item of \$25,000, which had been entered for the purpose of adjusting values of the Terminal Railway Company of Montreal and shares of the Michigan Telephone Company. These were not sales, but a writing up of the Terminal bonds and a writing down of the Michigan Telephone shares. This had been done on December 7, because of general conditions which warranted this action.

Following out this line, Mr. Shepley learned that