The land, buildings and equipment, etc. were valued at the end of 1931 at $12,074,823. Depreciation therefore was at the rate of 2.5% of plant, which may be considered entirely inadequate, and I understand this has been the case in former years as well. Minimum depreciation should be 5% of plant, and in the case of dairy equipment at least, it should be considerably higher. Adequate depreciation for this company, therefore, should be between $600,000. and $750,000, which means that the earnings shown available to meet bond interest should be reduced approximately $400,000. Earnings after bond interest were reported as

1928	$ 655,728	
1929	489,454	
1930	1,557	before any depreciation
1931	531,124	

It is evident, therefore, that the company should never have been expected to support the fixed charges placed on it.

Palm Dairies Ltd. - This subsidiary is and has been losing heavily. It was suggested during discussions between the bondholders' committee that the dairies be sold and Burns and Company concentrate on its packing business, but it transpired that although the Borden Company, National Dairy Products and Eastern Dairies,Ltd. had looked at the properties none of them would purchase them. It was held that it was only possible to operate a dairy company profitably in large centres of population, and that most of the Palm Dairies,Ltd., activities were in too small towns to permit of profitable operations due to high overhead.

Management - There is real reason to be dissatisfied with the company's management, and this is especially important in a business in which the margin of profit per dollar sale is so very small.

It seems inevitable that the company will have to undergo a drastic reorganization and even assuming that present losses can be prevented, whatever earning power the company may have for many years, will be required to liquidate indebtedness to the banks. Thus the present bondholders must be prepared for a drastic scaling down of their interests and no income from their investment over a period of years at the best. If they remain with the situation they will continue their participation in a business operating in that part of Canada that has been impoverished by reason of low agricultural prices and no early prospect for a recovery of purchasing power can at this time be foreseen. Moreover the past history of this company does not lend confidence as to the ability or capacity of the management or company to withstand the difficult conditions which it must be expected the company will encounter.

The bonds are quoted at 17 bid 20 asked. In the opinion of the Advisory Committee the University's bonds should be sold at 17 to realize $4,250. and the proceeds be reinvested in either of the two following common stocks:

	Present Price	Present Dividend	Income Received	Yield	Earnings
350 shs. Loblaw Groceterias Class "A" stock	12	80¢ plus 20¢ extra	$350.	8.25%	1.13 yr. to 10th Dec.1932
260 shs. National Breweries Ltd.	16	1.60	416	9.80	1.73 in 1931

B. Outerbridge

$25,000. Burns and Company Limited First 5-1/2s of 1948.

I agree with Mr. Outerbridge's recommendation that the first 5½s of Burns and Company Limited be sold, the proceeds to be invested in the common stocks suggested, but while the prospects of Burns and Company appear clouded, I am not in the possession of information that would necessarily imply laxity on the part of the management.

G. W. Spinney
H.A. Craig
A.J.L. Haskell
E.D. Glassco