By Mr. Coster, K.C., Counsel for the Mutual Reserve;

Q. Perhaps you could show where Mr. Paterson's statement is wrong?—A. Yes, I can do that, by the reports from December 31, 1895, to December 31, 1902. Mr. Paterson placed the net invested assets of the company as of December 31, 1895, at $3,967,316.45, which included $314,562.59 of agents' ledger balances, and $41,640.77 of furniture and fixtures. For 1896 he places the total income at $5,858,476.97 and the total disbursements at $5,585,417.69, which would have left a balance of $4,240,-375.53. In his column of total net assets, he placed the net assets at $4,021,140.29, which was $219,235.24 less than the balance that would have been shown by the income and disbursements, and constituted a portion of the disbursements which he testified that he found no means whatever of accounting for. At the end of schedule 4 of the certified report to the New York Insurance Department, December 31, 1896, appears these words, 'Total net or invested assets, as per balance on page 1, $4,240,-375.53, less deduction for agents' balances unsecured $219,235.24. Total net assets, less deduction, $4,021,140.29, which was the amount he laid down, and which amounts for $219,235.24 of the amount he said he could not by any possibility account for. In 1897, starting with the balance, $4,021,140.29, the income was $6,081,309.87, and the outgo $5,963,082.87, leaving a net balance of $4,139,367.29, which is the amount given by him. In the report for December 31, 1898, schedule 1 starts with amount of net ledger assets, December 31 of previous year, $4,139,367.29, less agents' ledger balances, charged off to depreciation of assets $200,000, leaving $3,939,367.29, which accounts for $200,000 more of the deficiency. The income is $6,134,327.27, and the outgo, $6,375,939.30, reducing the balance to $3,697,755.26. In that year the department changed its blank, and directed the deduction of all those items, and in schedule 4, after giving the ledger assets as they appear in the balance, as between income and outgo, there is in the printed schedule, the direction from the department, 'Deduct Items 6 and 7 from assets, that are not actual investments; and there is deducted $364,457.06, leaving the net balance that is given here of $3,334,169.78 by direction of the department. Those are items that are marked out of the net ledger assets, and are no longer carried, but the point is that they are stated in those reports distinctly, so that those reports as they exist show the exact balance at the end of 1901 as it is shown in this report, leaving nothing whatever not accounted for.

Q. And the amount which Mr. Paterson said could not be accounted for is covered by those reports in every instance?—A. Yes, from that time on the agents' balances were always deducted and the items were carried without any account of the agents' balances whatever, leaving the assets at the end of 1901, $2,611,790.19, and balancing to a cent, as this statement of the case will show. In addition to that, I desire to point to this as showing the decrease in assets exclusive of agents' balances, furniture and fixtures, $999,422.70, and the decrease in liabilities $257,826.23.

Q. Exhibit 47 reads as follows:—

MUTUAL RESERVE LIFE INSURANCE COMPANY.

BALANCE SHEET, 1895 TO 1901.

1895—Net or invested assets, December 31, 1895, including agents' ledger balances and furniture and fixtures..........		$ 3,967,316 25
Total income 1896, Schedule II, sworn report to New York Insurance Department......................		5,858,476 97
		$ 9,825,793 22
Total disbursements 1896, Schedule III, same report........................	$5,585,417 69	
Agents' balances marked off, Schedule IV, same report........................	219,235 24	
		5,804,652 93