

Q. And how would the mailing of those [invoices] that went to the customers be handled? Would your department put them in envelopes?

A. Generally, we did. With affiliated houses, we didn't because the boys, always, at the end of the day, put them—put all the mail for affiliated houses in one envelope.

Q. I see, but you would give them to the mail boys; in case of affiliated houses you would give the mail boys the open invoices; in the case of others, you would give them the invoices already put in envelopes?

A. That's right.

Q. Now, was there another class of orders covering large shipments of what was known as [foreign] crude drugs, handled in a slightly different fashion?

A. Yes, there were.

Q. Will you tell us now how those orders were handled?

A. The telephone would ring and it would be Mr. George Dietrich calling. He would request that Mr. Bonsby—he would request that either he or I get the orders.

Q. You are referring to—what did you mean by orders?

A. They were what we called 'pet' orders.

Mr. STEWART. What was that word?

The WITNESS. Pet orders.

Mr. STEWART. Pet?

The WITNESS. That's right.

Mr. STEWART. All right.

The WITNESS. When we went in to get them all he would hand us was pink copies [of factory orders]. They were all typed up.

\* \* \* \* \*

\* \* \* They would be brought into the order department and given to an order register clerk. She would put an order number on them and in turn give them to a girl who would put the invoice number on and then return them to the order register clerk, and she would extend them and give them to the billing clerk.

The billing clerk would bill them and give them to the checker. The checker would give the two white copies [of the invoices] \* \* \* to George Dietrich.

\* \* \* [The third] white copy of the invoice, together with the pink copy [of the factory order] would be sent in to Robert Dietrich and then the three other copies [of the invoices], the pink, blue and yellow, would be separated and put through in the usual manner.

\* \* \* \* \*

Q. [By Mr. GALPEER.] Now, this pink copy of the factory order, was that similar in form when you received it from Mr. George Dietrich as to those which you yourself typed on the regular orders?

A. No, because all we received was the pink [copy] no bill of lading, no [gross, tare, and net] weights [in pencil on bottom], no other markings.

Q. I see. In other words, it had no stampings on it, [like] where shipped, with the date, R. J. D., that did not appear on the pink factory order?

A. That's right.

Q. In other words, it was just plain typing on it with no supporting evidence of shipment, you would say?

A. No.

Q. And after you sent this pink copy of the factory order, together with the white copy of the invoice to Mr. Robert Dietrich, did you receive them back again?

A. I don't know.

Q. But the invoices were already made out and were handed to Mr. George Dietrich simultaneously with sending the pink factory and white invoice to Mr. Robert Dietrich's department?

A. That's right.

\* \* \* \* \*

Q. [By Mr. STEWART.] Now, whose pets were these orders?

A. I couldn't say.

Q. Where did they get that designation?

A. I don't know. It is a name I found out when I first entered the department.

Q. In 1929?

A. Yes.

Q. Who told you that they were called pet orders?

A. I don't know.

Q. You don't happen to remember?

A. I just happened to hear somebody mention the name I guess. Because when anybody mentioned pet orders, we just had to drop everything and devote all our time to the pet orders.

\* \* \* \* \*

Q. In other words, so far as you were concerned, 'pet' was just a name but didn't have any particular significance before last December. Is that right?

A. That's right.

Q. When you said that you had not seen exhibits 8-B [W. W. Smith & Co. purchase order] and 8-C [notice of shipment], did you mean to say that you never had seen any like those or you had just not seen those particular documents?

A. I never had seen any like those.

Q. Did you ever see any documents involving W. W. Smith & Company?

A. No sir, all I saw were the pink copies [of the factory orders].

Q. Were these initials 'W. W. S.' up in the left-hand corner following the word 'salesman' on there when you saw it?

A. Yes, we used to type that on our invoice.

Q. Did you know who 'W. W. S.' was?

A. No, we didn't, at least I didn't.

Q. Do you know what became of the pink copy of the factory order after it left your hands?

A. It went out to Bob Dietrich together with the white copy of the invoice.

\* \* \* \* \*

Q. Did you ever have occasion to refer to the files where these pink copies [of the factory orders], such as 8-A would be filed?

A. No, sir.

Q. So you don't know whether the documents such as 8-B and 8-C or any other documents were filed with them in the files?

A. I don't know.

\* \* \* \* \*

Mr. GALPEER. Well, now, is it not true that in the case of the pet orders the invoice number and the bills were already prepared before the pink factory order was sent out to Mr. Robert Dietrich's department?

The WITNESS. The invoice was prepared, yes.

Mr. GALPEER. And was already given invoice number?

The WITNESS. Yes.

The EXAMINER. Do I understand, Mr. Galpeer, that in the regular business, the customer's order was attached to the filed copy of the factory order, and

remained with it, but in the case of the pet orders, this order of W. W. Smith was not in the accounting department or not in the billing department?

Mr. GALPEER. No. This is the point, as I understand it, your Honor: In the case of the regular orders, they would be broken into two stages; After the customer's order was received by the billing department, a series of manifold or factory orders would be made up, and an order number would be given.

Then there would be a break in procedure. The pink copy of the factory order would be sent down to the shipping department, and they would await the return of that pink copy of the factory order, with evidence of shipment, before the actual bills were prepared.

In the case of the pet orders, however, they would receive in the first instance one copy of the pink factory order and would go right through the billing process, giving it an invoice number, and preparing the bills, and then send the factory order out, without having received any evidence or notation on the pink factory order, or any supporting documents evidencing shipment.

Is that correct, Mrs. Freer?

The WITNESS. That is correct.

The EXAMINER. The point I made was this: The customer's order was attached to the billing department's copy, as I understand, but in these pet orders, they never saw the customer's order?

The WITNESS. That's right.

The EXAMINER. That is what I wanted to get."<sup>261</sup>

The factory orders themselves on the foreign crude drug transactions were typed by Robert Dietrich's department.<sup>262</sup> The blue and a yellow copy were found in his files.<sup>263</sup> Apparently, some time after the invoices had been prepared and two white copies thereof sent to George Dietrich for mailing and the pink copy of the factory order with one white copy of the invoice sent to Robert Dietrich (as testified to above by Helen Freer), the respective W. W. Smith & Co. purchase orders and notices of shipment and the pink copy of the factory order were pinned together and filed in the accounting department.<sup>264</sup>

From the testimony of Helen Freer, it would appear that, in the case of the foreign crude drug transactions, the stamp "SHIPPED [date] PER RJD" and the pencil notations of gross, tare, and net weights appearing on the bottom of all three factory orders (the pink, blue, and yellow)<sup>265</sup> must have been put on after the invoices were prepared. In fact, John White testified that the blue factory orders were given to him by Robert Dietrich once, twice, or three times a month, together with a weight sheet that showed the gross, tare, and net weight of one case or one container. Just as a matter of multiplication, he would find the total gross, tare, and net weight corresponding to the number of containers shown on the order and he would write the total on the bottom of the blue copy of the factory order.<sup>266</sup> Apparently, they would then be copied on to the pink and yellow copies

<sup>261</sup> R. 4352-4372.

<sup>262</sup> R. 1355, 1406, 1409-1410, 1589.

<sup>263</sup> R. 1381; Ex. 9, 10.

<sup>264</sup> R. 1459.

<sup>265</sup> Ex. 7, 8A, 9, 10, 11.

<sup>266</sup> R. 1482-1483.

of the factory order.<sup>267</sup> A possible explanation for this procedure can be found in the testimony of John White:

"\* \* \* that it has always been driven in to us that all transactions had to conform to the same procedure irrespective of whether it was direct shipping or not."<sup>268</sup>

The space on the factory order following "APPROVED FOR CREDIT BY" was left blank. This would not seem peculiar to the foreign crude drug transactions, however, for Johnson testified:

"The EXAMINER. Then it is a fair statement to say that as a standing rule you had no regular system of approval of the credit manager on the shipments that went out?"

The WITNESS. That is correct."<sup>269</sup>

Although the Company ostensibly employed a credit man, by the name of Blakeman, for the foreign crude drug business, George Dietrich, in addition to all of his other duties, acted as the executive in charge of credits for this business and it was the latter, not Blakeman, to whom all the invoices and monthly statements on foreign crude drugs were sent after having been prepared by the billing and bookkeeping departments, respectively.<sup>270</sup>

Although the f. o. b. data was also left blank on the factory order and invoice, the contract for the sale of goods through W. W. Smith & Company, Inc., provided "\* \* \* that delivery by the McKesson Companies shall consist of delivery F. O. B. New York."<sup>271</sup> As noted in the previous section, the terms on which the goods were bought were also "\* \* \* F. O. B. Bridgeport or New York, U. S. A."<sup>272</sup> While the goods were supposed to have been held in Canada and shipped direct from there to England, Scotland, Ireland, Wales, and other places, there is no evidence of any adjustments having been made as a result of using a more direct route of shipment than through New York, and thus effecting a saving in expense, assumed by the supplier, of transporting the goods to New York and by the customer of transporting the goods from that point.<sup>273</sup>

The goods were purportedly sold principally to customers in the British Empire. The distribution of accounts receivable of the Connecticut Division arising out of foreign crude drug sales as at December 31, 1937, as compared with the prior year, was as follows:<sup>274</sup>

<sup>267</sup> Ex. 9, 10, 11A.

<sup>268</sup> R. 1561.

<sup>269</sup> R. 1464.

<sup>270</sup> R. 1427-1428, 1462, 1646-1651, 1698-1699. For the part Price, Waterhouse & Co. thought Coster played in passing on credits see page 222 *infra*.

<sup>271</sup> Ex. 50.

<sup>272</sup> Ex. 12A, 12B.

<sup>273</sup> R. 159-161, 790-794.

<sup>274</sup> Ex. 49. For earlier years see Ex. 78, 79, 268, 80.

	December 31, 1936	December 31, 1937
"British Empire:		
England	\$2, 948, 089. 75	\$3, 788, 437. 65
Scotland	1, 427, 104. 50	1, 458, 314. 10
Ireland	891, 510. 60	1, 019, 446. 40
Wales	99, 026. 60	130, 109. 80
Australia	896, 073. 90	743, 718. 95
New Zealand	134, 822. 95	109, 575. 60
South Africa	239, 200. 10	193, 498. 00
India	27, 642. 00	54, 980. 00
	<hr/>	<hr/>
	\$6, 663, 470. 40	\$7, 498, 080. 50
Other foreign countries:		
Holland	40, 294. 00	7, 650. 00
Denmark	53, 116. 60	
Belgium	12, 341. 00	
Switzerland	11, 446. 00	
Sweden	11, 904. 00	
Asia	10, 670. 00	
	<hr/>	<hr/>
Total foreign	\$6, 803, 242. 00	\$7, 505, 730. 50"
	<hr/> <hr/>	<hr/> <hr/>

Of the 651 foreign crude drug accounts of the Connecticut Division for which requests for confirmation were sent by S. D. Leidesdorf & Co., <sup>275</sup> 536 apparently were with existing concerns, who replied that the amounts were not owing. In 90 instances no replies were received, and the remaining 25 requests were returned because of incorrect addresses.<sup>276</sup>

On each sale "Uniform Straight Bill of Lading" forms were prepared. The forms read, "RECEIVED \* \* \* at BRIDGEPORT, CONN. [date] from MCKESSON & ROBBINS INCORPORATED \* \* \* Consigned to" a foreign purchaser, "Route THEIR TRUCK" and was stamped "SHIPPED [date] PER R. J. D." and "RECEIVED [date] W. W. SMITH & COMPANY, INC. FORWARDING DEPARTMENT BY -----." The forms apparently were prepared under Robert J. Dietrich's supervision.<sup>277</sup> One of these is reproduced on the following page.<sup>278</sup>

Similar documents were prepared for the full 3-year period during which the goods were purportedly held by the Canadian suppliers and shipped direct from there.<sup>279</sup> Like the W. W. Smith & Co. notice of shipment, the bill of lading forms did not indicate to which of the five Canadian vendors the goods in question should be allocated.<sup>280</sup>

The first, third, and fourth copies of these bill of lading forms, all stamped as above, were found in the files of Robert Dietrich attached

<sup>275</sup> Those purportedly outstanding as at Dec. 7, 1938.

<sup>276</sup> Ex. 255.

<sup>277</sup> Ex. 9, 10.

<sup>278</sup> Ex. 9.

<sup>279</sup> R. 1383. For the auditors' interpretation of these documents see pages 234 ff. *infra*.

<sup>280</sup> R. 198.

(Uniform Domestic Straight Bill of Lading, adopted by Carriers in Official, Southern, Western and Illinois Classification territories, March 15, 1922, as amended August 1, 1930.)

**UNIFORM STRAIGHT BILL OF LADING**  
**ORIGINAL—NOT NEGOTIABLE**

Shipper's No. 2993

Company

Agent's No.

RECEIVED, subject to the classifications and tariffs in effect on the date of the issue of this bill of Lading.

at BRIDGEPORT, CONN., JANUARY 31, 1938

from **McKESSON & ROBBINS, Incorporated**

The property described below, in apparent good order, except as noted (contents and condition of contents of packages unknown), marked, consigned, and destined as indicated below, which said company (the word company being understood throughout this contract as meaning any person or corporation in possession of the property under the contract) agrees to carry to the usual place of delivery at said destination, if on its own road or its own water line, otherwise to deliver to another carrier on the route to said destination. It is mutually agreed, as to each carrier of all or any of said property over all or any portion of said route to destination, and as to each party at any time interested in all or any of said property, that every service to be performed hereunder shall be subject to all the conditions not prohibited by law, whether printed or written, herein contained, including the conditions on back hereof, which are hereby agreed to by the shipper and accepted for himself and his assigns.

(Mail or street address of consignee—For purposes of notification only.)

Consigned to **SILVERTON TANNERY LTD.**

Destination **PRETORIA**

State of **SO. AFRICA** County of

Route **TRIM TRUCK**

Delivering Carrier

Car Initial

Car No.

No. of Packages	Description of Articles, Special Marks and Exceptions	WEIGHT (net or gross)	Class or Rate	Check Columns	Subject to Section 7 of conditions, if this shipment is to be delivered to the consignee without recourse on the consignee, the consignee shall sign the following statement: The carrier shall not make delivery of this shipment without payment of freight and all other lawful charges.
331	CASES OF GUM CAMPHOR, SLABS <sup>1</sup>  41375 - 8275 - 33100.	41375#			(Signature of Consignor)  If charges are to be prepaid, write or stamp here, "To be Prepaid."  Received \$ _____ to apply in prepayment of the charges on the property described hereon.  Agent or Cashier  Per _____ (The signature here acknowledges the amount prepaid.)  Charges Advanced: \$ _____

<sup>1</sup>The size boxes used for this shipment conform to the specifications set forth in the box maker's certificate thereon, and all other requirements of Rule 41 of the Consolidated Freight Classification.

<sup>2</sup>This is to certify that the above articles are properly described by name and are packed and marked and are in proper condition for transportation according to the regulations prescribed by the Interstate Commerce Commission.

<sup>3</sup>Shipper's imprint in lieu of stamp; not a part of bill of lading approved by the Interstate Commerce Commission.

\* If the shipment moves between two ports by a carrier by water, the law requires that the bill of lading shall state whether it is consigned to shipper's right.

NOTE—Where the rate is dependent on value, shippers are required to state specifically in writing the agreed value of the property. The agreed or declared value of the property is hereby specifically stated by the shipper to be not exceeding \$ \_\_\_\_\_

McKESSON & ROBBINS, Incorporated, Shipper.

JAN 31 1938

Agent, 1

Per **ROBERT J. DIETRICH**

Per

**W. W. SMITH & COMPANY, Inc.**  
FORWARDING DEPARTMENT

Permanent post-office address of shipper, **BRIDGEPORT, CONN.**

By

to the blue and yellow copies of the respective factory orders.<sup>281</sup> The gross, tare, and net weights mathematically computed by John White from a standard weight chart given him by Robert Dietrich, and transcribed by him on to the blue copy of the factory order,<sup>282</sup> also appear typed on these bill of lading forms.

On the sample set of documents reproduced herein covering the purported shipment of 331 cases of gum camphor slabs to Silverton Tannery, Ltd., Pretoria, So. Africa, the W. W. Smith & Co. purchase order was dated January 28, 1938, the W. W. Smith & Co. notice of shipment, the factory order, the sales invoice, the bill of lading form, the R. J. D. "Shipped" stamp on the factory order and on the bill of lading form, and the W. W. Smith & Company, Inc. "Received" stamp on the bill of lading form were all dated January 31, 1938,<sup>283</sup> the same day as the sales invoice was typed at the McKesson offices.<sup>284</sup>

The next document in the apparent chain consisted of a letter purportedly dictated by George Dietrich, addressed to the foreign customer, enclosing documents covering goods "\* \* \* shipped you on order received from your purchasing agents, W. W. Smith & Co. Ltd. of New York, for which we would appreciate receiving New York U. S. Dollars exchange 180 days after date of shipment."<sup>285</sup> One of these purported letters is reproduced on the following page.<sup>286</sup>

These letters, located in George Dietrich's office, were all of original typing on plain paper. Whatever purpose they were intended to serve, it appears that no carbons or originals on McKesson letterheads were prepared, only originals on plain paper.<sup>287</sup> While three variations in language were used, the substance of all was the same as the exhibit reproduced.<sup>288</sup>

Like the purchases, the sales of foreign crude drugs were entered on perpetual inventory cards both in Robert Dietrich's office and in the cost department in the general accounting office.<sup>289</sup> The latter were kept on a first-in first-out basis.<sup>290</sup> The foreign crude drug sales were also recorded by the cost department in a separate register, giving, on each transaction, the date, customer, invoice number, item, quantity, unit sales price, total sales value, unit cost price, total cost value, and profit.<sup>291</sup> No transaction was ever recorded thereon at a

<sup>281</sup> Ex. 9, 10; R. 1381.

<sup>282</sup> R. 1482-1483.

<sup>283</sup> Ex. 9, 11A, 11B, 11D.

<sup>284</sup> Date after "State" Ex. 11A. See R. 4363 and cf. Ex. 7 where invoice physically billed 4 days after invoice date.

<sup>285</sup> Ex. 232, 233.

<sup>286</sup> Ex. 233.

<sup>287</sup> R. 4471-4472; cf. R. 4490.

<sup>288</sup> Ex. 232, 233; cf. R. 4490.

<sup>289</sup> R. 1368, 1421-1422.

<sup>290</sup> R. 1424.

<sup>291</sup> Ex. 40 (D13, D14), 84; R. 1371, 1372

March 11, 1938

African Soap & Chemical Works  
Johannesburg, So. Africa

Gentlemen:

Enclosed you will find documents covering  
15 Cases Oil of Lemon Sesquiterpeneless, 1,500 lbs.,  
shipped you on order received from your purchasing agents,  
W.W. Smith & Co., Ltd. of New York, for which we would  
appreciate receiving New York U.S. Dollars exchange 180  
days after date of shipment.

Trusting you will find everything in order and  
assuring you of our appreciation of your favoring us with  
this business.

Very truly yours,

MCKESSON & ROBBINS, INC.  
CONNECTICUT DIVISION

GED/CN

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EXHIBIT 233.—Letter purportedly transmitting documents covering a shipment of foreign crude drugs  
(Size 8½" x 10¾".)



ORIGINAL  
ADVICE OF CREDIT



Montreal, Canada

HOME OFFICE  
LIVERPOOL, ENGLAND

NOVEMBER 26, 1938

To MCKESSON & ROBBINS, INC., CONNECTICUT DIVISION

BRIDGEPORT, CONN.

Please be informed that your account has been Credited for the following:

PARTICULARS

AMOUNT

REMITTANCE RECEIVED FROM  
C. J. SCHOFIELD LTD.  
MANCHESTER, ENGLAND  
FOR CREDIT TO YOUR ACCOUNT

\$11,088.00

11088.00

Remarks:

Yours very truly,

by



loss.<sup>292</sup> And this despite the fact that in some instances the regular market for these products declined materially.<sup>293</sup>

In this connection, the Price, Waterhouse & Co. memorandum on accounts for the Connecticut Division as at December 31, 1937, stated:

"A number of items were priced at lower values than at December 31, 1936, but the company did not, so far as we have been able to determine, sustain any loss on these stocks during the year due to the depreciation in market value."<sup>294</sup>

Another illustration is furnished by the foreign crude drug product santonine crystals which purportedly cost McKesson \$107.332 per lb. in 1931, \$52 and \$49 a lb. in 1933, \$20 a lb. in 1934, \$30 a lb. in 1935 and 1936, and \$18 a lb. in 1937.<sup>295</sup>

Payment for goods sold would be evidenced when due by the purported receipt from Manning & Company of an "Advice of Credit" informing McKesson that its "\* \* \* account has been credited for the following remittance received from \* \* \*" a foreign customer.<sup>296</sup> A reproduction of one of these is inserted facing this page.<sup>297</sup>

These advices of credit would be received in the first instance by George Dietrich,<sup>298</sup> who would send them to the cashier's office.<sup>299</sup> They were not numbered and, aside from the name and address of the customer and amount of remittance, did not contain any description or indication of the type of remittance received by Manning. Nor was any definite evidence developed showing the exact means by which the customers were supposedly advised to remit to Manning & Company at Montreal on account of these McKesson invoices.<sup>300</sup> Thorn thought George Dietrich put a sticker to this effect on the invoices before he mailed them.<sup>301</sup> Concerning the form of these advices of credit, Miss Bakos, one of the cashiers who handled them, testified:

"Q. [By Mr. STEWART.] You simply got a credit advice from Manning & Company which looked similar to the credit advices you had seen from other banks?

A. I wouldn't say they looked similar, because they were different from any other bank advice I had, but it was supposed to be a credit advice from Manning & Company.

Q. Did it strike you that there was anything irregular about its form? Were you suspicious at the time you saw them?

A. Well, I didn't particularly note it, but it didn't have the general printing that the other advices have.

<sup>292</sup> R. 1373. See also R. 798-799, 924, 1010.

<sup>293</sup> Ex. 38, 40, 41, 42, 82; R. 799.

<sup>294</sup> Ex. 49.

<sup>295</sup> Ex. E, 42, 41, 40, 38.

<sup>296</sup> Ex. 34.

<sup>297</sup> Ex. 34.

<sup>298</sup> R. 1589-1590.

<sup>299</sup> R. 2686.

<sup>300</sup> R. 143, 1141, 1357.

<sup>301</sup> R. 1141.

Q. But were you suspicious of it?

A. At that time, I would say no.

Q. Well, if there was anything on it that was suspicious looking, you would have been suspicious, would you not?

A. Well, it was a very clean looking advice; just had Manning & Company and the necessary data showing the account to be credited and the amount. That was all.<sup>302</sup>

\* \* \* \* \*

Q. I mean, was that a thing which struck you as being irregular?

A. No, the irregularity was the size of the advices. Banks ordinarily had narrow, elongated sized advices, whereas this one was unusually large. I had never seen any advices of that type coming from any bank, but I couldn't truly say I was suspicious on account of the size of the paper, or the cleanliness."<sup>303</sup>

On the basis of the credit advice which they would receive from George Dietrich, the cashiers would prepare a cash ticket.<sup>304</sup> A copy of one of these follows:<sup>305</sup>

NAME C. J. Schenfeld Ltd DATE 11/2

ADDRESS \_\_\_\_\_

DATE OF INVOICE	CREDIT MEMOS ALLOWED		UNAUTHORIZED DEDUCTIONS		CASH DISCOUNT	AMOUNT OF CHECK	AMOUNT TO BE POSTED
	DATE	AMOUNT	DESCRIPTION	AMOUNT			
						11085	11085

EXHIBIT 264.—Posting ticket for cash purportedly received from a foreign crude drug customer. (Size 6" x 3½".)

Miss Bakos testified that after preparing the cash ticket she would put a dated entry in pencil against the amount to be credited on the accounts receivable ledger so that if anyone wanted to check before the tickets were posted that pencil entry would disclose whether or not the item had been paid.<sup>306</sup> The cash tickets, which then went to the accounting department, presumably furnished the basis for the actual postings by machine operators on to the accounts receivable ledger canceling the amount due thereon as entered from the sales invoices.<sup>307</sup>

<sup>302</sup> R. 2686.

<sup>303</sup> R. 2694-2695.

<sup>304</sup> Ex. 264; R. 2674, 2686.

<sup>305</sup> Ex. 264.

<sup>306</sup> R. 2669-2670, 2692A.

<sup>307</sup> R. 1357, 2669-2670, 2674, 2689.

Concerning her observations in comparing the amount of the purported remittances with the accounts receivable record, Miss Bakos also testified that these used to be called "nice accounts" and that, while not suspicious, she could not remember ever having had any difficulty at any time of reporting a shortage or anything concerning any of these accounts, although in other departments she would come across little irregularities from time to time.<sup>308</sup>

No credits were ever given to customers by McKesson for returns, discounts or allowances in connection with sales of these goods,<sup>309</sup> and, according to the Price, Waterhouse & Co. memoranda on accounts of the Connecticut Division, all these receivables, regardless of foreign currency conditions, were usually paid promptly at maturity, in United States dollars, short delays in settlement usually being attributed to the time element in transmitting remittances; no losses were ever sustained on these accounts nor were any balances ever charged back to W. W. Smith & Co.<sup>310</sup>

##### 5. Purchases and Sales of Foreign Crude Drugs by the Canadian Company at the Time of the 1937 Audit, and How They Were Handled

The manner in which the purchases and sales of foreign crude drugs were handled by the Canadian Company at the time of the 1937 audit can best be explained in the language of Margaret Walsh, its bookkeeper and sole employee.<sup>311</sup>

"Q. [By Mr. GALPEER.] Would you tell us in detail, starting in on each transaction with the purchase, going through the payment for the purchase, the inventory and then the sale; would you tell us how that was handled and specifically what you did in connection with each of those items, recording them on the books of McKesson & Robbins, Ltd.?"

A. Well, when the purchase came in, when we purchased merchandise from one of the vendors up in Canada, I would receive the original purchase order and the [purchase] invoice would be in my box in Mr. [George] Dietrich's office and attached to that would be the Manning charge—Manning Company charge.

Q. That is, the debit advice?

A. The debit advice and two or three days later I would receive a receiving ticket showing that the merchandise had been received and I would voucher that and enter it on the inventory cards from the purchase order. That would be all on that.

Q. From whom, or where did you receive the receiving ticket?

A. That would come from Mr. Robert Dietrich's department.

\* \* \* \* \*

Q. Now, how would the sales be handled, as far as you were concerned?

A. Well, on the sales, I would get the bookkeeper's copy, which was a yellow

<sup>308</sup> R. 2693-2694.

<sup>309</sup> Ex. 120, 124, 267, N; R. 1378-1379.

<sup>310</sup> Ex. 49, 78, 79, 268, 80, 81, 82. The same situation appears to have prevailed from the inception of this business even prior to the adoption of the Smith sales agency—guaranty arrangement, for the Price, Waterhouse & Co. report for 1929 stated: " \* \* \* No credit losses have been sustained by the company thus far in this department of the business." Ex. 151. See also Ex. 83.

<sup>311</sup> Ex. 19 (A3, A3a); R. 4391-4392.

duplicate copy of the sale. That would be in my box. I would get that from Mr. George Dietrich.

Q. What do you mean by copy of the sale? Would that be a factory order or an invoice?

A. That was a copy of the [sales] invoice that went to the customer, carbon copy of the [sales] invoice, and then, the supporting papers for that, which would be the Smith, W. W. Smith documents, and the pink [factory] order copy, would come from Bob Dietrich's department.

\* \* \* \* \*

Q. Would they come about the same time?

A. No, I always got them later than the bookkeeper's yellow copy [of the sales invoice].

Q. You would enter those on the books of the Limited Company?

A. On the inventory cards, and on the sales register.

Q. How would you receive notice of payment?

A. They would come at various times through the month, just separately.

\* \* \* \* \*

Q. Credit advices from Manning & Company?

A. Yes.

\* \* \* \* \*

The EXAMINER. Mr. Galpeer, do I understand there that all of the transactions in the Limited Company were by debits and credits through Manning & Company, or was there actually cash transactions with other customers?

Q. [By Mr. GALPEER.] Excluding the small branch of the Limited Company which operated in London, with which I assume you did not have anything to do, —

A. No, I didn't.

Q. Were all the transactions of the Limited Company during the period that you were the bookkeeper from 1931 on, handled by debit and credit advices from Manning & Company?

A. That's right.

The EXAMINER. No cash in it at all?

The WITNESS. Not on the Manning account. We did have cash accounts.

Q. [By Mr. GALPEER.] Well, now, did those cash accounts—were they used in connection with purchases or sales, or were they in the nature of dividend accounts?

A. Well, either that, or transfers from one bank to another, or to pay small expenses.

Q. I see, but the purchase and sales transactions were handled solely by the debit and credit advices?

A. That's right.

\* \* \* \* \*

Q. \* \* \* There was no crude drug business done through the Limited Company that was not tied into these Manning transactions and W. W. Smith?

A. Not since 1931.

The EXAMINER. That clears it up.

\* \* \* \* \*

Q. [By Mr. GALPEER.] You stated that in connection with the sales that you received \* \* \* [a yellow] copy of the [sales] invoice. Who prepared those [sales] invoices \* \* \*?

A. I don't know.

Q. Did you keep the accounts receivable ledgers?

A. Yes, sir.

Q. And you made your entries there from this yellow copy of the [sales] invoice?

A. Yes, sir.

\* \* \* \* \*

Q. Now, you received the purchase orders and the [purchase] invoice and debit advice from this box in George Dietrich's office?

A. That's right.

Q. And you received the yellow copies of the [sales] invoice from the box in George Dietrich's office?

A. Yes, sir.

Q. And you received the credit advice also in the box in George Dietrich's office?

A. Yes, sir.

Q. And the accounts payable and accounts receivable ledgers which you maintained and the inventory cards, the entries which you made on those, were made from those documents?

A. Yes, sir.

Q. Now, were you part of the general accounting office of McKesson & Robbins?

A. No.

Q. Under whose supervision did you act?

A. Mr. George Dietrich.

Q. And you were responsible to him?

A. Yes.

\* \* \* \* \*

Q. Was there any one else in your office?

A. No.

Q. The office that you occupied had all the books of the Limited Company?

A. Yes.

\* \* \* \* \*

Q. Did Mr. McGlooin ever give you any orders or make any comment as to your work?

A. No, sir.

Q. You received all those instructions from Mr. George Dietrich?

A. Yes.

\* \* \* \* \*

The EXAMINER. Were those debit advices and other papers that came in to you from Mr. Dietrich folded and otherwise have the appearance of coming in through the mail?

The WITNESS. Yes, sir.

By Mr. GALPEER:

Q. Miss Walsh, in connection with the debit advices that were issued by Manning & Company, which apparently were in payment of the purchase invoices, do you know in what manner those debit advices were authorized. In other words, how Manning & Company was advised to make the payment to the purchaser?

A. No, I never had anything to do with that.

Q. And similarly, on the sales, do you know in what manner the customer was advised to make the payment to Manning as distinguished from McKesson?

A. No.

\* \* \* \* \*

Q. [By Mr. STEWART.] Was this box from which you obtained the various

papers in Mr. George Dietrich's office a regular mail box where mail for you was deposited?

A. Yes, sir.

Q. You got other mail out of that box in addition to those papers?

A. Yes, sir.

Q. Now, did you take care of the billing of the transactions in the Limited Company?

A. No, I did not.

Q. That was handled by another department?

A. Yes, I imagine so. I never saw any one working on it.

Q. Did you spend your entire time on the work of the Limited Company, or did you spend some time on other work?

A. Well, at various times I helped out in the main office. I did personal work for Mr. George Dietrich, balancing check books and so forth.

Q. And what was the nature of the work you did in the main office?

A. I helped out in the cashier's office when any one was ill.

At one time I helped out in the bookkeeping machine room when one of the operators was out.

Q. Now, do you know what other work, other than billing, was done for the Limited Company by the Connecticut Company employees?

What I have in mind is, I understand there was a 7,500 dollar a year charge, something like that, made by the Connecticut Company for services, and I was wondering whether you could tell us what that charge was made for other than the billing service?

A. Well, I don't know whether the billing service was done out in the main office or not. I don't know where that was done.

Q. I see.

A. But Mr. Ettershank, he made up the income tax reports on the Limited Company and took care of all tax matters.

Q. And Mr. Robert Dietrich did some work on the inventory records, did he?

A. Well, I did have to check the inventories out there with the duplicate set of cards that they had.

\* \* \* \* \*

Q. Did you prepare a regular statement, monthly or at regular periods, of the affairs of the Limited Company?

A. You mean customers' statements, or financial statements?

Q. No, financial statements.

A. Yes.

Q. To whom were those submitted?

A. To the accounting department of the main office.

Q. That is, Mr. McGloon's department?

A. Yes. Mr. Kollar took care of it.

Q. Do you know for what purpose those were submitted to Mr. Kollar?

A. They were consolidated with the other statements.

Q. And were they reviewed out there by Mr. Kollar?

A. Just as a matter of consolidation.

Q. Did he ever talk to you about them?

A. No.

Q. Never asked you any questions about them?

A. Just when they were ready, when he expected them.

Q. Did you ever ask him any questions about what he wanted, any information on them?

A. No, it was a regular form. I knew how to fill it out.

\* \* \* \* \*

Q. Do you recall whether the accounts receivable of the Limited Company were also paid when they were due, or did you sometimes have some past due?

A. Well, if they were past due it was just a few days of the next month that they ran over, not any longer period.

Q. They were pretty good, but they did sometimes go over a little bit, is that right?

A. Yes, sir.

\* \* \* \* \*

Q. Now, where did you get your information as to the location of the merchandise which is set out on that [inventory] card?

A. From Mr. [George] Dietrich.

\* \* \* \* \*

Q. In what form did you get that information?

A. He just told me what to write on the inventory cards.

Q. And that's the only evidence you have of it?

A. That's where I got my instructions from that I wrote down.

\* \* \* \* \*

Q. Now, during the period since the inventories had been stored in Canada, did you get from somewhere a receiving ticket when the merchandise would be received?

A. Yes.

Q. Would that receiving ticket be similar in form to exhibit No. 20?

A. Yes.

Q. Would it have all the information on it which is indicated on exhibit 20?

A. Yes, I would say it did.

Q. Including the language, 'held at suppliers, no other charges'?

A. Yes, I think that was stamped on.

\* \* \* \* \*

Q. So that would be an additional source of information that you had as to where it was held in addition to Mr. George Dietrich telling you where it was held?

A. Yes.

\* \* \* \* \*

Q. [By Mr. GALPEER.] Now, when you received the purchase orders, the suppliers' invoices and the debit memorandums in this mail rack, or box<sup>12</sup> in Mr. George Dietrich's office, was there any evidence of mailing to those? In other words, were they ever in envelopes or anything that would show they came through the mail?

A. No, they never were in envelopes.

\* \* \* \* \*

Q. Did you have, or see, or file, or handle, or type any letters, correspondence, with the customers, in reference to any matters at all, in reference to time of shipment, payment?

A. No, never.

Q. Returns or anything of that sort?

A. Never.

Q. Did you ever type any letters to W. W. Smith & Company in reference to any matters which might come up in connection with these transactions?

A. No. \* \* \* \* \*

Like the Connecticut Division, the sales were purportedly made principally to customers in the British Empire, and the accounts were



supposed to be payable in U. S. dollars.<sup>313</sup> A geographical summary of the foreign crude drug accounts receivable at December 31, 1937, as compared with the year before shows the following distribution:<sup>314</sup>

<u>"Country</u>	<u>December 31, 1936</u>	<u>December 31, 1937</u>
England	\$ 909, 673. 05	\$ 870, 387. 90
Scotland	226, 470. 00	238, 053. 45
Wales	74, 222. 00	56, 665. 00
Ireland	101, 136. 85	122, 244. 60
Australia	69, 120. 60	142, 701. 45
British Guiana	6, 732. 00	—
New Zealand	12, 980. 00	13, 588. 00
India	33, 560. 50	43, 743. 00
South Africa	25, 780. 00	67, 662. 60
Sweden	11, 594. 00	11, 305. 00
Holland	12, 635. 00	12, 792. 00
	<u>\$1, 483, 904. 00</u>	<u>\$1, 579, 143. 00</u> "

Of the 116 accounts for which requests for confirmation were sent by S. D. Leidesdorf & Co.,<sup>315</sup> 96 apparently were with existing concerns who replied that the amounts were not owing. In 13 instances no replies were received and the remaining 7 requests were returned because of incorrect addresses.<sup>316</sup>

Like the Connecticut Division, too, the books of the Canadian Company did not disclose any allowances or adjustments to customers or any bad debts resulting from these transactions.<sup>317</sup> According to the Price, Waterhouse & Co. memoranda on accounts of the Canadian Company, all of these receivables were paid when due, minor exceptions being attributed to certain customers computing the credit period from the date the merchandise was received rather than invoiced. The Company consistently realized a profit on all transactions throughout the year. No losses were ever sustained on these accounts, nor were any of them charged back under the guaranty contract because of failure to collect.<sup>318</sup>

In addition to the foreign crude drug sales discussed above, the Canadian Company also purported to sell foreign crude drugs to the Connecticut Division. The Connecticut Division made payment by check which would be deposited by the Canadian Company in either its Bridgeport or New York bank account.<sup>319</sup> In 1937, these sales amounted to \$244,875<sup>320</sup> and certain of them coincided with the

<sup>313</sup> Ex. 26.

<sup>314</sup> Ex. 26. For earlier years see Ex. 72, 73, 74, 75, 77, 205.

<sup>315</sup> Those purportedly outstanding as at December 7, 1938.

<sup>316</sup> Ex. 255.

<sup>317</sup> R. 4424-4426; Ex. 19 (Limited, C. 4, Item 2).

<sup>318</sup> Ex. 26, 72, 73, 74, 75, 205, 76. See also Ex. 77, H.

<sup>319</sup> R. 4423.

<sup>320</sup> Ex. 26, 255.

dividend payment dates on the preferred stock of the Canadian Company. Without the transfer of these funds, the Canadian Company would not have had sufficient balance in the bank to pay the dividends in question.<sup>321</sup>

## 6. Periodic Accounting in Connection With the Foreign Crude Drug Transactions at the Time of the 1937 Audit

### a. MONTHLY STATEMENTS FROM MANNING & COMPANY

In addition to the individual debit and credit advices on each purchase and sale Manning & Company also purportedly issued regular monthly statements of account to both "McKesson & Robbins, Inc. Connecticut Division" and "McKesson & Robbins, Ltd."<sup>322</sup> One of these is reproduced on the following page.<sup>323</sup>

As previously stated all incoming mail first went to the desk of George Dietrich.<sup>324</sup> Ultimately, the Manning & Company statement of account with the Connecticut Division went to the cashiers for reconciliation,<sup>325</sup> and the statement of account with the Canadian Company to Miss Walsh.<sup>326</sup> Miss Walsh testified that no drafts, duplicate advices of debit or credit, or other material were enclosed with the statements when they were received by her.<sup>327</sup> Although as indicated by the statements the volume of transactions purportedly going through the accounts was large<sup>328</sup> at the year ends, at least, the balances carried were comparatively small.<sup>329</sup> Also, at least at the year ends, in 1935, 1936, and 1937, there were no outstanding payables to the vendors, advices of debit having apparently been issued before the close of the year to cover all invoices dated prior thereto.<sup>330</sup>

### b. MONTHLY STATEMENTS FOR GUARANTY AND SERVICE CHARGES

Apparently pursuant to Articles 6 and 9 of the 1935 agreement between McKesson & Robbins, Incorporated and McKesson & Robbins, Limited and W. W. Smith & Company, Inc. (the New York company)<sup>331</sup> separate statements, which were the only invoices rendered for such charges, were purportedly received monthly by the Connecticut Division and Canadian Company "To Service Charge for the month \* \* \*" in the sum of \$750 each and "To Charge of  $\frac{1}{4}$  of

<sup>321</sup> Ex. 258; R. 4586. See pages 241-242 *infra*. The particular situation described in the last two sentences apparently existed also in 1935 and in 1938 which was subsequent to the last audit.

<sup>322</sup> Ex. 30.

<sup>323</sup> Ex. 30. While the statement for the Canadian Company reproduced on the following page occupies only the upper half of one sheet of the statement form, the statements for the Connecticut Company (later Division) usually filled one sheet and part of another.

<sup>324</sup> R. 715, 1361, 1427, 1588.

<sup>325</sup> Ex. 17 (p. 2), 18 (A4).

<sup>326</sup> R. 4384-4385.

<sup>327</sup> R. 4385.

<sup>328</sup> Ex. 30.

<sup>329</sup> R. 954.

<sup>330</sup> R. 544, 635, 1328-1329.

<sup>331</sup> Ex. 50. Like Articles 5 and 8 of the 1931 contract quoted on pages 58-59 *supra* with changes mentioned on pages 61 and 64 *supra*.

MAIN OFFICE  
145-163 LONDON ROAD  
LIVERPOOL, 8, ENGLAND

**MANNING & COMPANY**  
FOREIGN DEPARTMENT  
MONTREAL, CANADA

OF **STATEMENT**

AC WITH

MCKESSON & ROBBINS, LTD.  
BRIDGEPORT, CONN.

DECEMBER 31, 1937

DATE	ITEMS	DEBITS	CREDITS	BALANCE	VALUE DATE	DAYS	AGGREGATE	ADJUSTMENTS OR, AND OR, BALANCE
DEC. 1			10,285.00.					
2			12,240.00 ✓					
4			12,250.00.					
6			13,943.00.					
7			15,001.50.					
7	H. MONROE & COMPANY	58,800.00						
9			14,691.25					
11			12,410.00					
13			11,900.00.					
14			11,800.00.					
16			12,580.00.					
18			14,782.50					
18	A.H. RAYMOND & COMPANY	51,480.00						
20			5,600.00					
21			12,000.00.					
23			12,050.00					
27			17,358.25					
28			11,985.00.					
29	P. PIERSON & COMPANY	54,697.50						
30			14,581.75					
31	H. MONROE & COMPANY	55,440.00						
31				\$32,486.08				
				\$37,445.33 ✓				

EXHIBIT 30.—Manning & Company statement of account, upper half of sheet. (Full size, 12 1/2" x 17 1/2".)

*Branch Account  
Statement*

December 1, 1937

McKesson & Robbins, Ltd.

Bridgeport, Conn.

*To W. W. Smith & Co. Dr.*  
*Commission Merchants*  
*Purchasing Forwarding & Shipping Agents*  
*Liverpool 3, England*

*Terms*

To Service Charge for the month  
of November, 1937

\$750 00

*This statement is due and payable at our* NEW YORK *office*

*in U.S. currency. Admit all inquiries there.*

*W. W. Smith & Co.*



*Branch Account  
Statement*

McKesson & Robbins, Ltd.

December 1, 1937

Bridgeport, Conn.

*To W. W. Smith & Co. Dr.*  
*Commission Merchants*  
*Purchasing, Forwarding & Shipping Agents*  
*Liverpool, 3, England*

*Terms*

To Charge of 3/4 of 1% on total  
of \$241,588.50  
on orders for the month of  
November, 1937

\$1 811 91

*WWS*

*This statement is due and payable at our NEW YORK office*

*in U.S. currency. Address all inquiries there.*

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*W. W. Smith & Co.*

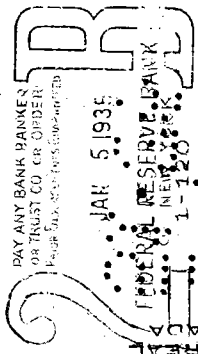
# MCKESSON & ROBBINS

MONTREAL, CANADA, Dec 31 1937 No. B621

PAY TO THE ORDER OF *W. W. Smith & Co. Ltd.*

McKesson & Robbins Limited  
**618.1 & 91 CTS** DOLLARS

TO THE BRIDGEPORT-CITY TRUST COMPANY  
31-36 BRIDGEPORT, CONN.  
*W. W. Smith*  
AUTHORIZED SIGNATURE



PAY ANY BANK BANKER  
OR TRUST CO. OR ORDER  
PAGE 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100

JAN 5 1938

FEDERAL RESERVE BANK  
NEW YORK  
1-120

PAY TO THE ORDER OF  
THE CHASE NATIONAL BANK  
OF THE CITY OF NEW YORK  
HAMILTON TRUST BRANCH  
W. W. SMITH & CO., LTD.  
MONTREAL  
CANADA

PAY TO THE ORDER OF ANY  
BANK, BANKER OR TRUST COMPANY  
OR THROUGH THE  
NEW YORK CLEARING HOUSE  
PAID ENCLOSURES GUARANTEED  
8 JAN 5 1938 8  
THE CHASE NATIONAL BANK  
OF THE CITY OF NEW YORK  
HAMILTON TRUST BRANCH 1-74

1% on total of \* \* \* orders for the month \* \* \*.”<sup>332</sup> Reproductions of both types of these statements are inserted at this point.<sup>333</sup>

The statement heads are those of W. W. Smith & Co., Liverpool, England, Branch Account, and on the bottom there is printed “This statement is due and payable at our New York office in U. S. currency. Address all inquiries there. W. W. Smith & Co.” The “New York” and “U. S.” are stamped and typed respectively.<sup>334</sup>

The Connecticut Division statements were checked in the accounting department against the sales that had been made.<sup>335</sup> The Canadian Company statements were checked by Miss Walsh.<sup>336</sup> The respective checks were prepared by the cashiers’ department and Miss Walsh and after the one was signed by Miss Danis, a cashier, and the other by Miss Walsh, they were both given to George Dietrich whose signature also appeared thereon.<sup>337</sup> The checks issued about the time of the 1937 audit were made payable to W. W. Smith & Co., Ltd.<sup>338</sup> Reproductions of the checks corresponding to the statements are also inserted at this point.<sup>339</sup>

The contract provided that—

“In consideration of a premium of three-quarters of one percent (in addition to the service charge \* \* \*) of the total amount of any order placed under the provisions hereof, the New York Company will, if requested so to do in writing, unconditionally guaranty the full and prompt payment therefor \* \* \* provided, however, that the total of accounts so guaranteed shall not at any time exceed the sum of \$900,000 \* \* \*.”<sup>340</sup>

The W. W. Smith & Co. purchase orders stated “Guarantee  $\frac{3}{4}$  of 1%” on each transaction,<sup>341</sup> the monthly statements charged “\* \* \*  $\frac{3}{4}$  of 1% on total \* \* \* orders for the month \* \* \*.”<sup>342</sup> and the total accounts outstanding at any one time on which the guaranty fee had been paid approximated nine million dollars.<sup>343</sup>

The total amount paid to Smith during 1937 for these charges amounted to \$154,811.16. Of this sum, which includes the \$18,000 service fee, \$122,409.71 was paid by the Connecticut Division and \$32,401.45 by the Canadian Company.<sup>344</sup>

<sup>332</sup> Ex. 224-227.

<sup>333</sup> Ex. 224, 225.

<sup>334</sup> Ex. 224-227.

<sup>335</sup> R. 1641.

<sup>336</sup> R. 4424.

<sup>337</sup> R. 1625, 1639, 4399; Ex. 86, 224-227.

<sup>338</sup> Ex. 86, 224-227. When introduced Ritts testified that Price, Waterhouse & Co. would not ordinarily examine such statements and that he had no recollection of having seen them. R. 4467-4468. Previously, however, Price, Waterhouse & Co. had introduced from their work papers a schedule of Accounts Payable of the Canadian Company as of December 31, 1937, which had been marked by someone else, probably Wyman, “Invoice seen” in referring to the statements in question. Ex. L; R. 365 ff.

<sup>339</sup> Ex. 224, 225.

<sup>340</sup> Ex. 50.

<sup>341</sup> Ex. 7, 8B, 11C.

<sup>342</sup> Ex. 224-227.

<sup>343</sup> Ex. 26, 49.

<sup>344</sup> Ex. 255.



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Telephone Queen 322

**B. MILLER & COMPANY***Importers and Brokers*

45 QUEEN STREET, OTTAWA, CANADA

January 13, 1938.

TELEPHONE ELGIN 2686

**H. MONROE & COMPANY**

BROKERS &amp; AGENTS

27 WELLINGTON STREET, EAST  
TORONTO, CANADA

January 11, 1938.

TELEPHONE LANCASTER 7975

**P. PIERSON & COMPANY**

FOREIGN REPRESENTATIVES

UNIVERSITY TOWER  
MONTREAL, CANADA

January 12, 1938.

Telephone Plateau 6844

**A. H. RAYMOND & COMPANY***Importers*504 DOMINION SQUARE BUILDING  
MONTREAL, CANADA

January 13, 1938.

EXHIBIT 53.—Letterheads from purported confirmations of inventory of foreign crude drugs held by four of the five Canadian vendors. (Size 8½" x 11".)

TELEPHONE QUEEN 846

**D. C. REYNOLDS & COMPANY**

COMMISSION MERCHANTS

192 BANK STREET  
OTTAWA, CANADACHEMICALS  
DRUGS  
PHARMACEUTICALS

January 12, 1938.

Messrs. Price Waterhouse & Co.,  
56 Pine Street,  
New York City, New York.

Dear Sirs:

At the request of McKesson & Robbins, Incorporated, Bridgeport, Conn. dated December 31, 1937, we are listing below description of merchandise carried by us for their account at close of business December 31, 1937; said merchandise being free of all charges and subject to their withdrawal.

Antipyrine Crystals U.S.P.	100 lbs. net to a case	94,000 lbs. ✓
Bismuth Subnitrate	50 lbs. to a box	220,000 lbs. ✓
Hexylresorcinol	50 lbs. to a can	17,500 lbs. ✓
Musk Pods	20 ozs. net to each cady	12,800 ozs. ✓
Oil of Cinnamon Ceylon Pure	50-1 lb. bottles to a case	8,700 lbs. ✓
Oil of Coriander Terpeneless-100-1 lb. bottles to a case-	12,400 lbs. ✓	
Potassium Iodide	100 lbs. net to a case	200,000 lbs. ✓
Pyrogalllic Acid Resublimed Crystals	100 lbs. net to a tin	117,000 lbs. ✓
Sacharine Powder U.S.P.	4-25 lb. tins to a case	175,000 lbs. ✓

Faithfully yours,

*M. C. Kennel*

D.C. REYNOLDS &amp; COMPANY

EF/MAOD

*Agreed with Inventory*  
*E. H.*

EXHIBIT 53.—Purported confirmation of inventory of foreign crude drugs held by one of the five Canadian vendors. (Size 8½" x 11".)