January 23rd, 1933.

Memorandum for Investment Committee

Royal Institution for the Advancement of Learning.

Re Holdings $25,000. Burns and Company 5-1/2% 1st Mortgage Bonds due 1948

Burns and Company, Ltd. own or control 92 retail meat and provision markets, creameries and cheese factories, 17 wholelsale fruit depots, ice cream and milk distribution plants and 6 packing houses. The company also has cold storage facilities throughout the Dominion. It owns the entire outstanding stock of Palm Dairies Ltd. and 77% of Consolidated Fruit Company, Ltd.

A large and most profitable part of the company's business came from catering to construction and railway gangs during the time when financing was easy and expansion in the West was very rapid. With the disappearance of this expansion this important part of the company's business dried up, leaving the company in a very precarious and complicated position, grossly over-capitalized, heavily overburdened with debt, and with a greatly curtailed volume of business. This has led to a very involved situation forcing postponement of interest on the bonds and inevitably leading to a very drastic reorganization.

In 1928 Dominion Securities Ltd. floated bonds and preferred stock against the company, capitalizing earning power generously even for boom time conditions, so that at the end of 1931, the company had a capital structure of:

5-1/2% Bonds due 1948	$ 6,800,900.
6% Cumulative Preferred stock	6,904,300
Management shares	3
Common stock	119,997
Capital surplus	240,658
Profit and Loss surplus	516,461

Working Capital position at the end of 1931 was reported:

Current Assets -	Cash	$ 157,169
	Receivables	1,388,070
	Inventories	1,935,118
	Advances to Subsidiaries	140,851
	Total	$ 3,621,208
Current Liabilities -		
	Bank Loans	$ 1,469,596
	Accounts Payable	226,177
	Due Subsidiaries	91,209
	Accruals and Taxes	104,353
	Total	$ 1,891,335

It will be noted that a large part of the current assets are represented by receivables and inventories. Receivables in the Western Provinces are unquestionably slow and doubtful pay under present conditions, and furthermore the company's credit and collection policies suffered severe criticism in the independent Morrison report that was made after the default of the bonds. It was also questioned whether the inventories were readily saleable except at prices much below what they were valued at.

Most important it was also brought out that the parent company had guaranteed the bank loans of several subsidiary companies who had large loans and whose credit was not sufficiently good to support these loans by themselves. Thus the true current position of Burns and Company, Ltd. is very much worse than the 1931 published balance sheet would lead one to believe.

Depreciation - The company has made the following reservation from earnings for depreciation:

1930	None
1931	$297,219