

The material is arrived at on the basis, gross, net. The gross basis is the total amount of pencils packed, as per the packing reports handed in by Miss Eula May Flowers, and the net basis is the total amount, total gross, packed by report of Miss Eula May Flowers less the amount of repacked, of which I have spoken. In this case the gross amount was 2,851 gross, net 2,830 1-2 gross, the smaller being the net figure. The slats are figured at 22 cents per gross, and that's simply taking the 2,830 1-2 gross down to the slat item, and multiplying that by 22 cents, and putting it down to the materials. Then from the figures derived from the packing reports we figure rubbers used according to the character or grade of the pencil manufactured; 6 1-2 cents cheapest, 9 cents medium, 14 cents high grade. Then comes the tips. The tips is simple, gotten by adding together the amounts of rubber used in ferrules, the medium rubber, and the better class of rubber. In other words, it's gotten by adding together the rubber at 9 cents a gross, and the rubber at 14 cents a gross, and adding together the total amount of gross used. And you see it says "materials," and it is reckoned at 10 cents; in other words, the materials used in making the tips in that tip plant we figured at 10 cents a gross, and the labor is included in that pay-roll item up above. Then there is 25 gross of these medium ends.

Then the lead, which is used, is taken from this sheet, multiplying 15 cents for the better lead and 10 cents for the cheaper lead. Then 5 cents a gross has been figured out after months of careful keeping track of what we use to include such materials as shellac, alcohol, lacquer, aniline, waxent, and oils—that's oils used in manufacture, not for lubrication of transmission or machinery. It also includes that hascolene compound, of which we have heard so much. That's included in this 5 cents per gross.

Then comes the boxes at 2 cents a gross, then assortment boxes at an average of 4 cents a gross; then come wrappers at one cent a gross; that is the number of wrappers used in wrapping up one gross of pencils are worth one cent. Then cartoons, boxes, holding one gross of pencils, figured at 28 or 18 cents. Then down below "pay-roll Bell Street, \$175.21." Then show what was delivered, just a plain copy of what I have on this sheet. I have been looking at the sheet for the week ending April 17th, but it is practically the same way. I have here down on the bottom of this financial (Defendant's Exhibit 2) made out on the 26th what's delivered, good and cheap. There is no entry there. You will remember I said I didn't work that out. I put that out there preparatory to working that out Monday morning before I would take it over. Then it tells tips delivered from Mr. Quinn's report.

Now on the right side you will notice this entry, "Better grades, gross, net." From this small sheet we get total of better grades, 710 gross. Then right below it says 700 gross net. There are 710 gross, and on that repacked sheet I called out there 10 gross good goods repacked, therefore the difference