

Jan 28th. 1932.

Dear Sirs :-

At different times I have taken up the question of reorganization of our company for the purpose of getting rid of the Advances to Shareholders but have always been advised by our Auditors against it. Last December when I passed through the City on my way to Victoria I again took up the subject and asked them to put it up to The Income Tax officials and get a direct ruling from them. I enclose a copy of the correspondence which we have had since that time.

From this it would seem that there would be no objection to us writing off the amount of our present Surplus if we reorganize.

There are a lot of questions to be gone into before we ~~take~~ take action. I will take up some of them and you can write me with your opinions and suggestions.

By winding-up we would lose our old charter. Under it we have wide powers. Some time in the future it might be valuable but at the present time I can see no chance of using it to advantage.

As I read the letter from the Inspector of Income Tax, the amount which we would be allowed to write off would be the Surplus as shown on our statement of Feb. 23th 1929 - \$52,968.81 plus any amount which we have charged to operating costs but disallowed by the Tax Office. This would not be much more than the amount of Surplus in 1925 which, as I understand it, cannot be attacked except when the Company is wound up. If it is so that the 1925 Surplus cannot be attacked, we might continue as we are and declare dividends from time to time and eventually wipe it out.

Unless our reorganized Company takes a different form than the present one, we are going to keep on paying a personal tax as well as a tax on Company profits. I have no place to go to for advice along this line except our own auditors, and I think it would be a good idea for Mr. McAllister to get some expert advice in Toronto.

If we reorganize as a regular Company, should we make it a Private Company? The Private Co. does have to report to the Registrar of Companies, and the balance sheet is private. A Private Co. restricts the transfer of shares and does not allow invitation to the Public to subscribe for shares or debentures. Under a Private Co. it might be possible to work under the Family Corporation rulings as to taxes.

I will have to get advise as to setting up a new set of ^{books} books. It seems to me that we should that we should reassess the values of orchard, equipment and other capital accounts.

Amendment No. 19 of the Tax Act was made, I understand, to enable some large companies to do just what we would like to do. This amendment may be cancelled any time, so it would seem that if we are going to take advantage of it we should not delay action too long.

