

Toronto, May 15th, 1912.

The Commission continued its sittings at 11 a.m.

W. R. TRAVERS, Examination continued—

MR. HODGINS: Look at this cheque and see if that is the cheque you spoke of yesterday as being made out after you got the cash from Dr. Beattie Nesbitt? A. Yes, I think that is the cheque.

EXHIBIT 36—Cheque dated December 7th, 1906, for \$5,000 to W. D. Travers signed "The Farmers Bank of Canada, W. R. Travers, General Manager".

MR. COMMISSIONER: Do you keep your slips to show the deposits? A. They should show.

Q. To trace this up, because apparently it must have gone through the Clearing House? A. Yes, I think it went through as a cross entry, sir.

Q. It was paid on the 7th December, the same day it was dated. Have you that book here?

MR. HODGINS: No, those will be in Mr. Clarkson's possession. I will be able to trace that up when I have Mr. Clarkson here. This I note is accepted by the Traders on the 7th December, who took it over? A. Oh, I think it was deposited, I think it would appear on the deposit slip.

MR. COMMISSIONER: It would hardly be likely.

It is marked paid on the 7th and accepted on the 7th.

MR. HODGINS: Your signature on that is duplicated.

MR. COMMISSIONER: He has made a mistake.

MR. HODGINS: It would look as if somebody had objected to the signature you put on first? A. No, I had a bad pen and I wrote it the second time for fear they might object.

Q. Can you throw any light on it of what became of it? A. It went through in the ordinary banking business and back again at the end of the month; my recollection is it is just a cross entry.

Q. Would this letter have any bearing on that transaction signed by Dr. Nesbitt? A. Yes, that refers to it.

Q. That is a letter to yourself dated May 10th, 1910: "Dear Mr. Travers: Referring to our conversation of yesterday, I remember well being in your office, then upstairs, on December 6th, 1906, and W. J. Lindsay coming in and handing me a parcel of Traders Bank notes to the amount of \$5,000; they were hundred dollar bills, if I remember rightly. This was in accordance with a private arrangement I had with him. Yours truly, (Signed) Beattie Nesbitt." What was the conversation of yesterday to which he refers? A. I had spoken to him about it.

Q. That is three years after the event? A. Yes, I was to go under an examination, Lindsay brought a suit against me for commissions and I was to go under examination and I wanted to know exactly the facts of the matter.

Q. Had you any doubt about them? A. No.

Q. What was the object of this letter? A. I had no doubt about it; I wanted Nesbitt to put it in writing for me.

Q. Wanted to produce it on the examination? A. I did not produce it.

Q. Was that the idea you should? A. My solicitor thought it would be wise for me to get that letter from him.

Q. Who was your solicitor? A. Mr. Hunter.

Q. This speaks of a private arrangement he had with Lindsay; did he explain what that was? A. No.

Q. Or did you know? A. No, not at the time.

## SESSIONAL PAPER No. 153a

Q. At what time? A. At that time.

Q. At the time of the letter? A. At the time of the transaction I did not know it.

Q. Did you learn it afterwards? A. I think as Dr. Nesbitt is going under a trial, I do not think it is fair to me—of course Mr. Commissioner knows better than I do, but I feel a little reluctant to answer these questions as he is coming up before the Criminal Court and I have to give evidence.

MR. COMMISSIONER: I do not suppose that is a reason for stopping the inquiry. You have endeavoured to protect him from any unfair results; I think you have done all you can and must answer now. A. What is your question?

MR. HODGINS Did you learn it afterwards? A. Yes, I learned it from the Doctor in conversation that Lindsay had agreed if he went on the Board and became President, that his stock of \$5,000 should be paid for. I did not approach Dr. Nesbitt, I never knew Dr. Nesbitt, till a week or two before the meeting of the shareholders, never heard of him except to know him as a politician and a leader of the Conservative party in the City, and beyond that I did not know him.

Q. Do you mean to say that you, the prime organizer of the bank, allowed Lindsay to dictate who should be President, his name to be mentioned only a week before he was elected? A. I did permit that.

Q. Lindsay must have had a considerable amount of power in connection with the organizing of the bank? A. He had power to get the subscriptions and he brought a good many of those names on the provisional Board to me; I did not see the men.

Q. How do you account for his being able to name the President? A. There were several men named for the President and they fell down after the Laidlaw suit, and we were in a fix at that time.

Q. Who was in a fix? A. I was.

Q. And Lindsay? A. Lindsay no doubt felt he would be unable to collect the balance of his commissions if anything happened that the bank did not go on.

Q. This arrangement was then come to? A. Yes.

Q. And Lindsay did not tell you he had arranged to qualify Beattie Nesbitt? A. No, I did not ask that.

Q. That was not stated to you? A. No.

Q. Did you know that the by-laws passed at the meeting required that \$3,000—

MR. COMMISSIONER: Had not you better get whether that \$500 came out of Lindsay's or his commissions? A. At the present time it is out of Lindsay's; that is the dispute between Lindsay and myself.

Q. What do you mean at the present time it came out of Lindsay's? A. I mean as far as Lindsay's commissions are concerned it is charged up against him.—EXHIBIT 37: Letter May 10th, 1910, from Beattie Nesbitt to Travers re \$5,000 handed to Nesbitt.

MR. HODGINS: We got up to the point yesterday that Beattie Nesbitt got \$5,000, that you got \$5,000, and that Lindsay got \$5,000? A. There was \$15,000 drawn.

Q. There is no doubt that Lindsay got away with \$5,000 quite apart from this \$5,000; is not that right? A. Yes, and I charged him with \$10,000.

Q. The cheque to you was for \$10,000? A. Yes.

Q. Of which half was yours and half was Lindsay's? A. No, I would not say that; I was paying him \$10,000, that was my intention at that time.

Q. Out of which we found yesterday you got \$5,000 and Lindsay got \$5,000? A. I did not get \$5,000 out of that cheque, that was wrong. I said I got \$5,000 out of the next cheque; Nesbitt simply cashed that cheque for me.

Q. We at all events got that far that each of you got \$5,000? A. Yes.

Q. And then you say that this \$5,000 which Beattie Nesbitt got came out of Lindsay? A. Yes.

MR. COMMISSIONER: It was charged to Lindsay.

MR. HODGINS: What I mean is it had come out of whatever was coming to Lindsay? A. I do not know what you mean, I am trying to tell you the transaction but I am not on trial.

Q. How did it come out of Lindsay? A. The cheque was drawn to Lindsay for \$10,000, and I charged \$10,000 against Lindsay's commissions; \$5,000 of it went to pay Nesbitt's stock. I did not propose to have the \$5,000 come out of my commissions.

Q. When was that charge made? A. The day the cheque was drawn.

Q. The books will show that? A. No, there were no books kept of that; it was a matter between Lindsay and myself.

Q. What do you mean by the charge was made the day the cheque was drawn? A. Charged it in my own mind if you wish it that way. I did not keep any books with Lindsay beyond the registering of the stock; I could figure up from there from time to time.

Q. When you say charged you will understand that, speaking as a former banker, it is likely to be understood you mean charged in the books? A. Yes.

Q. And if you mean it in your mind, say so. Then there was no actual memorandum except in your own mind for some time afterwards? A. Nothing at all but the cheques which were issued to me.

Q. We have so far as the records go the cheques and who got the money? A. Yes.

Q. That is all? A. Yes.

Q. We can make up our own minds as to who it should be charged to? A. Quite so.

MR. COMMISSIONER: Ask him if there was any trace kept, any entry made of the sums he paid to Lindsay out of the cheques he drew to himself.

MR. HODGINS: To begin with was the system of drawing cheques out that they were payable to you, and you were the one who was entitled to the commission and you paid Lindsay out of what you got? A. Yes.

MR. COMMISSIONER: Did he get any voucher or make any entry of payments? A. The cheques that were issued to him were endorsed by him, that is the receipt I had for those amounts, and I made certain deposits to his credit in another bank, which speak for themselves.

MR. HODGINS: We put in two of those yesterday; then as between you and Lindsay where do we find, where does any one find any trace of what was done with that particular cheque of \$10,000? A. We cannot find any trace of it.

Q. It is in dispute between you and Lindsay? A. Yes.

MR. COMMISSIONER: What is the dispute? A. He claims he has not been paid that \$5,000 and many other five thousand dollars, I think he claims \$36,000.

Q. Does he claim that \$5,000 should have been paid by the bank or by you, the qualification money? A. He claims he paid that \$5,000 to me as half the commissions on that cheque.

Q. And that you gave it to Nesbitt? A. And that I made it a present to Nesbitt.

MR. HODGINS: If that be the case, that letter must be wrong that Lindsay came into the office when you were there and that Lindsay gave Beattie Nesbitt \$10,000? A. No, it is not; I have told you several times that Lindsay came in and paid it to Nesbitt in my presence.

Q. And his contention is you paid it to Nesbitt? A. He contends he paid it to me.

## SESSIONAL PAPER No. 153a

MR. COMMISSIONER: I have forgotten whether you asked Lindsay about that; I don't think he gave any account about that? A. Yes, he swore to that; I heard him swear to it here.

MR. HODGINS: If Lindsay claims that you paid that it must be upon a basis that you had agreed to qualify Beattie Nesbitt and not him? A. Yes, I believe that is the contention.

Q. And your statement today is that you did not know Beattie Nesbitt until a week before he was elected? A. I would not say a week, it might be two weeks before, shortly before.

Q. And that his name came forward entirely through Lindsay? A. Yes, that is as I understood it.

Q. Did you ever agree to qualify Beattie Nesbitt? A. I did not.

Q. Had not Dr. Nesbitt come to your notice in connection with the loan that was got for the \$80,000 from the Trusts and Guarantee Company early in October, 1906? A. No, I don't think I had any conversation at that time with Dr. Nesbitt.

Q. You cannot recall that at the moment? A. I did not know the man at that time; he called on me at the Queens Hotel where I was living after Laidlaw had entered that infamous suit.

Q. He called on you? A. He called on me himself.

Q. In reference to the presidency? A. In reference to taking stock and becoming a director.

Q. Perhaps you will recognize this application of his for stock? A. Yes, that is his application.

Q. Is that the one that was ante-dated? A. Yes, I think it was the only one I think that is on record now.

Q. That was taken by you or taken by whom, that subscription? A. I could not swear to that.

Q. Whose writing is the date in? A. The writing is my handwriting, but the name of the proxy is written by some other handwriting, I don't know whose.

EXHIBIT 38—Application of Beattie Nesbitt, dated October 22nd, 1906, for 100 shares of stock.

Q. These cheques I think would be the ones paid to the provisional directors? A. Yes, those are the cheques.

Q. I see they are all payable to you, signed by the Farmers Bank by A. S. Lown, Chairman, and G. H. Smith, Secretary Treasurer? A. Yes.

EXHIBIT 39—Four cheques dated July 4th, 1906, signed "The Farmers Bank of Canada, A. S. Lown, Chairman; G. H. Smith, Secretary Treasurer", for \$2,500, \$2,000, \$2,500, \$3,000, all payable to W. R. Travers.

Q. Exhibit 13 already in is the power of attorney to you from the provisional directors, together with a memorandum as to the division of the money, and endorsed on the back of it is what I could not find yesterday, the statement of how much each of these gentlemen got. There are two cheques which have just been put in of \$2,500 each, Mr. Smith appears to have got one, and Mr. Lown the other, from that endorsement? A. I could not say as to how they distributed that money, with the exception of the endorsement of Mr. Fraser on one of the cheques, which speaks for itself.

Q. Will you just look at Exhibit 16 and tell me if that is the document under which you finally got that agreement from Robertson & MacLennan, the agreement which you and the provisional directors had signed? A. That was the order to obtain the paper; I am not sure whether I ever got it or not.

Q. Here is Lindsay's statement of claim in that action in which he admits that up to December 7th, 1906, he received from the Farmers Bank, either directly or through the defendant Travers, on account of commissions, the sum of \$13,527.50; that is up to December 7th, would that include, in your view, that \$10,000 or only \$5,000 of it? A. That is his statement of claim; he never was examined under that statement of claim; I disputed the figures.



Q. At all events this is in your favour so to speak, for an admission he got so much money; and he further says, "On and after the 7th December, 1906, there was placed to his credit by the defendant Travers and he received the sum of \$7,000"—that would make \$20,527.50. Would that—of course I do not mean to bind you any way, but speaking generally—would that be fairly accurate as to the amount he had actually got? A. No, it would not,

Q. He got more than that? A. Yes.

Q. You claim he was overpaid? A. Yes, I claim he was overpaid.

Q. At all events that was his statement at the time; I suppose from his point of view that would not admit any more than needed. Probably it is right that from the 5th June or some time, say 4th July, till December you had made no deposits to his credit for commissions? A. I had; they speak for themselves.

Q. From June, 1906, to December, 1906, you had made payments to Lindsay for deposit to his credit? A. Yes. !

Q. And that has come out of the subscriptions? A. Yes.

Q. There is a copy of a letter addressed by you to Lindsay, dated April 27th, 1906, which ends up: "I am enclosing you a new form of application leaving the proxy blank. Kindly take all your subscriptions without putting the name in at all. I have a new wrinkle and will explain it to you when I see you". Mr. Lindsay replied to that on the 1st May: "Mr. Luxton and I have adopted the plan, and I now enclose you a cheque for deposit in Bank of Montreal, and my personal cheque for \$300 to the credit of Greenlees, together with notes for \$700; we are retaining the subscription of which I send the copy only"—what was the new wrinkle? A. I did not like the subscriptions going into Smith's hands with the proxy blank; I wanted to fill them in myself with my own name or somebody else's I could have confidence in. What letters are those? From Lindsay's files?

Q. No? A. I would not put any confidence in his file.

Q. These are from the liquidator's file of what was found in the bank? A. That is all right.

Q. There is a letter of December 28th, 1906, I would like an explanation on one paragraph of; it is addressed to Lindsay, at Kerwood, and it says this: "In taking subscriptions from now on until, say the middle of January, Mr. Hunter has suggested that you leave the date blank so we may make use of them in any way that may suit best when making up our next list"—what is the meaning of that suggestion? A. Well, I think we had in our mind at that time that a lot of those subscriptions that you referred to yesterday should be eliminated from the statement before making a new one to the Government, and that the subscriptions that he refers to there would take the places of them as near as we could arrange it.

Q. The return would be one dating up to the 31st December, 1906? A. Yes.

Q. But it would not go until after the middle of January? A. We would have to make it up to the 31st December, and then we had 14 days in which to send it in, and the idea was, if I remember right, that we would not show any reduction in our total subscriptions if possible.

Q. The idea was each of these subscriptions which we would get between that date and the middle of January would be left blank and could be used to replace those that objection might be taken to? A. That is my recollection at the present time.

Q. What particular subscriptions was that in reference to? A. The Laid-law, for instance.

Q. And what else? A. Others that I mentioned yesterday; Smith of Flint, Michigan, and Davidson, and several that I knew should come off.

Q. And was that suggestion acted upon? A. I think the Government return as compared with the other one, will show it was to a certain extent.

Q. Looking at this letter of Lindsay's which has gone in as Exhibit 23, letter from Lindsay to you, will you kindly read that and tell me what list that refers to, and what subscriptions? A. What is this?

## SESSIONAL PAPER No. 153a

Q. That is a copy of a letter from Lindsay to you? A. Is it a genuine copy?

Q. I think so; when you read it you will be able to tell probably? A. Yes, I remember getting something similar to that; probably it is the same thing exactly.

Q. When he was here we questioned him with regard to what bank blue book that would be; you see the date of the letter is November 13th, 1907, and we came to the conclusion that the blue book would be the one up to the 31st December, 1906? A. Yes.

Q. Would this reference in his letter: "Several names that are not or should not be on the list as shareholders" refer to that list of December 31st, 1906? A. Yes, I should say it did.

Q. Do you know at all what his reference is? A. His reference was a bluff to frighten me that he would make a complaint to the Government if I did not settle with him; that is what he had in his mind when he wrote that letter.

Q. Was his statement true that there were several names that should not have been on the list? A. Yes, he is quite right in it.

Q. You think this was his bluff to frighten you? A. Yes.

Q. I suppose it could not have any effect? A. I am not bluffed as easily as that.

Q. Did you alter the list of December 31st, 1907? A. The list was sent down exactly as it should have been according to our books.

Q. I want to ask you now about that loan of \$80,000 that was got from the Trust & Guarantee Company? As I understand you found yourself short and you had to raise a loan of \$80,000? A. Yes.

Q. In order to make the deposit; this is the cheque which you finally got, is it not, dated 11th October, 1906, for \$80,000 payable to the Bank of Montreal? A. Yes, that is the cheque. —EXHIBIT 40:—Check, Trusts and Guarantee Company to Bank of Montreal, dated 11th October, 1906, for \$80,000.

Q. Application for that \$80,000 was made to whom? A. Mr. Warren of the Trusts and Guarantee Company.

Q. And solely with him? A. Yes.

Q. What was the bargain, what were you to pay?

MR. COMMISSIONER: Was it in writing or verbal? A. It was a verbal application. I called on him and talked the matter over with him.

MR. HODGINS: You finally gave him a hypothecation? A. I gave him the usual hypothecation that is taken in such cases for the notes that I deposited as collateral security.

Q. Just tell me what the verbal arrangement was? A. The arrangement was he should loan me \$80,000 for the purpose of putting up to the Government and make the Government deposit in accordance with the Bank Act on the security of \$103,000 or \$104,000 of good Farmers notes.

Q. As far as I know these are the only papers we can find showing the arrangement between you; will you just look and see if there is anything further?

A. The arrangement was the loan was made to me personally under legal advice; it had nothing to do as far as I knew at that time with the provisional Board, and the notes having been endorsed over to me personally I had hypothecated them personally to the Trusts Company and received this \$80,000 for which afterwards the bank paid 7% and \$1,000 bonus.

MR. COMMISSIONER: The Farmers Bank? A. Yes.

Q. 10%? A. Yes, and \$1,000 bonus.

MR. HODGINS: I want to know what your arrangement with Mr. Warren was? A. My arrangement with Mr. Warren was to borrow that money and give the security.

Q. You explained what these notes had been given for? A. Yes.

Q. That they were stock subscription notes? A. That they were given on account of the subscriptions, yes.

Q. And you wanted to deposit them with him and get this money to make up the Government deposit? A. Yes.

Q. What was the necessity for legal advice? A. The legal advice was whether those notes could be collected or not when they were given for subscriptions.

Q. Collected by whom? A. Collected by the holder.

Q. By the Trusts & Guarantee Company? A. Yes, they would be the holder at that time if they advanced the money.

Q. Who gave the legal advice? A. Mr. Hunter, I think.

Q. You stated it was given under legal advice; do you mean to say you do not know who the solicitor was? A. My recollection is Mr. Hunter; I do not know whether it was Mr. Hunter or Mr. Urquhart.

Q. Did you meet Mr. Hunter in connection with it? A. I did.

Q. Did you explain the situation to him? A. It was talked over.

Q. Who was he acting for? A. Warren.

Q. Was it thoroughly understood what we understand now, that they were stock subscription notes? A. I am satisfied it was.

Q. They were to be paid back out of moneys deposited after the granting of the certificate? A. That is where Mr. Warren and I differ. I have to contradict him. He said the money was to be paid back from the payment of the notes; I was under the impression I was to pay it back out of the deposit.

Q. How long was the loan for? A. Thirty days.

Q. And the bonus was for thirty days, that was the arrangement? A. Yes, the bonus was for the transaction.

Q. And in fact did you pay the money back out of the moneys you got back from the Government? A. I did.

Q. To Mr. Warren or to his company? A. To the Trusts Company.

Q. And was that made in three payments? A. It was.

Q. Would the dates Mr. Mitchell has given be right, December 6th, 7th and 17th? A. I think so. I did not see the cheques he was handling, but I considered he told what were the facts.

Q. What bank was your bank at that time? A. The Union Bank.

Q. It would appear to be in the Traders Bank, this deposit on December 3rd, \$245,000, would not that be what you got back? A. That is the money that came from the Government.

Q. \$245,839.80? A. That \$889.80 would be some odd cheques added to the \$245,000.

Q. Probably gave you some interest? A. We got some, not very much; we got very few favours from them.

Q. Would you tell me—? A. The cheques are here themselves; I saw them here the last time you held your sitting; they would speak for themselves, would they not?

Q. I have them here? A. I was wrong in saying the Union Bank; I transferred my account to the Union Bank soon after the bank opened, and I thought when I said that, that the cheques were on the Union Bank.

Q. Look at this, this appears to be a statement, you can tell whether it is from your books or the Trusts Company's books? A. This is made up by the Trusts Company.

Q. Can you identify in that the three cheques? A. \$30,000, \$25,000 and \$25,605.81.

MR. COMMISSIONER: That is repayment? A. Yes.—EXHIBIT 41: Farmers Bank book with the Traders Bank.

MR. HODGINS: This appears in this bank book? A. Yes, I see such entries there and I presume they are the ones.

## SESSIONAL PAPER No. 153a

Q. \$30,000, \$25,000 and \$25,605.81? A. Yes.—EXHIBIT 42: Statement re payment of \$80,000 loan.

Q. That cheque that I gave you for \$80,000 October 11th, 1906, was deposited immediately, was it not in the Bank of Montreal? A. Which cheque?

Q. The cheque for \$80,000? A. Yes, the book will show the date it was deposited; I do not know whether it was exactly that day or a day or two afterwards; it was very soon anyway after the issue of it.

MR. COMMISSIONER: Was the \$80,000 cheque of the Trusts & Guarantee Company deposited in the Bank of Montreal, or did you put your own cheque in? A. No, I deposited their cheque. The Trusts Company drew it to the order of the Bank of Montreal so that I could not make use of it in any other way.

Q. At whose request? A. It might have been mine, I could not say; Mr. Warren I think says so; I would hate to contradict him.

MR. HODGINS: Had you dealings with any one but Mr. Warren in the matter? A. I saw Mr. Stratton once.

Q. In connection with the \$80,000 loan? A. Yes, before it went through.

Q. Explained it to him? A. Partially.

Q. To what extent? A. Mr. Warren introduced me to him, if I remember correctly, and beautifully outlined the transaction, and I added a few words to it, and he said whatever Mr. Warren would do, he would be satisfied with it.

Q. Who fixed the bonus you were to pay? A. Mr. Warren.

Q. What was the necessity of paying a bonus on a loan of that kind? A. That is a usual custom; people do not make loans, banks or loan companies or any other institutions without having a little more than the interest.

Q. Without a bonus? A. Without a bonus, very few of them.

Q. What was the reason given to you for having the bonus of \$1,000? A. Profits to the Trusts Company.

Q. On account of the dangerous transaction? A. I do not think they looked at it that way, I thought they looked at it as an accommodation to me it was worth \$1,000, and I considered so.

Q. You thought it was? A. Yes.

Q. There was some doubt as to the legality of the transaction in their mind, that they were taking a risk? A. At first, but not always.

Q. Mr. Hunter was not the bank's solicitor? A. No.

Q. He was acting for whom? A. He was acting for Mr. Warren I understand.

Q. You did not identify these documents, I would like you to do that; one dated October 11th, signed by the Trusts & Guarantee Company per Warren: "Received from W. R. Travers, Esq., notes amounting to the sum of one hundred thousand nine hundred and fifty-five dollars as per list furnished us by the provisional directors of the Farmers Bank of Canada. A cheque will be given to you for the sum of \$80,000, the amount of the loan to be made by this company on the security of said notes to-morrow. The Trusts & Guarantee Company, per James J. Warren."

And then October 10th, 1906, which was the day previous, this letter: "W. R. Travers, Esq., Farmers Bank of Canada, City. Dear Sir: I wish to put on record our understanding of to-day that the \$80,000 has been available since yesterday, and that the rate of interest agreed upon will be payable in respect of it from this time on. Yours truly, James J. Warren, Manager." We have not been able to find the list of notes anywhere? A. I saw the list of notes here or some place else.

Q. The liquidator says he is unable to find them? A. I had them in my hands; they are marked as an exhibit somewhere.

Q. We do not find any list; at all events there was a list which that said was given by the provisional directors? A. The Provisional Board did not give the list; I made the list up myself.

Q. Without consultation with the Provisional Board? A. I did not consult with them at that time, very much beyond the allotment of stock.

Q. This says first, that is as it was written first, "Furnished us by the Farmers Bank of Canada", and then it is put in, by the "Provisional Directors". —EXHIBIT 43: Letter 10th October, 1906, Trusts & Guarantee Company to Travers and receipt for notes from Trusts & Guarantee to Travers of October 11th, 1906.

Q. Did you note the terms of that letter. (Of October 11th, 1906, Exhibit 43)? A. Yes.

Q. You noticed the change? A. Yes, I noticed he had provided the funds and wanted the interest—no, I cannot say that I noticed that.

Q. In your conversation with Mr. Hunter, did he see the list or notes? A. No, I don't think he did.

Q. There was nothing but notes being hypothecated? A. Nothing but notes.

Q. No. subscriptions at all? A. All I had were hypothecated, the subscriptions as well. I am quite sure there was another document that carried the subscriptions with the notes that they referred to.

Q. Have you ever said so in any single one of your examinations from the time of the failure of the bank up to now? A. I am not sure, but I think I did.

Q. In what case? A. In the case against Warren and Stratton; I am not sure about it, but my recollection is I did mention that.

Q. You think then there was an hypothecation of subscriptions? A. I feel certain there were.

Q. You would have made up an additional list would not you? A. No, there was no list made of the subscriptions, I am quite certain of that, but the hypothecation was made, if I remember right, to read that the subscriptions which these notes referred to were hypothecated.

Q. That is something quite new on the evidence you have given so far; you may be quite right? A. I have answered every question I was ever asked; I did not volunteer anything.

Q. How is it that this letter does not say so? A. I could not say.

Q. Notes amounting to \$100,955; there must be another paper which the Trusts & Guarantee Company got at that time? A. There may be, I could not say.

Q. You said you remember a list? A. I say my recollection is—I did not say there was any list of subscriptions; you twist it around and try to make me say something I do not wish to say. I said my recollection is that there was another document that carried the subscriptions with those notes.

Q. If that be so, it has never been produced in any of the cases in which you have given evidence? A. No, I don't think it has.

Q. Has it ever been mentioned by you or Mr. Warren? A. I answered you a few minutes ago that I thought I had mentioned it in a previous case.

Q. Although it was not produced; did you hear Mr. Hunter's evidence when he was being examined before this Commission? A. Yes, I did; I don't think that question was asked him.

Q. What subscriptions were those that you think were hypothecated? A. The subscriptions that referred to each one of those notes.

Q. And apart from that there was no hypothecated subscriptions unless the subscribers had given notes which you handed to the Trusts Company? A. No.

Q. That is right is it? A. I think so.

Q. I would like to have quite a definite answer upon that, and I will ask the question again; I say, were there any subscriptions which you claim were hypothecated other than those of subscribers who gave notes whose notes were handed to the Trusts Company? A. No, there were not.

## SESSIONAL PAPER No. 153a

MR. COMMISSIONER: Did you not keep a copy in your letter book of the hypothecation paper? A. All the paper should have been in the bank.

Q. When it was drawn out, the hypothecation paper, and handed over did you not have it copied in your letter book? A. No, I signed those in their office; I wanted the cheque for the money, I did not pay much attention to anything else; I knew I would pay it back.

MR. HODGINS: How is it there was nothing signed by you at all, it is all signed by Warren? A. All documents I signed were returned to me after the loan was paid off; they should be on file in the Bank, but as they arrested me a few hours after the Bank failed I had not a chance to see the papers were protected.

Q. When you say "after the loan was paid off" what do you mean? A. It was paid off later on; those cheques you speak of, December 6th, 7th and 17th I think they were.

Q. It was handed back immediately after that? A. No, they were not handed back to me then, the transaction was reversed after that, and it ran on again for a few months.

Q. And then they were handed back, were they? A. I think so; my recollection is they were.

Q. Look at that document and please tell me what this is? A. I do not know what it is; it purports to be a list of notes that were returned from the Trusts Company to the Bank.

EXHIBIT 44: List of notes purporting to be returned from Trusts Company to Farmers Bank.

Q. Are they some of the notes that are hypothecated? A. Yes, I should say there were a great many of them.

Q. Look at those papers and tell me if those relate to the same notes? A. Yes, I should think they were some of the notes, sure of that.

Q. I do not find any statement that there were any subscriptions returned to you? A. The subscriptions were not handed over to them, not the subscriptions themselves.

Q. That is why no reference to subscriptions appears in any of the letters or papers that I show you? A. I should fancy that is the reason.

EXHIBIT 45: Receipt, Travers to Trusts & Guarantee Company for notes received, dated February 26th, 1907, and correspondence between Warren and Travers.

Q. (Referring to Exh. 44). You will notice these three notes which are struck out, F. W. Stair, W. J. Lindsay, and W. R. Travers, \$9,000, \$2,500 and \$81,000; you know that the first two were in connection with the subscription loan of eighty thousand dollars? A. Yes, twenty thousand was referred to.

Q. What about W. R. Travers, \$81,000? A. That was the note I gave for the \$80,000 loan and the bonus of one thousand dollars.

Q. Did you not get that back? A. Certainly I got it back after it was paid.

Q. What does this mean, the striking that out of that list? A. I do not know what that list is.

Q. It says "List of notes"? A. Yes, but anybody could make up that list; it looks to me like a list of the notes.

Q. It looks to me like an exhibit produced in the Stratton and Warren case, the property of the Trusts Company. I am asking you what you know about it? A. I do not know anything about it.

Q. You cannot account for that being struck out? A. No.

MR. COMMISSIONER: They apparently total the sum of \$166,000 if the pencil is right.

MR. HODGINS: You have said that this was a loan made to you personally. You were asked in previous inquiries whether you had the right to sell those notes

whether you were the owner of them and could sell them; what do you say to that? A. I thought I had at the time.

Q. You answered then that you did not think you could sell them, that all you understood was that the provisional directors had resigned their trusteeship to you? A. I don't think I made such an answer as that.

Q. I would like to get the basis on which this loan was made? A. The facts are very simple.

Q. They are not so very simple as you put it; you endeavored to make this a personal loan to yourself, and the question you were asked was: Q. "Was it an absolute sale to you by the provisional directors of these notes? A. I did not look at it that way. Q. How did you look at it? A. I looked at it that they simply resigned their trusteeship to me and left me in power. Q. Were you prepared to sell these notes? A. No, I don't think it would have been lawful for me to sell them." A. I did not sell them.

Q. I know you did not; now are you satisfied that that is your view? A. I acted under Mr. Hunter's advice at that time and we considered the proper way for me to make the loan was to make it personally; what was the effect in law I do not know.

Q. It was Mr. Hunter's advice that led you finally to settle on the idea of a personal loan, was it? A. Yes, that is my recollection.

Q. In fact it was first to be made in the usual way upon those notes, and at the suggestion of Mr. Hunter was finally settled down into a personal loan to you? A. Yes, that is the way I recollect it.

Q. So that I suppose you and Mr. Hunter quite knew what your title to the notes was and the purpose for which the loan was being got? A. Yes, I should think so.

Q. The power of attorney from the provisional directors to you which has been put in as Exhibit 13, appoint you attorney to endorse their names on all notes made by any one payable to the provisional directors, and the endorsement shall be valid just as if they had endorsed it, and to hypothecate said notes so endorsed and signed for the purpose of raising funds thereon, we personally guarantee said notes—the date of that is 8th October, 1906? A. Yes.

Q. And at that time it was quite understood by them that your hypothecation was to raise money to get the charter put through? A. At that time, yes.

Q. So that they would get the balance of their \$10,000? A. I don't know if they had that in their minds, they might have.

Q. Likely? A. It seems reasonable.

MR. COMMISSIONER: He cannot answer that.

MR. HODGINS: Did they say anything about it? A. Not at that time, they did not say anything about the \$10,000 at that time; that was never acted on; when I first tried for a loan the matter came up that it would be probably necessary to have that power of attorney and it was never acted on.

Q. Did you endorse all those notes? A. I think not; I think they endorsed them themselves, if I remember right.

Q. Did you endorse the notes as attorney? A. No, my recollection is I did not.

Q. We have one of these notes that we got down at the Department, I think it was sent down there from the Milton Branch (EXHIBIT 3). A. I endorsed that note under that power of attorney, but my memory was that they had signed them themselves, each one, so I have to withdraw that; that is all. I did not think I had acted under the power of attorney.

MR. COMMISSIONER: Are any of these other notes that were hypothecated to the Trusts and Guarantee Company available?

MR. HODGINS: Yes, if they have not been collected they will be and I will have Mr. Clarkson produce them.

## SESSIONAL PAPER No. 153a

Q. Where did that note come from? A. This note was sent out to Milton and was discounted.

MR. COMMISSIONER: Which note is it? A. The note of Robert L. Brown for \$4,500.

MR. COMMISSIONER: That does not appear to be in this list (EXHIBIT 44).

MR. HODGINS: No, because that note was got from the Trusts Company much earlier than the 12th March, 1907, and was sent out to the Milton branch and gave rise to Mr. VanKoughnet's letter, that with others.

Q. I see in the evidence which you gave in the Stratton case, you were asked this question: Q. "Then when you saw Mr. Warren the loan you applied for was a personal loan to yourself giving these notes as collateral security?" A. I won't say I put it that way in the first place, it was finally made in that shape?"

A. That is exactly what I say now.

Q. That is what it finally came to as being a way of getting the loan through and avoiding some difficulty? A. Exactly.

Q. What was the difficulty? A. The difficulty which would arise in Ottawa.

Q. What was that? A. As to whether the money was borrowed on the shareholders notes or not; no doubt that is what the difficulty was.

Q. You think we ought to be able to find in the Trusts Company some other paper referring to subscriptions, some hypothecation signed by you? A. No, I do not think it would be in the Trusts Company. It should have been among the bank papers, if at all; I must have got those back.

Q. It should have been transferred back at some time? A. Yes.

Q. And so far as you know you left it in the bank? A. I did.

Q. If it does not appear there and has never been mentioned from that time down to the present time, perhaps your recollection may be wrong about it? A. It might be; a lot of important papers have disappeared since this thing started. I am at a loss to know where they have gone to, myself.

Q. The \$80,000 was not enough, you had expected it would be enough and you found later on that you wanted \$20,000 more? A. Yes.

Q. And that was raised upon the same company, was it not? A. Yes.

Q. And on the hypothecation for that; this is the cheque with a copy attached? A. Yes, that is the cheque for \$20,000.

EXHIBIT 46:—Cheque of Trusts & Guarantee Company, payable to the Bank of Montreal for credit to Farmers Bank of Canada, with Finance Minister and Receiver General, \$20,000, dated the 23rd October, 1906, with copy attached.

Q. What was the security given for that? A. The security was \$20,000 worth of Canada Loan & Savings Company stock and \$9,000 note of F. W. Stairs, and a \$2,500 note of Lindsay's, which note I borrowed for the occasion; that is as far as I remember, there may have been one or two other notes.

MR. COMMISSIONER: The Canada Loan & Savings Company, where is that company? A. It has gone out of existence now.

MR. HODGINS: Was it absorbed by the Dominion Permanent? A. I could not say, being out of business so long, I have lost track of it.

Q. Did any subscription notes go with that? A. Yes, I have just mentioned that F. W. Stairs, \$9,000, that was a subscription note.

Q. That was one of the ante-dated subscriptions? A. I do not think this was. (Refers to Exhibit 19). Application, October 9th—so that is before.

Q. That was the stock subscription note and was Lindsay's?

MR. COMMISSIONER: He says Lindsay's was an accommodation? A. Lindsay's was an accommodation note.

Q. What else was there besides those two notes? A. That stock.

Q. Were not there as a matter of fact notes belonging to the shareholders?

A. I think there were, but I cannot say positively, I do not remember.



Q. I will be able to get that; we cannot lay our hands on it for the moment, but I know there were a few of those notes? A. Yes, I think there were two.

Q. How did Lindsay come to join in giving you an accommodation note? A. At my request.

Q. Why should he do it? A. He was helping me in every way he could.

Q. He was I suppose as interested as you were in getting the certificate? A. He was as much interested as I was, and he wanted his commissions and he wanted to go on selling the bank's stock after we were organized.

Q. You got the \$20,000 and paid that in? A. I did.

Q. And that completed the amount? A. That completed the \$250,000 that was required under the Bank Act.

Q. So that down to that time you had no anticipation you would have any trouble? A. I had not.

Q. Then came in the Laidlaw difficulty? A. Yes.

Q. And we know how that was got rid of; I would just like to ask you a question about some statements in the affidavit you filed then. The date of the writ of summons I see is the 22nd October, 1906; in that affidavit just to get that in proper sequence, you say: "About half past one o'clock of Tuesday, the 23rd October, inst. I was served with a copy of the writ of summons"—this is the affidavit you made for the purpose of getting rid of the action? A. Very likely.

Q. You say it was done for the purpose of preventing, "if possible to prevent the complete organization of the bank"? A. It was done because Mr. Laidlaw came to me and asked to be solicitor of the bank and divide the commissions, and if I did not accede to it, he would burst it up; that was the reason it was done.

Q. You knew his purpose in the suit, at least you thought you knew, was to prevent the bank being organized? A. That was his purpose; he wrote to these people and invited them to bring suit. I wanted to bring it before the Law Society.

Q. Well, there is nothing to prevent you doing it yet. You were served at half past one on the 23rd, and the deposit of the last \$20,000 was on the 23rd; which took place first, the service of the writ or the deposit of the last \$20,000? A. I could not say.

Q. In this writ, I am not going to go through it, but you set out in detail each of the subscribers, the date of his application, and whether or not he paid or did not pay any money, and whether he gave notes and their date and due date and so on; those were all accurately taken at that time? A. I should say they were.

Q. And you say that on or about the 22nd October, the total subscriptions for stock in the Farmers Bank of Canada as duly entered in the books of the company amount to the sum of \$566,700—where did you get that from? A. I suppose we took it from this book. (Stock subscription book).

Q. Did you go over those with Lindsay carefully before he went out to get rid of these subscriptions, each of these subscriptions? A. As I have sworn before and many times, and I swear now, Lindsay got a revised list of all subscriptions every time he came into the office.

Q. I see you state you deposited the final \$20,000 at 12 o'clock noon, on the 23rd, so that it would be an hour and a half ahead of the writ? A. That must be right. I stated the facts to Mr. George H. Watson, K.C., and he prepared the affidavit for me and I swore to it.

Q. "The deposits before referred to were made and the receipt from the bank obtained before I had any notice of the proceedings in this action by the plaintiff and the draft before referred to payable to the order of the Receiver General was also duly obtained and posted before I was served with a copy of the said writ".

EXHIBIT 47:—Writ in action of John Sproat *et al v.* Farmers Bank *et al*, together with affidavit of W. R. Travers.

## SESSIONAL PAPER No. 153a

Q. You had to borrow money to get rid of the Laidlaw subscriptions? A. I did.

Q. To the extent of \$2,380; what was the security given for that? A. I gave the security of my own life insurance, which my wife endorsed over to the company.

Q. Did you call on Lindsay for anything more then? A. No.

Q. You were insured in the Excelsior Life? A. No, the Canada Life.

Q. This is the Excelsior Life; look at that? A. Yes, that is one of them, but I had two or three policies.

Q. Did you assign more than one? A. My recollection is that I assigned this one and the Canada Life. The Canada Life I took out when I was a young man and it was very valuable, and it is yet; that is the one I think we put the most dependence on.

Q. That loan according to the particulars here did not go through until 27th October, and that is the very day you got the action dismissed; who advanced the money in the meantime? A. I borrowed the money from Mr. Warren, the Trusts & Guarantee Company, and the money was deposited to Lindsay's credit in the Bank of Montreal. Lindsay went out and gave his own personal cheques to each of these people as he settled with them.

Q. Do you know at all whether you got the money from Mr. Warren in advance of this loan being completed? A. In advance of the \$20,000 loan.

Q. No, in advance of the date at which the money was put to your credit by the Trusts Company? A. No, I cannot say that. My recollection is that I got it just the same day I deposited it to Mr. Lindsay's credit, which would be the same date as this paper; I am not sure about that.

Q. Apparently you did not get it till the 27th, which was the day you got the action dismissed, and the payments had been made several days before that; I was wanting to know whether you could recollect whether you borrowed that money or had it actually on hand? A. No, I had not the money till I borrowed it from Mr. Warren, whatever date it was I could not say exactly now.

Q. I will put in these papers; I see Lindsay was a witness to this assignment of policies, so that I suppose he knew about the transaction? A. Everything I knew, he knew until the date we parted on the Commission.

Q. That was the following year after the bank was organized? A. About that I should think.

Q. Look at that and tell me if that indicates correctly the loan and its repayment? A. Yes, I should say that is a statement of the loan I made, \$2,380.

EXHIBIT 48:—Statement *re* loan of \$2,380, assignment of Excelsior Life Insurance policy and certain notes together with correspondence between Mr. Travers and the Trusts & Guarantee Company.

Q. Lindsay actually paid these people back the money that they had paid on their Laidlaw subscription? A. I presume he did, he brought the assignments in.

Q. He brought the assignments back and so it would appear in his bank that he had actually made the payments? A. That is what I understood.

Q. And were those payments, although made to these people by Lindsay, paid back, left on the list which finally went down to the Finance Minister? A. They were.

MR. COMMISSIONER: We have all that proved and the list shows it.

MR. HODGINS: Proved by whom?

MR. COMMISSIONER: Lindsay was asked that, and the list shows it.

MR. HODGINS: I want to get the fact from the man who knows it.

MR. COMMISSIONER: The proper way to get the fact is from the documents.

MR. HODGINS: I have found the papers connected with the twenty thousand dollar loan; see if that is correct; those are the papers, are not they, relating to

that? A. Yes, I will have to qualify my statement now that we put in other stock besides the Canadian Savings & Loan; I see also we had thirteen shares of the Dominion Permanent which I had forgotten.

Q. Whose shares were those? A. They were taken on account of subscriptions to the Farmers Bank, turned in as cash.

Q. Do you know to whom they belonged? A. My recollection is they belonged to W. G. Sinclair. I think they were in W. G. Sinclair's name, endorsed in blank; that is to say that the power of attorney on the back was endorsed in blank.

Q. In addition to the two notes you have assigned, there was a note of M. M. Devean "held as collateral to the above referred to shares of the Canadian Savings Loan and Building Association for \$15,000"? A. Yes.

Q. How had you acquired that note? A. Devean subscribed for twenty thousand dollars worth of stock, and turned in the Savings Company's stock in payment of it.

Q. And had given you a note for fifteen thousand dollars? A. And he gave me a note as well.

MR. COMMISSIONER: Is that quite accurate? Had not he turned in as collateral security?

MR. HODGINS: This is held as collateral to the above referred to shares—? A. Turned over from the Bank to the Trusts Company he is referring to now.

Q. "The following promissory notes, M. M. Devean, Toronto, held as collateral to the above referred to shares of the Canadian Savings Loan and Building Association for \$15,000"? A. That refers to the hypothecation to the Trusts Company, does it not?

Q. No, I should take it that Devean had given you this note and you held these shares as collateral for the payment of the note? A. That is not the way I understood it then. My recollection of it is I got him to give me the note afterwards to satisfy Mr. Warren's ideas about it; I do not think at the time he subscribed twenty thousand dollars stock that he gave the note; I think we accepted that stock. He is here and he will be able to tell that for himself.

Q. You think you accepted that stock in payment? A. Of the shares.

Q. And took no note? A. And took no note at that time.

Q. Did you get it for the purpose of this loan? A. Yes.

Q. To satisfy Mr. Warren? A. That is my recollection.

Q. There were no subscriptions transferred in this case? A. No, I see nothing there.

EXHIBIT 49:—Agreement between Travers and Trusts & Guarantee Company for loan of \$20,500, and correspondence between Travers and Warren and others.

MR. TRAVERS: After seeing that document it seems to me it was something similar to that that they took the assignment of the subscriptions.

Q. After the loan had been got and the money sent down and Laidlaw got rid of the 27th October, the next thing was the meeting which we dealt with; immediately after the meeting you started in to get the certificate—

MR. COMMISSIONER: Before you pass to that perhaps it would be just as well to find out when the loan was paid and what money paid this loan on policies?

MR. HODGINS: I think we have dealt with the payment of the eighty thousand dollar loan; then how and when was the twenty thousand dollar loan paid? A. The Trusts Company opened an account with the Farmers Bank after we opened our doors for business, and we also opened a current account with them. I placed the twenty thousand dollars to their credit at various times in various amounts; I would have to see.

MR. COMMISSIONER: In the books of your bank? A. Yes, which they chequed against.

## SESSIONAL PAPER No. 153a

MR. HODGINS: Here is the statement of the payment of that twenty thousand dollar loan charging interest and showing payment, would that accord with your recollection (Exhibit 50)? A. It may be, but it does not appear the same to me at the present moment.

EXHIBIT 50: Statement re \$20,000 loan.

Q. You think that is not quite accurate? A. It does not strike me as so; I have in mind at the present time that it was paid differently from that.

Q. We will be able to tell probably when the books are gone through; your recollection is that it was not paid in one sum like that? A. No, my recollection is that it was paid in half a dozen different sums; that is my recollection.

Q. Through what years? A. It would be in January, February and March, 1907, or February, March and April, 1907; I think it spread over two or three months.

MR. COMMISSIONER: There should have been the two accounts—

MR. HODGINS: The first three months of 1907 have some very curious entries in them and I will have to go into that later on? A. That looks like a statement of the loan, not a repayment of the loan.

Q. Yes, there is the date of re-payment, December 10th, 1907.

MR. COMMISSIONER: The item is C. 1193? A. I may be wrong about the time that was paid, along in January, February, and March, but I know the bank books will show the amount went to their credit in different amounts.

MR. HODGINS: You got twenty thousand dollars, but the loan appears to be twenty thousand five hundred dollars? A. \$500 was a bonus.

Q. Who arranged that? Mr. Warren.

Q. What did he want a bonus on that for? A. For the accommodation giving me twenty thousand dollars in cash.

Q. Was there any difficulty in that as there had been in the previous one?

A. No, he did not hesitate about that loan at all.

Q. Nor did you hesitate I suppose about the commission? A. No, I did not.

Q. Did Mr. Hunter intervene at all in connection with that? A. No, I do not think Mr. Hunter had anything to do with that at all.

Q. The transaction of the \$2,380 loan, was any commission paid on that? A. Nothing but straight interest.

Q. When was that paid back? A. The bank books will show that.

MR. COMMISSIONER: I thought the statement put in showed that?

MR. HODGINS: Oh, yes, there is a statement. Just look at that which is part of exhibit 48—it is a curious thing, but it has the same date for the re-payment of that loan as the twenty thousand dollar loan, as I read it? A. I do not make that out; it looks as if it was a statement of the Trusts Company regarding that \$2,380 loan.

Q. What do you say as to its re-payment? A. The only thing I can say about that would be to look and see the date in the bank's books when it was paid.

Q. Was it paid by you personally or out of the funds of the bank? A. It was paid out of the funds of the bank.

MR. COMMISSIONER: What was it charged to? A. My recollection is it is charged to organization expenses, I could not say positively about that now without looking at the books.

MR. HODGINS: To deal with the question of making up the list, who took part in making up the list that went down to the department? A. Mr. Fitzgibbon compiled it from this stock subscription book (Exhibit 18) and it was looked over by Mr. Hunter, and before it went down to Ottawa, Dr Beattie Nesbitt took a hand in it.

Q. Who else? A. And myself, of course; that is all.

Q. Mr. Fitzgibbon was the accountant of the bank, was not he? A. He was.

Q. He had joined, I am told, on the 19th November? A. Yes, and here let me contradict some evidence that he gave; he swore to this Court that he had protested against me raising the money on those notes; how could he protest against my raising the money on those notes when he did not enter the bank till the 20th November, and I raised it on the 19th October?

Q. We will see how far that is a just observation a little later; he did join on the 19th, and the list went down to Ottawa when? A. Soon after the 26th, I think on that same night.

Q. I suppose you will agree that anything Fitzgibbon knew he learned from someone in the bank when he started to compile the list? A. Yes, certainly, acted under my instructions.

Q. But the information he had with regard to the subscriptions would be what he would get when he joined? A. What he would get from the books.

Q. Only from the books? A. The books speak for themselves.

Q. I am asking the source of his information? A. He would certainly get information from me.

Q. And from any one else? A. No, he would have no right to ask information from anybody else.

Q. You do not know of his getting information from anybody else? A. I saw him speaking to Mr. Hunter once or twice; he must answer for himself about that; I do not know.

Q. He made up a list, and he submitted it to whom? A. The list was looked over by Mr. Hunter.

Q. Before you saw it? A. No, I saw the list from time to time as he made it up.

Q. Just tell me this, is it not the case that you and he and the others you have mentioned sat about and either you had the list or arranged what credit should go on them? A. Are you referring to the borrowing?

Q. No, I am referring after the borrowing was over, and the meeting was over, and you were getting the list up to send down to Ottawa? A. Yes, quite so; the list of names were taken from the book just as they were in the book, the amount paid on them was arranged between Dr. Nesbitt, Mr. Hunter and myself, as to the amount that we should show paid on each one.

Q. How was the information got on which you and Dr. Nesbitt and Mr. Hunter acted? A. I do not understand your question.

Q. Who would know how much was to be appropriated to each subscription? A. That is the matter we arranged ourselves, some suggested one thing and some suggested another; we finally came to a conclusion as to just how we should make it up.

Q. Was the list that went in the result of your joint work? A. Yes, it was.

Q. There are on that list without going into particulars the names of people who had never paid anything at all in cash, who had given no notes? A. Yes, I am sure there was.

Q. How were those treated? A. I will have to compare them to see; my recollection was in giving evidence before that we did not put any payments against those.

Q. I would like you to compare that? A. I am not sure about that; I will have to compare it; we may have done it.

Q. I would like you to compare that list? A. If I have the list and the time I will be very pleased to help you all I can.

Q. The only other way is for me to ask you to look at the list and verify probably two dozen names? A. It is pretty hard, about 800 names, to remember every name on it.

## SESSIONAL PAPER No. 153a

Q. Probably we can shorten it up by giving you the list ourselves. Look up T. Cox? A. Yes; what do you want to know.

Q. I want to see what it shows in the return to the Government, if he is in? A. The return to the Government he is in it, \$5,000 and \$500 paid up, I think.

Q. How is the truth as to that? A. My impression is he gave a note; you would have to look in that list of notes to the Trusts Company.

Q. Can you tell me if he paid anything up? A. I cannot tell you.

Q. What do the books show? A. This book shows the whole thing, amount paid \$5,000.

The Commission adjourned at 12.45 to 2.15 P.M.

The Commission resumed at 2.15 P.M., May 15th, 1912.

## Examination of W. R. TRAVERS continued.—

MR. HODGINS: After discussing the matter with Mr. Travers I think we can give subject to verification by Mr. Clarkson, a list of all those who had given notes at that time. A list has been made of the notes which were withdrawn afterwards from the Trusts & Guarantee Company, and were transferred to the Milton branch and probably another branch; Milton seems to be the one chiefly used, and that accounts for all the notes that were used on these three loans.

MR. COMMISSIONER: You had better verify it before you put it in. Mr. Clarkson is here, is not he?

MR. HODGINS: One of the Mr. Clarkson is here.

MR. COMMISSIONER: There will be time enough to verify that and put it in right.

MR. COMMISSIONER: What does the witness say about it? Does he know anything about it?

MR. HODGINS: I have shown you, Mr. Travers, this memorandum which states the amounts of the notes handed the Trusts and Guarantee Company on the three occasions

MR. COMMISSIONER: In gross.

MR. HODGINS: Yes, and then the gross number of notes charged to the Milton branch, and then the details of each of those charges to the Milton branch

A. Yes.

Q. You have looked over those I think? A. I have.

Q. Are you able to say whether if those appear to be properly taken from the books of the bank they would account for all the notes that were on hand at the time these loans were made? A. I would.

Q. And at the time this list was sent in to the Government? A. Yes.

MR. COMMISSIONER: Is that quite so, because I notice among the papers receipts for notes returned to the bank?

MR. HODGINS: Yes.

MR. COMMISSIONER: That would not show all those?

MR. HODGINS: It would include those.

MR. COMMISSIONER: In some cases there were one or two notes handed back according to one of these exhibits.

MR. HODGINS: Practically all the notes were handed back, and then sent by the head office—

MR. COMMISSIONER: Were they all discounted at some office of the bank?

MR. HODGINS: There are three notes; the Denoon note was returned to the bank—perhaps if I show you this, you see those are the amounts of the notes in the

first line, and that in the second and that in the third. These are the charges to the Milton branch; there were three disposed of otherwise; leaving this balance accounted for by those, and an unexplained balance of \$520.

MR. COMMISSIONER: Take, for instance, this, Joseph E. Bate, \$500; Geo. A. Bell, \$270; apparently they were taking them out and discounting them.

MR. HODGINS: Yes, at the Milton branch.

MR. COMMISSIONER: I see those notes were falling due; that was probably the reason. The witness says that accounts for all the notes he thinks.

MR. HODGINS: Yes; this would account for all the notes; you saw the list of notes that had been in the hands of the bank and were extant when the list of shareholders was prepared to go to the Minister of Finance? A. Yes; I would say I would feel confident that this list as prepared by Mr. Clarkson is correct.

Q. And would show that fact? A. And would show all the notes that we had on hand at that time.

EXHIBIT 51: List of notes.

MR. COMMISSIONER: That went through the Trusts & Guarantee Company? A. Yes. I remarked before the Commissioner took his seat that I thought there might be two or three notes on hand that did not go to the Trusts Company for which the accountant—

MR. HODGINS: Mr. Fitzgibbon could give us those? A. He should be able to tell you that.

Q. Subject to that this would apparently account for all the notes on hand at the time the list was made up? A. Yes, I would say it would.

MR. COMMISSIONER: Not simply those that went to the Trusts & Guarantee Company, all that they received from the subscribers.

MR. HODGINS: Yes; the list itself which was deposited with the Trusts & Guarantee Company originally does not appear to have been ever discovered.

Q. I notice in going over the list of payments which are credited upon the list sent to the Minister of Finance that there is quite an amount of cash credited to almost every subscriber on the list? A. Yes.

Q. Some of those were undoubtedly paid and are correctly shown? A. Yes.

Q. Some of them had given notes? A. Yes.

Q. How did you treat those who had given notes? A. We showed a certain percentage of the subscription as having been paid in cash.

Q. In the list which I have and which I will have to verify by Mr. Clarkson it would appear that in quite a number of cases the full value of the note is marked as paid up in cash, and in some cases a very much smaller amount than the face value of the note is credited in cash; why was that difference made? A. I could not answer that.

Q. Just to illustrate; there is W. R. Kennedy, who had a note for five hundred dollars; he is put down as having paid \$250 in cash; take another illustration, G. W. Sinclair, there were notes for six thousand dollars and you put him down as having paid up only \$500. In most of the cases you show the full amount of the note as being paid in cash? A. We tried to put ten per cent on as nearly as we could, but in order to distribute the hundred thousand dollars we had to allocate different amounts here and there to different subscribers; that is the only way we could account for it.

Q. There are some, for instance, W. Beattie Nesbitt and E. H. Honeywell for which you held no notes, they are put down as having paid in cash three thousand dollars, and \$2,500 respectively? A. Three thousand dollars shown on account of Nesbitt, I am not sure whether we have the note or not; I could not say so.

Q. There is no note shown? A. No, we have no note for that; I remember now there was no note for that.

Q. W. H. Honeywell is another credited with having paid twenty-five hundred dollars and no note for that? A. No, I do not think there was.

## SESSIONAL PAPER No. 153a

Q. J. Sproat, one thousand dollars, there was no note for it? A. That is ten thousand subscription is it not?

Q. That was one of the Laidlaw ones? A. Yes.

Q. There is Patterson, Beatty, Campbell, also Laidlaw subscribers, were they not? A. Yes.

Q. Hume, Dixon, McLeod and Sinclair? A. Sinclair was not.

Q. McLeod was and Dixon and Hume, W. J. Lindsay is shown as a payment of five thousand dollars; there is no note from him? A. Nothing but that twenty five hundred dollars which he put into the Trusts Company, but I did not take that with any idea that it was on account of—

Q. That was an accommodation note? A. Yes.

Q. Do you remember a subscription from a man named Witham, thirty five hundred dollars? A. Yes, twenty five hundred dollars was it not?

Q. Yes, thirty-five hundred dollars, I am instructed? A. I think it was twenty-five hundred dollars.

MR. HODGINS: I am instructed that that to your knowledge was not to be allotted until Lindsay had sold certain lands of his? A. I did not understand that it was not to be allotted; I understand it was subject to a payment.

Q. You knew it was conditional? A. Yes.

MR. COMMISSIONER: What was conditional? A. It was conditional upon Lindsay selling some real estate for him, if I remember right.

Q. The subscription was conditional? A. The payment.

Q. He was not to be called upon to pay? A. Until Lindsay had completed some real estate transaction.

Q. There are five subscriptions for five thousand dollars: Joseph E. Bate, Jennie B. Geer, T. L. Cox, D. C. Kemp, and George Storey, each for five thousand dollars, which I am told were known to be worthless; what do you say to that? A. I say that is the fact.

Q. Were they known to be worthless at that time? A. Not just at the time that the subscriptions were taken but before the list was sent to the Government—

Q. That is a copy of letter dated March 29th, 1906, to Witham, it appears on the file here; had you knowledge of that letter? A. It is the first time I have seen that letter or ever heard of it.

MR. COMMISSIONER: You may as well mark it.

EXHIBIT 52: Copy of letter W. J. Lindsay to A. J. Witham, March 29th, 1906.

MR. HODGINS: Then there are a number of subscriptions included in the list which were afterwards cancelled. I would like you to say whether cancellation was in pursuance of any previous arrangement, in other words whether they were subscriptions to be put on the list but with the full knowledge that they would be cancelled afterwards or not: There is Neil Stewart? A. Neil Stewart is one of the Laidlaw ones I think.

Q. No, Shuert; this is Neil Stewart? A. All I can say to that is we found from time to time that there were certain ones it would be difficult to collect and we cancelled them; there were, as I stated, a number that we had to cancel, such as those you have gone over with me before.

Q. I will just read this list and if you listen to them all, probably some name will strike you: Neil Stewart, \$2,500; Thomas Aitkin, \$1,500; Robert Bell, W. T. Beatty, \$2,000; G. Daniels, \$500; Ella M. Beatty, \$100; T. Elliott, \$500; T. Hunter, \$2,500; Alice Hamilton, \$500; G. Laird, \$1,000; A. Matthews, \$500; J. Pell, \$900; E. C. W. Snelgrove, \$1,000; Eliza Weir, \$300; L. Cheyne, \$500; R. W. Fox, \$1,500; H. F. Johnston, \$200; M. Beattie, \$500; T. Cawey, \$200; E. Church, \$100; J. Dewar, \$500; J. Fortier, \$300; P. Sayers, \$100; Eliza W. Harton, \$300; J. Sunstrom, \$2,500; T. Elliott, \$500; T. Alderson, \$500; J. G.



Fitzgibbon, \$100; G. H. Thompson, \$3,500; J. Walker, \$2,000, making \$29,100 in all; those were afterwards cancelled? A. Yes. They were subscriptions on which no payments had been made, and in many cases their notes had been given that we could not collect, and I wanted to get them out of the road for a deal with some people in Winnipeg, I think, if the dates correspond rightly.

Q. Later on? A. Yes.

MR. COMMISSIONER: Some of these are credited with amounts paid? A. Yes.

MR. HODGINS: I think what I want to do is to make up a list of those which are correct, a list of those that had notes showing amounts credited and list of those who paid nothing and are credited; I can make that now from information I have.

MR. COMMISSIONER: Yes, that would be useful for reference.

MR. HODGINS: Before I just go into the matter of one or two things that occurred in Ottawa I would like to say I have gone over your printed evidence in the Stratton case, and I do not find that anything was said by you at all in that either in examination in chief or in cross-examination about subscriptions; what you said was: "We took certain promissory notes from subscribers to the amount of about one hundred and nine thousand dollars I think, and I thought at the time that I needed eighty thousand dollars, and I approached Mr. Warren to loan me that sum of money with collateral security on these notes". And later on the question was: "That is they were to advance the \$80,000 on the notes, these farmers notes, for which they were to get the bonus and interest specified? A. Yes. Q. Did you tell him (that is Warren) what the provisional board had done? A. I told him I had power from provisional board to endorse notes over to him". There is nothing in the power of attorney that I see to authorise you to do anything, to endorse notes or assign notes over? A. No, I believe not.

Q. This was on the 11th October. You had explained, had you, to Mr. Warren, about these notes furnished by the provisional directors? A. Yes. I explained to him that they were notes taken by the provisional directors on account of the subscriptions.

Q. "Then did you state how long you wanted that loan for? A. Yes, thirty days or thereabouts."

Q. Then on cross-examination, Mr. Watson reminds you that, on the 8th October the provisional directors gave a power of attorney to you for the purpose of endorsing notes in their names as provisional directors, and authorised the secretary to hand over all notes to W. R. Travers for the said purpose." And then there is at page 81 these questions:

Q. "You had obtained the loan at the time? A. Yes, I had obtained the loan. Q. You had used the notes and obtained the loan? A. I had."

Q. I do not find there is anything further about that? A. When you brought the matter up this morning it just came to my mind that there was an extra document attached hypothecating those subscriptions, and as I stated this morning I am not absolutely positive about it, but it is very strongly impressed upon my mind at the present time.

Q. This was the list, exhibit 19 on the King v. Stratton and Warren trial (now Exhibit 17)—kindly look at that—"You identify that in all case as being a copy"? the Crown Counsel asked you? A. I identified this yesterday as being a copy.

Q. That is the same one? A. Yes; we took care the first time it was produced to see it was correct.

Q. You see quite a number of pencil marks on it; the Commissioner has called attention to it that there is the letter "w" opposite some of them, and other pencil marks; do you know who has made those? A. I think that is my own as far as I can tell; worthless, is what I think I intended it for.

## SESSIONAL PAPER No. 153a

Q. When were those pencil marks made? A. One of the officers of the Court I think—

Q. It was after the suspension? A. Yes, it was after the trial commenced that I think these marks were made.

Q. Look at that cheque, I am instructed that that paid off the \$20,500 loan and also the \$2,380 loan, and probably something else, but that it certainly included those two? A. Yes.

Q. It is marked exhibit "14" in the Stratton and Warren case, is it not? A. Yes.

Q. Could you say what that included? A. That would be \$20,500 and \$2,380 and interest.

EXHIBIT 53: Cheque of March 12th, 1907, for \$25,344.80, to the Trusts & Guarantee Company or order, signed "Farmers Bank of Canada, W. R. Travers, General Manager".

Q. Look at this \$500 cheque payable to yourself and say what that was for? A. That was the Commission on the \$20,000; that was taken out immediately the loan was made, endorsed over just for convenience.

Q. Is it made payable to you; whom did you endorse it to? A. I endorsed it and handed it back to him.

EXHIBIT 54: Cheque of the Trusts & Guarantee Company to W. R. Travers, Esq., for \$500, dated 23rd October, 1906, endorsed by W. R. Travers, and also by the Trusts & Guarantee Company "James J. Warren, Manager".

Q. Can you tell me what this memorandum is, in whose handwriting it is, and when it was compiled? A. That is Mr. Fitzgibbon's handwriting.

Q. When was that compiled? A. I think that was a memorandum he made up at the time we were spreading that money over the subscriptions.

Q. Was that the occasion in November or was it on the following May for the purpose of that special return? A. Now I have changed my mind by going a little more carefully into it; I think that was a special return prepared in May, 1907; Mr. Fitzgibbon can answer that.

Q. After the list was prepared I suppose it was added up to show the amount that was paid? A. Yes.

Q. Was there that amount in the bank? A. No, there would not be that amount; there would be including—

Q. You had got \$150,000 from the provisional directors, did you get any more from them? A. \$150,000; there was about \$42,000 that was spent, and the \$100,000 that we borrowed would be \$292,000; it was very close to that amount taking that altogether.

Q. So that the way in which the amount paid up in that list that went to the Finance Minister was made up would be \$150,000 which had been handed over by the provisional directors, \$42,000 odd which they had spent in expenses, and one hundred thousand dollars borrowed from the Trusts & Guarantee Company? A. Yes, that is the way the amount was made up.

Q. When that list (Exhibit 17) was prepared was it signed or initialled by anybody? A. By myself only I think; looking at this and seeing this certificate on it signed by myself I would say that it was signed by myself alone only.

Q. The results had been arrived at, what we have described as the spreading process, in conjunction with the others you have named—? A. What is that?

Q. Had the result been arrived at in the spreading process you have described in conjunction with the others? A. Yes, Mr. Fitzgibbon first drafted out his idea, and he passed it on to me, and I formed my opinion, and Dr. Nesbitt had a look at it and he formed his, and Mr. Hunter ran over it and he formed his, and after a while we worked it out; that is all I can say about it.

Q. After you went down to Ottawa you say you had three interviews with the Finance Minister; could you tell us about one—you were introduced by Mr. Calvert on that first occasion, were you not? A. Yes.

Q. I judge by some papers I have here that you may have known him, or some one connected with the Bank must have known him for some time prior to that? A. I did not know him prior to that very long; he was supposed to be a warm friend of Mr. Lindsay's.

Q. Your letter of introduction came from Lindsay or Mr. Urquhart? A. No, I met Mr. Calvert before I went down there, but Mr. Urquhart gave me a letter to him, as he said he was influential, to urge his assistance.

Q. He had been assisting, had he not, in the early part of 1906 in seeing people in Ottawa with regard to taking stock? A. I heard so, I did not know it.

Q. That would be through Lindsay? A. Yes.

Q. Was there anything definite arrived at in that first interview with Mr. Fielding where you discussed the various subscriptions as to which you said he appeared to be informed? A. No, there was nothing settled; he said he was very busy, I would have to come back again, and let me know when to come; he also said that there had been so many irregularities about other banks' transactions with him with reference to their getting their certificate and he had to use a little caution.

Q. Any reference made to the Budget speech at that interview? A. Yes; he told me he was busy; that is the excuse he made for putting me off, that he had to deliver his Budget in a day or two, in fact I think he set the day; I cannot recall the day just now—that he was too busy. I know I went to the House and listened to it.

Q. You went to the House, and it was after the Budget speech you had the second interview? A. Yes.

Q. Where did that occur? A. Occurred in his office.

Q. On the last day of all? A. The day I got the certificate.

Q. It must have been earlier in the day? A. If my memory serves me right it would be about eleven o'clock.

Q. A letter has been put in from the Finance Minister stating that he would see you? A. Is that letter regarding the raising of the money?

Q. It is a letter dated 30th November stating: "I regret that owing to pressing engagements yesterday, arising out of the Budget, I was unable to meet you to consider your application for the issue of a certificate to authorize the Farmers Bank of Canada to commence business. I shall be glad to see you to-day at my office, at any time before one o'clock if you can call. Or I might be able to see you later, between four and five, at the House of Commons, if that will be more convenient."

Q. That is the date on which your letter in reply is dated; what time of day did you have your second interview with him? A. I was over there first; after receiving that letter I went over to see him then. He put me off till the afternoon; in the meantime he wrote me another letter asking me whether I had borrowed any money on notes, and then I answered that letter and followed it myself soon after.

Q. At the second interview, where you state he put you off till afternoon, was anything discussed? A. No; the meeting was very brief; he said he had not had time to give it any attention.

Q. He says "If you call at my office any time before one o'clock"—was it before one o'clock on November 30th? A. Yes, I called there either about eleven or between eleven and twelve.

Q. Then you came back, or rather I understand from you that you say you got a letter from him? A. Yes, there was another letter followed that.

Q. This letter goes on to say—there is only the one letter produced—"It has been represented to us that in some previous instances where an application was in all respects apparently regular, there was actually an evasion of the intention of the Bank Act in relation to the paid-up capital. We have been told that in some cases the subscribers did not actually pay in cash, but gave notes to the provisional directors which were used to raise the money". That is the letter which I read you the beginning of? A. That is the letter I had reference to then.

## SESSIONAL PAPER No. 153a

Q. Would that alter your recollection, and would you say you got that letter before you called on him in the morning? A. Yes, I got that letter, and I called on him, and he was too busy to see me, and I went over to Mr. Guthrie's office, and answered that letter, and then I called on Mr. Fielding again later in the day, I should think it would be four o'clock, and then I got my certificate.

Q. And you had your answering letter in your hand? A. No, I sent it over before I got there.

Q. Prepared in Guthrie's office? A. Yes.

Q. Was Guthrie there? A. Yes.

Q. Guthrie said you came over, but he did not remain? A. I read his evidence, I think he is mistaken.

Q. He said he was just going out and was putting on his overcoat and you wanted to use the office, and he said, 'Use it', and he left you preparing that letter which he never saw, and you did not consult him in the matter at all with regard to the question raised by the Finance Minister? A. I told Mr. Guthrie that I had made that loan personally, and that I had made the loan personally so as to get over any such letter as I expected to get, and he told me I was perfectly justified, and it was quite honest on my part to answer it the way I did.

Q. You had gone down with your solicitor, Mr. Hunter, and owing to the questions the Finance Minister had raised he came back to Toronto and he sent you down the subscriptions according to what you said? A. Yes, I got them there, I am quite satisfied he did.

Q. He did not come down again? A. He did not come down again.

Q. Why did you go to Guthrie? Guthrie had been representing Smith? A. Guthrie was acting for Smith and we made up friends; I did not want to get the business too public.

Q. And you went to him? A. So I went to him.

Q. On your return to Mr. Fielding was anything said, was the question of the subscriptions raised again? A. No; the last time I got my certificate it was very brief; we hardly touched on the matter at all; we were talking about other things.

Q. Did he ask to see any of the subscriptions which you had sent down? A. No he did not, but I am under the impression that Mr. Boville or Mr. Boville's assistant looked at some of them; I remember taking them over.

Q. They are all here, a pretty large bundle? A. Yes, but they were not in that shape. We had them all in condensed form.

Q. So that it was possible to carry them about? A. Yes.

Q. What is your recollection of any one in the Finance Department looking at them? A. My recollection is I think it was Mr. Boville.

Q. What day did you see him then? A. I saw him the day after Hunter left—no the second day after Hunter left, after I got the subscriptions; Hunter got back the next morning, and I got them the following morning. Could I ask Mr. Fitzgibbon to jog my memory?

Q. No; I am taking your memory now. Just look at that letter which I wish to put in; that letter you got, did you not? A. Yes, I got that letter.

Q. That is dated the 29th November? A. Yes.

Q. And as you got your certificate on the 30th I suppose if Mr. Boville saw those subscriptions he would have seen them on the 30th? A. On the morning the first time I went over.

Q. Is that the morning you went over and just saw Mr. Fielding for a moment and was put off till the afternoon? A. Yes.

Q. You took over your subscriptions with you? A. Yes, that is my recollection.

Q. Who asked you to show them to Mr. Boville? A. I do not think anybody asked me; I was speaking to him as I passed in, and laid them down.—

EXHIBIT 55: Letter of the 29th November, 1906, from J. Fitzgibbon to W. R. Travers.

Q. You said you laid the subscriptions down when you were speaking to Mr. Boville; what did you do that for? A. I just invited him to look at them.

Q. The Minister had not raised any question, had he? A. No, but I was preparing myself to be ready.

Q. I do not see why you tendered them to Mr. Boville if he did not ask for them? A. When we went in the first time we showed everything to Mr. Boville, all our notices and affidavits and everything.

Q. You could not help doing that, he had them; did he take any time to look at them? A. Yes, I think he turned up one or two.

Q. He has not said a word about that? A. I read his evidence, but I am positive that we looked at two or three of those subscriptions.

Q. Do you know which ones he looked at? A. No, I could not swear positively, but I think he looked at Lindsay's.

Q. Asked anything about it? The Finance Minister had spoken about it? A. The Finance Minister had spoken about it beforehand, and I suppose that is the reason he looked at it.

Q. Anything said about it? A. He said it was a large subscription; he says, "That is a very large one, that is the only large one you have; it looks a fine list to me", as he looked at the list and held it up this way and then I explained to him about Lindsay's subscription.

Q. What explanation did you make? A. That certain subscriptions I had on the list there should really have been taken off and no provision in the Bank Act to take them off and I put on Lindsay's subscription to make a larger amount, to swell up the amount, and that Lindsay would be able to replace that afterwards.

Q. You say you stated that both to the Finance Minister and to Mr. Boville? A. No, I did not tell Mr. Boville that.

Q. I asked you as to the conversation with Mr. Boville? A. You go around in different kind of ways and I cannot understand you; I give you Mr. Fielding's interview. Mr. Boville's was very different altogether. I saw Mr. Boville as I passed through in the first place; I had no discussion whatever with Mr. Boville regarding any subscription on that list or anything about the subscriptions, but I had the second day when I went in; he looked at them but did not pay very much attention to them, that is my recollection of it.

Q. In order to make it quite clear you went in to Mr. Boville's office with the subscriptions? A. The second day.

Q. The day you got the certificate? A. The day I got it, yes.

Q. Did you discuss any subscriptions with him? A. No.

Q. Did he hold up the list and say it looked like a very nice list? A. No, I say that was Mr. Fielding.

Q. You do not say Mr. Boville discussed the various subscriptions or in fact any one of them? A. Not a single one.

Q. Did he look over the subscriptions? A. No.

Q. You made no comment on them yourself? A. No.

Q. Did you take them into his office? A. We deposited the list and the papers in the first place, and the second day I went there I laid the subscriptions down, I thought they would look at them while I was away.

Q. Did you tell him what they were? A. Yes.

Q. Did he see where you left them? A. He could not help it.

Q. Did you ask him to look over them? A. I did not.

Q. What remark did he make when you said "These are the subscriptions?" A. I do not think he paid very much attention to it, he just left them lying there.

Q. That would be in the morning between eleven and twelve? A. That would be the first time I went there that day, the day I got my certificate, November 30th.

## SESSIONAL PAPER No. 153a

Q. Mr. Boville apparently did not raise any of the questions that the Finance Minister raised? A. Mr. Boville did not go into the matter at all.

Q. On your second interview with the Finance Minister that day, you say it was brief? A. Yes.

Q. You had sent over your letter, which is here, that the provisional directors did not raise any money in the way mentioned by him, that is by notes—you had sent over that letter? A. Yes.

Q. Denying what the Finance Minister had said was done, had been done, in your case? A. Not exactly denying it, rather putting it in a different way I thought.

Q. He said, "We have been told in some cases the subscribers did not actually pay in cash but gave notes to the provisional directors, which were used to raise the money"? A. Yes.

Q. That fitted your case exactly? A. I took it that the provisional board did not use those notes.

Q. "The subscribers did not actually pay in cash but gave notes to the provisional directors which were used to raise money", and your answer was, "the provisional directors did not raise the money in the way mentioned by you"? A. Yes.

Q. Was that intended to be disingenuous? A. I thought that would answer the letter and not require any further information.

Q. You followed the letter up by going over? A. Yes, I followed the letter up and had perhaps ten or fifteen or twenty minutes interview with him and got the certificate.

Q. Was that about between four and five? A. Yes.

Q. You got that from him or from Mr. Boville? A. No, I did not get it from him; I got it from either Mr. Boville or a clerk there; I do not know which. He said he had given orders.

Q. How long did he keep you waiting? A. I had it handed to me as I passed out.

Q. What became of the subscriptions? A. I took them with me, I am not sure whether I took them then or took them the first time, I took them with me.

Q. I thought the first time you left them with Mr. Boville? A. Yes.

Q. You thought he would look at them when you were gone? A. Yes, but I could not say whether I took them away or not and I could not swear positively on that, whether he looked over them casually and I took them away or I left them and got them the second time.

Q. This letter (Exhibit 55) does not say anything about subscriptions being sent, it speaks of three blank cheques? A. I got the blank cheques by letter, but the subscriptions came I think in a separate parcel by parcel post.

Q. What were those three blank cheques for? A. In case I needed any money.

Q. Did you need it? A. As it turned out I did not.

Q. Did you use any of those cheques? A. I do not think so, the cheques will speak for themselves.

Q. Did you pay any money when you were down there to anybody? A. The only money I paid was to Mr. Guthrie, \$110.

Q. What became of the two other cheques? A. I do not know, the cheques will speak for themselves.

Q. Were they used? A. I could not say.

Q. Did you use any of them down there? A. I do not remember doing so.

Q. Did you use any of them some time afterwards? A. I could not say; the cheques I think were used but they will speak for themselves I do not remember them.

Q. They would if we had them? A. I have seen them since I have been giving evidence.

MR. COMMISSIONER: We had certain stubs? A. I am quite satisfied I have seen the cheques themselves during these trials.

Q. Payable to whom? A. I think one was marked with a C on it, \$3,000.

Q. What was that? A. I will take the responsibility of that.

Q. Who was it paid to? A. I could not say what it was paid for.

Q. When was it used? A. I could not say when it was used, the cheque will speak for itself.

Q. What did the "C" on it indicate? A. I have forgotten now what it is, some memoranda; perhaps Mr. Fitzgibbon can tell, I do not know.

Q. That is one you have seen since? A. Yes, I think that is one of those cheques.

Q. Those cheques are all there—there is the Guthrie & Pringle cheque? A. The next one is cancelled, that will be no doubt one I had marked cancelled; then I am wrong about the one marked "C".

Q. What did you mean by your reference to the \$3,000? A. I thought it was one of these but I see it is not.

Q. Did you find it later on? A. It may be but I have not found it so far.

Q. Do you remember to whom it was payable? A. I remember the cheque.

Q. Do you find it in that bundle, Exhibit 35? A. No.

Q. You think you have seen that cheque? A. I have seen the cheque several times during these trials.

Q. Not here? A. No, I have not at this investigation.

Q. Can you tell anything more about it; you said you would take the responsibility about it? A. That is all I can say, that is all I can remember.

Q. Is that because you do not want to disclose what was done with it? A. Yes, I do not.

MR. COMMISSIONER: Don't you think, witness, it would be better to disclose? A. I have got to take a certain amount of responsibility, Mr. Commissioner, and I cannot undertake, I do not think, to tell those matters.

Q. The oath you have taken is to answer all questions touching this inquiry?

A. You know that I would like to do anything that you would ask me to do or require me to do, but I hardly think it is fair to me to be forced to say where certain money might have been paid to for assistance from friends, and I would rather not do so.

Q. Don't you think, looking at it from the standpoint of your own interest, that a full disclosure of everything is more likely to further it? A. I cannot see, Mr. Commissioner, what good it would do. I would rather stay where I am for the term and twice as much more than to injure anybody.

MR. COMMISSIONER: If that is your final answer I suppose that is all we can do.

MR. HODGINS: Was it paid out at that time? A. I would rather not, Mr. Hodgins; I would rather not go into it at all.

Q. Was it paid before the bank went into operation? A. I would have to see the date of the cheque; I have forgotten just at the moment.

MR. COMMISSIONER: You might consider it witness, in this aspect; you may by concealing it or not disclosing it, rather reflect upon somebody who ought not to be reflected upon? A. Ask me the question as to who is in your mind.

Q. I am not suggesting anybody? A. I will answer that.

Q. A good deal of suspicion is thrown or endeavored to be thrown upon the action of the Department granting this certificate? A. Well, it did not go to Mr. Fielding, I will answer that; he never got a cent from me or any promise or anything of the kind.

Q. That may make it worse, that statement may make it worse for somebody else unless you go further? A. That is the reason the last time that I was here, not having seen any newspapers, being shut out from the world, that I desired to

## SESSIONAL PAPER No. 153a

see my solicitor to talk matters over with him; I do not wish to put myself in a bad light; I want to do what is right.

MR. COMMISSIONER: I suppose the witness will be here at the next meeting?

MR. HODGINS: Yes.

MR. COMMISSIONER: You might think it over in the meantime. Of course it is open to you to consult your solicitor again about it if you desire to do so? A. I want to give you the fullest information that I possibly can give.

MR. COMMISSIONER: Don't you see that what you have said now may make suspicious people think that somebody in the Finance Department got this money? A. There was nobody in the Finance Department got this money.

MR. COMMISSIONER: That is satisfactory? A. Not a single one, never was thought of.

MR. HODGINS: It is not satisfactory to have negative information, because you might say that of everybody without disclosing anybody. However, I think what the Commissioner has said is quite right; I think you ought to think it over? A. I will, and have been thinking it over; I will think it over again.

Q. At all events you came away with your certificate? A. I did.

Q. And the bank began business on the 2nd January, 1907? A. Yes, opened our doors then; we really did a little business before that.

Q. I think I asked you this yesterday, were you asked by anybody to return the certificate, or did any one see you with regard to the fact that you got it and should not use it? A. The certificate was never questioned.

Q. Did Mr. Stratton see you between the two dates? A. He did not.

Q. Did you see him? A. No.

Q. Were you down in Ottawa between the 30th November and the day the bank opened for business? A. I was not.

Q. On the night of the 30th did you see any one after you had got your certificate before you left? A. I saw a lot of people there.

Q. Did you see any one in connection with the certificate? A. No.

Q. Did any one come down to the hotel to see you and miss you? A. Not to my recollection.

Q. You got no message from anybody before you got off with the certificate? A. No, sir.

Q. You came back here and you remember a visit of Mr. Knight? A. I remember Mr. Knight calling some time in December.

Q. The date he got here was the day after the final payment to the Trusts & Guarantee Company of December 17th, was it not? A. Yes, I believe it was.

Q. The loan had been paid at that time to the Trusts & Guarantee Company through Mitchell? A. I considered it was paid, yes.

Q. Mr. Knight came up and you and he had some conversation? A. Yes, Mr. Knight came to the office and said he was sent by the Finance Minister, and had I known at the time it was false I would have thrown him out of the office.

Q. He seemed to think you very nearly did it? A. I am sorry I did not now.

Q. What did he see? A. He saw the subscription lists, this book, (EXHIBIT 19), and we laid all the subscriptions in front of him, and told him to go into them to his heart's content.

Q. Who are we? A. Mr. Fitzgibbon was with me at the time.

Q. Any one else? A. No.

Q. What did he say he wanted to see? A. He wanted to know where the money had gone to that we had returned to us from the Finance Department; he wanted to know where it had gone.

Q. You knew where it had gone? A. I certainly knew where it had gone.

Q. Did you tell him? A. I did not.



Q. Did he ask to see the books to see where it had gone? A. I gave him a certificate of deposit from the Union Bank and one from the Trusts & Guarantee Company, which made up the amount very closely.

Q. Supposing that that money which you got back from the Government had been paid to various people how would that affect your right to circulate? A. We could not have got any money out in that short time.

Q. If it had been paid back between the 30th November and the 2nd January how would it have affected your circulation? A. We could circulate money up to the paid up capital, and we considered the notes were payments.

Q. If the paid-up capital in fact had been depleted would that affect your right to circulate? A. To that extent, to the extent of the depletion.

Q. You considered the money you got back from the Department as paid up capital, did you not? A. Yes, certainly it was.

Q. Treated it for the purpose of getting the certificate as paid up capital? A. Certainly.

Q. As a matter of fact the Trusts & Guarantee Company had been paid off out of it? A. Yes.

Q. And you had got a cheque for \$10,000 which has been described? A. Yes.

Q. And other cheques had been paid which probably will be mentioned later, and in fact if those were paid out of the paid up capital it was depleted? A. It was depleted, yes, certainly.

Q. Did he make inquiries in order to ascertain what had become of the money that the Department had returned to you? A. No, he did not; his idea I thought was to find out whether we borrowed this money or not to put up, that is what I gathered from his conversation.

Q. A very good answer to that of course would be to show him? A. To show him the certificate of deposit.

Q. Still better answer to show what you had paid out of it up to date? A. Yes, but I was not anxious to do that.

Q. Instead of that you showed him this certificate—these are the two, from the Traders Bank and the Trusts Company? A. I think it was the Union at that time.

Q. I think not? A. Well, I am getting mixed on that; I thought I transferred my account the next day I came from Ottawa, but I find I did not; then it is the Traders and the Guarantee Company.

Q. Are those what he saw? A. He got copies of those.

Q. The Traders Bank speaks of the evening of December 17th as having \$153,576 on deposit and the Trusts & Guarantee Company is dated on the 18th December certifying that they had got to your credit the sum of \$80,605.81 with interest at 3½% on the following sums from the dates opposite such sums, and then it sets out the three cheques? A. Yes.

EXHIBIT 56: Certificate of Traders Bank showing that the Farmers Bank had at their credit December 17th \$153,576.81; and certificate of the Trusts & Guarantee Company that the Farmers Bank had to their credit with the Trusts Company \$80,605.81 on the 18th December, 1906.

Q. These were got during an interval—he came and went out again? A. Yes, he came in in the morning and went away, in the meantime I went down to the Trusts & Guarantee Company and told Mr. Warren that it would be necessary to have that money back to our credit again.

Q. And explained why? A. I did not tell him that Knight was there; I told him I had good reasons for it.

Q. Did he ask you why? A. No, he did not ask me why at all. He knew I would not ask that unless it was very important.

Q. Did he ask it? A. No, and I did not tell him, he did not ask me anything about Knight.

## SESSIONAL PAPER No. 153a

Q. Did he ask you what? A. He may have asked me what was the matter, and I did not tell him that it was Knight that was there, but I told him it was very important, I do not remember word for word what passed between us.

Q. You did not tell him because of why it was important? A. No.

Q. Did you tell him this money had been paid back to him out of the deposit and it was very important not to show it? A. No, I did not say anything about that; I said it was important to show it on hand.

Q. He was alive to the fact that it would not do to have the loan repaid out of the money that the Government had returned? A. I do not know whether he was or not.

Q. Did Knight do anything more than go through the stock subscription book? A. He worked at that for two hours and thought it was too big a job.

MR. COMMISSIONER: It is not quite clear as to what was done about the \$80,000? A. The three payments that I had given cheques for were reversed and put back again to my credit.

Q. The loan was set on foot again? A. Yes, that is exactly it.

MR. HODGINS: I have a statement here which I will show you from the Trusts & Guarantee Company's books, showing the three payments which you had made struck out of your books and the amount then put to your credit; it was put to your credit apparently? A. Yes.

MR. COMMISSIONER: What became of the notes; had the notes been returned to him or were they still—

MR. HODGINS: After the payment on December 17th, the final payment of that \$80,000 loan, did you get the notes back? A. No, we did not; the last payment was that very day, and the cheque had been sent down and we had not received the notes when I went down right after it to check it off.

Q. So that you left everything standing as it was except that you reversed all the entries? A. Yes.

Q. And then that was carried in the books of the bank until some time early in 1907 as if the Trusts & Guarantee Company owed you that money? A. Yes.

Q. As if you had made a deposit? A. Yes, representing a deposit with them; of course they did not owe us the money.

Q. As a matter of fact you had not made any such deposit? A. No, we had not made any such deposit.

Q. What did you do in the books of the bank itself in connection with the same matter? A. Mr. Fitzgibbon had charge of the bookkeeping.

Q. What instructions did you give Mr. Fitzgibbon? A. I instructed him to charge the Trusts Company with \$80,605, and show it as a deposit to them in the government statement.

Q. Was it or was it not shown in the government statement of December 31st? A. Yes, I wrote a letter to Mr. Fielding asking Mr. Fielding what to do about it.

Q. About what? A. About that eighty thousand dollars.

Q. Do you mean to say you wrote to him and explained how it was done? A. No, I asked him how I would show the eighty thousand dollars that was on deposit with the Trusts Company; I certainly did not tell him the transaction. The answer came back to show it under 29 of the statement.

Q. I have not the letter? A. I have not seen the letter, but it was there on file when I left the bank.

Q. I did not see any such letter in the department file? A. I left it in the bank when I went away.

Q. When was the letter written? A. Just for the January statement, I think.

Q. It was written after Mr. Knight's visit and before the 2nd January, 1907? A. Yes, about then.

Q. You must have stated in the letter that you had this on deposit? A. Yes.

Q. And asked the Department's view as to where you should show it? A. Yes.

MR. COMMISSIONER: That is not quite clear; after the entries had been reversed showing the repayment of the loan what took place with them in the Trusts Company's books, did they credit the bank with an equal amount as a deposit with them? A. They did.

Q. Did you get the deposit receipt for it? A. No.

Q. Did they credit it to the bank? A. They credited it in their books.

MR. HODGINS: Are you quite sure of that? A. Yes, I am quite sure of it, because I have seen in the court at these trials where they have proven that they did; that is why I am so positive about it.

Q. Here is a copy from their books showing the way it was done—

MR. COMMISSIONER: This does not necessarily show that there was no entry in their books.

MR. HODGINS: They just struck them out.

MR. COMMISSIONER: There would have been a credit of that to the Farmers Bank or somebody to make their books balance? A. Yes, certainly.

MR. HODGINS: We will have to get that.

MR. COMMISSIONER: There must have been a cross entry to meet that.

MR. HODGINS: I won't put that in now.

Q. Did you tell Mr. Warren that you paid him back too soon? A. I might have, I do not remember.

Q. I think that is what you said on another occasion? A. Very likely I did; I would not tie myself down so closely as that.

Q. You afterwards purported to pay that back, didn't you, you made entries in the books of the bank to show payment? A. We issued cheques to show payment of it, yes.

Q. As a matter of fact the Trusts & Guarantee Company got the money and that wiped out the loan, and you had to do something with the books of the bank in order to make it look as though you were paying back that? A. It was not for that that I did it, it was because of the opposition of the other banks, and they were watching me very closely; I just put it around in another way so that it would not show very closely.

Q. At all events you put it through in such a way that it would look as if the transaction was being closed up later, did you not? A. Yes, I think you can put it that way.

Q. I do not know how far the details of that are important? A. The cheques all tell the story; you have them there.

Q. Will you look and see if those are the ones? A. Yes.

EXHIBIT 57: Seven cheques of the Trusts & Guarantee Company.

Q. The Trusts & Guarantee Company received those cheques, or did you receive them from them? A. I received those cheques from them in payment of that \$80,605.81; I think that is what they will all figure up to.

Q. Who did you deal with? A. Mr. Warren.

MR. COMMISSIONER: That is not very clear; what does that mean?

MR. HODGINS: The only way to explain that will be through Mr. Clarkson.

MR. COMMISSIONER: He ought to explain in some way; as it stands now. A. In the other side of that I put the same cheques through my books, the same amounts to their credit. It was simply changed—

MR. HODGINS: In your savings bank or in the current account? A. In their current account with us.

Q. You gave them credit for \$80,605? A. Yes.

## SESSIONAL PAPER No. 153a

Q. And they credited you with a corresponding amount, did you say? A. They charged us with those cheques checking out the deposit, and we built it up the other side in our books, that is my recollection. Of course they take a different view of this transaction than I do. I say that was just a means by which we twisted the thing back into its original form again.

MR. COMMISSIONER: The cancelling of those payments was in December, Mr. Hodgins?

MR. HODGINS: Yes.

A. The 17th December.

MR. HODGINS: Q. I am instructed that this is what was done in regard to that loan, that on February 27th, 1907, the charge was made in the account as an amount withdrawn from the Trusts Company of \$30,300—one of the entries made, in order to make it look as if you were getting back from the Trusts Company what they were showing as a deposit from you, is that right? A. That is after the entries have been reversed?

Q. Yes? A. Yes, that is right.

MR. COMMISSIONER: Are you speaking of the Farmers Bank books?

MR. HODGINS: Yes, of \$30,300. I am told that that really covered promissory notes which the Trusts Company gave you back and which you discounted out at Milton? A. There may have been that many notes returned at that time.

Q. There were exactly; and the entry made is \$30,300? A. Yes.

Q. And you got that money by the discount of these notes at the Milton branch, and received them at the head office, making a charge as if they came back from the Trusts Company? A. We got no money out of them.

Q. I ask you if this was the method adopted, withdrawing notes, discounting them at Milton, and putting them to the credit of the head office at the head office as if they had been paid to you by the Trusts Company? A. No, I could not say that; the transaction through the Milton office and the head office would be to get it into capital account.

Q. You recollect it, do you not, because Mr. Clarkson has worked it out, and it comes out to a cent in that way according to the books? A. I do not view it in that way.

Q. March and April there were three other sums all treated in the same way, discount of notes in Milton, money credited in the head office as having come from the Trusts Company amounting to \$80,605.81—

MR. COMMISSIONER: Would not that be quite consistent with what the witness was saying, that these notes, coming from the Trusts Company, were discounted in the bank and then carried to the credit of the capital account and treated then as if there had been so much paid on the subscribers' stock? A. That is right.

MR. HODGINS: I am only dealing with what entries they made to make it appear that the loan which did not exist was repaid to them by the Trusts & Guarantee Company. I am indicating that they got their own notes from the Trusts Company, and discounting them made these false entries—? A. The act of discounting them was simply to get them into the right account; but the fact of the case is this, there was no entry made for those notes at all going to the Trusts Company; their returning them so many on each cheque was their own idea, not ours.

Q. The fact was there was no such deposit and the entries made were fictitious entries? A. I would not like to go that far in the face of the evidence Mr. Warren gave. He considers that he reversed that, he actually gave us back the money again. I looked upon it simply as a reversion of the matter and no new transaction at all.

Q. From your point of view there was no such deposit with the company and therefore you had no right to get it from them? A. No, there was no such money ever deposited with the company.

Q. And any entries which looked as if they had paid you back during February, March and April during 1907 were fictitious entries? A. I would not like to go so far as that; they were not exactly entries that represented any new money.

Q. From your point of view the entries were unnecessary? A. The entries were unnecessary.

Q. Were they put in in order to suit Mr. Warren's view? A. No, they were put in to suit myself.

Q. That it was unnecessary? A. No, I wanted to conceal the payments from the Clearing House.

Q. What is that? A. I wanted to conceal the payments back to the Trusts Company.

Q. I understand the Trusts Company never did pay you those moneys as represented by those four entries in February and April, 1907? A. They gave us cheques on the Bank of Montreal for \$80,605, which would go to show that we had that money there, but on the other side I gave them credit.

Q. You gave them cheques, didn't you? A. Yes, cheques or credit, I have forgotten which, one or the other.

Q. The Trusts Company and you did join together in making those entries? A. Yes, undoubtedly we did.

MR. COMMISSIONER: Cannot you get from the witness at this point how was the money that was borrowed from the Trusts & Guarantee Company treated in the books of the bank? I do not think there is any evidence as to that.

MR. HODGINS: The money you got from the Trusts & Guarantee Company amounting to \$100,000, how was that treated in the books of the bank, to what account was it credited? A. Paid up capital.

Q. We will find that in the capital account of the bank.

MR. COMMISSIONER: Was it credited to the subscribers to whom you had allotted it in this division that you made? A. I could not explain that exactly.

Q. Or any lump sum? A. I think it was in a lump sum; I could not say positively.

MR. HODGINS: Do not let there be a misunderstanding about that; you do not suggest the amounts you spread were afterwards credited to the subscribers as payment up of their notes or stock? A. No, but as each note was discounted at Milton the matter dissolved. What sediment there may have been I do not know how it was treated.

Q. Up to the time you began business, December 1st, 1907, there was no such credit to the shareholders? No, there was not.

Q. As would indicate payments of their notes or their stock? A. No.

Q. Was the lump sum credited in capital account in any way? A. Only in so far as making up the Government statement.

Q. Was it credited in fact? A. There was no entry for it.

Q. It was only credited in your own mind? A. Just by way of memorandum for making up the Government statement.

Q. Not in the bank books? A. No.

MR. COMMISSIONER: Apparently this transaction was treated as if it had not occurred as far as the bank was concerned? A. Yes, that is the way to look at it.

MR. COMMISSIONER: Before we adjourn I would like to ask you what check is there upon a bank over-issuing its notes? A. The only check is that the Bankers' Association send their man at irregular intervals and compare the circulation with the books.

Q. There is no supervision by the Department of Finance? A. All the notes that are printed at Ottawa for the banks require to be reported to the Bankers' Association, and then as those notes are signed and put into circulation we have to report to the Bankers' Association from the bank and they have the right at any time to enter any bank and check that up.

## SESSIONAL PAPER No. 153a

Q. Their interest being they are guaranteeing—? A. They are guaranteeing the circulation of each of the banks or rather the larger ones guaranteeing the smaller ones.

The Commission adjourned at 4 P.M. until 11 A.M. Tuesday, May 21st, 1912.

Toronto, May 21st, 1912.

The Commission continued its sittings at Osgoode Hall, at 11 A.M.

## PRESENT:

HON. SIR WILLIAM MEREDITH, Commissioner.  
FRANK E. HODGINS, K.C.  
J. THOMPSON, K.C., representing the Dominion Government.

W. R. TRAVERS, Examination Continued:—

MR. HODGINS: These cheques that were put in as EXHIBIT 57—just look at them—are payable by the Trusts & Guarantee Company to the order of the Union Bank of Canada, aggregating \$80,605.81; they were issued by the Trusts & Guarantee Company after getting these cheques, were they not, from your bank? A. Yes.

EXHIBIT 58: Cheques last shown witness, from Farmers Bank to Trusts & Guarantee Company.

Q. What is the connection between the two? A. Those on the Bank of Montreal issued by the Trusts Company are repaying the deposit of \$80,605.81.

Q. That is the so-called deposit that was created as it were after Mr. Knight's visit? A. The reversal of the original entry.

Q. That is you gave your cheques in favor of the Union Bank of Canada, did you? A. I did.

Q. To the Trusts & Guarantee Company, or was it on them? A. This is drawn on them. (EXHIBIT 58).

Q. And they gave their cheques? A. On the Bank of Montreal.

Q. To whose credit were their cheques deposited? A. Their cheques were deposited to the Farmers Bank.

Q. Do those cheques appear in this Toronto Office Ledger at page 300? A. Yes, they appear.

Q. Out of what were they paid—this account headed Trusts & Guarantee Company, where were the credits got out of which those were paid? A. We made deposits with the Trusts & Guarantee Company from day to day.

Q. As shown on page 300 in this ledger? A. Yes.

Q. Commencing January 7th, 1907? A. Yes.

Q. Deposits of what nature? A. I could not say exactly what they were; sometimes they were our own notes, and sometimes our own notes and cheques combined.

Q. You mean when you say your own notes, circulation? A. Yes, circulation notes of the Farmers Bank.

Q. That account appears to be closed on April 8th? A. Yes.

Q. You appear to have deposited from January 7th, 1907, to April 8th enough to cover these cheques which the Trusts & Guarantee Company gave you? A. Yes.

Q. So that you supplied the funds in other words for the cheques which they gave you, and it came back in the Union Bank to your credit? A. That is the way I understood it.

Q. Are there any other entries connected with that in the head office ledger; this is the Toronto branch? A. No, I do not think so.

Q. These cheques appear to bear Mr. Stratton and Mr. Warren's signatures in some cases (EXHIBIT 57), and Mr. Stratton and Mr. Stockdale's—who did you do the business with? A. My recollection is with Mr. Warren; the deposit should be made in the ordinary course there, and whatever officer was behind the counter.

Q. Was there any arrangement made before this account was opened in January, 1907, as to the use which was to be made of it? A. We made the arrangement we would deposit with each other, they with us and we with them.

Q. How does it come that on April 8th it appears you just came out exactly even? A. My recollection is we were making those deposits for the purpose of paying off the loan.

Q. Paying off what I have said is the so-called loan? A. \$80,605.

Q. Who did you make the arrangement with? A. With Mr. Warren.

Q. You identify this as being in Mr. Fitzgibbon's handwriting; I think you said it was for the purpose of making up the special return to the Government, made in May? A. That is my recollection of it.

EXHIBIT 59: List of certain shareholders and subscriptions.

Q. You remember being called on for a special return? A. I do.

Q. Special return called for by the Honorable Minister of Finance in a letter of May 2nd, 1907,—it is printed here; I suppose you could probably give us your recollection of it? A. Yes, I should say that was a copy of it.

Q. Do you know where that original return is? A. That is with the Finance Department.

Q. It purports to be the portion of the \$375,473 paid up capital of the bank as per return of 30th March, 1907, represented by promissory notes of the shareholders held by the bank amounts to \$59,110; the following is a list of the notes—you are accounting then for the notes held by the bank on account of the paid up capital of the bank? A. Yes.

Q. Amounting to \$59,000; this is supposed to be a list of those notes; it appears to be signed by Dr. Beattie Nesbitt, as President, and yourself as General Manager, and Mr. Fitzgibbon as chief accountant? A. Yes.

Q. That letter that you refer to is printed here somewhere; what was the occasion of it; was it not some letter from your Milton branch? A. I learned afterwards that one of the managers who was annoyed at something had written down and complained about the notes being under discount.

Q. This letter is printed in this return at page 29, from Van Koughnet; would you just read the letter and see if the statement that Mr. Vankoughnet makes is correct: he says, "Our General Manager sends to the different branches lists of notes given in payment of our capital stock; these notes he makes the managers put through as discounts, crediting the amounts to head office; this is figured in the government return as paid up capital and circulation issued to that amount"? A. Well, there were notes sent out to the branches for discount, and the proceeds were credited to capital account in head office, but we would have to have the means of circulating the notes before we could put out notes. I considered that was paid up capital, and we could issue up to that extent.

Q. The statement is true any way that the notes sent out to Vankoughnet, for instance, were notes given in payment of capital stock? A. Yes.

Q. And that they were put through as discounts, the amount being credited to the head office? A. Yes.

Q. And that that was figured in the government return as paid up capital? A. Yes.

Q. And circulation issued to that extent? A. Well, we cannot say the circulation was issued to that extent; we would have the privilege of issuing to that extent.

## SESSIONAL PAPER No. 153a

Q. And did you take advantage of that privilege? A. As far as our business permitted it, yes.

Q. The letter of May 2nd, which is referred to in the return, is printed here, page 30, asking you what portion of the \$375,473 paid up capital as per return of 30th March, 1907, is represented by promissory notes; is that return sent to the government correct? A. No, I do not think it was fully correct.

Q. Mr. Vankoughnet in a later letter printed in this return, page 30, says that the amount under discount at his office, that is the Milton office, was \$111,885? A. Yes.

Q. Would that be right? A. I should think so.

Q. And the return I see only gives the amount of notes held by the bank representing capital stock as \$59,110? A. Yes.

Q. A difference of about? A. \$52,000; that \$52,000 I think the chief accountant carried in as contingent account; the books will show that.

Q. At all events the return was out to that amount? A. Yes, notes under discount as compared with that return there would be a difference of that amount.

Q. I am speaking of the portion of the capital stock referred to by the Minister of Finance that is said in the return to be \$59,110 in notes, but it should have been at least \$111,000? A. I cannot say from memory whether it should have been \$111,000; I would have to take the books and compare that.

Q. We will do that; it would depend on the books? A. Yes.

Q. Why was the amount of \$59,110 selected as being the total? A. My recollection is that we showed those to correspond with the credits in the original list of November, 1906.

MR. COMMISSIONER: What does that mean? A. So the two statements jibe.

Q. I understood that; but were those notes on account of shares taken subscribed subsequent to— A. Not subsequent to the original statement.

MR. HONGINS: These were original subscriptions? A. Yes.

MR. COMMISSIONER: Included in the subscriptions that are in that schedule sent to the Department? A. Yes.

MR. HONGINS: The amount in this Special Return in May, the amount of the notes as given would correspond with the amount shown as paid in that Government Return? A. I think so; I am not quite sure whether it tallies to it exactly that way, but I think that was the intention.

Q. You had been asked apparently by the Finance Minister for a return on March 30th; I do not think that is printed here at all; did you send in a return on the 30th March? A. I have no recollection of sending in any others but the usual monthly return. I saw Sir Richard Cartwright regarding the notes and he told me if we could not issue circulation against good farmers' notes he did not know what we could do it against.

Q. Just look again at this special return; it begins with "Special Return"; it says, "Portion of the \$375,473 paid up capital of the bank as per return of March 30th, 1907"—that I suppose was the monthly return? A. Yes.

Q. That showed that amount as paid up capital, and you are accounting for the paid up capital that was represented by notes? A. Yes.

Q. Was there any further correspondence after you sent down that special return, or did that end the matter? A. That ended the matter as far as I remember.

Q. Was it after that that you had that conversation with Sir Richard Cartwright? A. About that time.

MR. COMMISSIONER: Had you not better make that a little clearer about notes; do I understand the witness to say the other notes had not been used, the other fifty-two thousand? A. No, sir, they were all discounted and credited to capital account, but part of the proceeds was carried to a contingent account.



Q. And not included as payments on the capital in the return? A. I am not sure about that, but I do not think they were; the books will have to show that.

MR. HODGINS: Is that what you really mean; on the 30th March, 1907, the paid up capital was shown as appears there at \$375,000 odd? A. Yes.

Q. Then was not that represented by something in the neighborhood of \$111,000 of notes? A. No, I do not think there was—

Q. How much would you say it was represented by? A. To my recollection it was more than the fifty-nine thousand that was in that special statement, but how much more I cannot tell off-hand without looking at the books.

Q. What book would you look at to tell that? A. The head office book; I do not know whether I could find it then; I think the chief accountant could explain that better than I could.

MR. HODGINS: (To Mr. Fitzgibbon): Can you suggest what book that would be in?

MR. FITZGIBBON: It would be in the Head Office Ledger.

MR. COMMISSIONER: If you are right that \$59,000 was less than the amount, what was the object of putting it in at less than the amount? A. To correspond with the original statement we sent down.

Q. I do not understand how that is; why did not the original statement show it? A. They were not discounted at that time at the Milton Branch.

MR. HODGINS: Not discounted by yourselves with yourselves? A. Yes.

MR. COMMISSIONER: They were in the hands of the Bank or the Trusts Company? A. Yes.

Q. As security for that loan, as you say, made personally, not on account of the Bank? A. Yes.

MR. HODGINS: It would look to me as if when you sent down that original return in November you did not say anything about promissory notes at all? A. I did not.

Q. In this return you give the details of \$59,000 odd of notes, give the due date and so on? A. Yes.

Q. Then in what respect would that return correspond with the original return? A. Wherever we showed the proceeds received on account of the notes hypothecated with the Trusts Company on that return we showed a note in the special return.

Q. That is, if you credited to a man \$1,000 as paid in cash you would show \$1,000 note? A. Yes, on that list.

Q. Are the notes correct as notes or are they misleading? A. No, there is nothing misleading; they are all genuine farmers' notes.

Q. I know, but is the amount of each note correct? A. Yes, as far as I can remember I think it is.

Q. You only showed those notes that would correspond with the November return? A. Yes, that is my recollection.

Q. And amount? A. Yes.

Q. You had others which you think went to a contingent account? A. Yes.

Q. By whose instructions? A. It would be mine I suppose; nobody else could give instructions.

Q. If only \$59,110 was represented by notes how was the balance of the \$375,000 of capital stock made up, what was it represented by? A. Nearly \$200,000 paid in in cash.

Q. You got only about \$150,000 from the provisional directors? A. Yes; there was \$40,000 paid out for expenses; that would be \$190,000.

Q. But that was all gone? A. It had not gone, that had not gone; we brought back from Ottawa \$245,000, of which \$100,000 was borrowed; that was \$145,000, and \$5,000 left with Ottawa, would make \$150,000; but there was \$40,000 paid out before that.

## SESSIONAL PAPER No. 153a

Q. Were you carrying the paid-out expenses of the provisional directors as part of your capital account? A. We were.

Q. How much, I ask you again, of the \$375,000 was represented by anything else than notes? A. There was no part represented by anything else but notes and the cash.

Q. \$150,000 cash? A. Is not that \$200,000 cash? If you receive the cash on capital account you could not credit anything but capital account with it.

Q. Take it that way, \$200,000 that would leave \$175,000 more of capital account? A. Yes.

Q. And you only show \$59,110 of notes? A. Yes.

Q. That would leave about \$115,000? A. Then \$100,000 was left by the Trusts Company, and it would show it was paid-up capital.

Q. At that time at all events the \$80,000 had been paid; had the \$20,000 been paid back to the Trusts Company? A. No, the \$80,000 was not paid back; it was left in the same position as it started.

Q. The \$80,000, we have gone over that; it had been paid back by December 17th? A. Yes.

Q. When was the \$20,000 paid back? A. In about March I think, 1907, three or four months later.

Q. At the time you made that return that \$100,000 would have been paid back? A. Well, of course I could not answer that with the credit that the Trusts Company showed to the credit of the Bank still remaining there.

Q. That would account for \$80,000? A. The \$20,000 would be still carried in capital account.

Q. I do not hear anything about \$20,000 being returned? A. It was \$100,000; \$80,000 and \$20,000 made the \$100,000 that was borrowed.

Q. The entries you reversed amounted to \$80,000 only? A. Yes; well, the \$20,000 was left standing in its original position.

Q. But you tell me that was paid in March? A. That was paid about March.

Q. Then on May 2nd when you made the return both these sums had been paid back, although you had this so-called credit in the Trusts Company for the \$80,000? A. Yes.

Q. What would the balance, which would be \$35,000, be represented by? A. Represented by notes.

Q. By those notes in contingent account? A. I presume so. I could not say without I looked at the books.

Q. Then apparently the Department took no further action, as you said, or said nothing further; they were satisfied with your explanation? A. Yes.

Q. When did you have that conversation with regard to the notes with Sir Richard Cartwright? A. About the time we made the special return. I was on the train going east and I saw Sir Richard sitting in the dining car, and I sent him over my card, and he called me over, and I spoke to him about these notes and explained the matter to him, and he said he thought they were quite good enough to issue circulation against.

Q. You only discussed that feature of it with him? A. That was all.

Q. Had you sent in the special return? A. I think I had; I think it was just about the time I sent it in. He was Acting Finance Minister at the time.

Q. I would like to know the time? A. I could not fix the date, but my memory is it was about the time I sent it in.

Q. Did you discuss that with him, the fact that you had sent it in? A. I could not say that.

Q. You had been asked for it directly, and prepared it with care and sent it in, if you saw him immediately afterwards——? A. I cannot say whether I saw him immediately after it was sent in or during the time it was being prepared; it was about that time.

Q. That is something new; you do not suggest you consulted him as to what you could or could not do in sending in your return? A. No, I did not, certainly not.

Q. Do you suggest that or do you not, that you informed him of your view on the subject and that he assented to it? A. I do not understand your question.

Q. That you could issue circulation against shareholders' notes? A. My idea in speaking to Sir Richard was to make myself satisfied that it was all right to issue the circulation against the notes, if necessary.

Q. You had been issuing circulation? A. We had a right to issue circulation up to the amount that was paid in; no matter what the money was paid in for; we had a right to issue it to the amount of the paid-up capital.

Q. You had been doing it, and you were feeling a little in doubt about it? A. I felt a little in doubt about issuing circulation against those notes that were discounted up to that time.

Q. And were you reassured? A. I gave you exactly what he said. He said if we could not issue notes against good farmers' notes, he said, "What can you issue them against?" That is the answer he gave me.

Q. What does the Bank Act say? Does not it say to issue it in certain relation to your paid-up capital? A. It says you can issue notes to the extent of your paid-up capital. There is nothing in the Bank Act to say if you pay out any of your paid-up capital that the notes that you have issued against it have got to be recalled.

Q. But you are now speaking of a different view; you are supposed to have these notes, and you are issuing them against those notes, that is what you were discussing with Sir Richard Cartwright? A. I was discussing with Sir Richard Cartwright the issuing of the Bank circulation against the notes which we took from shareholders, which we discounted and showed to capital account.

Q. Did you explain that feature of it to him, that you discounted them? A. So far as I have spoken now, yes.

Q. Did you tell him they were discounted that your Bank discounted them? A. I cannot say I did.

Q. Did you tell him you had put part of them to contingent account? A. No, I cannot say I did that.

Q. How did you represent to him you had done in order to elicit his opinion? A. I referred to the special return which spoke for itself; I asked him whether it was irregular to issue circulation against that amount of farmers' notes and I told you the answer he gave me.

Q. Was the emphasis on the farmer or on the notes; does that explain what you said in your evidence on the last occasion that you had written to the Department about these notes? A. I do not think I said that I wrote the Department. What you are referring to is I wrote the Department about showing the \$80,000 deposited with the Trusts Company.

Q. Was that letter which you spoke of, which I have not seen anywhere, before or after the interview with Sir Richard Cartwright? A. It would be before; I think it was about the time we made up our first Government return after the 31st December, 1906. Mr. Fitzgibbon and I discussed the proper heading under which that should be shown.

Q. And you were told to put it under—A. Item 29, "Other assets".

Q. Was that letter with the correspondence when the Bank failed? A. I left it there to the best of my recollection.

Q. You always had the idea that the repayment of the amount you borrowed to make up capital would be made to those who lent it to you, had you not, immediately it was got back from the Government? A. That was in my mind, yes.

Q. I notice in looking over your correspondence, your correspondence with New York bankers and others with regard to this— A. Very likely—

## SESSIONAL PAPER No. 153a

Q. —That in September, 1906, you say to the Cashier of the Merchants National Bank— A. It could not be September, 1906.

Q. September 4th, 1906, that would be an appropriate date; you did not borrow here till October, 1906? A. We did not open the Bank till January 2nd, 1907.

Q. I know; but you had been trying to raise the loan in New York which you afterwards got from the Trusts & Guarantee Company? A. I might have, I do not recollect that.

Q. What you say in the letter—perhaps you will say whether this gives an indication of what your mind was: "If you can see your way clear to advance \$100,000 for thirty days I can transfer \$150,000 to our credit with you in New York, and then you deposit with the Canadian Government \$250,000, and as soon as the meeting is held and the directors elected, thirty days thereafter the Government will have to return this money to you in accordance with the Bank Act"? A. I remember that.

Q. "You can then take out your interest at any rate you think proper and a commission on the transaction"? A. I remember that now.

Q. You did not however get the loan there? A. No.

Q. They failed to make arrangements; who is A. J. Luxton, Banker, in Milton? A. Ex-Manager of the Bank of Hamilton, sub-agent of Mr. Lindsay in canvassing for stock.

Q. Would you look at that letter and the enclosed application, and look at the respective dates, and tell me who dated the subscription? A. I could not say.

Q. Looking at the accompanying letter, the letter is dated November 23rd, 1906, and does it enclose a subscription from Luxton and one from Bradley? A. So it says; it is in the same handwriting.

Q. Luxton's subscription for ten shares; what is the date of that subscription? A. The 22nd October, 1906.

Q. Is that one of those that you described as being ante-dated subscriptions? A. I believe it is.

Q. Who wrote in the 22nd October, 1906, was that you? A. It was not.

Q. You think those are both in the same handwriting, the letter and the subscriptions? A. I would say so.

Q. The subscriptions is for ten shares, number 554, signed by Arthur George H. Luxton, Banker, Milton, dated October 26th, 1906. The letter is headed "The Farmers Bank of Canada, Milton, the 23rd November, 1906, addressed to the General Manager of the Farmers Bank, Toronto. "Yours of the 22nd to hand with enclosures. I enclose my application for ten shares; also A. B. Bradley's. Will explain fully on Monday about A. B. Bradley, who is assisting me in more ways than one". The rest of the letter is unimportant. "Yours faithfully, A. H. Luxton". Did you send them the application form? A. I presume I did.

Q. Which he returned in this letter. I think that is all I want to ask you at present. There is that other matter; have you thought over that matter that was brought up on the former occasion? A. Yes, I have given it serious consideration and consulted my solicitor, and he said that if it had anything to do with the Finance Department or anybody in connection with it that I should tell it, but if it is a personal matter he would not advise me. Now, I stated it had nothing to do with the Finance Minister or anybody in connection with the Finance Department; it was a personal matter of my own and I do not wish to say anything more about it.

Q. There will be an opportunity later on.

MR. COMMISSIONER: What does that mean, a personal matter of your own? A. It was money that I paid out of my own.

Q. Your own money? A. It was money that was due me on commissions, yes.

MR. HODGINS: There is in the account here a special charge to Mr. Lown, who was one of the provisional directors; it seems to have been carried as a separate item quite apart from his share of the money that you paid him, or separate from the expenses; can you throw any light on that; he could not? A. What is the amount of it? Do you remember if it was \$300?

Q. \$560; it is in the provisional directors' statement of receipts and payments, would you just look at the payment starting with commissions and so on, you will find A. S. Lown, I do not know what that is? A. Does this refer to the provisional board's books?

Q. Yes? A. I think the provisional board ledger will show that was for legal services.

Q. Mr. Lown could not throw any light on it.

MR. COMMISSIONER: Has Mr. Clarkson got that ledger? A. If you have ledger I can probably assist you. (Ledger pages produced).

MR. COMMISSIONER: It was a modest ledger? A. The reason they are in that shape is there were so many examinations and the big book was carried up and down so many times we took out the leaves.

Q. It is loose-leaf? A. Yes. There is the entry in the ledger; you should have to turn up the cash book for an explanation of it.

Q. Would not there be a voucher for it? A. There should be.

MR. F. C. CLARKSON: The cheque is made payable to A. S. Lown, and no memorandum. In the cash book it is just charged A. S. Lown.

MR. COMMISSIONER: Is there no voucher?

MR. F. C. CLARKSON: Just the cheque for it. A. It just says A. S. Lown, \$50.

MR. COMMISSIONER: Would the stub of the cheque show? A. The cheque itself might show.

MR. F. C. CLARKSON: The cheque is just made payable to A. S. Lown.

MR. COMMISSIONER: Have you the stubs at all?

MR. F. C. CLARKSON: No.

MR. COMMISSIONER: Does the witness say his impression is that that was for legal expenses? A. Yes, that is my recollection of it; I could not swear positively to that.

---

W. J. LINDSAY, Recalled:—

MR. HODGINS: There was a cheque produced here as to which you were examined, for \$10,000? A. Yes, sir.

Q. Paid out on December 6th, 1906? A. Yes, sir.

Q. I do not know whether you were here when Mr. Travers gave his explanation of it? A. No, he started to give it and I just left.

Q. Will you tell me again what your explanation of the cheque is; in the first place it was payable to Travers, was it not? A. Yes, I think it was.

MR. TRAVERS: You are wrong on that. A. I would not be positive.

MR. HODGINS: This is the cheque, payable to W. J. Lindsay, Exhibit 28. Tell us what you did with that cheque when you got it? A. I think it was on a Saturday, if my memory serves me right, and I got it about noon. I walked down to Front Street; the Traders Bank at that time were in the old McMaster Building, on Front Street, in the rear of the Bank of Montreal; there was a gentleman with me and we walked down. I deposited \$5,000 of it to my own credit and the other \$5,000 I got in bills, and I put them in my pocket and put my hand in the pocket with the bills in it, and I walked up to the Bank on the corner of Bay and Adelaide Streets and I handed the \$5,000 to Mr. Travers. There was a gentleman

## SESSIONAL PAPER No. 153a

with me walked down to the bank, saw the money, and I do not know but he saw me hand it to Mr. Travers in the office; he can speak for himself.

Q. This cheque does not appear to have been deposited in any way? A. No, it was handed in and the half of it was credited and the other half I took the money.

Q. Had you a private account in the Traders Bank? A. Yes.

Q. And you I suppose got the whole of this in cash and you deposited \$5,000 in cash? A. Yes.

Q. You do not seem to have needed identification? A. No.

Q. The \$5,000 went to your own personal account there? A. Yes.

Q. Had you more than one account in the Traders? A. It was I think W. J. Lindsay in Trust, if I remember.

Q. Why was it put in trust? A. I think that was the way Mr. Travers opened up—I would not be positive.

Q. Had Mr. Travers opened your account in the Traders? A. I do not remember whether it was a running account or not, whether it had been there before.

Q. You just spoke of it being in trust? A. Yes, I think it was in trust.

Q. You rather indicated Mr. Travers had opened it? A. I would not be sure whether it was there before he commenced to deposit there or whether he opened it.

Q. If he opened it and opened it in trust what would it indicate? A. I do not know. I think it was there before but I would not be sure.

Q. And in trust? A. I think it was in trust.

Q. What is it in trust for? A. I don't know.

MR. COMMISSIONER: Do you mean to say you do not know whether it was in trust or not? A. I always carry an account in trust.

Q. Don't you know whether it was in trust or not? A. I am not quite clear on it. Q. Although you were drawing thousands of dollars of cheques on it? A. I don't know whether that was in trust or not; I will look it up.

MR. HODGINS: You drew \$5,000 and immediately deposited that to this account in the Traders Bank? A. Yes, sir.

Q. And what became of that? A. Which?

Q. The amount you deposited in your account? A. It was used for various purposes; I presume for other business, and expenses; I presume I used about \$2,000 of it in England, that is in connection with the Bank's affairs when I was over there.

Q. Your Bank account I suppose would show, would it? A. Quite.

Q. Who has the cheques on that Bank account? A. I don't know if I got them all or not; I made a request the other day for them, and I have been away for quite a long while, and they said they would try and get them for me.

Q. Have you enquired since? A. Yes, they are going to try and get them located.

Q. When did you make this enquiry? A. About two or three weeks ago.

Q. What did you want them for? A. I thought it was wise to get them.

Q. Will you produce them here anyway? A. If it is possible, yes, if I can get them.

Q. You drew \$10,000 and you kept \$5,000 of it? A. Yes.

Q. In bills? A. Yes.

Q. What size bills—kept them? A. No, I did not keep them, I took them over—I carried away the \$5,000 from the Bank.

Q. In what size bills? A. I would not be sure, I think they were in fifty's.

Q. What was your object in drawing it in cash that Saturday afternoon? A. Mr. Travers wanted it. He said "Bring me back my portion of it; I will wait here for you to come back."

Q. What was his portion of it? A. It was considered half up to the organization.

Q. I understood you were sub-agent to Mr. Travers? A. Yes.

Q. He was sharing half his commissions with you? A. Yes.

Q. And this was for W. J. Lindsay's commissions, this would be all your own commissions? A. No.

Q. Why was it payable to you if it was not your commissions? A. He had to make it up in some way to be out of the Bank I presume.

Q. That does not seem to me to be reasonable; were you to make some payments out of it that were not to be shown in the Bank account? A. No, sir, there was nothing any further than I was taking him back his portion of it.

Q. This was the only cheque that was payable direct to you? A. Yes; well, from that on my commissions were paid by cheque.

Q. Had you earned \$10,000 in commissions on December 6th? A. Yes, considerably more.

Q. This would be your own share of it then? A. No.

Q. If you had earned it why did you not insist on it being paid? A. Any moneys that were drawn, it was the custom, I understood from Mr. Travers, that one-half of it was divided up.

Q. He was to divide half with you? A. Yes.

Q. Why was this cheque made out to you for \$10,000 and you give back Travers \$5,000 of it, instead of as you had always done, had cheques straight to Travers and he gave you half? A. The Bank was in business then, I presume, and he can answer that better than I can.

Q. No, he cannot; I want to know how it was you reversed the method of doing business, and walked down to the Bank and got the money and gave it to him? A. I presume that was at the first stage when Mr. Travers was in shape to issue a cheque.

Q. Had not he issued cheques before? A. Not to my knowledge.

Q. To you? A. Not to my knowledge.

Q. Had not he deposited money to your credit? A. Yes, but that is quite a different thing.

Q. Was the different thing done? A. Yes.

Q. Then he must, if he deposited money to your credit, have been able to draw cheques? A. I don't know anything about that.

Q. You took this back, did you? A. Yes.

Q. This gentleman with you? A. Yes.

Q. Who was he? A. I gave you his name.

Q. I have forgotten it now? A. I asked you if you would have him subpoenaed.

Q. Did you? A. Yes.

Q. When did you give me his name? A. The second to last day you were sitting here.

Q. Is that McCorquodale? A. Yes.

Q. And is that the gentleman who walked down to the Bank with you? A. He did.

Q. Is he subpoenaed, Mr. Thompson?

MR. THOMPSON: I think so.

MR. HODGINS: Is Mr. McCorquodale here? (Mr. McCorquodale was not present.)

MR. HODGINS: Q. What did you take him down for? A. I did not take him down.

Q. Did he walk down to the bank with you? A. I told him where I was going, and he said "I will go down with you."

Q. He wanted some of that money, didn't he? A. No.

## SESSIONAL PAPER No. 153a

Q. Did he get any? A. No.

Q. He saw you draw this out and put it into your pocket, and he walked back to the Bank? A. Yes, he did.

Q. Into the room with you? A. And he stood at the desk, and Mr. Travers came out of the inside office, and he had his coat and hat on, was waiting for me, and he came out and went downstairs, the three of us together.

Q. Who came out? A. Mr. Travers.

Q. He was upstairs in the bank when you got there? A. Yes.

Q. What time of day was this? A. Along around one o'clock.

Q. What time did the Bank close that day? A. Around twelve or one; I don't know what time it closed.

Q. Anyway you got in before the Bank closed? A. Yes.

Q. And went straight back to the Farmers Bank Building? A. Yes.

Q. And you saw him about one o'clock? A. Somewhere around there.

Q. You gave him this money? A. I did.

Q. No doubt about that? A. Not the slightest.

Q. What did you give it to him for? A. Because I considered it his portion of the commission. It was talked over before he gave me the cheque. He told me, he said, "Now, I give you the cheque, and you go down and get it and bring me my portion back."

Q. You and he appear to have been pretty close in business? A. Well, I had confidence in him.

Q. I should think he must have had confidence in you; he gave you the cheque and you were to bring back the money? A. Yes.

Q. What occurred after you gave it to him, did you get a receipt? A. No.

Q. Did you charge him with this in this suit of yours? A. I did.

Q. How; would it appear in the statement of your claim against him? A. Quite so, all the way through.

Q. Does it appear in the Statement of Claim? A. The Statement of Claim will show.

Q. I know; but from your knowledge of your own case would it have been mentioned in it? A. Quite so; it was mentioned in fact.

Q. This would really be on the face of it a payment to you for commissions, and you claim to have refunded half of it to Travers? A. I treated the transaction exactly the same as he had been treating various transactions up to that time, to my knowledge.

Q. There is no doubt about this, if you could not prove he got it back you would be chargeable with the \$10,000 on that view? A. I did not get it.

Q. I am asking you if that is not the case? A. Well, I presume unless it was proven there that I couldn't—

Q. I want to know why you did not take the precaution of getting a receipt? A. He had never taken a receipt from me for a dollar of money that he deposited to my credit.

Q. I should not think he would want to; did he take a receipt for what he paid you? A. No.

Q. How is it that you two seem to be such bosom friends? A. It is not a matter of bosom friends, it was a matter of confidence; if you have confidence in a man—

Q. You know you and he had been fighting like cat and dog in August, 1906, calling each other all sorts of names? A. From time to time he had got straightened out and I had still confidence in the man's honesty of purpose.

Q. You do not expect to believe in view of the correspondence that was in that you had quite changed your view of him and he of you and gone into this transaction in the way you have spoken of? A. I did not consider that any man in the position that he was in, a man in possession of a letter which he showed me from Mr. Fish, I thought that it was just as good as though I had a receipt.



Q. When did you see that letter? A. Before I went out to sell stock.

Q. It was after that that you and he commenced to have such an acrimonious correspondence; what did Mr. Travers do when he got this money? A. We parted shortly afterwards and I went home, I presume.

Q. What did he do, I ask you? A. The three of us went down and out of the Bank on Bay Street.

Q. Then what? A. We went across the road and we had a drink.

Q. Then what? A. I do not know anything more; as far as I am concerned I left him there.

Q. Did you see any one other than McCorquodale and Travers when you gave that money over? A. No, sir, I did not.

Q. Who proposed Beattie Nesbitt as President of the bank? A. I do not know.

Q. You did not? A. I did not.

Q. I am told he is a great friend of yours? A. Well, I do not know how you could term him as a great friend. I had had the pleasure of meeting him several times, but I was never in the gentleman's home in my life until after the Bank was organized. I went over there one Sunday afternoon with Mr. Travers, I have forgotten what it was for; we were out for a walk, and we dropped in and were in for a few minutes; outside of that I had never been in Beattie Nesbitt's home up to that time.

Q. You do not say you were good friends? A. We were friends to say, Good morning, Good day, Good afternoon.

Q. No more intimate than that? A. I do not know as you can call it more intimate than that.

Q. I do not know what you call it? A. We were friends as friends go, to say "Good day."

Q. Who suggested his name as President? A. I think it was Mr. McCorquodale if I remember right.

Q. To whom? A. To Mr. Travers.

Q. Were you there too? A. I was not.

Q. How do you know? A. Mr. Travers told me.

Q. Mr. Travers told you that McCorquodale had suggested it? A. Yes.

Q. About a week before the meeting? A. I do not know what time it was.

Q. Just think for a moment? A. I cannot think on a thing I am not interested in.

Q. When he told you did you support it? A. I had nothing to say about it.

Q. Do you dispute what Mr. Travers says altogether, that Beattie Nesbitt was a friend of yours, and that the suggestion that he was to be President came from you? A. It certainly did not.

Q. Do you deny absolutely what he says? A. Yes.

Q. Between you and Mr. Travers we do not know how Beattie Nesbitt came, if you are both to be believed? A. I think you will find out that Mr. McCorquodale was the man who did the whole transaction with Beattie Nesbitt.

Q. Is he the man who sold stock—A. He sold—I did not have anything to do with Beattie Nesbitt or Beattie Nesbitt's subscription; Beattie Nesbitt's subscription was taken by McCorquodale. I met Beattie Nesbitt on King Street one day, and I don't know just what time or what stage it was in the game, and he stopped and asked me about the Bank and how it was getting along, and he said he had been approached? Those are facts you cannot get away from.

Q. You and Travers were the two most interested people in getting this Bank started, is not that right? A. I was selling stock.

MR. COMMISSIONER: Answer the question. A. I was a sub-agent for Travers.

## SESSIONAL PAPER No. 153a

Q. You were not asked that; answer the question that is put to you? A. I presume I would be the most interested, in fact I felt interested all the way through, as much interested almost as though every dollar of it had been my own; from the fact of having gone out and interested many, I was very much interested.

MR. HODGINS: Q. In round numbers how many dollars did you get by way of commissions after the Bank organized? A. After the Bank organized I think it was something around, I would not be certain whether it was \$17,000 or \$19,000.

Q. You could not get that unless the Bank became organized? A. I do not know about that; I had done the work, I do not know whether I could or could not get it.

Q. Who did you look to for these commissions? A. I was looking to Mr. Travers and the Bank.

Q. When do you date your acquaintance with Dr. Beattie Nesbitt? A. I have known him from being around the Parliament Buildings, that is all.

Q. How long? A. Probably a year or two or three years; I do not know just how long.

Q. Had you made use of him during the spring and summer of 1906 in interesting people in the Bank? A. 1906?

Q. Yes? A. And 1907?

Q. No, I did not say 1907; had you interested him in getting people; had you employed him or got him to interest men in getting people to take interest in the bank? A. Not to my knowledge.

Q. You absolutely say you did not? A. Yes; some time along about towards the fall I met him on King Street and he told me he had been approached and that is as much as I know.

Q. That would be before the certificate issued? A. Yes, some time before.

Q. About a week before? A. I do not know how long.

Q. What do you say to what Mr. Travers says, that this money was paid to Beattie Nesbitt? A. I have told you everything that I know about it.

Q. Do you know anything about it? A. I know I paid it to Mr. Travers, and when I paid it to Mr. Travers I did not see any paid to Nesbitt in the Bank.

Q. Did you know it was being paid? A. I did not.

Q. What do you say about Mr. Travers' statement that Beattie Nesbitt told him that you had arranged to pay up, to qualify and pay up his shares? A. I never talked to Beattie Nesbitt on that score.

Q. Never did? A. No; why should I?

Q. Then you and Mr. Travers differ completely on this episode? A. I cannot help that.

Q. I say you do differ? A. Yes.

Q. And you differ with him as to how Beattie Nesbitt became President? A. I tell you the facts as I know them.

Q. Who did select the President? A. I do not know. I understood Mr. McCorquodale was the man that interested him and brought the two of them together.

Q. Did Travers say anything to you afterwards about this payment paid Nesbitt? A. I did not know anything about it until after I had instituted suit against Mr. Travers for commissions, and the bank.

Q. Then what? A. The Examination for Discovery will show what he said.

Q. Do you remember were you present? A. No. Some of the examination I was present at and some of it I was not.

Q. What did he tell you on that examination, or tell your lawyer? A. As I understand that I had paid it to Beattie Nesbitt by some arrangement.

Q. He swore you understood that you had paid it to Beattie Nesbitt? A. Yes.

Q. And that he had handed it to Beattie Nesbitt pursuant to your arrangement? A. I do not know, I would not be sure of that.

Q. Which was the idea you got? A. The impression is just as I tell you.

Q. That he swore? A. That I paid it to Beattie Nesbitt.

Q. You gave him \$5,000 on a subsequent occasion, didn't you? A. No, sir, not at any time; not one dollar at any time.

Q. How can you account for this hallucination of Mr. Travers about Beattie Nesbitt's stock and this \$5,000? A. I do not try to account for it.

Q. You were pretty active, were you not, in March and April, 1906, in getting stock taken up and seeing people about the Bank? A. Yes, sir, I worked day and night; I would go out on Monday morning and come in Saturday night invariably.

Q. Do you remember trying to interest people in Ottawa? A. Yes, I went down there.

Q. How long did you spend in Ottawa? A. I don't know, I was probably there two or three days.

Q. Who were the influential friends that were referred to in one of the letters that you had down there? A. Let me see the letter.

Q. You do not recollect that? A. No.

Q. Can you tell me any influential friends you had? A. If you show me—

Q. You remember who you knew in Ottawa? A. Yes, I knew—

Q. Who did you see about coming on the Board or taking stock? A. I telephoned to Mr. Calvert, if that is what you have reference to.

Q. Did you know him? A. Yes.

Q. Is he an old friend of yours? A. I have known Mr. Calvert for twenty or twenty-five years.

Q. You telephoned him? A. Yes; I have know him in business.

Q. Did you do anything more than telephone him? A. When I was down again, subsequent to my telephoning I was in Ottawa and I dropped in to see him and have a chat with him.

Q. What did you ask him to do? A. I told him, in fact I went in in connection with the Prospectus and handed it to him and told him it had been issued and he asked me—

Q. Was this Prospectus with his name on it? A. Yes, I think it was issued with his name—

Q. You went in with the Prospectus and showed it to him? A. Yes, I have the Prospectus; I asked him if he could give me any assistance in a general way.

Q. To do what? A. To get subscribers.

Q. That was when? A. I do not know.

Q. Was it as early as March or April? A. It may have been along there; it was in the early spring.

Q. From then on, did you ask him to interest himself? A. I do not know that I ever discussed it with him again; he had been back and forth here and discussed the matter with Mr. Travers, been in touch with Mr. Travers.

Q. Since when? A. Since that time he had been in Toronto.

Q. The earliest telegram I have got is dated March 17th, 1906, to you, signed by Mr. Calvert, "Party referred to in letter declined; writing"? A. That was I think J. B. St. Denis Lemoine of The Senate, and I presume that was one of them. On the telephone I asked him to see him to see if he would subscribe for ten thousand or twenty thousand.

Q. Who else did you see down there? A. I called on a number of people.

Q. Senator Domville? A. I talked to Senator Domville I think and Senator Merner, and I think I talked to Willis Bennett; I saw him there, and I do not know how many more. I think I left there on Saturday night.

Q. Was Mr. Emmerson a friend of yours? A. Yes, sir.

## SESSIONAL PAPER No. 153a

- Q. Did you see him? A. I do not remember now how many I did see.
- Q. What were you down in Ottawa seeing so many people for? A. To get stock subscribed.
- Q. Was that all? A. I do not know.
- Q. You wanted some one to go on the Board? A. It was not left in my hands altogether.
- Q. What were you doing it for then? A. I was told if I could get some good men to go on the Board—if all the men had gone on the Board, as one of them said, the Bank would never have got away from shore.
- Q. What is that? A. If some of the good men had remained on the Board who promised to go on and promised to subscribe for stock, if they had remained on the Board the Bank would never have got away from shore, it would have been on the rock yet.
- Q. It is certainly on the rocks? A. It is a different kind of rocks now.
- Q. You had been down in connection with the extension of the Charter? A. I had not, no, sir.
- Q. Did you write about it? A. Not to my knowledge.
- Q. Did you ask any Members of Parliament to interest themselves in having it extended? A. Not that I remember of, may have; I don't know; I don't think I did—I may have said in a casual way, they may have said something about it, and I may have said I guess there should not be any trouble, or something of that kind, to my knowledge.
- Q. Had you any business dealings with Mr. Calvert? A. I have had.
- Q. During that twenty or twenty-five years? A. Yes.
- Q. Knew him pretty intimately? A. Fairly well.
- Q. Ask him to go on the Board? A. Yes.
- Q. Which he declined? A. No, he did not decline then.
- Q. He declined in July? A. Well, I was not aware of that; I do not remember anything of it.
- Q. Travers did not tell you that? A. I do not remember anything of it.
- Q. You asked to see this letter; it is dated 27th April, 1906? A. I remember something of this letter, but I got this letter after I got back home; I remember that distinctly.
- Q. That is all right; you asked to see the letter which mentions the influential friends you had there, you thought perhaps you could tell me if you saw the letter? A. I remember now since I saw it, I remember the letter coming back to me from Ottawa.
- Q. Who did it refer to? A. It is a myth, I do not know; I presume one of them; I had several friends there.
- Q. Who were they? A. I do not know; it was not acted upon, because the letter came back, and it does not interest me.
- Q. The letter asks you: "I wish you would get one of your friends there to find out from the Receiver-General's department whether a deposit receipt of one of the banks for \$250,000 would be accepted as our deposit held by them for the thirty days, without asking to have it cashed. Kindly look into the matter because through some of your influential friends there you might have this agreed to even if it was an unusual departure"? A. Yes.
- Q. That is written by Mr. Travers to you; cannot you tell who your influential friends were? A. I remember distinctly that that letter came back to me a day or two after I had got back home; so that it was not acted upon in any way.
- Q. I did not ask you that; you did not make the inquiry because you did not get the letter; but who had you told Mr. Travers were your influential friends that you thought you could get something done? A. He knew I had a number of friends, I have good business friends there, I have friends in politics in Ottawa.

Q. Who had you told Travers were your friends? A. I had not told him; he knew I had a lot of friends.

Q. Have you mentioned them all? A. No, sir; I told him I was going to Ottawa, and I thought I could get some subscriptions there. You take Fred Heney on the Richmond Road, a man probably worth one and a half million dollars, and I went and laid the matter before him, and he is one of my friends.

Q. In that letter Mr. Travers says: "I am enclosing you a new form of application leaving the proxy blank. Kindly take all your applications without putting the name in. I have a new wrinkle I will explain it when I see you."

MR. COMMISSIONER: You asked him about that before, and he gave you his explanation.

MR. HODGINS: Did you get that letter from Mr. Travers after the charter was issued suggesting that the date should be left blank in the subscriptions? A. I do not remember; there were many letters went out and came back again to the bank that probably never reached me at all.

Q. "In taking your subscriptions from now on until say the middle of January Mr. Hunter has suggested that you leave the date blank so that we may make use of them in any way that may suit best on making up our next list"? A. If you look over the applications you will find possibly there are a great many not dated at all, that is even from the inception.

Q. You got that letter? A. I do not remember.

Q. It is addressed to you at Kerwood? A. I do not remember whether I got it or not.

Q. Did you act on it? A. Not to my knowledge, I do not know; I do not remember of having got it. I was jumping around a good deal. I may have got it or may not.

Q. If you got it you acted on it? A. I do not think I ever dated any, if you look at the whole list of subscriptions.

Q. We will look up? A. I do not know; I followed instructions; I was simply selling stock.

Q. Another point I want to ask you about is with regard to this subscription of yours for 500 shares; Mr. Travers says that this was signed by you without a date and carried around for some considerable time; is that the case? A. No, I understood that he said it was signed just before the Bank organized and dated back.

Q. Well, how was it; we will have your story? A. I understood that was the way.

Q. Which was it? A. It was signed subsequent to a letter I received when there was \$485,000 and when I thought there was about the amount—I subscribed for \$50,000 shortly after having talked with a gentleman—I think I explained it all to you before, that he was coming in and going to go on the Board and take thirty or forty thousand dollars—

Q. Yes; let me get that; you say you signed that after a letter in which he told you there was how much subscribed? A. I think four hundred and eighty-five or eighty-nine thousand dollars.

Q. This is the letter (Exh. 22)? A. Yes.

Q. It was after that you signed it? A. Some time subsequent to that, yes.

Q. You did not date it? A. I do not think I did, no.

Q. When did you first know that it became operative? A. I knew that it had gone through.

Q. When did you first know it became operative and had gone through? A. Not until after the bank was organized.

Q. You did not know it until after the Bank was organized? A. No, at least I did not know whether it had gone through or not, but I told this gentleman

## SESSIONAL PAPER No. 153a

I would secure for him, and I presume when I signed it for it had gone through just the same as any other subscription.

Q. You had a prior agreement that you were to get the selling of the second five hundred thousand dollars of the bank stock? A. Yes, that was the second agreement that I had.

Q. Was that prior to this application? A. Yes.

Q. And that was to be placed at 125? A. Yes.

Q. You never intended to pay up those 500 shares? A. I intended to transfer thirty or forty thousand dollars of it to a gentleman who afterwards went on the board.

Q. I am asking if you ever intended to pay it yourself? A. I intended to take a portion of it.

Q. But not to pay the whole thing? A. No.

Q. If they had \$489,500 on the books on September 24th, what was your object in making this subscription? A. In securing it for this gentleman so that he could have it at par.

Q. What was his name—Menzies? A. That was thrashed out here before and it was misquoted in the paper, so that I do not wish to hurt any person's feelings.

Q. Was it Menzies? A. Yes.

Q. Did you attend and vote on that stock at the meeting? A. I did not vote.

Q. You were there simply as a proxy for others, were you? A. I do not think I voted anything.

Q. You are recorded as being there as a proxy, you and Travers controlling the meeting? A. I do not know that I voted; if you have got the votes, that is with my name signed to it, I will say I voted, but I do not remember having done so.

Q. You were at the meeting? A. Yes.

Q. And as a proxy? A. I was not aware of that.

Q. You are down for some 1,900 shares representing those shares as proxy?  
A. 1,900.

Q. That does not astonish you, does it? A. It does.

Q. Were you at the meeting? A. Yes, I was at the meeting.

Q. And you knew that you and Travers controlled it? A. I was not aware I had voted; I do not remember having voted.

Q. Did you know you and Travers controlled it? A. I did not know it.

Q. You went to that organization meeting not knowing that you and Travers controlled it? A. I did not know that my name was on any proxy; I did not know that I had been filled in any way on a proxy note.

Q. "Proxies representing 1,807 shares of capital stock and the following subscribers were present by proxy: W. R. Travers 1,333; W. J. Lindsay 1,899 shares;"—do you say you did not know that? A. I did not. They will have the ballots as they were cast.

Q. I am asking you if you knew that at the meeting? A. I must confess I did not.

Q. Up to that time had you made any arrangement with Travers as to who was to be President? A. I did not have anything to do with who was going to be President or who was not.

Q. Will you answer the question? A. Not to my knowledge.

Q. Did you go there not knowing whom you represented and not knowing who was to be president? A. I did not know I was in any such position as that.

Q. You seem to have been singularly innocent of your powers? A. I did not act upon it to my knowledge.

Q. You want us to believe that? A. I would like to have where I signed my name; there should be a record of that.

Q. And you did not know who was to be the president? A. I understood he was going to make Rory McLennan president up to the last minute, and he refused and finally he was made honorary president, and then Beattie Nesbitt was made president. Colonel Munro was to be president from the start, I understood but it was afterwards arranged and he stepped back; it had been arranged for some time before that Colonel Munro was to be president and felt very much hurt.

Q. Did you nominate any of the directors? A. Not to my knowledge.

Q. You nominated none of the directors; did you vote for any of them? A. I was not aware of casting my vote.

Q. Your position at that meeting was you did not know anything, did not do anything? A. That is news to me.

Q. Did you after the meeting obtain a contract or arrangement that you were to take up the balance of the stock at a premium of 25? A. They were inside and I was out in the outer office, and I was called in and I was asked how long it would take to place the balance of the stock, and I said it might take three months or six months, it might take three years, and might take six years; it depends entirely upon the conditions. I said I will place it as quickly as possible. Mr. McLennan said, "do you think you can do it in six months or nine months or a year?" I said, "I could not say until it is done," and I retired then. Sometime afterwards I got a little note saying it had been placed in my hands, from Mr. Travers, and that is all there was to it.

Q. That is the letter? A. Yes.

Q. Is that date correct December 7th, 1906? A. I presume it is.

Q. You said the 6th December, 1906, was a Saturday? A. I think it was, I am of the opinion it was.

Q. This letter dated the 7th, would in that view be on Sunday? A. I could not say, but I was under the impression it was a Saturday; it was at the close of banking hours anyway.

Q. How did you come to get that letter from Mr. Travers? A. I do not know whether I got it from him in the office or whether it was mailed to me.

Q. Would you try and remember whether you went in and saw him on that day and got that letter? A. I would not be sure, I have no idea.

Q. You cannot recollect? A. No.

Q. Did you nominate Mr. Gundy? A. I would say so if I signed the nominating paper, Mr. Hodgins, but not unless; I have no recollection.

Q. You would not admit it unless I confronted you with something signed by you? A. Yes.

Q. You have so little recollection of that? A. Of that meeting, that is quite right.

Q. You knew Mr. Travers was going to use that subscription of yours, didn't you? A. Will you let me see the cheque again, please?

Q. Yes. (Handing cheque Exhibit 28); you knew Mr. Travers was going to use that subscription of yours? A. I did not pay any attention to it at the time.

Q. Did you know he was going to use that to get the certificate? A. I signed it in the regular way; I did not know a certificate had to be got at that time.

Q. You did not know a certificate had to be got? A. No.

Q. At what time? A. At the time I signed that; I did not know what the technicalities of the bank was, or what forms they had to go through before they started business.

Q. You did not know that? A. No.

Q. Did you know he was going to use that subscription as one of the *bona fide* subscriptions? A. I signed it in the regular way; that is all I know.

## SESSIONAL PAPER No. 153a

Q. You knew he was going to use it? A. I expected that it would go through in the regular way and be allotted to me.

Q. And it is a genuine subscription, is it? A. It was a genuine subscription, everything considered.

Q. It was? A. At that time.

Q. When did it become an irregular subscription? A. When he would not transfer it to Mr. Menzies.

Q. It was conditional, was it? A. It was not conditional at the time; I took it for the purpose, and then I tried to sell it afterwards.

Q. At par or at 125? A. Some of it at par and some of it at 125; he would not transfer it at any price.

Q. At this first meeting on November 26th, it seems you were authorized: "Balance of stock up to a million to be placed exclusively in the hands of Mr. W. J. Lindsay for one year at a commission of 10% per share payable on payment of premium, said stock to be sold at a premium of 25%"—that would be the date you say they had the meetings, and you were called in, November 26th, 1906? A. I presume that was the day.

Q. In that suit of yours against Travers and the bank, did you see Dr. Beattie Nesbitt in connection with that? A. I did not make any special effort to see him. I met him on the corner right opposite the Prince George and there was something said about it; that was all.

Q. What did you discuss with him? A. There was not anything much said. He said you had better come away up to the bank and get it straightened out and get it settled.

Q. Get what settled? A. Just what you asked me, the suit, the amount of money that was owing me.

Q. He knew about the suit? A. I presume he did.

Q. Did you tell him? A. Not up to that time.

Q. He did not know it from you? A. No.

Q. He wanted you to go right up and get it settled? A. Yes, and I said, "Mr. Travers has the books there and he knows what is due me and he can easily adjust it."

Q. Did you discuss then the payment of \$5,000? A. It was not mentioned at all.

Q. How long did you talk? A. We did not talk more than three or four minutes. I said "there is no use in our discussing it, doctor".

Q. Had Travers been examined before that? A. I do not know whether he had; I cannot fix the date.

Q. Do you know whether Travers was examined? A. I do not know whether it was before or after we had started in to examine Mr. Travers or not. I have just this recollection of meeting him on the corner; it was only a few minutes, I was waiting for a car.

Q. Was the letter Dr. Beattie Nesbitt wrote to Mr. Travers produced on the examination? A. I think not.

Q. When did you hear of it? A. I heard of it when it was presented to my solicitors in their office.

Q. During what time, during the pendency of the suit? A. I do not know; I think it was during the time they were trying to get together, his solicitor and my solicitor, to get together to adjust it.

Q. Was not that before the suit? A. No, I think not.

Q. When it was presented to your solicitors did you discuss it with Dr. Beattie Nesbitt? A. No.

Q. Did you deny it, what Dr. Beattie Nesbitt said? A. I certainly did, I told my solicitor.

Q. Did you write to any one denying it? A. No, I simply told my solicitors; I do not know why I should write.



- Q. Who did you tell? A. My Counsel and I discussed it.
- Q. Who was it? A. Messrs. Masten, Starr and Spence.
- Q. You did not tell all three? A. Yes, I guess they all knew and it was discussed.
- Q. Who did you tell? A. I told Mr. Starr, and I think it was talked over with Mr. Masten, I would not be sure, I think they all knew.
- Q. Tell me who you denied it to? A. Mr. Starr.
- Q. Have you any doubt about it? A. No, not the slightest.
- Q. You were not examined in that action? A. No.
- Q. Had you any talk with Dr. Beattie Nesbitt after you knew about it? A. I do not think so.
- Q. You never interested yourself in it? A. No.
- Q. Dr. Beattie Nesbitt says this (Exhibit 37): "Referring to our conversation of yesterday, I remember well being in your office then upstairs"—that agrees with your view, that the office was upstairs—"On December 6th, 1906, and W. J. Lindsay coming in and handing me a parcel of Traders Bank notes, to the amount of \$5,000"—is that true, that statement? A. It is not.
- Q. You said that you recollect these were \$50 bills? A. I do not think they had \$100 bills in the bank; I asked them for the largest they had.
- Q. Dr. Beattie Nesbitt thinks they were \$100 bills? A. I do not think so. I said, "Give me the largest bills you have got" and I think fifties were the only thing they had; it was quite a large roll.
- Q. You have a very distinct recollection of it? A. Yes.
- Q. I am glad to know that, because it may help us to find out just what the facts are? A. A person could not carry \$5,000 in their pocket without knowing they had it.
- Q. I think I could carry \$5,000 in my pocket if it was in \$100 bills. "This was in accordance with a private arrangement I had with him"—had he any private arrangement with you? A. No.
- Q. These statements in this letter are wholly false? A. As far as I know they are.
- Q. You deny them all? A. Yes.
- Q. And deny all that Mr. Travers says? A. Relative to that \$5,000, yes.
- Q. I see it was Mr. Spence and Mr. Cameron on the 31st May, which is three weeks after this letter was written, were your counsel and were examining Travers; did you not tell Mr. Spence anything about the Beattie Nesbitt Statement? A. Mr. Hunter brought that letter down to their office and I happened to be there at the time and Mr. Spence and Mr. Cameron knew about it and I said to let me have that, I wished to take it out, I said, to show to Mr. Starr, and I showed it to Mr. Starr and there was a copy made of it.
- Q. Do I understand you did not say to Mr. Spence and Mr. Cameron that letter was untrue? A. Yes, I did.
- Q. You did tell them? A. Yes, Mr. Hunter will be able to tell you that.
- Q. Mr. Hunter will be able to tell me that you denied it at that time? A. Yes.
- Q. And you also denied it to Mr. Starr? A. Yes.
- Q. There is no mistake about that? A. Not the slightest.
- Q. Did you instruct Mr. Travers to be questioned about that letter? A. It was discussed, yes.
- Q. What did you tell your counsel was the truth about this transaction? A. Exactly as I have explained it to you here to-day, word for word.
- Q. There was not any private arrangement of any kind whether it is regarding this \$5,000 or not, between you and Dr. Beattie Nesbitt? A. No, sir.
- Q. That is all? A. There was something said the second to last day that there were something like fifty disgruntled shareholders before the organization of

## SESSIONAL PAPER No. 153a

the bank or during the early stages of the bank. I wish to state that is not correct, that the only disgruntled or only dissatisfied shareholders up to the time of the failure of the Ontario Bank I think were something like three or four; one Leslie who had gone to the bank to get their money and something had been said, and they were a little bit timid and frightened and they refused to take their subscriptions. They afterwards took the subscription, and the bank manager at Georgetown apologised to Mr. Travers through—Mr. Starr took it up, he apologised, and said if there was anything else that was necessary for him to say, he was willing to sign a letter to that effect, if that letter was not satisfactory. There was another case where they had gone to Brampton to get money and the shareholder was frightened—I forget the party's name—this was probably along in the month of May or thereabouts; the matter was taken up again by the solicitor and the same thing happened there that he said the gentleman had not said anything detrimental in any way to Mr. Travers. That was done through Mr. Starr or Mr. Travers. Outside of those until that hornet's nest was stirred up there by Mr. Laidlaw at the time he was out defending Mr. Dixon in a case that he had and the failure of the Ontario Bank, there was no one dissatisfied; so that the fifty or one hundred all came after the failure of the bank.

MR. COMMISSIONER: Am I to understand you to say that you knew nothing and heard nothing about the shares of Mr. Nesbitt being paid for by anybody? A. Not until after the—it never was discussed with me until after the organization of the bank.

Q. Had not you heard of it? A. Not until after the organization of the bank.

Q. How soon after the organization? A. Some time afterwards, probably a month or two.

Q. From whom? A. Mr. Travers said that I should pay half of it and I said "No, I would pay no portion of it."

Q. Half of what? A. Half of the amount that Beattie Nesbitt was to get, \$3,000.

Q. Was it spoken of as something to be done or something that had been done? A. It was spoken of as something that had been done.

Q. That he had been paid? A. Yes.

Q. And he wanted to get half back from you? A. And he wanted to deduct half out of my commissions.

Q. Do I understand your statement about this cheque correctly, that you took it to the Traders Bank and got \$5,000 in money, you think in fifty dollar bills, and that the rest of the cheque was placed to your credit or to the credit of some account of yours? A. Yes.

Q. Who wrote those words "10,000" on the back of it, does not that indicate it was all paid out in cash? A. That is something of the bank.

Q. You do not know what it means? A. No, sir.

Q. Was it not a very peculiar transaction that you would get a cheque payable to your order which was a voucher that you had received \$10,000 from the Farmers Bank on account of your commissions and you would go and upon the word of Travers get \$5,000 in cash and hand it to him without getting any voucher or receipt; does not that seem a pretty strange business transaction? A. No, sir, not the way we had been doing business.

Q. Why did not he make this payable to bearer if he had so much confidence in you and you in him; why was it made payable to order? Bearer is struck out and order substituted? A. That I could not say.

Q. Do you mean me to understand that you were not curious enough to find out what he wanted the \$5,000 for? A. No, sir.

Q. Made no inquiry? A. No, sir, made no inquiry.

Q. He simply asked you to go and get it? A. Yes. He said some time before, "Now I will be able to pay you a portion of that commission as soon as that money comes back from Ottawa."

Q. What has that got to do with what I am asking you; I am asking about \$5,000 which you say you gave him; did you not ask any question as to why he wanted \$5,000? A. No.

Q. Who suggested it, did anybody suggest what bills it should be got in? A. There was not any one suggested that.

Q. How did you come to suggest that? A. I asked the teller in the bank to give me the largest bills he had.

Q. Why did you not get a cheque of the bank? A. I did not think of that.

Q. What did you suppose that on Saturday, as you say it was after banking hours, he would want \$5,000 in fifty-dollar bills, what did he want that for? A. I did not stop to think.

Q. And you did not ask? A. No, I did not ask.

Q. And you expect me to believe that? A. Those are the facts, my Lord.

Q. Did you discuss with McCorquodale what this \$5,000 was wanted for? A. No, sir.

Q. It seems to be just an ordinary business transaction? A. He had credited half of all the commissions that I understood he had received—

Q. You are evading my question; what I want to know is why you went down and got this money and brought the money in fifty-dollar bills and gave it to him, as you say you did; that is the point, not about the division of the commission; why was that done? A. I never gave it any thought.

Q. Did not it look as if some kind of under hand thing was to be done? A. No, sir, not as far as I was concerned in the matter.

Q. People do not usually go and draw \$5,000 on a Saturday after banking hours in fifty dollar bills unless they are going to use it for some special purpose do they? A. Well, I do not know.

Q. Do you make the statement that you did not know it was necessary before the bank opened its doors that it should get a certificate from Ottawa? A. I thought it had to get a charter.

Q. You did not know anything about the other? A. No, sir.

Q. Did you know anything about the necessity of paying into the Department money before they could commence business? A. Yes, I understood that \$250,000 had to be paid.

Q. That does not comport very much with your statement that all it wanted was the charter? A. That is all that I understood.

Q. All that was wanted was that? A. The completion of the \$250,000.

MR. HODGINS: I would like you to ask for those cheques at the bank and come back this afternoon? A. If I can get them.

Q. I would like you to attend here anyway at two o'clock, whether you have them or not. A. All right.

The Commission adjourned at 1 P.M. to 2 P.M.

The Commission resumed at 2 P.M.

W. J. LINDSAY, recalled:—

MR. HODGINS: Whose handwriting is that in (referring to a paper containing columns of figures)? A. I do not know; it looks like Mr. Travers writing.

## SESSIONAL PAPER No. 153a

Q. Is it yours? A. No, sir.

Q. Did you ever see it before? A. Not to my knowledge.

Q. Have you been able to get those cheques from the bank? A. No, sir, I was down there; they have not got them yet.

Q. I have a copy of your account in the Traders Bank, have you the Traders Bank book? A. No, sir, I left it there in December when I went away.

Q. December what? A. A year ago last Christmas.

Q. Left it in the Traders Bank? A. Yes, and I have not been able to get it since.

Q. I see a deposit on December 6th, of five thousand dollars? A. Yes, sir.

Q. Is that the five thousand dollars you spoke of? A. I presume it will be.

Q. December 7th, I see cheque to A. T. H. Luxton, was that your cheque?

A. Yes.

Q. Dated December 7th? A. Yes.

Q. December 10th, cash, personal, three thousand dollars, what is that? A. That was an amount that was transferred to another account.

Q. What other account? A. Some money that I owed.

Q. That is not telling me about another account? A. It was an account that I owed three thousand dollars to.

Q. What account was it? A. I have forgotten just for the moment.

Q. Can you look that up? A. I think it was moneys that I owed my wife that I gave her.

Q. Moneys you owed your wife? A. I think it was.

Q. I did not understand you owed your wife any money? A. Well, you never asked me.

Q. Did you? A. I did.

Q. And December 10th, you say you transferred it to another account? A. I think I transferred it to her account if I remember correctly.

Q. Drawn out in cash? A. I have forgotten whether it was drawn by cheque or not, I guess it was cheque.

Q. How was the Luxton payment, December 7th, made? A. That was commissions.

Q. How was that paid, in cash or cheque? A. Cheque.

Q. You remember that? A. Yes, I remember having it marked.

Q. Don't you remember this three thousand? A. I think it was paid by cheque.

Q. What account was it put into, this three thousand dollars? A. I think that is where it went to.

Q. Where? A. No, I would not be positive but I think that is where it went to.

Q. You have not told me yet? A. Yes, I have told you, I think I transferred it by cheque to my wife's account.

Q. In what bank? A. I do not know if it was in the Bank of Montreal or the Bank of Commerce.

Q. She had an account there? A. Yes.

Q. In either one or the other? A. Yes; she had an account both places; or it may have been a payment on property I owned in Fort William; I am not clear on it.

MR. COMMISSIONER: What are you reading from?

MR. HODGINS: Copy of W. J. Lindsay's account in the Traders Bank? A. Those are papers in connection with my suit against the Bank and W. R. Travers. I presume that is what they are.

Q. You had a copy made for the use of the other side? A. I think that is a possibility; that is what they are; I do not know.

Q. Do you know anything about this cheque, exhibit 36, dated December 7th, 1906, and payable to W. R. Travers? A. No.

- Q. You do not know anything about that? A. No.
- Q. Never heard of it? A. No.
- Q. What is this cheque which is part of exhibit 35, dated December 8th, to you for one thousand dollars? A. I do not know; I presume it was on account of commissions.
- Q. Do you know anything about it; have you any recollection about it; it is just two days after you got the ten thousand dollars that you profess to have an excellent recollection about? A. My signature is on that, I presume that I got it all right; I have an excellent recollection of the other.
- Q. You did not draw that in cash? A. No, I deposited that.
- Q. You deposited that in the Bank of Montreal? A. Yes.
- Q. Where you evidently had an account as well as in the Traders Bank? A. Yes.
- Q. You cannot account for what that was paid for? A. No, I do not remember; there was never any statement of what the individual cheques were issued on, what subscriptions they were issued on.
- Q. You had no claim except for commissions? A. That was all, with the exception of a claim—I put in a claim of I think—I put in a fee for the work done in connection with the Laidlaw people which you will probably run across some place.
- Q. That is all; I would like you to come back to-morrow with the cheques from the Bank? A. I will come back with or without them.
- Q. I should like you to make inquiries? A. I will do so again.

---

MR. HODGINS: I have looked up the charges of these various items in the provisional ledger.

MR. COMMISSIONER: Is that with reference to the \$506?

MR. HODGINS: No, with regard to the ten thousand and five thousand; those are charged under the head of stock commissions and organization expenses; they are each charged under the heading of Travers. Then in the Provisional Directors' cash book the ten thousand dollars is charged to stock commissions W. J. Lindsay, and the five thousand dollars stock commissions W. R. Travers, respectively on the 6th and 7th—the permanent books the ten thousand dollars is charged on December 6th, to organization expenses, and the five thousand dollars on the 7th, to the same; and they are so carried into the permanent ledger.

---

W. H. HUNTER, recalled:—

MR. HODGINS: You already have been sworn in the matter? A. Yes.

Q. I see a cheque dated December 6th, 1906, to you for \$250, do you know what that was for? A. For legal expenses.

Q. In connection with your trip to Ottawa? A. And the general work I had been doing.

Q. Was it in full up to that date? A. There had been no account rendered; Mr. Travers handed me that cheque.

Q. December 6th appears to be quite a day in the history of the bank? A. I did not know about any other cheques issued that day.

Q. Mr. Travers said you went down to Ottawa with him on the occasion of getting out this certificate? A. Yes, I said so.

## SESSIONAL PAPER No. 153a

Q. And that you came back before he did? A. Yes.

Q. And that you sent him down the subscriptions? A. Well, that I think he is mistaken in; I do not think the subscriptions ever left the head office of the bank.

Q. Mr. Travers was pretty circumstantial about it; he even recollected taking them to Mr. Boville's office? A. If they were sent down I did not send them down; I did not know they had gone.

Q. You remember being examined before? A. Yes.

Q. And I pointed out to you that letter of Mr. Fitzgibbon's? A. Yes.

Q. Which said you came in and went over the subscriptions? A. Yes; and what I said on that occasion I would repeat now is that I thought that I went in to examine the shareholders' register to see that the amounts had been applied upon the shares in respect of which the notes had been discounted. I did not see what advantage to me at that time the subscriptions would be, it would not help me on that end of it.

Q. Mr. Fitzgibbon writes you went over them and Mr. Travers says they came down from you; now, in view of that, do you still say that you neither looked over the subscriptions nor sent them down, did not know they were gone down; I will not say I did not look them over, but I have no recollection of looking over them; that is not what I was there for that day.

Q. You were there when Mr. Travers first saw the Finance Minister, were you not? A. No.

Q. Had you left before he had had his first interview? A. Yes; my recollection is the only party that I saw with Mr. Travers or without him was the Chief Clerk, Mr. Ross.

Q. When you came back you think all you looked at was the book with the stock entries in it showing how much had been paid? A. That is my recollection.

Q. You have shown us the book you thought you must have looked at? A. Yes.

Q. And it was for what purpose? A. To see that the money had actually been applied in respect of the shares. If we had to make the argument that I expected we would have to make in Ottawa on that subject I wanted to be sure that the fact was right that it had been received in respect of shares, of specific shares; it seemed to me that was the ground work of it.

Q. Did you realize when you looked over that book that that book does not show anything at all about notes, it shows nothing but the stock subscription, and when money was paid? A. I would like you to ask Mr. Fitzgibbon as to that, whether those sheets were re-written, because I remember referring to the outer column, and I still think I was looking at the outer column of that book.

Q. As showing whether there was a note? A. No, as showing the amount that had been received in respect of that share.

Q. That does show that and shows the date of its receipt, but does not show anything about the note; so that if you wanted to see whether the amount was credited as against a note you would not see it in the book? A. Yes, but the total that was shown would have to be made up of the amounts that were credited to individual shares?

Q. Yes? A. I did not want to be landed in this position if we were to argue that point, that there was a bulk transfer entry received in respect of capital stock. It should be received in respect of particular shares in order to become capital.

Q. But as I understand it, the point in your mind was if a man gave a note and a certain amount was stated in the list to have been received from that man you wanted to know that that amount had been pledged as against the note? A. No, that the proceeds of the discount had been applied on his shares; you are reversing it.

Q. Then I say again you would not find a trace of that in the book that you looked at? A. I would find the whole of it there; I would find that the total of

that column would agree with the amount that had been represented by the papers as having been received in respect of capital stock, and that it would have been distributed over the shares instead of being, part of it being received in a bulk item.

Q. Take a concrete case; supposing in the list that went down to Ottawa, A.B. they credited with having paid two hundred dollars, you would look in the book to see whether there was the credit to A.B. of that two hundred dollars? A. Yes.

Q. Then if that book that you looked at does not show in the cases we object to any such payment what would you say then? A. I do not quite follow your question.

Q. If the printed list or the list which was sent down to the Government showed two hundred dollars paid on A.B.'s stock, and the book that you looked at showed that A.B. had paid nothing? A. I do not think that book showed that. I think the book that I saw on that occasion corresponded name for name and amount for amount with the list that had been prepared by Mr. Fitzgibbon.

Q. If the book that you spoke of on the last occasion does not show anything of that kind it would not be the book you looked at? A. That is why I am suggesting that you might ask Mr. Fitzgibbon whether those particular sheets were re-written.

Q. Would you mind just looking at the book again? A. You showed me on the other occasion it included payments after that date, that is why I think—it is a loose leaf ledger book—that he kept his accounts, brought them up to date at different dates.

Q. No doubt; then that book, the sheets of it, would take in a dozen years in payments, but it does contain the column for 1906? A. Yes.

Q. And that would be I suppose all that had been written up at that time? A. I cannot say; my impression is those are not the sheets I saw bound in that book at that time.

Q. (Shows witness EXHIBIT 19)? A. This is not the one, is it, you showed me before?

Q. Is this the book? A. I do not think this is the one you showed me on the last occasion; was it not typewritten?

MR. COMMISSIONER: This is one of the things you saw, I suppose (EXHIBIT 17)? A. As I understood Mr. Fitzgibbon the day I went into the bank the book that I saw corresponded in every particular with that list he sent in.

MR. COMMISSIONER: He did not verify it; he took Fitzgibbon's statement.

MR. HODGINS: It was a book different from this book (EXHIBIT 19)? A. It was like that book.

Q. It was not this book? A. It may have been that book, but the sheets may have been different. That is a loose leaf ledger. They may have been re-written a dozen times before this particular one; if this is down to the date of the closing of the affairs of the bank it may have been re-written a dozen times.

Q. At all events it would be one similar to this (EXHIBIT 19)? A. Yes, that is my recollection.

Q. And it contained payments? A. It contained the dates just as this one does as I recollect, the date of application, the date of allotment and the date of payment.

Q. This first page ends with the payment of the first stock, which would have been all that would have been up to that time? A. No, other people had paid more than one call; there were subscriptions taken that were payable so much each month.

Q. Then it would contain columns? A. That is my recollection of it; and then it was gathered up in the outer column.

Q. All that you were interested in was in seeing that that book of the bank corresponded with the statement to the Government? A. Yes.

Q. You were not at all interested in finding out anything about the notes? A. How about the notes?

## SESSIONAL PAPER No. 153a

Q. Because the payments in that book, and I presume in the book you saw, did not show anything about any notes being taken? A. I do not think it showed anything about any note being taken.

Q. I thought the question you were interested in was the question as to whether when a man gave a note and the note was discounted the payment was allocated to him exactly in the amount of his note, or the amount raised on his note? A. The point that was interesting me was I did not want to be confronted with a bulk entry in their capital account, and that was the only thing I was interested in; if the money had been distributed I could not tell whether it was distributed to John Smith his correct proportion or not.

Q. You wanted to see the plan? A. Yes, the method of applying the advance that had been obtained.

Q. They had assumed to apply it to individual shareholders? A. Yes.

Q. At all events you satisfied yourself there was no bulk sum to some bulk account, but they had assumed to apply it to individual shareholders? A. Yes.

Q. Whether the shareholder had given notes or not? A. I could not tell from that whether a man had given a note or not.

Q. When you had been called in to advise was not your advice based upon the idea that notes were being discounted? A. On what occasion?

Q. By the Trusts & Guarantee Company originally? A. The Trusts & Guarantee Company, Mr. Warren asked me to call upon Mr. Travers and to talk the matter over with him. Mr. Travers explained to me at that interview how he was going to apply it; I gave him no advice, but I reported to Mr. Warren that it appeared to me to be sound.

Q. What was it he said he was going to do? A. He went through the matter; he told me that the notes were being discounted without recourse to the bank, that he was paying in for the shareholder the amount of his note, that as between the bank and the shareholder the bank could not say to the shareholder that the share was not paid, but that the shareholder would still owe personally the man who held his obligation the amount of the note.

MR. COMMISSIONER: What do you mean by held his obligation? A. Note. That seemed to me to be sound; Mr. Travers explained how he intended to apply it.

MR. HODGINS: You so reported to Warren? A. Yes, that I thought his method was sound.

Q. When the preparation of the list took place you were acting as solicitor for the bank? A. I was acting as solicitor as I understood it for the provisional directors.

What if any part did you take in the preparation of the list? A. In the preparation of the list itself?

Q. Yes? A. Nothing more than I have told you, answering in front of Mr. Fitzgibbon a question put to me by Mr. Travers.

Q. You gave us that I think on the last occasion? A. Yes, I took no part in the preparation of the list as a list.

Q. Travers said when it was finally made up and the payments finally put down on it it was submitted to you? A. I have no doubt that the completed thing passed through my hands because it was marked as an exhibit to Mr. Travers' declaration, but I think that would be all that I would see of it, and I certainly made no examination of it.

Q. Then of course you would never think of looking over it when you were marking it as an exhibit when he said it was submitted to you as solicitor for the bank? A. I am telling you as far as my recollection goes, and my recollection is distinct upon it, what I had to do with it.

Q. That it was submitted to you? A. In the sense of my approving how much was put to this man and how much to this man?

Q. Yes? A. Certainly not.



Q. That I understand is Mr. Travers' statement? A. I have not seen it nor heard it.

Q. At all events it is not so if he does say so? A. I may point out just in that connection that I did not know of the further advance that was made by the Trusts & Guarantee Company, so if it was submitted to me I would have to check it up, I would check it up on the basis of an eighty thousand dollar loan, not a one hundred thousand dollar.

Q. Certainly; I do not suppose you would undertake to do the checking of the figures; but you of course knew this amount was being distributed, and you saw it was being distributed in separate sums, and that had your approval? A. The method appeared to me to be sound.

MR. HODGINS: Mr. Hunter has just mentioned to me that he relies on some passage in some work that probably in fairness to him he might be allowed to state?

MR. HUNTER: If you would allow me in that connection to state, during the earlier part of that Fall I was discussing with Mr. Warren a matter in which the Trusts Company was not interested at all, relating to an insurance company that came before the Royal Commission, and in connection with that I gave him an extract from Thompson "Commentaries on the Law of Corporations" that seemed to say that that was a sufficient compliance with a statute of that sort, and that was in my mind when Mr. Travers was explaining to me how he intended to apply this.

MR. HODGINS: Perhaps you can give me the reference to it?

MR. HUNTER: I think I can lay my hands on it without any trouble, and will be glad to do so.

---

#### ALEXANDER S. LOWN, Recalled by

MR. HODGINS: Q. There is a statement here showing the amount of \$560 that was paid to you; it was kept as a separate account altogether from the organization expenses, and appears to have been paid to you in sums of \$85, \$25, \$10 and \$100, etc? A. It is part of the organization expenses.

Q. It is not so charged? A. My recollection was this: Myself and Mr. Smith were at that time practically in charge of the bank; those cheques were drawn for travelling expenses and other expenses. At the meetings of the Board accounts were rendered and passed; the details of that \$560 I cannot remember.

Q. You do not know why it was kept separate? A. I don't know why it was kept separate.

Q. Who would know what it was for? A. Mr. Smith had full charge of the bookkeeping, and I never concerned myself with the bookkeeping in any way whatever.

Q. And just charged up to you as if it was advances to you? A. Yes.

Q. You cannot account for it yourself? A. No, excepting, for instance, I went out to quite a number of different places for the bank, and I would get a cheque for \$25 for my expenses, and that was apparently charged up to me.

Q. You were the President or Chairman of the Provisional Board? A. Yes.

Q. And you signed all the cheques? A. Yes.

Q. Was any account kept of the expenses of the Provisional Directors, which appear to have reached between forty and forty-four thousand dollars? A. Yes.

Q. Who kept that? A. That was kept by Mr. Smith; it will all be in here.

Q. There is nothing in that; that is the ledger? A. It is all kept very carefully in some of the books.

Q. You were how many years in charge? A. I should say a year and a half.

Q. And you spent \$44,000? A. Yes.

Q. In commissions? A. Yes.

## SESSIONAL PAPER No. 153a

Q. Travelling expenses? A. Yes.

Q. Directors' fees? A. Yes.

Q. And that was all? A. Yes.

MR. COMMISSIONER: Did that include any of Lindsay's commission? A. That would include a portion of Lindsay's commissions.

MR. TRAVERS: Salaries?

MR. HODGINS: That would go right down to December, 1906, meeting? A. Yes.

Q. However, the bulk of it was spent before Mr. Travers had to do with it?

A. I do not think so, I should say——

Q. Who kept an eye on whether the expenses were fair and legitimate or not; you were all in receipt of directors' fees and salaries? A. I do not suppose any one did.

Q. Did any one check them over when the bank was taken over? A. They had been checked over half a dozen times.

Q. Did any one check them over with a view of seeing whether it was a fair amount or an excessive amount? A. Mr. Travers I understood had them checked over once or twice.

Q. You say Mr. Travers did? A. Yes.

Q. He is the only one that did anyway? A. Yes.

Q. There was no official charged with the duty of seeing that the Provisional Directors were only spending what was fair and reasonable under the circumstances? A. I do not see how there could be any official.

Q. It is a matter of interest if banks are organized in this way that there should be some check; there was no auditor appointed by the subscribers? A. No.

Q. And it appears Mr. Travers took the thing over, just accepted the figures and let it go? A. I think that the figures were checked over afterwards and all the vouchers; I think they are on the minutes, statements there that the accounts had been checked over and found correct in accordance with the vouchers.

Q. By whom? A. I don't remember.

Q. It would make all the difference in the world who did it; Mr. Travers says that the Provisional Directors refused at one time just previous to the 4th July, 1906, to allot the stock that had been subscribed because it would give him the control? A. No; there was a dispute between him and some of the directors with regard to the question of taking notes.

Q. Of taking notes? A. Yes.

Q. But apart from that Mr. Travers says broadly that he was practically held up by the provisional directors, they refused to allot, and that he had to come to their terms and agree to pay them \$20,000? A. That is not correct.

Q. Have you any other explanation of how that \$20,000 came to be agreed upon? A. Mr. Travers had been promising the directors to make some provision for them. At that time there were several causes of friction, and this was a sort of a general meeting to remove all causes of friction.

Q. There was friction? A. Yes, and especially between the agents and Mr. Smith.

Q. Friction was removed by this payment of \$10,000? A. Yes.

Q. Which was made to directors out of moneys received from the subscribers? A. Yes.

Q. Why was the agreement deposited with Robertson & MacLennan and not to be withdrawn except on the signature of the directors? A. I think as a matter of convenience.

Q. There is no convenience about storing it up with a solicitor that was not acting for anybody? A. We thought about putting it in a deposit box, and it was afterwards considered we would just leave it with Mr. Robertson.

Q. What was the object; people do not usually lock up agreements of that kind?

MR. COMMISSIONER: Was it in duplicate? A. I think so.

MR. HODGINS: I do not think so. A. This was a matter of private arrangement amongst the directors.

Q. Mr. Robertson, who gave evidence in another case, said he did not know anything about it, did not know why, it was simply left with him to be delivered up on the signature of the directors? A. I think that was a matter of arrangement among the directors.

Q. Can you explain that? A. I think for the convenience of the five different directors.

Q. Convenience in getting money from Mr. Travers? A. No, I do not think so. You see the money was obtained, and the money, all the money that was ever obtained from Mr. Travers was obtained before that was deposited with Mr. Robertson.

Q. Oh, no. It was not got out till after he made his final payments on account of the last \$10,000? A. The final payments were very small.

Q. But it was kept there till he made those final payments and you agreed to hand it over; you think it was a matter of convenience; that is the way you put it? A. Yes.

MR. COMMISSIONER: I do not think it was in this connection, but he spoke of not wanting him to get control of the stock; I don't think it had anything to do with this particular thing. Would it not be likely that the Provisional Directors would not want Travers to get control of the whole of the stock; would not that be a likely thing? A. I don't think the matter was ever discussed amongst the Provisional Directors about Travers getting control of the stock.

Q. What was your idea when the bank was started, were you to have a place on the Board or were you to drop out entirely? A. In the first place I was to have either the solicitorship of the bank or I was to have some place in the bank. At the time of the agreement myself and Mr. Smith were both dropping out entirely.

Q. And the others? A. The others were all dropping out.

MR. HODGINS: The real point as I understand it was this, that the agreement to pay them this amount of money was conditional on the assent of the subscribers and that they thought if Travers got control of the whole thing he could control the whole meeting and it would never be ratified.

MR. COMMISSIONER: You have not put it that way to this witness; put it that way and see what he says.

MR. HODGINS: What do you say to that; the position appears to be this, if you allotted to Travers, allotted the stock that Travers had got, and he was proxy for it he would then be able to control the meeting and elect his own Board and that Board of course would have to ratify any payment to you and any payment of expenses, and you people did not like to put yourselves in his hands to that extent, and therefore you refused to allot to him until he signed that agreement with you and paid you \$10,000, and left the agreement where he could not get it until he paid the balance and then and only then did you agree to allot; that is the view he presents? A. It is rather mixed up; there are several things mixed up in the question as far as I see. Our objection to allotment, as far as there was an objection, was the question of these notes; that was the only question that we had.

Q. What was the difficulty there about the notes? A. About June stock subscriptions began to come in accompanied by notes, and some of the directors were of the opinion that we had no right to allot stock accompanied by notes which varied the payment from the terms of payment in the application. An adjournment was made until we got advice on that matter. I do not think we ever had any—there was no holding up of the matter with regard to Mr. Travers, we were quite willing to take Mr. Travers' word for the matter.

Q. The agreements rather seem to bear his construction; you do not think there was anything like that about it? A. No.

## SESSIONAL PAPER No. 153a

Q. You do not think the payment of \$10,000 made any difference in your views as to taking notes? A. We depended on Mr. Urquhart's letter.

Q. Relying on the agreement you handed over everything to Travers after getting the money to keep the agreement and pay the balance? A. Yes.

Q. And you did not care whether the subscriptions were any good or not, that was his side, his lookout; that is what it came to? A. Yes, that is what it came to.

Q. Who was the man Travers had to deal with, you or Smith or Fraser? A. Most of the negotiations were conducted between Mr. Travers and myself.

Q. We have your explanation about it then.

MR. COMMISSIONER: The first agreement provided that what you were to get was to be subject to ratification by the Board? A. Yes.

Q. Now, Mr. Hodgins has asked you would it not be plain that if Travers, who was to pay this, controlled the stock list and controlled the Board, he might make his agreement worthless to you? A. Yes.

Q. He wants to know had that anything to do with the action you took when you changed it into something by which Travers became personally answerable? A. Why certainly.

Q. The only point of difference between you is Travers says that you forced him to this position by refusing to allot the stock; do you agree or differ from that? A. I differ from that.

Q. What was the lever you used, persuasion would not do much, would it? A. Of course there was this lever that the sale of the larger portion of the stock was in the hands of Mr. Smith, not Mr. Travers.

Q. What difference does that make, if the Power of Attorney were in Mr. Travers' name? A. It might make differences as to future stock.

Q. At all events you did take the position you would not allot stock, whatever the reason was? A. Yes.

Q. You think it was because of this difficulty about the note? A. Yes.

Q. And you ultimately did decide to allot? A. Yes.

Q. And was that contemporaneous with your getting the agreement by which Travers became personally answerable and paid you the \$10,000? A. Yes.

---

FREDERICK W. STAIR, Sworn, Examined by

MR. HODGINS: Q. You live in Toronto? A. Yes.

Q. And own the building which the Farmers Bank rented? A. Yes, sir.

Q. Your name is found on a note in connection with a loan which Mr. Travers or the bank got from the Trusts & Guarantee Company? A. Likely.

Q. The note was \$9,000, I think? A. Yes.

Q. How did you come to give it? A. I subscribed for \$10,000 worth of stock and I gave a cheque for \$1,000 and they were to carry the rest of it, renew it for a year if I required it.

Q. Did they do so? A. Yes.

Q. Did you pay the note up afterwards? A. Yes, sir.

Q. How? A. I think I paid partly cash and part applied on rent.

Q. When you made that note did Mr. Travers tell you what he wanted it for?

A. No, I was not taken into any of the secrets of the organization; I paid him \$1,000 cash and gave him my note for the balance which I had subscribed.

Q. Who took your subscription? A. Mr. W. J. Lindsay.

Q. When did you make your subscription? A. It was in the fall of 1906; I can give you the date of the cheque.

Q. Very well? A. I was looking for the notes; I don't know where the original note is; there are some renewals; there is the cheque and here is the stub of it. I issued the cheque to my Attorney.

Q. Curry & Eyre? A. Yes; and in the stub I noted down what it was given for.

Q. Dated October 9th, 1906; the note then would be dated the same day? A. I think so.

Q. And that is all you paid during that year; was the note taken at a year? A. I won't be sure; I hardly think it was.

MR. COMMISSIONER: You have one of the renewals? A. There are both renewals.

Q. May 1st, 1907, six months; \$9,000? A. I gave the original note I am quite sure at the time I gave this cheque; this was before the bank had got organized, before they started business in my corner down there Mr. Travers came to me and wanted me to change that note for a personal note to him for I think it was sixty days, and then he would give me this note and take my note again for the six months or whatever it was, I forget now; anyway there were two notes given after, and I cannot find the original note nor the one I gave Mr. Travers.

MR. HODGINS: Did you ever hear from the Branch out in Milton or any place but the Head Office about your note? A. No, sir.

Q. Who did you deal with, Travers all through? A. Yes.

---

W. R. TRAVERS, Recalled:—

MR. COMMISSIONER: Have you got through your head, Mr. Hodgins, what Mr. Travers' explanation of this \$10,000 is? Will you ask him again about that? (Here is what he says at page 417 of his evidence. (Reads portions of pages 417, 418, etc.)

Q. What became of the \$5,000 in money? A. The \$5,000 in money went to me; I got the \$5,000 and I gave a cheque for it charged to my commissions; there is \$15,000 charged to my commissions.

Q. Does that \$5,000 cheque say for commissions? A. No, but it is charged up to commissions. I said he brought back \$10,000; after hearing this evidence of his I am wrong in that because he says he put \$5,000 to his credit.

MR. HODGINS: There is a \$10,000 cheque and a \$5,000, \$15,000 is accounted for; and \$5,000 according to the witness went to pay Nesbitt's stock? A. The Cash Book will show that.

MR. COMMISSIONER: How is it charged in the book? A. Organization expenses \$5,000.

Q. And that represents this cheque, EXHIBIT 36? A. Yes.

Q. Where is the entry on the other side, the debit of the \$5,000? A. There it is, Nesbitt's stock, \$5,000 (in Provisional Directors' cash book).

Q. December 7th? A. Yes.

MR. TRAVERS refers to EXHIBIT 19.

Q. Does that book show \$5,000? A. It shows \$5,000; \$3,000 October 22nd, and \$2,000 December 7th; the \$3,000 is put on there.

Q. On the discount? A. Yes.

Q. How did they balance the books when these applications were made out, how did it show in the books when you applied the moneys that had been got from the Trusts & Guarantee Company on the shares? A. We made no entries in the books for that at all. We made no entries in that until the bank was organized on the 26th November and a regular set of books.

## SESSIONAL PAPER No. 153a

Q. Then what did you do? A. Then we brought it forward; I am not quite sure how Mr. Fitzgibbon brought that forward; I think he will have to explain that himself. There was an entry made for it but I cannot tell exactly what that was, but I think it was capital account though.

Mr. HODGINS: I will ask Mr. Fitzgibbon about that.

Q. Were there any notes or cheques in your private desk when the failure took place? A. I think there were some.

Q. What became of them? A. I sent them in a box, I think, over to Mr. Owens' office with some of the Keeley Mine papers.

Q. Is that E. J. W. Owens? A. Yes.

Q. Would he have them yet? A. I could not say.

Q. However, you sent him a box which you think contained these. A. My recollection is I sent him a box with some Keeley Mine books and papers and some private cheques of my own.

Q. Cheques of your own would be for \$6,000, \$4,000, and \$3,000? A. No, I do not think so.

Q. What would they be for? A. They were grocery accounts and livery accounts and such things.

Q. Were there any cheques such as I mention or notes such as I mention? A. My account will show it.

Q. Were there any in your private box held by you or private desk? A. What do you mean?

Q. I am suggesting that there were notes signed by somebody else? A. There were some notes, I would not say they were in that box, but there were some notes left in my desk.

Q. What became of those? A. I don't know.

Q. Whose signatures were on them? A. I think Dr. Beattie Nesbitt's note was there if I remember right.

Q. How much would that be? A. I could not say exactly now; I think it was \$10,000 or something like that.

Q. Was that something he borrowed from you or from the bank? A. No; I think something in connection with the Keeley Mine, I cannot recall now. I will have to refresh my memory by looking at some of the documents.

Q. Was there only the one note signed by him or more? A. It seemed to me there were two notes there, but Mr. Clarkson did not find anything. You were asking me about that the other day, and you puzzled me about it; I cannot say exactly what until I look into it more carefully.

Q. You have not been able to? A. No.

Q. Were there any one else's notes there? A. I could not say that just now; there might have been.

Q. George Wishart's note? A. There might have been.

Q. What was that in connection with? A. Blackmail, if you want to know the truth.

Q. I would like to know the truth about that? A. I am not prepared to-day just to go into that question. I want to think about it; I did not expect it.

Q. I did not expect it either; I thought we would have been able to get on with the other branch; I want to ask you in a general way about Wishart; who is George Wishart? A. He is a promoter in New York.

Q. An American? A. Yes.

Q. And how did you come in contact with him? A. I was crossing the Atlantic ocean on the "Lusitania," after making banking arrangements over there, and I met him on board ship.

Q. When did you have business relations with him first? A. After the Keeley Mine was offered to me.

Q. Who was it offered to? A. Dr. Beattie Nesbitt.

Q. What occurred between you and Nesbitt and Wishart? A. Really, I don't think it is fair for me to go into that when Dr. Nesbitt is on trial; of course if the Commissioner says I have to do it I will do it.

Q. It has nothing to do with his trial? A. I don't know what is coming up there and I do not like to go into that transaction to prejudice his case or influence the Judge or Jury; I don't think it is fair.

Q. I suppose you realize we have to go into the history of this Keeley Mine and the money that went into it, and I don't see how it is possible— A. Can you not go into that without taking up those points so specifically with regard to Dr. Nesbitt? I can answer in regard to the investments of the bank and the Keeley Mine.

Q. The books show all that; I want to get your testimony on it? A. I will be glad to give you everything but I really don't think it is fair to hurt a man's case in any way; I don't know whether it will or not.

Q. I think you are unnecessarily sensitive; he is not indicted for anything in connection with the returns, the Keeley Mine does not come into it? A. Ask me the question and I will see.

Q. I am asking you what was the arrangement made when this was offered to you by Dr. Nesbitt? A. Dr. Nesbitt brought the proposition to me to buy this mine for \$300,000; \$50,000 was to be paid down, and \$50,000 a month I think until it was paid.

Q. Had he an option? A. Yes, he had the option.

Q. In his own name? A. Yes.

Q. Was he president at that time? A. No, he was not president of the bank then; he had ceased to be president six months I should say.

Q. You saw the option I suppose in writing? A. Yes.

Q. And he was turning it over for just its face? A. It was not intended that he should turn it over to the bank; the intention was to organize a company and that the payments were to be made by the bank or by somebody else that we could get into the company.

Q. Were you to pay it individually or what was the proposition? A. The proposition was that we should float it; that is the common term I think.

Q. Who are "we"? A. Nesbitt and the Bank, put it that way, for a profit to the bank.

Q. The bank was to make a profit? A. Yes.

Q. And Nesbitt? A. Yes, and Nesbitt was to make a profit, certainly.

Q. Was he turning it over to the bank at a profit? A. No, he did not turn it over at that time at all; he held the option; the question was how the payments were to be made under that option, whether—

Q. Was he to turn it over—however, it was arranged so that he would make a profit out of the option? A. Yes, certainly, he intended to make a profit eventually.

Q. The point then was as to taking up the option and making the deposit? A. Yes, the payments.

Q. \$50,000? A. That was the first payment.

Q. How did Wishart come in? A. Wishart had told me when I had made his acquaintance on board ship that he was a rich man, and he said to me if there was any proposition in Canada that he could handle at any time he would like to have a chance at it. He took me out and showed me his elegant residence outside of New York, which I thought was worth one hundred or one hundred and fifty thousand dollars and I came over here with the idea that he was a very desirable man to work with in case we should have any proper deal to put through, and after Nesbitt brought the option to me I went to New York to see him and he said he could make the first payment without any difficulty.

Q. Well? A. Then I came back and the matter was closed then. I agreed to make the payment of \$50,000 if I remember right, and when the date came for

## SESSIONAL PAPER No. 153a

payment Wishart said he could only give a note, \$25,000. Nesbitt and he agreed to put up half of it.

Q. I understood you to say you agreed to make the payment? A. To the people who owned the property, the original owners, the prospectors.

Q. When you say you agreed, do you mean the bank would put up the money? A. I spoke for the bank as General Manager, yes.

Q. They agreed to put it up, the Board did? A. No, I did not bring it before the Board at that time.

Q. Had you got Wishart to come in in writing? A. No, there was no writing at that time.

Q. Just verbal? A. Yes.

Q. He said he would pay the first payment? A. He said he would make the first payment; then when he arrived in Toronto to complete the first payment he had not any money. Dr. Nesbitt said he would put up \$25,000 and Wishart would put up \$25,000.

Q. That is what you think they had told you previously? A. Yes.

Q. Neither of them did so? A. No, but Dr. Nesbitt supplied me \$25,000 of a deposit that enabled me to loan the money to a company that was formed.

Q. Had you got so far as to form a company? A. Not at that time, no.

Q. But there was to be a company formed? A. Yes.

Q. Who was to form the company? A. The company was to be formed of Dr. Nesbitt, George Wishart and myself.

Q. Wishart was to join with Nesbitt in making the first payment, was that it? A. Yes, that was the understanding.

Q. And you were to supply what? A. I suppose that I was to supply \$25,000 as against the deposit that Nesbitt got for me.

Q. You did not do that? A. I supplied the whole \$50,000.

Q. That is you supplied Wishart's? A. I supplied Wishart's and Nesbitt's both.

Q. What was your contribution to be in the three, were not you to come in on equal terms? A. When we formed a company the bank was to have one quarter for profit; Wishart was to have a quarter; Nesbitt was to have a quarter, and I personally was to have a quarter myself for the work that I was putting in it.

Q. The net result of the arrangement was that you found you had to put up \$50,000, and you discounted Wishart's note? A. For \$25,000.

Q. Did you discount Nesbitt's note? A. No, I did not.

MR. COMMISSIONER: He said something about a deposit.

MR. HODGINS: Nesbitt got a deposit, you say, which enabled you to do that?

A. To lend the first \$25,000 to the company that made the payment to the prospector of this Mine.

Q. The deposit was a legitimate deposit? A. Yes.

Q. Nothing to do with the Mine, had it? A. No.

Q. But you thought it came in through Nesbitt's influence? A. I thought so, yes.

Q. Therefore you were willing to lend him the money? A. Our Treasury was not out anything at that time as I thought the investment was a good one.

Q. Where you were out was in supplying the \$25,000 for Wishart? A. In the end; more than that, I am sorry to say.

Q. He came here and he could only put up a note instead of the money? A. That was all.

Q. The bank put up that? A. Yes.

Q. No kind friend arranged any deposit which would put you in funds with regard to that? A. Not a cent.

Q. The first payment was made and was the company formed? A. The company was formed, yes.



Q. What was it called? A. The Keeley-Josie-Wood Mining Company; those were the three names of the three men who discovered the prospect.

Q. They ought to be immortalized? A. They should indeed.

Q. Were the four shares allotted in the way you speak of; quarter interests? A. Yes, they were.

Q. Held by whom for the bank? A. I, as General Manager in trust.

Q. And then held a quarter for yourself? A. I held a quarter in my own name, a quarter in my name in trust for the bank, a quarter for Wishart and a quarter for Nesbitt; that is my recollection of the matter as near as I can tell; there may have been a variation of some shares one way or the other.

Q. When the second payment came due what happened? A. No money; I had to put it up.

Q. Who had agreed to put up the second deposit? A. Wishart agreed to float the concern and supply all the money that was necessary, verbally.

Q. Had not you been a little suspicious when he came along with a note the first time? A. No, I was not.

Q. How long was the note? A. I am not sure but I think it was thirty or sixty days.

Q. Did not it come due just about September, the second payment came due? A. About that time, yes.

Q. When the second payment came due the company was formed with the quarter interest to you each? A. Yes.

Q. Had the option turned over to the company? A. Yes.

Q. So that the company was liable to pay? A. Yes.

Q. The option had been accepted and had become a binding contract? A. Yes.

Q. Who made up the second payment? A. The Farmers Bank.

Q. Who defaulted? A. Everybody but the bank.

Q. That is you, Wishart— A. I never agreed to put up anything, not myself personally; I did for the bank.

Q. You were to have a quarter interest? A. Yes.

Q. But you were not to pay for that personally? A. No.

Q. The bank was to pay for its quarter? A. No, the bank was paying nothing; the bank was supposed to get this money back with interest and a bonus of one-quarter of the stock for doing the business.

Q. That would be you, Nesbitt and Wishart? A. Yes.

Q. Were you three to put up the money? A. No, Wishart and Nesbitt were to find the money.

Q. You got your interest for nothing, the bank got it for putting up the money which it was to get back, and it was to get the quarter interest as additional profit? A. I kept the book and managed that end of it.

Q. Wishart and Nesbitt defaulted on the second occasion? A. Yes.

Q. Then did the bank put it up? A. Yes.

Q. What securities did you take then? A. Nothing.

Q. How did you come to make that second payment in that way if Wishart and Nesbitt would not put it up? A. Because I was in \$50,000 and I had to go down with a loss of \$50,000, and I thought the property was good, and I went on the second \$50,000.

Q. Did Wishart come over here? A. Wishart was over here sometimes two and three times a week and I could not tell you just exactly.

Q. Was he displaying any interest in it? A. Yes, considerable interest in it.

Q. But not displaying any money? A. He had not any money.

Q. What conclusion did you come to when the second default was made? A. The second payment I was not quite sure whether he was a fakir or not, but when the third came along I was sure of it.

Q. You still had his note? A. No, I had to give up his note?

## SESSIONAL PAPER No. 153a

Q. Before the third payment came due? A. Yes, I think it was, I am not sure, but we had a re-organization.

Q. How did you come to give up his note? A. It was necessary to have a re-organization—I cannot tell you just at this moment—and he would not consent to it unless I gave up the note and released him.

Q. What re-organization, what does that mean? A. We formed a new company entirely and took over the old company.

Q. Was there a necessity for that? A. Yes, there was a necessity for it.

Q. What was it? A. To try and float the stock, to unload it on the suffering public and get from under, if you want to know the truth.

Q. But you might just as well unload the Keely-Josie-Wood Company? A. We could not do it at that time; Wishart thought it would sell then—not that I considered that it was wrong, because I considered the mine was rich then, and I consider it rich to-day, just as rich as it ever was.

Q. I am only trying to get at your reason at this juncture? A. I will tell you; it was one million dollars capital, and if I remember right Wishart and the rest of his—or some friends of his—thought the capital should be two and a half millions for the purpose of floating in Scotland; that is where the re-organization came in; and we formed a new company with a capital of two and a half millions, and we bought out the old company, amalgamating the debts and distributing the stock in the same proportion as we did originally.

Q. Wishart must have agreed? A. He agreed when I gave him up his note.

Q. You say he thought it was necessary to have it re-organized by making the capital two and a half millions? A. Yes.

Q. If he did, I do not understand why you say you had to give him his note? A. Because he would not consent to the change in the company.

Q. I thought he proposed it? A. I do not know whether he proposed it or not. It was a question at that time in my mind that something had to be done; I do not know whether he proposed it or the Doctor proposed it, or some of his friends proposed it; there was a whole lot of parasites there all the time.

Q. Parasites on whom? A. On whom! On the bank.

Q. I would like to know how you came to give up the note? A. I have just explained it to you; he refused to consent to the re-organization at that time without the surrender of his note and the bank becoming responsible for the entire loan.

Q. And you gave him back his note and gave him a quarter interest? A. Yes, I did; he and the doctor transferred a little further stock to the bank at that time I think.

Q. There must be some other explanation about that; I do not understand you giving him the same interest? A. I did not expect these questions, but I can explain it to you to the letter exactly, but I would want to refresh my memory.

Q. You want to go over the minute book? A. I would like to go over the minute book of the Keeley Mine and look at it; I know that the time the Wishart note came up it was a question of a block and the bank losing the money there and then, or going ahead.

Q. I would like to have you go over that? A. I can explain that thoroughly.

---

JAMES G. FITZGIBBON, Recalled:—

MR. HODGINS: Q. You were here and heard what Mr. Hunter said? A. Yes.

Q. He seemed to think that that book we showed him was not the book he saw when he came back from Ottawa, but that it was a book similar to that? A. Those are the only two books we ever had. (EXHIBIT 18 and 19).

Q. That big one with the yellow leaves (EXHIBIT 19) will you just look at that and tell me whether at the time the list was made out the left hand page in each case was the same as it was then? A. All the same.

Q. I mean up to the first payment? A. They were all the same. This book has never been altered except having additions made as time went on and new subscriptions came in after organization.

Q. The same book, the same pages? A. Yes.

Q. And same entry as the stock was paid up? A. Yes. Later on when we got our regular book going we abandoned this altogether (EXHIBIT 19) because we have our regular stock to post them in.

Q. At the time the list was made out at the time Mr. Hunter speaks of the only books that would relate to the stock would be these two, EXHIBITS 18 and 19? A. Yes. This is the book from which the list to the Government was made out. (EXHIBIT 18).

Q. I did not think of showing Mr. Hunter this EXHIBIT 18; that does not show any payments? A. No, but I will show you here; taking from this (EXHIBIT 19) that was the work I did, was to check up the total of the payments to date—

Q. In this book EXHIBIT 18 there is penciled under the printed heading "Witness" the date of the allotment and the amount paid up to that date? A. Yes.

Q. Does that go right through the book? A. Yes, that goes right—

Q. Would this be the book that Mr. Hunter saw? A. This is the book he saw (EXHIBIT 18).

Q. That does show then the payments made apparently up to that date? A. There was the total up to that date.

Q. Totalling \$291,310, that is in your handwriting in EXHIBIT 18? A. Yes; from the simple fact that the Laidlaw shares were struck out before the end of December when we sent in our second statement; but the list was made up then alphabetically from our stock ledger—

Q. These pencil figures show what? A. They show that amount actually paid in and the amounts which were allocated from the Trusts & Guarantee Company loan on notes.

Q. One may say that this book, EXHIBIT 18, is the original document? A. That is the original document.

Q. Which afterwards went in to the Government? A. Yes.

Q. And shows the way it was done? A. Yes.

Q. Under whose directions were those pencil entries made? A. Mr. Travers instructed me to make out a list, find out how the thing stood, and that was the first work I did was to go over these amounts, checking the various payments, and I put them in pencil here for ready reference.

Q. Take this as a prominent example: W. J. Lindsay, 500 shares, you put \$5,000 opposite him as paid? A. Yes.

Q. Which forms part of the total? A. Yes.

Q. How did you come to do that? A. Under instructions from Mr. Travers to allocate a portion of the loan on that.

MR. COMMISSIONER: He explained that before.

MR. HODGINS: We have been looking for this original and I was not aware—

MR. COMMISSIONER: The witness Travers showed that book to Hunter as he was leaving, at least I think I saw him showing it to him.

MR. HODGINS: I did not know that.

MR. TRAVERS: Yes, I noticed he was not giving his evidence from that book: if he had had that book he would have given his evidence differently.

Q. MR. HODGINS: Then this is in your handwriting, Exhibit 59? A. Yes.

Q. Is that the basis of the special return of May 1907? A. No, sir.

## SESSIONAL PAPER No. 153a

Q. Travers thought it was; what is it the basis of? A. This was just a calculation to make up to see what amounts had been spread on the notes; this was solely for our own office use.

Q. Was it not the basis of the return? A. It may have been in connection with that statement. This was got out probably for information for Mr. Travers just to know what had been done with the proceeds of the loan, but so far as I can see it is not the statement itself. There is no date to that; it was just a memorandum for office use; I do not know what it was for or just the occasion for it.

Q. Do you know anything about the payment of Dr. Nesbitt's stock? A. No, sir.

Q. Can you explain anything further as to the way in which the charges were made? A. No.

Q. Do you know about that \$5,000 that was credited upon his stock? A. No, that was done in the Provisional Board book, part of it; the only ones I saw were payments made after the Bank was organized.

Q. We are told no separate account for the various shareholders in the Provisional books? A. No.

Q. How did you make out the book you have in front of you, Exhibit 19? A. This book was made up long before I went in; this was made out from time to time as the subscriptions came in.

Q. During the Provisional Directors' regime? A. Yes.

Q. Whose handwriting is that? A. The first part is typewritten with the name of Smith, who was the Secretary of the Provisional Board. He witnessed them as being genuine; and subsequently after Smith left the rest of the book was in Shaver's handwriting. He was the Transfer Clerk, in fact he was with the provisional directors for a few weeks before the Board was organized; how long I do not know.

Q. You came into the Bank on the 19th November? A. The 19th or 20th.

Q. Just two or three days before the return was sent in? A. Yes.

Q. Did you at any time yourself check over the expenses of the provisional directors? A. No, sir, I had nothing whatever to do with the provisional directors' books or accounts in any shape or form.

Q. Do you know anything about this \$3,000 cheque which has been mentioned? A. All I know is that Mr. Travers instructed me to draw out a cheque after the Bank had been organized and just remarked "C" on the stub and sent it down to him. I signed all the official cheques after the Bank was organized.

MR. COMMISSIONER: Down where? A. Down stairs; I was in the Head Office, I had nothing to do with the Toronto Branch.

MR. HODGINS: You did it? A. Yes.

Q. Is that all you know about that? A. Yes.

Q. You did not see that it came back or was paid? A. Of course it naturally came back when it was paid, but it was changed up to Mr. Travers either to his commission account or—

Q. After the bank was organized? A. Yes.

Q. What time? A. I could not say; I could tell by the stubs of the cheque book.

Q. Is that it? A. No, it was a yellow stub book.

MR. TRAVERS: You are wrong, that is the book.

MR. HODGINS: Just look at this stub book and see.

MR. TRAVERS: Have you not the cheque?

MR. HODGINS: Not with me.

MR. TRAVERS: I have seen it two or three times.

WITNESS: It is not there, not the cheque I refer to.

Q. Which of these books will tell you the date of that cheque? A. I do not know.

Q. You speak of the \$3,000 cheque charged to Travers after the organization?  
 A. Well, I could not say whether it was charged to organization expenses or to Travers' commission account. I might identify it if I knew the date of it, but I am pretty satisfied in my own mind that it was after the first January.

Q. What bank was it drawn on? A. Our own bank.

Q. What was it? A. The Farmers Bank.

Q. After you started business? A. Yes. It was cashed downstairs or used downstairs and charged up to the Head Office and came to us in the ordinary routine. I know, I remember putting the "C" because I drew up the cheque myself. Those cheques are all drawn out by Mr. Shaver.

Q. What does "C" mean? A. I do not know, I was just told to put "C" on the stub to identify it; that is the only way that I know it is the cheque that Mr. Travers referred to, because he said he had marked it "C". I was speaking to Mr. Travers, and I want to correct a statement he made in his evidence as published in the papers, and he tells me to-day that he saw the statement in the newspaper; he said that I had sworn that I had taken exception to his making the loan with the Trusts & Guarantee Company, which was an impossibility, seeing that I did not join the service till a month after the loan was made. I do not think in any of the evidence that I have ever given you will find I made such a statement. What I did say was that I raised the question as to the distributing of proceeds of the loan when I went into the bank, and it was only after the assurance of Mr. Hunter and Mr. Travers that they had taken advice, and I took outside advice, that we were justified in turning the notes into cash and applying the proceeds on the stock of those parties who had given their notes, but I certainly did not swear that I had taken exception to the loan.

MR. COMMISSIONER: I do not remember any such statement; it was Mr. Travers mentioned it to contradict it? A. I saw that Mr. Travers had made the contradiction and I happened to read it in the newspaper.

MR. HODGINS: You did not protest against him raising the loan? A. I could not, I did not know anything about it; I was not there.

MR. COMMISSIONER: It was a mistake in the newspaper report if you saw it there; it will be correct in the evidence here. It is right to make that explanation.

The Commission adjourned at 4 p.m. to 11 a.m. to-morrow, May 22nd, 1912.

Toronto, May 22nd, 1912.

The Commission continued its Sittings at Osgoode Hall, May 22nd, at 11 a.m.

PRESENT:

HON. SIR WILLIAM MEREDITH, Commissioner.

FRANK E. HODGINS, K.C. and JOHN THOMPSON, K.C., representing the Dominion Government.

I. F. HELLMUTH, K.C., representing the Trusts & Guarantee Company.

W. J. LINDSAY, Recalled:—

MR. HODGINS: Q. Have you applied to the bank to get those cheques? A. I have.

Q. Have you got them? A. I have not.

Q. Why not? A. They have been unable to locate them.

Q. Who did you apply to? A. The General Ledger-keeper.

## SESSIONAL PAPER No. 153a

Q. Of the Traders Bank? A. Yes.

MR. COMMISSIONER: I think you had better subpoena somebody at the Bank, Mr. Hodgins.

MR. HODGINS: Very well.

Q. Have you found out where that \$3,000 was deposited that you claim you paid to your wife? A. No, I have not.

Q. You were to find that out? A. No, you did not ask me.

Q. I asked you yesterday about that \$3,000 and you could not tell me about it definitely, and I asked you to find out and you said you would? A. Well, I will go up to the Bank of Montreal and find out if possible.

Q. I would like to find out what became of that \$3,000 because the amount interests me? A. On the matter of the \$5,000, since yesterday in thinking the matter over the ex-Manager, General Manager, will be able to tell you if he used that to pay for bonds in a terminal company down in Pittsburgh or in an electric road somewhere between New York and Rochester, down in New York State. It just occurs to me that that was the urgency of that \$5,000.

Q. You thought that since yesterday? A. It just came to mind.

Q. Did you learn that from Mr. Travers? A. I learned that from Mr. Travers at the time.

Q. And he told you that is what he was going to use it for? A. That is my memory of it. There was something said, and I think that is what the urgency of the money was for.

Q. You did not know whether it was either in Pittsburgh or New York? A. Both were discussed, because he had asked me to put some money into the same thing and I said No, I know nothing of it.

Q. And he was in such a hurry that you had to bring it back in bills? A. It was not a matter of such hurry, he wanted the money, and I do not know, he asked me to bring him the money—

Q. Will you tell me who you paid to help this organization of the bank through out of your commissions? A. I paid no one.

Q. Notwithstanding all these influential friends of yours you paid no one? A. No one, nor did not approach any influential friend to help anything through.

Q. Did not hear of any payments made for services rendered in getting the certificate through? A. No, sir.

Q. Can throw no light on any such payment? A. No, sir, I do not know; that \$3,000, I think that doubtful cheque that was supposed to have gone to some of his personal friends was possibly used in the horse business here, a partnership that he had with Count Gregory.

Q. Do you know about these things? A. I do not know, it was newspaper talk.

Q. I do not ask you about newspaper talk, I want to know what you know yourself? A. Nothing any further than he had a string of horses up here.

Q. You need not draw a herring across the trail because nobody has suggested that, and if it is only newspaper talk it is not interesting? A. He had a string of horses about that time.

Q. If you will account for what you did with your \$5,000 it will be quite sufficient? A. You have the ledger account and those papers that I got from the Traders Bank about the time and some time during 1908 for the purpose of the suit against Travers and the Bank.

Q. I have got what? A. You have a copy of that.

Q. I am asking you to find out what you did with the \$3,000; the \$3,000 appears to be paid to somebody, I want you to account for it in some way that I can verify it? A. That was simply a transfer to another account; I will find it for you.

Q. I want you to bring me the evidence of that? A. I will find it for you.

W. R. TRAVERS, Recalled:—

MR. HODGINS: I asked you yesterday about the deposits in the beginning of 1907 which were made and out of which apparently that so-called loan was paid back by April 8th, 1907; you began business on the 2nd January, 1907? A. We opened our doors for business then, although we were doing a little business a few days before that.

Q. At that time what had you in actual money to begin with? A. About \$145,000—\$150,000, \$5,000 left in Ottawa.

Q. For the note circulation? A. Yes.

Q. And you would have then about \$145,000? A. In cash.

Q. But out of that there had been several payments made; would not it have been nearer \$75,000. Just look at that Traders Bank book (Exhibit 41) you see the end of December, 1906, shows only a small balance in the Traders of \$264, but I think the \$74,000 was chequed out into the Union Bank? A. It would be difficult to verify it from this unless you made an addition of the cheques at each date, but the book of the bank ought to show every dollar as it stood then; they had office books.

Q. I have no doubt they will; but I should think you would have some idea as to what you had in cash when you opened your doors? A. I brought back \$245,000; that would be \$145,000 and the \$100,000 that I had borrowed; then those cheques were drawn for the \$80,000.

Q. And then this \$10,000 cheque and \$5,000? A. There were several cheques drawn; I could not say exactly what the aggregate was.

Q. What is that \$50,000 towards the end there? A. Oh, I know what that is now I think; that was a transfer for a deposit receipt with the bank.

Q. I see that \$50,000 was payable to the Union Bank of Canada, and so was the \$74,579? A. Yes, that is the transfer of the account from one bank to the other.

Q. That would make it about \$125,000? A. \$125,000 and \$10,000 would be \$135,000.

Q. But that had been paid out; I am speaking of what you had in actual cash to begin business; it would look to me as if you had about \$125,000? A. Deducting the amount that was borrowed I should say I had more than that; we had borrowed money at our credit representing cash at that time.

Q. That is a moot point; I think it was paid off and the cheques went through the bank and paid it off? A. There is no use denying the fact that I thought it was paid off too; it was a reversion of entries.

Q. I want to ask you to be more definite than that; it would be about \$125,000? A. I think it was more than that; there were some payments came in on the stock in the meantime.

MR. COMMISSIONER: He says he thinks it was about \$145,000? A. Yes, I should say so.

MR. HODGINS: When did you begin dealing again with the Trusts & Guarantee Company in the way of either deposits with them or money received from them by way of deposit? A. That ledger showed it here yesterday, 7th January, we made the first deposit with them.

Q. What was the amount of that? A. \$3,655.

Q. We went over that yesterday? A. Yes.

Q. That is the deposit which began the account which ended on the 8th April, and was used to apparently pay off this so-called loan? A. That account was started for the purpose of paying off that loan; that is my recollection.

Q. That ends on the 8th April? A. Yes.

Q. When did you begin again to deal with them; either depositing with them or they depositing with you? A. I could not give you the exact date.

## SESSIONAL PAPER No. 153a

Q. Was it not the beginning of the following year? A. Some time elapsed: this ledger apparently has been transferred into another one; we will have to have that ledger.

Q. What do you call that ledger? A. The Toronto Branch general ledger.

Q. You had been doing a general banking business during 1907? A. Yes.

Q. Had you had any need of money or did you find the cash capital you had sufficient to do business during that year? A. Yes, all the business that was offered us was not very much, we were able to take care of it.

Q. No stringency at all? A. No, I had money when the other banks were short.

Q. During 1907? A. Yes.

MR. COMMISSIONER: Have you that other ledger? A. I heard them say one day when we were talking about that that the ledger was up in the Court House.

MR. HODGINS: Mr. Clarkson says he has never been able to get that since it was produced in connection with one of the trials, that it has apparently been mislaid in somebody's office.

MR. COMMISSIONER: Where did you say you saw it? A. I overheard Detective Guthrie saying it was in some office there, that he had seen it.

Q. At the City Hall? A. Yes.

MR. G. T. CLARKSON: It turned out to be the ledger of another bank.

MR. COMMISSIONER: To whom did Mr. Clarkson give it?

MR. G. T. CLARKSON: The Crown Officers got it.

MR. COMMISSIONER: What particular Crown Officer?

MR. CLARKSON: I cannot tell you that; I can ascertain that.

MR. COMMISSIONER: I suppose you got a receipt for it?

MR. G. T. CLARKSON: No, I do not think so. I think it was at the inception when they came down and got them; they were used at the trials and this ledger was seen at the trial.

MR. HODGINS: I think if you would ask Mr. Clarkson or direct Mr. Clarkson to make enquiries and get that probably it would be done. It is so difficult to find anybody who is responsible that will take the trouble to look for it.

MR. COMMISSIONER: It would be in the hands of Mr. Corley, would it not?

MR. G. T. CLARKSON: Or the County Officials; it was seen on one of the trials; I think the trial of Mr. Warren before the County Judge, Judge Denton, I understand. We have got back all the rest of the books but not that ledger and nobody seems to know anything about it. The only points it will deal with particularly are those concerning circulation.

MR. HODGINS: Would it assist you at all if you were told it was wanted for this Inquiry?

MR. CLARKSON: I think it would; I have done all I can but there does not seem to be any great activity to find it.

MR. COMMISSIONER: Who would be the Clerk at the trial before the County Judge?

MR. HODGINS: Some one from the office of the Clerk of the Peace, Mr. Irwin.

MR. COMMISSIONER: I think you had better write Mr. Irwin a letter.

MR. G. T. CLARKSON: It is the general ledger of the Toronto branch for 1909 and 1910?

MR. HODGINS: You made a loan to the Trusts Company in December, 1907? A. Yes, I remember making a loan.

Q. That would be the first loan, resumption of business with them, would it not, after April, 1907? A. It may have been, I could not say for certain; I know there was a long time elapsed between paying off the loan.

Q. Is it because you cannot find the ledger that you say that? A. I know those are the facts but I cannot give you the exact time.



Q. Is that because you cannot find that ledger, you cannot see that ledger?  
A. No, I do not need the ledger to remember that.

Q. To get the date I mean? A. Yes.

Q. Is not it there? A. December 16th, \$25,000.

Q. That would be the first, would it not, you had to do with the Trusts & Guarantee Company afterwards? A. I presume it was, I know it was a long time.

Q. Apparently on December 16th, 1907, there is a deposit marked "Deposit \$25,000"; what does that indicate, is that a deposit in your bank put to their credit? A. Put to their credit, yes.

Q. And interest is credited up, is it? A. Yes, from time to time.

Q. Does that mean that it is charged to them? How does it appear in your entry there? A. We credit them with interest.

Q. How do you explain that if you made the loan to them, how are you crediting them with interest? A. They left the money with us on deposit, to be drawn out as they required it, my recollection is.

Q. What security did you get? A. I had a letter from them giving me an interest in some Canada Central Railway Bonds that they were floating at that time.

Q. Giving you an interest in it? A. Yes, in proportion to the amount of our loan of \$25,000; I have forgotten the exact amount of the bonds.

Q. You were advancing the money to buy those bonds and you got an interest in it for the bank? A. Yes.

Q. Did you ever realize anything out of that interest? A. No.

Q. Why not? A. I do not think it turned out as profitable as they expected.

Q. They did not put any of this money into it? A. I could not tell you what they put in; I only know what I let them have.

Q. Did they make use of it—it does not look like it there? A. Yes, I am quite sure they drew the money out.

Q. On December 31st there was a balance to their credit of \$25,000? A. Yes.

Q. It had not been used up to that time; where is the continuation of that account, is it not here in this other ledger, page 62? A. I would not think so; there is no reference made here to it; possibly it is.

Q. What does "44" on this ledger refer to? A. I do not know.

Q. You understand these books, don't you? A. Yes, but I cannot explain what is not here to give me any information; that to me would look like a new deposit.

Q. That is January 29th, 1909, you think there would be a new deposit by then? A. That was in our Savings Bank Department.

Q. That would indicate, if you had no further explanation, that on December 31st they had a balance of \$25,000 standing to their credit, and on January 28th they had another \$25,000, making \$50,000 in all? A. That is the way it appears to me; it does not seem to me probable, but it may be so; we had the voucher for the closing out of that, and it must be on file.

Q. It shows a balance, and it must be carried somewhere? A. It is either chequed out or carried over in here, but the records here do not show it.—W. R. Travers.

Q. That is the two dates do not tally? A. They do not tally.

Q. Have you no other ledger that that would appear in; would that first \$25,000 appear in the missing ledger? A. It was transferred over to the other ledger; the ledger that is missing will account for this \$25,000; this one looks like a new transaction entirely. I know they put some special estate money in with me at that time.

## SESSIONAL PAPER No. 153a

Q. What estate was it, was it the Hamilton Estate? A. Yes.

Q. They deposited money with you for the Hamilton estate, and how long did that remain with you? A. I could not say, I should think a year probably.

Q. Was it increasing? A. No, I think it remained stationary.

Q. How much was it? A. I think about \$50,000.

Q. On that deposit did you allow interest? A. Yes, 4%.

Q. Was it credited up and drawn? A. Credited to the account, my recollection is.

Q. Did they draw on that Hamilton deposit account with you at all? A. No, not till they had closed out the estate, a long time after it was made.

Q. That was two or three years? A. A couple of years, anyway.

Q. Was there any of it on deposit at the time of the failure? A. I could not say if it was the Hamilton estate; we had a deposit before the failure with them of about \$120,000.

Q. That is when you failed their credit balance with you was about \$120,000? A. Before the failure.

Q. And was it at the failure? A. It had been transferred over into a loan; the deposit had been wiped out and it had been consolidated into a loan.

Q. At the time of the failure it was in the shape of a loan? A. Yes.

Q. Did that 4% arrangement continue right up till it was transferred over into a loan? A. My recollection is that it did.

Q. And the loan bore what? A. 6%.

Q. It was made into a loan by them to the bank bearing 6% interest? A. Yes.

Q. Was there any other account opened by them by way of deposit in the bank other than the Hamilton estate? A. Yes, they had a current account with us as well.

Q. What was that called, Savings Bank? A. No, just an ordinary current account, chequing account.

Q. Was not there a savings account; was it not so called? A. There may be, but my recollection is it was just a current account to cheque against.

Q. Was that fairly stationary too? A. No, we would have to refer to the books for that; I think that was active.

Q. Aggregating much in the course of a year? A. I could not tell you; those books would not come under my eye from day to day; I saw the totals once a month; I could not tell you what was moving in them.

Q. You began to deposit your own circulation with the Trusts & Guarantee Company? A. Yes.

Q. How early did that begin? A. I think it was in the early part of 1908; in my examination before Judge Denton in that suit all those facts were brought out, verified by the books.

Q. I will verify these by the books, but I want to get the general course of dealing from you; if it began about the beginning of 1908 it would be just about the same time as they made that \$25,000 deposit? A. Yes, I should say so.

Q. Just look at that page, 62, does that deposit of \$25,000 bear date January, 1908 or 1909? A. 1908.

Q. Mr. Clarkson thinks that those books show differently from what you say?

MR. COMMISSIONER: I do not understand when the bank was lending the Trusts & Guarantee Company \$25,000 where that transaction appears; because this is a credit to them; they apparently handed the money back to be drawn out from the same bank or to stay in the Savings Bank; where is the debit to them of the \$25,000; you lent them \$25,000? A. Yes, that was the first transaction.

Q. Where is the debit of that to them? A. The debit appears in this book, as I understand it.

Q. Is not that a credit to them of the money, that is what I understood you to say? A. When we made the loan we had to credit their account with the \$25,000; we charged our Loan Account with \$25,000 and credited their account with \$25,000 to draw against.

Q. Surely if you loaned them \$25,000 they owed it to you? A. They owed it to us in the shape of a note.

Q. You had a note from them? A. Yes.

Q. And that appears in another account? A. Yes, that is where I am confused here.

Q. What became of that note? A. That note was paid off in due course.

Q. Was it just one wiped off the other; just a cross entry? A. No, the proceeds of the note went to their credit; they chequed that out, if I remember right, in \$5,000 items.

Q. Went into that account or into the current account? A. It went apparently in this account.

Q. There is no chequing out that, as I understood it; it all remained until the end.

MR. HODGINS: That remained to the 31st December, 1907, and then Mr. Travers was unable to say just what became of that owing to the other ledger being missing.

MR. COMMISSIONER: How did they pay the note? A. I think they paid it by a cheque on one of their own accounts.

MR. HODGINS: Mr. Clarkson tells me that it was transferred and carried as a Savings Bank deposit afterwards? A. This book would not carry that out.

Q. I am not speaking of that, that is in 1909, that page 62; I am speaking now of 1908; he says that during 1908 it was carried in the Savings Bank Account.

MR. COMMISSIONER: Just as it was in 1907; that, as I understand, the book evidently is the Savings Bank? A. There was some change of accounts; it went out of one account into the other; I could not say what it was without the book.

MR. HODGINS: I am instructed it remained there till January, 1909; would that be right, according to your recollection? A. Yes, I would say so.

Q. That was separate and distinct from the Hamilton deposit? A. Yes, that was a separate transaction.

Q. And I find that on the end of January, 1909, that the Hamilton deposit was \$25,000 and the Savings was \$25,000, making a total of \$50,000? A. Yes, I should think that was about right.

Q. You began depositing circulation early in 1908? A. That is what I said.

Q. To what extent? A. \$1,000 a day.

Q. Kept up all through the year? A. Yes.

Q. Sent it regularly? A. Every morning sent down \$1,000 to go to our credit there.

Q. There would be a total, according to these documents, on the 30th January, 1909, of \$33,500 of circulation that had been sent down; on the Hamilton and on the Savings you were paying 4%? A. Yes, that is my recollection.

Q. What were they paying you on the circulation? A. They paid us 3% for a while, I don't know how long, and then the interest ceased.

Q. You had some arrangement with the company when you began depositing the circulation? A. Yes.

Q. Will any of the books show a payment of interest on circulation? A. Yes, the bank account with the Trusts Company will show the interest that we paid them.

Q. How long would it have borne interest? A. I could not say exactly, it must have been a year.

Q. MR. COMMISSIONER: Interest that you paid them? A. No, interest they paid us; they credited our account with interest.

## SESSIONAL PAPER No. 153m

MR. HODGINS: With 3%? A. Yes.

Q. And you were paying 4% on your deposit. Mr. Clarkson thinks you paid 3 on one and 4 on the savings? A. Yes, I think that is right; I thought it was 4 on each one; the chequing account would be 3 and the savings account 4.

Q. Is your recollection that you got interest on deposits of circulation from the beginning for a year or till when you commenced to make what is called the Special Circulation Deposit? A. I could not answer that; the books will have to show that.

Q. You can tell us who you made the arrangement with? A. I made the arrangement with Mr. Warren.

Q. Regarding the deposits of circulation? A. Yes.

Q. They had a deposit with you; what did you deposit your circulation with them for? A. For the purpose of getting it out; they were paying out money over their counter every day and it was an advantage for us to use our bills.

Q. Why did you not pay it out yourself? A. We had not the chance; we had not the customers to pay it out to; you cannot give it away.

Q. You cannot? A. I mean you cannot shovel it out without something to return for it.

Q. You could not have been doing a very large business? A. We were not doing a very large business, no.

Q. During 1908; you made up your mind you would get circulation out anyway in the beginning of 1908? A. Yes.

Q. Just tell us what made you introduce the matter to Mr. Warren, because it is a little unusual? A. Not a bit; it is a very general thing all over the country; formerly they did it through private bankers.

Q. Depositing circulation? A. Of having somebody put out your circulation for you.

Q. Did they do that in the bank you were connected with? A. Yes.

Q. Whose certificate you hold? A. Yes; they have their circulation paid out by other banks sometimes and by private bankers.

Q. I suppose you will agree with me that unless you get interest on it it would be no benefit to you? A. Yes, it would; the bills would be worth 5% interest to the bank all the time they are out.

Q. Tell us what the arrangement was with Mr. Warren? A. The arrangement with Mr. Warren was that in order to assist me in getting the bank circulation out that he would pay out over his counter, for cheques drawn upon his institution and for which the money would remain at our credit, that we would not draw on him for that money, he would allow us 3% on it; I think it was 3%, I am not quite sure; it might have been 2½%.

Q. He would allow you whatever you put in 3½ on, whatever you put in as circulation, irrespective of whether he paid it out or not? A. Yes.

Q. Is that the arrangement? A. Yes, that was the arrangement.

Q. That if you deposited \$1,000 a day? A. He passed it to our credit the same as if it was gold went in there.

Q. That would be in round numbers \$25,000 a month; you would be getting 3% interest on that \$25,000? A. Yes, that is my recollection.

Q. There is no trace of interest on it in the bank book; did you say it began with interest being paid upon it? A. Yes, that is my recollection.

Q. Why was the payment of interest discontinued? A. It was discontinued, my recollection is, after about a year. Mr. Warren thought that the accommodation that he was giving us was sufficient without paying interest.

Q. What accommodation was he giving you? A. When we were short in the Clearing House for gold he would give us his cheque on the Bank of Montreal and let us get gold for it.

Q. For nothing? A. Yes.

Q. Just go down and ask him for a cheque and he would give you a cheque?  
A. Yes, he gave me a cheque several times.

Q. Irrespective of the state of the accounts? A. No, in respect to our balance there.

Q. Your balance of circulation? A. It was circulation, we deposited, yes; but that was cash; we had to redeem the circulation.

Q. I am asking you whether you meant it was in addition to your circulation deposit? A. For deposit circulation and otherwise.

Q. Because you know they had a deposit with you, very large sums? A. Yes.

Q. And if you set one off against the other there would not be much balance to your credit? A. At times like that when we needed money one was not set off against the other.

Q. It was, however, arranged that they were to be kept pretty well even?  
A. That was the understanding without any arrangement.

Q. That is, that they would deposit with you this Savings Bank and the Hamilton estate and you would keep them supplied with circulation about to balance it? A. We would keep our balance up with them about the same figure as near as possible.

Q. And you would pay 4% and 3% on what you owed them, and they would pay 3 on what they owed you in the way of circulation? A. Yes, that is my recollection.

Q. In other words, this circulation was treated as a debt from them to you? A. Circulation was treated as a deposit the same as any other person would go and make a deposit.

Q. A debt to you? A. Yes.

Q. Could you get it at any time? A. Yes, we could draw any time, although there was an understanding between Mr. Warren and myself that we would not draw suddenly on them for it.

Q. You say it was a benefit to you? A. Yes.

Q. What benefit would it be, outside of whatever interest you got from it?  
A. The benefit was as long as those bills were in the pockets of the people it was worth 5% to the bank.

Q. I would like to understand why? A. Simply because they were free deposits; circulation of the bank means free deposits, it costs us nothing except the printing of them.

Q. If you give it to the Trusts Company? A. They paid out the circulation to the people over the counter.

Q. You gave them to the Trusts Company and they paid you 3%, they would reap all the benefit of the circulation? It would be the same as any person else depositing with them, they would allow their regular customers 3% on their deposits; ours was no different; we were depositing cash with them.

Q. And you were getting interest on your deposits? A. We were.

Q. You cannot pretend you got any benefit from the circulation, you transferred that benefit to them? A. I certainly did get benefit; no banker can deny the fact that his circulation is a valuable asset to him, valuable profit.

Q. If he issues it? A. We did issue it.

Q. Either for a loan or in case of some deposit in the bank; but you would not for a moment say if a banker took circulation and gave it to somebody who would then pay his own debts with it that that would be any benefit to the bank?  
A. It certainly would; they paid it out for us and left the money at our credit, and that credit showed in our statements as cash reserve on hand.

Q. That is not benefit from circulation? A. Yes, it is.

Q. It is benefit from having put something into the bank? A. When they paid this circulation over the counter it was a profit to the bank.

## SESSIONAL PAPER No. 153a

Q. I fail to see it? A. Because you do not understand the business. If you get a note in your pocket of \$1,000 for which you pay no interest on it, you are making money on it, are you not?

Q. I thought they were paying you interest for this? A. Yes.

MR. COMMISSIONER: But you see he used paper not bearing any interest, he used it as money? A. Yes.

MR. HODGINS: He did not use it as money.

MR. COMMISSIONER: Yes, he deposited it as cash with the bank; they took it as cash, and that was non-interest bearing paper.

MR. HODGINS: Eliminate the question of interest on that, what possible benefit does it do to the bank to deposit its circulation with anybody? I quite understand if I had \$1,000 to my credit, and get circulation from the bank and use that around that is benefit to the bank; but it is no benefit to me if you give it to me and I do not owe you anything? A. If you take a thousand dollars of bank bills and keep them in your pocket, I have a thousand dollars to loan to somebody at 6%.

Q. Why? A. I have that thousand dollars.

Q. What thousand—the thousand dollars that you have given me? A. Yes.

Q. Not unless I owe it to you, if I have given you a note for it? A. I got a note from the Trusts Company in the shape of a pass book.

MR. COMMISSIONER: This is academic; apparently you cannot convince him.

MR. HODGINS: I fail to see how you can use your circulation handed to somebody else to pay their debts with and pretend that the bank was getting the benefit of it by circulation.

MR. COMMISSIONER: It seems to me very plain, as it seems to the witness?

A. It is hard to explain these things to a man who does not understand banking.

MR. HODGINS: You are the man who understood banking and look where the bank landed? A. It is a pity I had not had you for a solicitor.

Q. I do not find that other banks in good standing give their circulation to other people to pay their debts with? A. They certainly do not give it away; but, take a private bank, they will give the bank a note for ten thousand dollars and they will take the bank's circulation out and pay it over the counter to their customers, and all the time while that circulation is not called upon, while the bank is not called upon to reduce its reserve by paying it back or clearing it, it is worth 5%.

Q. You had no circulation from the Trusts & Guarantee Company? A. I certainly did; I got a bank deposit.

Q. That is the benefit you are speaking of, not the benefit of circulation? A. And the benefit of circulation.

Q. I see benefit in one way? A. We got two benefits from it; it was all one sided as far as we were concerned.

Q. Let us take a concrete case, because I have not been able to understand this method of banking; take the case of a thousand dollars, you deposit that circulation of a thousand dollars with them? A. Yes.

Q. What benefit, apart from their circulating, did you get from that? A. I will tell you in a few words; they place that thousand dollars to my credit, which is equal to a thousand dollars in gold, if I needed it.

Q. Why? A. Because I could draw upon them for it if I needed it.

Q. That is you could get it back?

MR. COMMISSIONER: Get the money.

MR. HODGINS: Yes? A. I could then take one thousand dollars out of my gold reserve and loan it to you if you came in; and if I had not that thousand dollars down there I could not do it.

Q. Why? A. Because good banking you are supposed to keep a certain amount of cash on hand, and I would not wish to deplete the amount; you might

come in for a loan and I cannot give you money; we cannot go any lower; but if I had one thousand dollars deposit in circulation down there if they would pay me it I could reduce my reserve to the extent of those deposits.

Q. You mean you had a bank book showing you had a thousand dollars on deposit there, and you could use it in a bank statement? A. Yes, I could use it, because I could draw it any time I wanted.

MR. COMMISSIONER: Not in the bank statement, he could use it in money.

MR. HODGINS: I think it is playing upon words.

MR. COMMISSIONER: You could draw a cheque upon it? A. Do you mean to say if you have a thousand dollars in your bank book it is not worth anything to you?

MR. HODGINS: If he has had a thousand dollars on deposit he can get that back from the Trusts & Guarantee Company.

MR. COMMISSIONER: He does not get back circulation, he gets money? A. No, I get cash.

MR. HODGINS: Was the arrangement that you were to get back money? A. Whenever I needed it.

Q. You were to get money instead of circulation? A. Actually get gold from the Bank of Montreal for it.

Q. You will agree with me this far that the Trusts & Guarantee Company might have kept that in their vaults and not circulated, and you would have had that benefit? A. Just the same.

Q. Then what benefit did you get by their circulating? A. Because I had not to redeem it until it reached the Clearing House, and as long as it was so it was a free deposit to me.

Q. If they had not circulated at all? A. Just the same we would have the money there to draw if they did not pay it out, it made no difference to us whether it was in their pocket or yours.

Q. If they did not circulate it you gained no benefit in that way? A. It made no difference to us.

Q. It made no difference whether they circulated it or not? A. No.

Q. Would it not come back if they circulated it? A. Yes, we would have to meet it through the Clearing House.

Q. If they did not circulate it—you got no benefit by their circulating it—? A. Yes.

Q. What benefit did you get? A. Advertised the bank for one thing, kept our bills circulating around. It would be better for us if they had locked it up in the vault.

Q. I do not see how the getting of your circulation out was a benefit to the bank? A. It was a benefit to the bank; it did not make any difference whether it was in their vault or in your pocket.

MR. COMMISSIONER: It was to their interest to get it out.

MR. HODGINS: Whose interest

MR. COMMISSIONER: The Trusts & Guarantee Company.

MR. HODGINS: It was not to the Bank's interest to get it out A. Yes.

Q. We will have to leave it that way; I still think I am right? A. You will have to argue stronger than that to change me.

Q. Did you pay it out? A. They used to pay it out regularly every day as far as I know.

Q. It used to keep coming back to you? A. A certain amount of it; the life of a bill is five weeks.

Q. You had to pay it? A. Through the Clearing House.

Q. And still the amount remained to your credit that you had deposited? A. If we had the funds on hand we would not disturb that account, if we had not we would go down to them and get a cheque on the Bank of Montreal and get some gold.

## SESSIONAL PAPER No. 153a

Q. Did you always do that, get gold? A. The same thing.

Q. Or get their cheque? A. Just the same thing.

Q. Will you say you did that continuously? A. We frequently did it.

Q. What was the usual course, to get back circulation? A. No, we never took the circulation back.

Q. What did you get then? A. I told you, I cannot make it any plainer; I got a cheque on the Bank of Montreal, which was gold.

Q. That was the invariable course? A. Always when they paid us the money they gave us a cheque on the Bank of Montreal.

Q. You never got circulation? A. Never got circulation back from them.

Q. At any time? A. Not that I remember, never got a dollar's worth back.

Q. Do you still say that the interest ceased upon the deposit of circulation about the end of the year? A. I do not know; you will have to look at the books.

Q. About the end of the year? A. It ceased at some time; the books will speak for themselves.

Q. From that time on you got no interest on the circulation? A. I do not remember.

Q. But you still paid interest on the deposit? A. I think so.

Q. There is no doubt about that? A. The books will speak for themselves. I cannot remember those dates.

Q. The account went on in 1909, went on during 1909 and 1910, didn't it? A. I believe it went on up to shortly before the bank failed.

Q. Then you would be paying interest on the total amount of the Hamilton Estate and the Savings? A. Yes.

Q. If the accounts were set off against one another the balance would be comparatively small, would it not? A. That is my recollection, yes.

Q. Why was the interest discounted on the circulation? A. I explained that to you a little while ago.

Q. Would you mind giving it to me again? A. I told you Mr. Warren thought it was one sided, and I did too, and we stopped it.

Q. What was one sided? A. Paying us interest on the deposit, and paying out our circulation made it one sided.

Q. Was not that a benefit to the Trusts & Guarantee Company to pay out your circulation? A. No. What benefit to them? They could pay out Bank of Montreal bills.

Q. Was it a benefit to them? A. Not to have our circulation, not a dollar except for the deposit at the credit.

Q. They had this circulation deposited by you at regular intervals, and they could use that to pay their own debts.

Q. And they thought that benefit was not worth paying you interest upon? A. Yes.

Q. Do you say so far as the books are concerned throughout it would show a balance in the Savings and in the Hamilton Estate and a debt in the circulation accounts? A. I suppose the books will speak for themselves.

Q. There was no withdrawal from the circulation account was there? A. I do not remember; the books will speak for themselves; I think we did draw practically as I said before, when we were short we drew on them and they never made any objection.

Q. That was by sending a cheque on the Trusts & Guarantee Company, and they would give you a cheque on the Bank of Montreal? A. Yes.

Q. In those cases they would be charged against the circulation account? A. Yes, that is what I recollect.

Q. The interest would amount to a very large sum on the daily balance if the total in circulation account was set off against the deposits they had with you; you realized that, did not you? A. I did not quite catch what you said.



Q. The interest on the daily balance as between the two accounts would amount to a very large rate? A. It would amount to a certain amount of money, the average balance there.

Q. The average would be three and a half per cent., and on the total in the Savings and Hamilton Estate it ran up something like at one time to over two hundred thousand dollars; whereas the circulation account ran up to one hundred and twenty thousand; there is one case they ran up to over two hundred and eighteen thousand dollars; what was the object of keeping that up all the time; there must have come a time in the history of the bank when you had business enough to do it if you were doing a legitimate business, to want all your circulation? No, we were not; we were falling behind.

Q. Was the reason that the cash had been so depleted in one way or another by investments that the bank had made? A. Yes.

Q. Such as the Keeley mine, and others? A. Yes.

Q. When did that state of affairs intervene and make it necessary to continue this deposit of circulation? A. During the last year of the bank's existence, more particularly, than otherwise.

Q. That would be 1910? A. Yes.

Q. I understood from the evidence given on some of the other occasions that the Trusts & Guarantee Company made objections from time to time to giving you cheques when you sent down for money on the ground that the two accounts, their deposits and your circulation deposit with them, were to be kept about even, and that they did not want to part with the money, and that you had to go down several times and straighten it out with Mr. Warren? A. Yes, I had to go down several times to get a cheque for the money.

Q. And put it on personal grounds with him owing to the understanding? A. No, I do not know that that was exactly put that way. Mr. Warren would want to know why we were drawing so freely; usually people carrying deposits with other people want to have some warning before they are drawn out, and we would drop on him suddenly and one of his officers would object, and as soon as I would hear of the objection I would go down and see Mr. Warren and explain matters and it would pass through.

Q. What explanation would you offer him? A. I could not tell you now, probably the withdrawal at some branch suddenly, a sudden withdrawal of money that we would require to meet, I would get notice from the branch that they had issued settlement cheque on Toronto for a certain amount of money, I would know I would be short in the Clearing House next day.

Q. He must have realized that keeping this sort of thing up meant the bank was in poor condition? A. I could not say that; Mr. Warren had confidence in me.

Q. You realized it? A. I realized we were sailing against danger, and could not help realizing it.

Q. Did you not tell him so? A. No, I did not see any chance for him losing anything.

Q. What loans were made by the Trusts Company to you during the pendency of this arrangement? A. At what time do you speak?

Q. You began depositing circulation in 1908, and they began depositing with you in 1909? A. Yes, the first loan I made with them was \$75,000, I do not remember the date of it, on the security of \$120,000 of the American Piano Company. The next loan was for \$100,000 on the security of the Keeley mine bonds; and then that was all consolidated into a new loan of \$295,000 or \$300,000.

Q. I see I was in error; it was in December, 1908, that the deposit account in the bank by the Trusts Company began, and it was not until January, 1909, that you deposited circulation. I put the dates the other way. I am instructed by the liquidator that no interest was received on the circulation except on what is called

## SESSIONAL PAPER No. 153a

the special circulation account, which was an additional one to the circulation account, that except on that account no interest was received on circulation? A. The liquidator is a very careful and correct man, and if he finds this state of affairs in the books I am not prepared to contradict that; but my recollection is we were getting interest and it may be some fault of the branch office in not collecting it.

Q. What branch office was this done in? A. Toronto branch.

Q. Who was the manager? A. I had several managers during that time.

Q. Who did you put it down as being the fault of? A. I do not say it was the fault of anybody; I say it might have been.

Q. I suppose from the standpoint of statements to the Government you would use what appeared in the Bank's books and the Trusts & Guarantee Company's books as indicating you had a large deposit with the Trusts? A. We would enter it under item 29, which says, "Other assets not included in the foregoing heads", and at the bottom of the statement I would make a memorandum, "This includes eighty thousand dollars", or whatever the amount might have been deposited with the Trusts Company; that was in accordance with instructions I got from Ottawa, if my recollection is right, when I first wrote them about it.

Q. That is with regard to that reversed entry; but I am speaking of the circulation which commenced in 1909, and which crept up at the rate of a thousand dollars a month, would you show the aggregate of that from time to time as being among the deposits of the bank? A. As I explained before, circulation went to our credit, and whatever balance was there was used with the Government to show a reserve.

Q. When you say balance you mean whatever total that circulation account showed? A. The balance at our credit.

Q. Not the balance between the two accounts? A. No, the money they had with us we showed as deposits.

Q. The loan was seventy-five thousand dollars; on what security was that taken? A. The American Piano Company stock, 1,200 shares, \$120,000 worth.

Q. What was the reason why that loan was made? A. It was the withdrawal of our deposits at that time, I cannot say just where it was.

Q. From where? A. I think it was from Haileybury; the Manager there went over to another bank and carried away some fifty or sixty thousand dollars of our deposits with him.

Q. You mean he transferred them to another bank? A. He had the people transfer them.

Q. It was not a case of defalcation? A. No, simply transferring.

Q. Withdrawal of business? A. Yes.

Q. At that time you had about one hundred and twenty-three thousand dollars of deposit with the Trusts Company? A. Yes.

Q. Why did it become necessary to make a loan? A. Because I had drawn the seventy-five thousand dollars out of my deposit, the cash reserve would have been depleted that amount, and it would not look well.

Q. This \$123,000 was treated then as part of your cash reserve? A. Yes.

Q. They lent you seventy-five thousand dollars, did they put that to your credit? A. Yes.

Q. In actual money? A. Actual money.

Q. You owed them at that time on their deposit account about one hundred and seventy-two thousand dollars? A. Very likely.

Q. Which would make it altogether about \$247,000? A. If that is the state of the books it must be right.

Q. Where did you get this one hundred and twenty thousand dollars of American Piano Company's stock? A. I exchanged it for stock in the bank.

Q. That is known as the Tevis—? A. Yes, the Tevis-Knabe transaction.

Q. At all events you had this \$120,000 piano stock and you pledged it to them? A. Yes.

- Q. And did you agree to pay interest on that? A. Yes.
- Q. At what rate? A. Six per cent I think.
- Q. That was about the 4th February, 1910? A. Very likely.
- Q. The same year that the bank failed? A. Very likely.
- Q. Who did you arrange that loan with? A. Mr. Warren.
- Q. Did you explain the situation of the bank at that time? A. No, I explained the situation of why I needed the money only.
- Q. What was your explanation? A. As I told you a few minutes ago, there were withdrawals from our branch if I remember right at Haileybury.
- Q. You explained that to him? A. Yes.
- Q. And told him you wanted this put in the shape of a loan? A. Placed to our credit, yes.
- Q. Why did you not draw the amount from the circulation account that you had on deposit? A. I have just explained that to you; I cannot make it any clearer.
- Q. If you had drawn a cheque on it for seventy-five thousand dollars they would have honored it, would not they? A. Yes.
- Q. That would have been just as good to you as making a loan? A. No, my balance at the end of the month of available assets would have been reduced to too low a figure altogether; it was only a question of selling that stock or making a loan on it.
- Q. The result, however, would be misleading to an outsider? A. I do not think so.
- Q. When was the next loan made? A. If I remember right it was in July of 1910.
- Q. Was it not in April? A. The one hundred thousand?
- Q. The next loan? A. I do not think so.
- Q. Was not that the case of a deposit receipt being issued, four per cent, for \$120,000? A. That was a cross entry in the books; that is the deposit of the Trusts Company with us.
- Q. What was the occasion of that? A. I could not answer that; they wished to have it transferred from one account to the other; I saw no objection to it.
- Q. I am instructed Mr. Warren was leaving for the West and wanted to put the indebtedness of the bank into a different shape? A. Yes, I remember something about that.
- Q. And you had in the savings account and the Hamilton account some \$123,000? A. Yes, very likely.
- Q. And that for that or for the largest part of it you issued a deposit receipt? A. Yes.
- Q. What was the object of that as explained by Mr. Warren? A. The deposits as they stood then were subject to call; the deposit after we issued the deposit receipt was subject to fifteen days notice, it was an advantage to the bank to have them in that shape.
- Q. It was not Mr. Warren's suggestion? A. I cannot say whether it was Mr. Warren's suggestion entirely.
- Q. What would you say? A. It may have been mine, knowing he was going away and not knowing who would have the say down there regarding the withdrawal of the deposit, very likely it was mine—I do not know what Mr. Warren says on that point, but I would not like to contradict him.
- Q. It would seem to me rather a dangerous thing to go to a manager of a Trust Company and say to him, "Now, you are going away, and I do not want this deposit suddenly withdrawn"? A. I do not think so at all; every banker is sensitive about his deposits, and naturally would take every means he could to prevent their being taken away from him, withdrawn.

## SESSIONAL PAPER No. 153a

Q. These had been with you a very long time on this same arrangement that you speak of? A. Yes; if you had ten thousand dollars in the bank, and the banker heard you were going to take it off somewhere else and he called on you and begged of you to leave it there, you would not think the bank was wrong, would you?

Q. I am not saying you are wrong; I want to get the point of view? A. The point of view was a change of the deposit from being payable without notice to being paid after notice.

Q. And the deposit receipt was issued for the \$120,000? A. I believe it was.

Q. And handed to Mr. Warren? A. Or some clerk that called for it.

Q. It was arranged with Mr. Warren, anyway? A. Yes.

Q. Did he inquire as to the condition of the bank? A. He never inquired as to the condition of the bank from start to finish; I do not think he ever doubted it.

Q. He must have had some of your optimism? A. Very likely he did; it was a good thing he had in one way, and a bad thing in another.

Q. You had become good personal friends by this time? A. We were good friends always.

Q. Then how long was Mr. Warren away? I could not say how long.

Q. Was he away for the summer? A. He was away for a few months.

Q. Any length of time? A. I do not remember, I did not keep track of it.

Q. What was being done with your circulation during that time, was it being deposited? A. Yes; my recollection is we went on depositing the same as usual.

Q. Was it being withdrawn, did you have any sudden calls that you had to send down cheques to the company while he was away? A. We had calls on our deposits, yes.

Q. Had you to send cheques down to the company? A. Yes.

Q. Was there any difficulty then? A. Sometimes.

Q. Who was making difficulty? A. I understood Mr. Morden, the new manager.

Q. He was acting in Mr. Warren's place? A. Yes.

Q. And who else, did you see any one else but him during that time? A. No, I do not think I ever had any business with anybody else there.

Q. Had you to go down and persuade Mr. Morden to allow you to withdraw? A. Yes.

What was his reason for objecting? A. If I remember right, he took the ground that we should not withdraw our balance if they did not withdraw theirs from us; in other words, they should be kept at the same level.

Q. So that from their point of view they were doing you a favor in cashing a cheque? A. They were.

Q. But they did it, nevertheless? A. Yes.

Q. When did trouble begin down at the Lindsay Branch of the bank? A. It would be, I think, in July, 1910.

Q. Had Warren returned? A. Warren was at home at that time.

Q. Did you inform him of the situation created by the Lindsay trouble? A. I did.

Q. And the bank would have to look to the company for assistance? A. I did.

Q. That would be in July, 1910? A. I believe so.

Q. The state of affairs at that time was that there was the American Piano Company's stock put up as security for the amount that was due represented partly by a deposit receipt? A. Seventy-five thousand dollars; we followed the usual custom when securities are deposited that way, collateral security, one loan to make them run with the others—

Q. Would that mean American Piano Company's stock had been made collateral with the deposit receipt for one hundred and twenty thousand dollars?

A. No, it had nothing to do with that whatever.

Q. It would only stand for the \$75,000? A. For the seventy-five thousand dollars, and whatever the clause in the document was worth covering any other debts.

Q. There was no new hypothecation made of the piano stock at the time the deposit receipt was issued? A. No.

Q. What was the result of your informing Mr. Warren of the state of affairs? A. They loaned me one hundred thousand dollars.

Q. In addition to what you already owed them? A. Yes.

Q. On what? A. On the bonds of the Keeley mine.

Q. How many bonds of the Keeley mine? A. One million dollars, the bonds were.

Q. Who was the holder of these bonds? A. They were held by the bank as collateral.

Q. What other security? A. Nothing at that time.

Q. What bonus was given? A. No bonus.

Q. None at all at that time? A. Not at that time.

Q. Was there any stock given as security? A. I think it was after the loan had gone to our credit.

Q. Immediately after or some time after? A. It seems to me it was twenty or thirty days after.

Q. Had it any connection with the loan? A. Yes.

Q. What connection had it? A. I have to take back something I said. You asked me if I had seen anybody else at that time.

Q. Yes? A. I had spoken to Mr. Stratton; I had been up to Peterborough one Sunday and had a conversation with him; that was the origin of the stock of the Keeley mine that you are referring to I suppose being transferred?

Q. Yes; you saw Mr. Stratton before this hundred thousand-dollar loan? A. I would have to see the date the loan was made; it seems to me, as far as I can recollect, it was about that time. If my memory is right, Mr. Warren had advanced me a certain amount and wished to have it confirmed by Mr. Stratton.

Q. In consequence of that, you saw Mr. Stratton? A. I went to Mr. Stratton's house one Sunday; I think it was in July.

Q. The loan went through? A. Yes.

Q. The security being a million dollars of bonds of the Keeley mine? A. Yes.

Q. In addition, anything else? A. We transferred twenty-five thousand dollars of the Keeley mine stock to Mr. Stockdale in trust as a bonus, and fifty thousand dollars to Mr. Stratton in trust, as I understood it, as an additional security.

Q. Who is Mr. Stockdale? A. He is local manager of the Trusts Company.

Q. You speak of that as being a bonus? A. Yes, a bonus on the one hundred thousand dollars; I was wrong, it had not come to my mind at the time you asked me first; I was thinking of the cash bonus.

Q. Bonus to whom? A. Bonus to the Trusts Company.

Q. What was the fifty thousand dollars of stock to Mr. Stratton? A. Mr. Stratton suggested that being down as an additional security.

Q. For whom? A. I do not know who it was for, it was in trust; it was not explained to me; it was in his name in trust.

Q. And the bonds of the Keeley mine were put into whose name? A. They were hypothecated to the Trusts Company.

Q. Why was the difference made between the bonds and the fifty thousand of stock, one put in the name of the company and the other Mr. Stratton's name

## SESSIONAL PAPER No. 153a

in trust? A. The bonds were issued in the usual course to secure the bank, and the bank—

Q. Secure the company? A. Well, they were issued to secure the bank for the bank's loans, that is as originally issued.

Q. Why in dealing with the Trusts Company was the million dollars of bonds put in the name of the Trusts Company, and the fifty thousand dollars of stock in the name of Mr. Stratton? A. Stock and bonds in the company, as you ought to know are two different things altogether; the stock is very little use until the bonds are paid off.

Q. I am asking why one was put in one name and another in the other? A. Bonds were issued for the purpose of protecting the bank, and when the bank needed money it transferred them to the Trusts Company as security.

Q. If this fifty thousand was additional security, why was it put in a different name? A. I cannot answer it.

Q. Did it originate out of your talk with Mr. Stratton? A. Yes, it originated that way; he suggested it and I did it.

Q. Was that part of your arrangement with Warren? A. No, he never suggested it.

Q. What became of this stock? A. I do not know; I heard it was transferred back to the liquidator.

MR. G. T. CLARKSON: No, but it will be if I want it transferred; it is in the same position still.

MR. HODGINS: That provided you with one hundred thousand dollars? A. Yes.

Q. How was that paid to you? A. By cheques on the Bank of Montreal for which we got gold.

Q. To the full amount? A. I believe we withdrew every dollar of it.

Q. Would that apply to the previous seventy-five thousand dollars? A. Yes.

Q. That would be \$175,000 which they gave you as equivalent to gold and in your own circulation? A. We never got any of our circulation for that; I keep telling you that from time to time.

Q. Did you get further assistance from them? A. Yes, we got further assistance from them.

Q. In what shape? A. We deposited larger sums of our circulation after that, and they gave us a cheque on the Bank of Montreal in return for it.

Q. Is that an isolated case? A. Yes.

Q. What was the amount of that? A. I could not tell you, sometimes it was five and sometimes ten thousand dollars; I could not tell you exact.

Q. What months was this in? A. I should say the last few months prior to the bank's failure.

Q. It failed what date in December? A. The 19th December, 1910.

Q. During August and September, were you still depositing circulation? A. Yes.

Q. You largely increased the amount per day? A. Yes, we did, so I should say; we made two deposits if I remember right; we deposited the usual thousand and then we would deposit occasionally a larger amount.

MR. COMMISSIONER: In another account? A. No, sir, the same account.

MR. HODGINS: What use did you make of that, getting cheques from them? A. Got gold for it.

Q. Would the two balance each other during that period? A. My recollection is that those transactions one offset the other.

Q. Any objection from the Trusts Company? A. Mr. Morden, if it was during his time, I think it was some of it was done, he objected to it.

Q. With what result? A. Without any particular result; it never ended in their stopping us; they still continued to assist us that way up to the very last.

Q. You had to overcome Mr. Morden's objections; how did you do it? A. I think they overcame themselves; I think he saw it was reasonable to help us.

Q. You did not have to see anybody? A. No.

Q. Did you not see Mr. Warren or Mr. Stratton? A. Later on just before the bank failed I did.

Q. That would be in October, would it; I am told it was October 26th, 1910, that you made a new loan, or thereabouts, the final loan? A. Of how much?

Q. Did you never make a loan subsequent to that one hundred thousand dollars? A. I consolidated all the loans together including the deposit that they had with us.

Q. Was I right in mentioning that as the end of October? A. I would think so.

Q. Who did you negotiate that loan with? A. I negotiated that loan with Mr. Morden, Mr. Stratton and Mr. Matthew Wilson, of Chatham.

Q. Was that consolidation brought about by any pressure from the Trusts Company? A. Yes; Mr. Morden, if I remember rightly, he either sent us word verbally or wrote to us that he wished to withdraw the one hundred and twenty thousand dollars.

Q. Gave you fifteen days notice? A. Gave us notice.

Q. And that brought about? A. That brought about the consolidation.

Q. What form did it take? A. The consolidation?

Q. Yes. A. We gave them a new note for two hundred and ninety-five thousand dollars, if I recollect, I am not sure whether it was two hundred and ninety-five thousand dollars or three hundred thousand, I think it was two hundred and ninety-five thousand, and they put that to our credit and we chequed out and paid off the old loans with that.

Q. What security did you give them for that? A. I gave them all they had previously and farmers' notes and others of the bank that the bank had under discount, I do not remember the amount, it was a large amount though.

Q. That would be the Keeley mine's bonds one million dollars? A. Yes.

Q. The American Piano Company stock one hundred and twenty thousand dollars? A. Yes.

Q. And then I am instructed that it was one hundred and eight thousand dollars of farmers' notes? A. Yes, all of that.

Q. They still were to the fore, these farmers' notes? A. Not the same notes at all.

Q. More farmers? A. Those were notes for money we had loaned to farmers to buy sheep and cattle and hogs and other things.

Q. That loan then consolidated practically the whole thing and gave you the additional credit, in other words you did not owe them any two hundred and ninety five thousand dollars, would that be right? A. I believe there was a balance in our favor; the books will show what it was.

Q. I am told there was a credit of about sixty-eight thousand dollars? A. I would not dispute that.

Q. At that time had you any idea, was there any discussion about the amount you had on deposit with them; was any account taken of it, in the way of circulation? A. They had on or about that time a certain amount of circulation that they had not paid out.

Q. Do you remember about how much? A. I should say it was fifty or sixty thousand dollars.

Q. Was anything said about setting it off? A. Mr. Morden wanted it out of the road; he did not care about carrying it.

Q. What was done with it? A. We redeemed it from time to time by cheques on our balance.

Q. After the loan was consolidated? A. After the loan was consolidated, that is my recollection, I cannot speak positively on that.

## SESSIONAL PAPER No. 153a

Q. In dealing with the loan there was no credit taken for the amount of circulation on hand? A. No, that was a special matter.

Q. It had never been taken into consideration in making any one of these loans? A. Yes.

Q. Always treated as if it did not exist so far as the amount of the loan was concerned? A. Yes.

Q. Had they when the bank failed a large amount of your circulation? A. I believe they had.

Q. How much do you think they had?

MR. G. T. CLARKSON: Five or ten thousand dollars, I understood? A. They had all of that any way.

MR. COMMISSIONER: What was done with this balance at the credit of the bank in the circulation account as it is called; was that deducted when consolidated? A. No, those special deposits.

Q. The account that had been running all the time that was intended to be kept even with their deposit account, how was that dealt with in this consolidation? A. After the consolidation was completed we practically had the same amount to our credit as before.

MR. HODGINS: A very large sum? A. Sixty or seventy thousand dollars, I do not remember.

Q. In the circulation account?

MR. COMMISSIONER: That account stood at over one hundred thousand dollars? A. It did at one time, not at that time, that is when we were being drawn upon.

MR. HODGINS: The total in the circulation account appears on the 31st October, 1910, to be \$73,161? A. I presume that is right.

Q. And the totals of the loans and deposit, you having put part of the credits into the form of a loan, would be two hundred and ninety-nine thousand dollars? A. Yes, that is right.

Q. Then the seventy-three thousand dollars was not taken into account at all but left outstanding? A. It was left outstanding to our credit.

Q. After that you had as far as I can see in the neighborhood of sixty-eight or seventy thousand dollars to your credit in the circulation account? A. We had that at our credit; I cannot say it was exactly on circulation account.

Q. From that point of time when the last consolidation took place did you draw against that circulation account? A. I believe we did.

Q. Did you draw freely or had you to put up security to get it? A. Yes, we had to deposit various things with them in order to get it, sterling exchange and drafts on New York and drafts on Buffalo, and drafts on Chicago, and different places.

Q. Did you get this out in gold or in the form of your own circulation? A. I got it out the way I have told you, through a cheque on the Bank of Montreal.

Q. Then when the end of the bank came there would be very little in the circulation account then? A. I believe the figures given you, ten thousand dollars, would be nearly right, although I thought it was higher than that.

Q. So that the Trusts Company came out with their whole debt secured? A. Absolutely, I would say so.

Q. And you pledged in order to get the balance of your circulation back from them, or the equivalent of your circulation, you had pledged other securities or handed them over? A. Some of that circulation was taken back in this way; special circulation that you refer to was in large denominations, and they had to ship to Calgary and to Brantford and I believe some other points, and we would go down and take up this circulation by sending the smaller bills, five thousand dollars at a time, to Calgary and getting the larger bills back again.



MR. COMMISSIONER: Why should you give them these drafts and sterling bills? A. In order to get a cheque on the Bank of Montreal in order to get some money for the Clearing House.

Q. If they were fully secured why was that needed? A. At that time we had to deposit as much as we wished to withdraw every day, Mr. Morden was unwilling for us to reduce that balance for some reason or other; if we needed ten thousand dollars say to-day we would have to provide practically ten thousand—

Q. Was that because they were unable to get the circulation out? A. Yes, I would say so.

MR. HODGINS: In addition to the securities you put up for that loan they would get practically cash for any cash they gave you? A. Yes, I think my recollection is we deposited the equivalent of cash each time.

Q. And if they had none of your actual circulation on hand they must have used the difference between what was left in their hands and what the account showed? A. I do not quite understand you.

Q. If the account showed about sixty or seventy thousand dollars to the credit of that circulation account they would not allow you to draw on that and give you gold for it? A. I think as a matter of fact they did allow us to draw.

Q. That is what I do not understand? A. The books will show that; I cannot remember those things down to every item; my recollection is we drew against that account right up to the date of the failure.

Q. I understood you to say in order to get them to honor your drawings you had to put up other securities? A. Yes, we did.

Q. To the same amount? A. Yes; I cannot tell you how that balance was on the day of the failure.

Q. That does not seem that they ought to have reduced that circulation account at all; they had no business to charge it up; Mr. Clarkson probably knows more about that, the details of that; he thinks they allowed you to draw in addition to amounts you put up so that the circulation account was gradually reduced? A. That was my recollection; I think you are mistaken on that, because I think we only drew what we deposited, and the other withdrawals was for circulation we shipped away; for instance, if we drew fifteen thousand dollars, ten thousand would be for an equivalent of cash that we deposited, and five thousand would be of our own circulation to be shipped to Calgary office; that is my recollection of it.

Q. That is they would let you have that five thousand back? A. Yes.

Q. And you shipped it off to Calgary, and staved off the evil day in that way, it would not come back so soon? A. It helped, yes.

Q. That was the case that I thought had occurred, where you got back actually your own circulation from the vaults of the Trusts Company? A. I misunderstood you. While that came back in that way it is still paid out by them.

Q. They shipped? A. No, we shipped smaller bills, charging them with it and got back the other bills.

MR. COMMISSIONER: Why would you charge them with it if you got the large bills and sent the small bills to your own agent; that did not help them? A. It helped us.

Q. Would not they reduce their owing to you by the amount of the large bills they returned; if they gave you ten thousand dollars of large bills back that reduced their indebtedness by that amount, didn't it? A. We would have to draw on our account, our circulation account reduced that ten thousand dollars in order to get that; then we would rebuild that again by the shipment to Calgary.

Q. You would not charge that re-establishment to the Trusts Company? A. Yes.

Q. Why, they did not get it? A. It is their office up there.

Q. Oh, it is their office? A. Yes.

## SESSIONAL PAPER No. 153a

MR. HODGINS: What was the highest point that your circulation reached during the currency of the bank? A. I could not say, I think it was in the neighborhood of half a million; I do not know the figures at the present time exactly.

Q. If this circulation account with the Trusts and Guarantee Company ran up to over two hundred thousand dollars—? A. It never did; we were redeeming it and redeeming it all the time; we never had that amount of our circulation in their hands.

Q. That is what the records show? A. No, it does not show that at all; they might have ten thousand dollars; at one time they had about fifty or sixty thousand dollars on hand, but they have paid it over their counter, and it filtered through the Clearing House; we were taking it up from time to time.

Q. You remitted this circulation through them? A. Yes.

Q. And if that ran up to one hundred thousand or one hundred and fifty thousand or two hundred thousand that shows the circulation went out through them and not over the counter of the bank? A. It meant they paid that out to the public, and it was in the pockets of the people.

Q. I am not disputing that at all; I am simply indicating the proportion you got rid of through this Trusts & Guarantee Company? A. Yes

Q. And that was a very large proportion of your circulation? A. It was a certain amount.

Q. A very substantial amount? A. It helped us very much.

Q. It grew larger instead of smaller as the business of the bank went on? A. No, it did not grow any larger except for the special deposits that I spoke of in circulation; the thousand dollars a day went along from the time it started until the end of the bank.

Q. The circulation account would increase? A. Yes.

MR. COMMISSIONER: It would be turning over and coming back again? A. Certainly.

Q. It would not be the whole of that necessarily? A. Certainly not; the average would be twenty-five thousand dollars.

MR. HODGINS: What do you mean by the average? A. The average that they were paying out for us.

Q. You mean you kept about twenty-five thousand dollars going the rounds, you depositing with them and they getting it out and then getting it back again? A. They pay out twenty-five thousand dollars in one month and we would have redeemed through the Clearing House that twenty-five thousand dollars by the time they paid out another twenty-five thousand dollars.

Q. The net result you think would be that about twenty-five thousand dollars of circulation could be kept revolving in that way and yet produce an account which you could show in the bank returns of something between one hundred and two hundred thousand? A. Certainly, with the borrowing I made from them.

Q. That is good banking? A. I think so; you may not think so, but I thought so.

The Commission adjourned at 1 p.m. to 2.15 p.m.

The Commission resumed at 2.15 p.m.

J. G. FITZGIBBON, recalled:—

MR. HODGINS: Is that the three thousand dollar cheque which was spoken of that you drew? A. No, sir, that is not the one I recall; if I saw the stubs I could tell more clearly; but my impression was that it was a Farmers Bank cheque.

Q. That cheque is dated on the 7th January, 1907, and is entered on one side of the bank cash book, Union Bank, W.R.T., cheque number 12, \$3,000; on the other side it has, charged, Bank premises, \$3,000? A. As I remember the cheque that was drawn out I drew out myself; that was drawn out by Mr. Shaver.

MR. COMMISSIONER: Have you not any idea of the date? A. No, I have not the faintest idea of the date.

MR. HODGINS: Q. Not relatively to the time you went in? A. It was shortly after—

Q. Was it shortly after the bank commenced to operate? A. Yes.

Q. It commenced to operate on the 2nd January, and this is dated 7th.

MR. COMMISSIONER: This one was supposed to have a "C" on the stub; there is the cheque, it was six thousand dollars the one that was marked C.; that is the cheque I have reference to; I did not remember the amount, but when Mr. Travers says—

Q. That is dated the 20th April 1907? A. That is the cheque I referred to; when he said the stub was marked "C" I remembered that I had drawn out the cheque myself and had marked "C" on the stub.

Q. In the bank cash book it is organization, commissions, six thousand dollars; is this stub in your handwriting? A. Yes, and I drew out all those cheques myself after the organization of the bank.

Q. Those are stubs and cheques on what date? A. On our own bank.

Q. Which one? A. The Farmers Bank; these were issued by the head office, and they were paid by the Toronto—

Q. This three thousand dollar cheque I show you of January 7th, 1907, is payable to W. R. Travers, endorsed by him, on the back of it you notice the sized bills it was paid out in? A. Yes.

Q. Was there any justification you know of for charging that to bank premises? A. No, none beyond instructions from Mr. Travers.

Q. What would it mean charging it to bank premises? A. It might have been paid out on the purchase of property.

Q. That would be the only justification? A. Yes.

Q. Had you bought any property at that time for bank premises that you know of? A. We were fitting up bank premises in Toronto here; we leased the building from Stair and we were making all the alterations ourselves.

Q. It would not be quite likely it would be drawn out in bills if it were being drawn to pay accounts for furniture? A. That cheque was drawn out by Mr. Shaver, who was the head office bookkeeper, and probably he got instructions from Mr. Travers himself to draw it out, because I do not recall it at all beyond seeing the cheque when it came through.

MR. COMMISSIONER: The stub of cheque for six thousand dollars, number 105, 20th April, 1907, in favor of (blank), is that account "C"? A. Yes, account "C".

Q. Six thousand dollars, in whose favor was it drawn? A. I think it was drawn to Mr. Travers' own favor.

Q. Why was not that filled out? A. Because he instructed me just to mark the stub just account "C".

If you wrote the cheque you must have made it payable to somebody? A. I do not recall how the cheque was payable, whether it was payable to him personally or to bearer.

MR. COMMISSIONER: I suppose the cheque itself can be got?

MR. CLARKSON: We are sending for it.—EXHIBIT 60: Cheque for \$3,000 payable to W. R. Travers.

MR. HODGINS: Were the subscriptions sent down to Ottawa at the time the certificate was being applied for? A. Not that I can recall.

## SESSIONAL PAPER No. 153a

Q. Your letter that is put in speaks of Mr. Hunter going over subscriptions, and does not say anything about sending them down? A. When I heard Mr. Travers say that I tried to recall if they had been sent, and while I would not swear positively that they were not sent I do not recall ever sending them, I do not think they left the office, and I think if Mr. Hunter from whom I got the instructions about sending down the three blank cheques, and in writing to Mr. Travers to report he had been in and had passed his opinion on them that if he had asked me to send them to Ottawa for him I would have mentioned in the letter how they were to go down, whether by Canadian or Dominion Express or registered mail.

MR. COMMISSIONER: How does he say he got them?

MR. HODGINS: I think he said parcel post.

MR. COMMISSIONER: They would probably have been registered? A. Yes, if they went by mail they would have been registered, but I have not the faintest recollection, I do not remember being asked to send them down, because the instructions I got in the letter were from Mr. Hunter when he came back from Ottawa, he asked me to let him see the subscriptions, as he would like to go over them to see they were all in order, and they were on one of those files alphabetically arranged, and he took them into Mr. Travers' room and glanced over them rather carefully, and handed them back, and said "They are all right, if the Finance Department want them you need have no hesitation in sending them down," but I have no recollection of sending them.

MR. HODGINS: Did he look at any book? A. He may have done so.

Q. You were here when he gave a description of the book? A. Yes.

Q. I think I asked you about that? A. Those are the only two books we ever had in connection with the stock subscription, and if he looked in any book to verify any of the entries on the list that went to Ottawa it would have been the small book from which the list was made up.

Q. Would the subscriptions themselves show anything about the notes? A. No.

MR. COMMISSIONER: Is that all you can say about this cheque? A. Yes.

Q. Your position was accountant? A. Yes, sir.

Q. Ought not you to have known the purpose for which the cheque was issued?

A. No, sir, I took my instructions from the General Manager.

Q. How could you know to what account to charge it? A. That was also from instructions from him.

Q. Why was not it put in account of organization commissions? A. He said just mark the stub "C" and charge it up to organization commissions.

Q. I see on the 14th June there is another cheque for the same amount, W.R.T.; what is that?

MR. HODGINS: It is charged Organization C. I. List? A. That is cash item list. That came up from the Toronto Branch.

MR. COMMISSIONER: What does that mean? A. It would probably have been cashed or placed to somebody's credit down in the Toronto office and come up to us.

Q. To what account is it charged? A. Organization.

Q. What were you paying organization expenses at this time for? A. That is more than I can say, Mr. Commissioner.

MR. HODGINS: Those two cheques appear in ledger in page 23 under an account called "Organization Expenses"? A. Yes, sir.

MR. COMMISSIONER: What is that account composed of? Does it include the provisional directors expenses?

MR. HODGINS: Yes, it begins with Guthrie & Pringle \$110, Masten Starr & Spence \$10, making \$120. Then McCorquodale \$7.50; and then comes December 6th \$10,000; December 7th \$5,000; then a little later on \$1,800 that was paid to Smith; and then Dr. Webster \$50; and then a cheque on March 12th of \$25,344.80

which I think an explanation will have to be given of, but it included the loan of \$2,380 made to Travers, and the \$20,000 loan and some other items? A. Yes.

MR. COMMISSIONER: Why were those charged to organization expenses? A. I could not say; we in that office simply carried out instructions.

MR. HODGINS: It winds up with the payments made to the provisional directors on account of that second ten thousand dollars.

MR. COMMISSIONER: What is the total?

MR. HODGINS: \$121,000; that includes an item of thirty-two thousand which begins the account, November 26th, 1906? A. Yes, that was the amount taken over from the provisional directors.

Q. That was taken over at about ten thousand short? A. Yes.

Q. What was done with that ten thousand? A. I could not say.

Q. At all events the organization expenses as appearing in the provisional directors books were not carried correctly into the—? A. We did not open the books from the provisional directors books; the figures were given to us upon which to base the opening entries.

Q. By whom? A. By Mr. Travers.

Q. You know enough to know, I suppose, from the figures that is about ten thousand short? A. Yes, from subsequent things.

---

EDWARD B. STOCKDALE, Sworn, Examined by:—

MR. HODGINS: What is your position? A. Manager of the Trusts & Guarantee Company for Ontario.

Q. In 1907 and 1908? A. 1906 and 1907 I was, I think, known as accountant or acting manager of the company, accountant for part of the time and acting manager for other portions of the time, probably assistant manager, manager of estates, portions of that time.

Q. You of course knew Mr. Travers the manager of the Farmers Bank? A. I met him in the fall of 1906.

Q. In connection with that loan? A. Yes, the \$80,000 loan.

Q. The only instruments produced here are two letters from Mr. Warren, one respecting the date at which interest begins, and the other reciting that he has received notes as security? A. Yes.

Q. You have seen those two letters? A. Yes, I have seen both of them (Exhibit 43).

Q. Were there any other documents connected with the loan you had ever seen? A. Yes, they were produced in the other courts.

Q. What were they? A. In connection with the \$80,000 loan we produced a copy of our loan ledger account in respect of the \$80,000 loan.

Q. I have not got so far as that; I mean with regard to the making of the loan, were there any other documents connected with it or indicating what the security was other than those two letters that are put in? A. No, not that I recollect at the minute.

Q. Mr. Travers seemed to have some idea that there was another document? A. We have the hypothecation agreement, of course; that was produced in the other court, put on file.

Q. I do not think so? A. It was.

Q. Of the \$80,000 loan? A. Yes, it was produced in my evidence.

Q. What other court? A. It was before Judge Denton, I think, if my memory does not fail me.

## SESSIONAL PAPER No. 153a

Q. That would be in the trial of Messrs. Warren and Morden? A. No.

Q. Judge Denton tried those two? A. I remember it was in the County Sessions Court; I do not know whether it was in connection with Mr. Morden's case; it was in connection with the case against Mr. Stratton and Mr. Warren; I do not know whether it was Judge Denton or Judge Winchester it was one or the other.

Q. Judge Winchester tried Messrs. Stratton and Warren? A. Then it would be Judge Winchester.

Q. You think it would have been produced there? A. It was produced there and filed.

Q. I have never seen it; I have looked for it carefully? A. It is there, we did not get it back; I have a copy of it here, if it would be of any use to you.

Q. I would like to see it? A. At least, I think I have.

Q. Did you produce it? A. I produced it in my evidence; I thought I had a copy of that, but I do not see it just at the moment.

MR. COMMISSIONER: You have a copy somewhere? A. I thought I had, and probably will have one somewhere.

MR. HODGINS: In your evidence, the letter dated the 11th October, 1906, is read, and you are asked to explain the transaction; the letter was put in and marked as Exhibit 2. Then this letter of October 10th is put in and marked Exhibit 3; then the cheque, Exhibit 4; then a statement copied from the mortgage ledger was marked as Exhibit 5; and then the questions go on to the \$20,000 loan? A. I was positive that hypothecation agreement went in there; I can remember the agreement quite distinctly.

Q. You put in an hypothecation agreement regarding the \$20,000 loan? A. Yes, I remember that.

Q. You have not got a copy? A. I have not got a copy of it just here; I thought I had a copy of it. I remember what was in it, though.

Q. Do you think you would have a copy at your office? A. We might have; I remember seeing a copy of it not very long ago, unless my memory fails me very badly.

Q. Would you look for it? A. Yes, certainly; anything we have we will be glad to produce.

Q. You got a list of notes, or did you compile a list of notes? A. It runs through my mind there was a list of notes; I think that list was filed; I do not think I had a copy of that.

Q. That is another document I have been unable to see any witness refer to; have you a copy of that? A. That is a list of notes given to us at the time?

Q. Yes? A. My recollection is that was filed; I may be wrong in that.

Q. I would be glad to have you read over your evidence and say if you are correct in that? A. There is so much evidence given, it is hard to remember all.

Q. That loan, you did not negotiate it, you simply prepared the papers? A. I was assisting Mr. Warren generally at that time and the first connection I had with it was when I was called in, and if I remember rightly, instructed to make out first a receipt for the notes which were given. (The receipt you referred to a while ago is in my handwriting), and to make out a cheque for \$80,000.

Q. That letter of October 11th, 1906 (part of Exhibit 43), is that in your handwriting? A. Yes.

Q. I note a little change in there. You originally wrote it in a particular way, and you added the words "Provisional directors of"—what was the cause of the change? A. I have the habit of putting down a thing exactly when I put it down in writing, and that is no doubt the reason why I put that in there; that was my understanding at that particular moment what the transaction was.

Q. You wrote it out? A. Yes.

Q. And I suppose wrote it correctly as you understood it? A. That is what I inferred. I was corrected immediately afterwards.

Q. Was that in consequence of Mr. Warren's instructions? A. No, I do not think so; I am positive it was not.

Q. Why did you do it? A. Because I inferred that list of notes was furnished by the provisional directors. No doubt, why I inferred that, was, that the notes, if I recollect rightly, were in favor of the provisional directors.

Q. You had not heard anything of it being a personal loan to Travers? A. I always understood it as such.

Q. Why did you put it in? A. I was in the next office to Mr. Warren, and he called me in and I was instructed to make out a receipt for a bunch of notes handed me along with a list of notes, check them over and make out a receipt, and I was told to make out a cheque; there was no discussion at that particular moment.

Q. When did you understand it was a personal loan to Travers? A. Immediately afterwards.

Q. After you had written that out? A. It might have been the next day or a couple of days after that; when I saw the hypothecation agreement I saw it was a loan to W. R. Travers.

Q. You did not draw any hypothecation agreement? A. I do not remember about that.

Q. Would you say it was a couple of days afterwards? A. It might have been a couple of days afterwards when I was put right as a mistake in referring to this list as a list furnished by the provisional directors.

Q. Who put you right? A. Probably Mr. Warren or probably I put myself right.

Q. Do you remember? A. Well, if a man has a thinking apparatus—

Q. Do you remember? A. My knowledge at the moment is I was put right either by Mr. Warren or by mental process of my own that it was W. R. Travers' loan; I always understood it as such as soon as I got familiar with it.

Q. If it was a mental process—? A. I did not say so; either Mr. Warren told me or I put myself right. No doubt, I was told it was W. R. Travers' loan; the hypothecation agreement would show it was W. R. Travers' personal loan.

Q. You are unable now to recall whether you were put right by Mr. Warren or by a mental process? A. Or by the documents.

Q. When you made this letter of October 11th, 1906, you took it in and had it signed, I suppose? A. Yes.

Q. What did you do with it? A. No doubt, it was then copied in our letter book and handed over.

Q. To whom? A. To Mr. Travers.

Q. Did you do that? A. No, but I could almost swear positively that the document was handed over.

Q. It was undoubtedly handed over, but I do not know whether you did it? A. I did not do it personally, I do not expect.

Q. At all events, a couple of days afterwards you were sure it was a personal loan to Mr. Travers? A. I say it might have been the same day or the day after or two days afterwards; it was immediately afterwards.

Q. We can put it a margin of a couple of days, that after that you always believed it was a personal loan? A. I probably knew that it was a personal loan as soon as I got the hypothecation agreement, at the time I made out that list there, the list indicated what was in my own mind.

Q. And you remained under that impression, I suppose, thereafter? A. As a personal loan?

Q. Yes? A. Yes, positively.

## SESSIONAL PAPER No. 153a

Q. Had you to do with reversing the entries on the 17th or 18th December? A. That would come under my supervision; the office generally was under my supervision.

Q. To what extent? A. The giving of instructions to subordinates.

Q. Who did you give instructions to? A. I could not tell you now; we have a number of bookkeepers and I could not tell you whether it was Jones, Smith or Brown; I could not recall that.

Q. Did you give the instructions? A. Yes, all instructions as regards bookkeeping were given by me.

Q. Did you give the instructions as to the reversal of the loan on the 17th or 18th December? A. Undoubtedly.

Q. Then you did not make the reversal entry yourself? A. No, I do not think so.

Q. What instructions did you give? A. Sometimes I would make an entry in the books, but very seldom.

Q. It is quite unnecessary to tell me that; did you give the instructions? A. Undoubtedly.

Q. What were they? A. That the credits to the W. R. Travers' loan account should be reversed so that the moneys which were originally applied to the W. R. Travers' loan would appear as a deposit to the credit of the Farmers Bank.

Q. If it was a personal loan to Travers the reversal made it a loan to the Farmers Bank? A. No.

Q. What did it make? A. We had securities satisfactory to us in our hands. Mr. Travers said, "Let my loan stand and put my money to the credit of the Farmers Bank of Canada".

Q. Did he say that to you? A. I can almost swear positively he did; I think I was called in at the discussion.

Q. Will you repeat that? A. "That you have your security, I want the money placed to the credit of the Farmers Bank, rather than remain to my credit, hold my securities, the securities you have got now and you shall be safe."

Q. Do you recollect that conversation? A. I would not say the conversation was with Mr. Warren or not; that is my recollection of the whole thing; that is what I understood at the time, whether Mr. Warren told me in Mr. Travers presence, or Mr. Travers told me in Mr. Warren's presence, or whether it was told me when Travers was not there; I was given my instructions to do it.

Q. And he preferred it should be transferred to the Farmers Bank instead of to his own credit? A. No, I did not say that.

Q. What did you say about it? A. My instructions, or the conversation I overheard was, that the moneys which originally had been credited to the W. R. Travers loan would be placed to the credit of the Farmers Bank of Canada, we retaining our securities.

Q. Did you have these securities in the name of W. R. Travers? A. We had notes endorsed in blank without recourse to the provisional directors.

Q. It was all in the name of W. R. Travers? A. Yes.

Q. Your entry in your books? A. Yes.

Q. And the loan account stood in his name? A. Yes.

Q. Will you turn up that ledger entry you have there, how was that headed?

A. Headed "W. R. Travers, Toronto".

Q. That is the original entry? A. Yes.

Q. Is that the same as your copy there? A. Yes.

Q. Then the moneys that had come in had come in on three separate dates? A. Yes.

Q. What were they? A. December 6th, \$30,000; December 7th, \$25,000; that is all the money that went to the credit of that particular loan account; the



other twenty-five thousand odd dollars went direct to the credit of the deposit account.

Q. This is headed in your ledger, 289, name, W. R. Travers, address, Toronto; security notes amounting to \$100,955—is that entry correct? A. Yes.

Q. "Rate of interest 10% payable November 22nd, and bonus \$1,000; terms due November 22nd, 1906"? Yes, I have no doubt that is entirely correct.

Q. That would be then practically a month's loan, a little over a month's loan? A. Yes.

Q. Have you any other loans upon similar terms with a bonus of \$1,000 and 10%? A. It was not unusual at that time to get a bonus. I do not remember whether we have any other loan on which we got a bonus or not; this matter took place six or seven years ago.

Q. How long were you in their employ at the time this loan went through? A. I have been with the Trusts Company since 1900, 12 years.

Q. In whose writing is the heading of this account? A. One of our bookkeepers' at that time.

Q. You could not be expected to remember his name? A. No.

Q. December 6th, \$30,000 and December 7th, \$25,000 were actually credited upon that loan? A. Yes.

Q. And left on December 7th, only how much due? A. \$25,000 and some interest; then there is the \$1,000 bonus which was not charged up in our account.

Q. What entries did you reverse? A. The entry was cut out, the credit of \$30,000 and \$25,000 in the Travers loan account, No. 289, were scored out and credited to the Farmers Bank of Canada deposit account.

Q. Show me that account? A. That is in the other ledger.

Q. It looks to me as if there was a third one scored out, December 31st, \$32.88, and the total of \$80,032.88 scored out? A. That little amount is scored out, \$32.88.

Q. When was that made? A. I do not remember that at all.

Q. Do you know in whose handwriting the entries are in? A. In some of the bookkeepers'; we have different bookkeepers.

Q. Where is your cash book which shows the date when the last item was received; will you turn that up too? A. Speaking of the \$30,000 received on December 6th, cash book folio 879, the credit originally made was showing a payment from W. R. Travers on what we call loans account of \$30,000.

Q. That is struck out now by some one having put a pen through? A. Ruled out in red ink.

Q. And the word W. R. Travers ruled out in red ink and the 289 ruled out in red ink? A. Yes, that is the ledger folio.

Q. Who scored those out? A. No doubt scored out under instructions.

Q. From whom? A. No doubt from carrying out my instructions.

Q. Did you give detailed instructions as to how much of the entry was to be struck out? A. I could not say, it is six years ago.

Q. And you struck out W. R. Travers and the folio? A. That is all that is necessary to be struck out in order to carry out the reversal.

Q. Was that done at the time? A. Undoubtedly.

Q. What time? A. You mean was it done on the 6th December?

Q. No? A. It was done about the 17th or 18th December.

Q. Can you fix the date? A. Yes.

Q. When was it? A. I am not positive whether it was the 17th or 18th; I fix the date by the fact firstly by the last payment from Travers having gone direct to that deposit account of the Farmers Bank of Canada, and of the issue of a certificate of deposit.

Q. What date do you fix having regard to those two elements? A. I would not be positive whether it was the 17th or the 18th.

## SESSIONAL PAPER No. 153a

- Q. This receipt of this cheque must have been either on the 17th or 18th?  
A. Yes.
- Q. Whatever date it was received on would be the date of the entry, the reversal?  
A. Not necessarily. A cheque may come one day and be entered the next day.
- Q. If I show you that receipt on the 17th, would that be the day the change was made?  
A. It might be the next day; before that went through our books.
- Q. It would be the next day?  
A. I would not say it was the next day or the day you are speaking of, the 17th December.
- Q. Carried forward at the bottom of this 879 does not contain that \$30,000; when are those totals carried forward?  
A. At the end of the month; they are inked in at the end of the month; in the meantime they are carried forward in pencil. The pencil totals are also erased after audit; that is the common custom in bookkeeping.
- Q. Will you turn up the next cheque, \$25,000; that is similarly credited W. R. Travers, Farmers Bank of Canada, 289?  
A. Yes.
- Q. And the call loan is scored out?  
A. It is reversed in identically the same manner as the one of the sixth.
- Q. Is it scored out?  
A. Yes.
- Q. But it is left in the column marked deposit as the \$30,000 was?  
A. Yes.
- Q. So that there is no doubt as to its receipt by you and as to its deposit in your bank?  
A. No.
- Q. Does the total of \$70,300 include that \$25,000 or does it not?  
A. No, it does not.
- Q. These totals would be at the end of the month?  
A. No, those are totals of the items appearing on this page and preceding pages during the month of December.
- Q. But put in at the end of the month?  
A. Yes; during the month we carry the totals forward in pencil and then rub out the pencil.
- Q. Where is the next one?  
A. There.
- Q. This on page 884, there is credited on December 17th, Farmers Bank of Canada, \$25,605.81?  
A. Yes, that is a credit to deposit account.
- Q. That is shown in deposit account?  
A. Yes.
- Q. When was that put there?  
A. The credit is under date December 17th.
- Q. But prior to that you find the 18th?  
A. The entries in our cash book at that time do not go to say that the money was received, not necessarily.
- Q. Who put in this as the date, the 17th?  
A. That is the date we actually received the money, undoubtedly.
- Q. Who put it in?  
A. That would be put in by our bookkeeper.
- Q. What is his name?  
A. I do not know.
- Q. Is he with you now?  
A. I do not imagine so; it looks like a man who was with us at that time and left to go West.
- Q. What is his name?  
A. That I cannot recall; we have had many men pass through our office.
- Q. At all events that does not appear to be entered in regular sequence?  
A. You can say that about almost any entry you pick out there.
- Q. What is your explanation of that appearing on the 17th?  
A. That we received the cash on the 17th, and the cash comes into our bank on the 17th.
- Q. How is it the entries preceding that are of a later date and also an earlier date?  
A. Our system of entry at that time called for the credit of items to be first made out on slips called credit slips or debit slips depending on whether the money was received or paid out; then these slips would be accumulated and posted into our cash book, in other words the original entry is on a slip of paper.
- Q. Do you keep those slips?  
A. We used to keep them, we keep them for probably a year or two years.

Q. Did you keep the credit slips for this? A. I do not know, we may have them.

Q. I would like you to look and see. Where was that entry on the 17th carried into? A. Into the Farmers Bank deposit account.

Q. You contend I judge from what you are saying now, that the item \$25,605.81 was never credited on this loan? A. Never went into our books of final entry as a credit to the loan; it went direct to the deposit account.

Q. Please answer the question as I ask it; I want to know whether it indicates that was never credited on the loan? A. It never was credited upon the loan in our books.

Q. That is the position you are taking? A. Yes; the books show that. There is the credit.

Q. This does not appear to be carried into any particular page? A. No, the deposit ledger is almost invariably posted from the deposit slips. In order to get the entries of money in or money out into the deposit account effected as quickly as possible, and intermediate entries are put through—

Q. The first two items did have the page in the ledger? A. Yes.

Q. But this one does not? A. This is different.

Q. When was this transferred to this account No. 1100 when was it transferred to the account; you show me now and say it was put into? A. It would be posted up directly into this account as the books show.

Q. When, I say? A. The books show the 17th December.

Q. When were the two prior entries, December 6th, and 7th, posted up? A. They were undoubtedly posted up at the same time, that is what the books show.

Q. Where were they posted from? A. From the facts as they were given at that time; there may have been a deposit slip made out for those two items, or there may not, because they did not come into our deposit account, Farmers Bank of Canada, in the regular way. They are first credited to loan account and afterwards reversed and put to credit of the Farmers Bank of Canada deposit account.

Q. Is that No. 1100 a true entry? A. That shows credit to the Farmers Bank of Canada \$80,605.81.

Q. And it shows that accumulation beginning December 6th? A. The first credit went to that account as of the 6th December.

Q. You charged interest on it from that day? A. We would not charge interest, we would credit interest.

Q. On that date? A. Yes.

Q. Did the amount \$25,605.81 exactly pay that loan with interest up to the 17th December, if it had been applied on the original loan? A. I think I worked that out from our books that way.

Q. And a statement had been sent to Mr. Travers after that memorandum, how did it come that that cheque was given for that amount? A. I have no recollection of that; I know it figures up, I do not remember, but this is only one transaction in many; I would be superhuman if I could remember the details.

Q. Is that the only entry connected with that loan? A. Except the entries covering the payment of the loan, and of course the closing of the deposit account.

Q. You had lent this \$80,000? A. Our company had lent the \$80,000.

Q. And these two first items had paid it off to that extent when received? A. Yes.

Q. And on December 17th, there was exactly that balance due, \$25,605.81; when that transfer was made, was it all made on the 18th? A. The books would show it was made on the 17th.

Q. That is these two books? A. Yes, but then there was the letter dated the 18th.

Q. It was on that date that the reversals were made? A. I cannot say that; I have answered that before.

## SESSIONAL PAPER No. 153a

Q. You cannot tell? A. No.

Q. If it be the fact that Mr. Knight was here on the 18th? A. I do not know when Mr. Knight was here.

Q. I say if it is the fact that he was here on the 18th and that day Mr. Travers came down and got the certificate and got the items reversed, what appears as the result in your books would have taken place on the 18th instead of on the 17th? A. I would not want to express an opinion upon that.

MR. COMMISSIONER: I should not have thought there was much difficulty, if it happened on the 18th it happened on the 18th; that would be the position? A. If it happened on the 18th, yes.

Q. MR. HODGINS: Who gave you the instructions to make those changes? A. I have answered that to the best of my ability.

Q. Would you mind telling me again who gave you the instructions? A. I would say I do not recall whether the instructions were given to me during a general conversation in which both Mr. Travers and Mr. Warren were there, or if Mr. Warren gave me the instructions.

Q. At all events, whatever date it was, money was received by your company as a payment on the Travers' loan, obviously, \$25,605.81? A. If that came in on the 17th I would say that quite obviously it was received with the intention of crediting it to the Travers' loan, but before the entries went into our books in any shape or form we got the other instructions.

Q. You got a cheque? A. Yes, on the 17th and went into our bank on the 17th.

Q. In payment of that loan? A. Yes.

Q. But before you were able to make entries in your books some one changed its destination? A. Yes, its destination was changed.

Q. And so this reversed the whole thing; you are basing that of course wholly upon the fact that your books show that that was received on the 17th? A. Basing what?

Q. Your idea about reversal taking place on the 17th? A. Yes.

Q. You have no independent fact beyond the entry to tell you about that? A. No, I could not place the date. I also refer to the fact that that certificate was issued at that time, so that I know the entries went through on the 17th or 18th; they are the two factors.

Q. You are in doubt as to the real date at which the entries went through? A. Yes, I could not say which day it was.

Q. Travers says the 18th? A. I would not contradict him if he says the 18th.

Q. The cheques that you got, those three cheques, came through Mitchell, are you aware of that? A. I have heard of it, I think, during the different court proceedings; I have no personal recollection of cheques having come through Mr. Mitchell.

Q. They would not have passed through your hands? A. I would not know it, because as far as we were concerned, it was only so much money we were receiving, no matter whether it was Jones, Smith or Brown, or Travers' own cheque.

Q. I am only asking you do you know anything about Mitchell in this connection, you do not say so. What was the method adopted whereby that loan was paid off which you professed to put through the Farmers Bank? A. I do not profess to put through anything so far as that; this loan and the \$20,500 loan and the \$2,380 loan were paid off by two cheques, one for \$25,344 and the other for eighty thousand and some odd dollars; the exact amount of that deposit account, No. 1100, the Farmers Bank deposit account.

Q. Just look at this statement and tell me if that will help you, a copy from your books? A. This is not a copy from our books, at least, I do not think so; it is certainly not done on any typewriter in our office.

Q. Look at that and tell me whether those credits that appear there beginning with some \$3,500 appear in your books? A. These entries appear in one of our deposit accounts, deposit account No. 158 of the Farmers Bank of Canada; at least, I should say so.

Q. And certain of these items, at all events beginning January 7th, 1907, with a deposit of \$3,600 going on to April 8th, do your books show what the general ledger of the bank shows, deposits made to the Trusts Company to that extent, totalling \$25,605.81? A. That is not the total; that is the balance at a certain time. We start our deposit account No. 1114; it starts off with a credit of \$3,655 on January 7th, 1907.

Q. What is there to its credit on the 30th January? A. \$37,710.

Q. You agree then with the bank's books; then on February 14th, what do you find? A. The balance of \$35,485.

Q. That is, after deducting \$3,000? A. This is after we paid and charged up \$3,000.

Q. What is this account you have open for me? A. This is the deposit account of the Farmers Bank of Canada.

Q. What were they depositing with you, do you know anything about it yourself? A. They were making ordinary deposits with us, as far as I can recollect.

Q. You say you do not know any difference? A. No, I do not recall any difference.

Q. Did you have any intimate knowledge of the account; did you know anything about it? A. No more so than I would of any account.

Q. So that at the moment you can throw no light on the details of it? A. Not that I can recall for the moment.

Q. What was the balance of that account on the 3rd April? A. \$50,950.61; our books do not agree with theirs at that point.

Q. I would like to see; what was it on February 19th, after deducting the \$17,000? A. \$22,930.

Q. On the 19th? A. Just a moment, there is another item, \$23,745.

Q. You agree with the bank there; take the 26th February after deducting \$10,000? A. A credit of \$22,140.

Q. That is right; take March 12th? A. We have a credit of \$40,680.

Q. That is right; and you deduct an item on the same date of \$25,344.80? A. No, that cheque was not charged up in our account until some time afterwards.

Q. When was it charged up? A. Not charged up till the following December, 1907.

Q. The 20th March? A. After payment of \$15,000 cheque we have a credit balance of \$41,880.

Q. That would be the same as mine, plus this \$25,344.80; that will account for the difference? A. Yes.

Q. Going down to the 3rd April after paying \$25,605.81 what balance did you have? A. There are two cheques making up that total, one cheque \$10,000 on the 9th, and one for \$15,605.81 paid on the 8th; and the balance would exactly equal the \$25,344.80, which should have been charged up on the 12th March.

Q. Does that cheque which you have just mentioned which paid off the \$25,000 loan, the \$2,380 loan and some other amounts? A. That is the balance of those loans after applying the eighty thousand some odd dollars, in account No. 1100 I think it was.

Q. That item was \$25,344.80 with the deposit account of your own beginning in January and ending in April shows deposits by the bank exactly equal to the

## SESSIONAL PAPER No. 153a

\$80,605.81 which was the amount of the loan as reversed on the 17th or 18th December? A. I had not noticed that before; probably it does. It amounts to about one hundred and five thousand some odd dollars I see by the pencil totals in here.

Q. You deduct \$25,344 and tell me what that deposit account amounted to?

A. We do not keep books that way.

Q. I ask you to do it? A. I will total these up myself if you wish.

Q. The balance is there in pencil? A. I see a total in here, I cannot say as to its correctness.

Q. How much? A. It looks to be \$105,950.61.

Q. Figure it out? A. It would make a difference of \$80,605.81.

Q. That is exactly the amount which the \$80,000 loan stood on December 17th? A. That is a coincidence I had never noticed before.

Q. Do you know how those various cheques in that account were made, \$3,000, \$17,000 and \$10,000?

Q. Yes, the Farmers Bank drew cheques on us for those various amounts, and cheques were paid by us.

Q. And you paid your cheque to them? A. We did what they call cleared those cheques by issuing cheques on the Bank of Montreal, the Bank of Montreal would pay them in legal tender, bank tender.

Q. What connection is there between that account and the account No. 1100?

A. No connection whatever.

Q. Merely a coincidence that it exactly pays the amount that was reversed on that day? A. I termed it a coincidence.

Q. At all events from your books it would appear that they deposited that amount with you plus this \$25,344.80, and drew it out? A. Yes.

Q. Then that account No. 1100 would still be to their credit? A. Yes, that was closed up.

Q. How was that paid? A. My recollection is that it was paid by way of a cheque; I have not located that cheque.

Q. Look and see how it was closed up? A. That was closed out December 17th, the same as the other.

Q. No, that is the time it began? A. I am speaking of a year later.

Q. I am speaking of No. 1100? A. I was too.

Q. How was that account closed out? A. That was closed out by the balance at the credit being applied on the loan account, that is the effect of it.

Q. How was it marked closed in your books? A. Through debiting an amount equal to the credit balance.

Q. Where is the debit from? A. The debit is to the deposit account of the Farmers Bank of Canada.

Q. Account 1100 shows to the credit of the Farmers Bank of Canada eighty thousand odd dollars? A. Yes.

Q. How did they get that from you? A. My recollection is there is a cheque issued in favor of the Trusts & Guarantee Company signed by the Farmers Bank for the amount of this account, that is \$80,605.

Q. You think there was a cheque? A. Yes, that is my recollection, but we have not located the cheque.

Q. Signed by the bank on your account? A. The account with us.

Q. That cheque would be presented to you, you would give the equivalent? A. No, it was given to us in our favor to retire the loan.

Q. I thought that was a credit to the Farmers Bank? A. The amount at the credit of the Farmers Bank account was a credit to the Farmers Bank.

MR. COMMISSIONER: It went to pay Travers' loan? A. Yes.

Q. Travers' loan was re-set up and he drew that money and paid the loan up? A. They paid the loan with it.

MR. HODGINS: That account of 1100 shows credit to the Farmers Bank, not Travers at all? A. Certainly.

Q. Is your explanation that the way that was got rid of was by a cross entry?

A. It was not gotten rid of at all, it was checked out by a cheque so far as the Farmers Bank is concerned, it was checked right out.

Q. Let me see the record of that.

MR. COMMISSIONER: The way they were treating the transaction, Travers loan remained on foot just as it did with the \$80,000 odd dollars due on it, and you had that much to the credit of the Farmers Bank; they drew the money and Travers' debt was paid with that? A. Yes.

MR. HODGINS: I should like him to verify that; you see this account 1100 is transferred to new ledger, \$80,777.36, and that does not close the account? A. This book was in effect done away with and a loose leaf system put in; this shows the transfer into the new ledger. Referring to account, to identify it, as F. 2, that shows the transfer from page 1100 of the old ledger of the credit of \$80,777.36; Then there is a debit in this same account on December 13th, 1907, \$80,777.36. Of that \$80,777.36 there is a certain amount for accrued interest which was at that time reversed. Our books show that.

Q. When was that paid, December 13th, 1907? A. That is when the entry went through there, but as a matter of fact it was paid on March 12th, 1907, but the entry did not go through our books, by apparent carelessness.

Q. Whose apparent carelessness? A. Of the office.

Q. Is that your explanation of it? A. Yes.

Q. From March to November it appeared in your books the Farmers Bank had a credit with you of eighty thousand odd dollars? A. Yes, but we had their cheque for it, and a cheque for the \$25,344—

Q. You say it should have been paid on the 12th March? A. The 12th March.

Q. What cheque went through? A. Both cheques, \$80,000 and the \$25,000.

Q. That shows \$25,344, cheque went through in December; I would like to see the cheque? A. It is produced.

Q. Have you located the \$80,000? A. No.

Q. Does it appear here as a cheque; you see December 13th, cheque \$25,344; does it appear in F. 2 as a cheque—it does not appear to me to read that way? A. It is marked "Paid to call loans."

Q. There never was a cheque? A. My recollection is there was. I have a distinct recollection of that.

Q. That is just a cross entry? A. No, I would not say so.

Q. Did that come from anywhere—is that from call loans or transfer call loans? A. No, on a slip—. I should go back and say that in a system such as we had in vogue in our office at that time where a cheque came in drawn on the Trusts & Guarantee Company in payment of some other item, some item owing to the Trusts Company that both the credit as in this case to call loans and the debit to deposits would go through on the same slip.

Q. A slip not a cheque? A. The slip is part of the internal system of the Trusts Company.

Q. I am not interested in that particular; I am asking whether there was ever a cheque for that \$80,000? A. I think my recollection is very clear that it was a cheque.

Q. And it was not put through apparently through the books in the way of entries till December 13th, 1907? A. It was not put through, no.

Q. And the cheque has never been seen? A. I have a very clear recollection of seeing the cheque at that time, but we were not able to produce that cheque at this time, no doubt it was returned to the Farmers Bank.

Q. Did you ever give evidence to this effect before in the cases you were called? A. I do not think I was ever asked the questions in the same way.

Q. Did you ever give evidence as to that? A. In these cases?

Q. Yes? A. Yes.

## SESSIONAL PAPER No. 153a

Q. Did you ever state there was a cheque? A. I think so, I think that is my recollection; if I were asked a question so as to bring that up, I would.

Q. What cases did you give evidence in? A. The case of *The King v. Stratton and Warren*.

Q. And the other case of *Warren and Morden*? A. No.

MR. COMMISSIONER: I suppose you think it important, but it does not occur to me to be important whether it was done by cheque or cross entry if it was done with the consent of both parties.

MR. HODGINS: That is where we differ as to the consent of both parties. Our belief is that it was paid in a totally different way and we think the Trusts & Guarantee Company were made use of, or made use of the bank I don't know which, and succeeded in getting hold of a good deal of their assets by way of securities for assistance they should not have given them? A. If we made loans to the Farmers Bank we took legitimate securities, and I think we were quite justified in doing so.

MR. COMMISSIONER: My observation was only directed to this one point, that the deposit account is closed by an entry showing that they paid the Farmers Bank; and the account of Travers is closed also by a corresponding entry to show that his debit has been satisfied? A. Yes.

MR. COMMISSIONER: To my mind it does not make the slightest difference whether that was done by a cross entry or by cheques.

MR. HODGINS: That does not agree with Travers' account of how it was paid off and when.

MR. COMMISSIONER: However, you think it is important.

MR. HELLMUTH: I do not think it is quite fair that statements in reference to the Trusts & Guarantee Company should be made by Counsel that would go broadcast that we have been making money out of the Farmers Bank illegitimately.

MR. HODGINS: I did not make any such statement.

MR. HELLMUTH: You made a statement that was certainly derogatory to the Trusts Company which I do not think ought to have been made now. A. There is absolutely no foundation for the remarks, absolutely none; that is not fair.

MR. HODGINS: That depends altogether on your means of knowledge, which we can judge from the evidence which you have given? A. I think I am closely in touch with the situation.

MR. COMMISSIONER: I think we had better close that incident and get on with the evidence.

MR. HODGINS: Had you anything further to do with the loans that were made with the Trusts & Guarantee Company to the Farmers Bank? A. In what way?

Q. In any way at all, do you know anything about them; were you concerned in them in any way? A. That is a very general question; I could only answer that by going over the file in connection with each loan and pointing out what connection I did have with it.

Q. Do you know anything at all about the fact that the bank commenced to deposit with you circulation? A. No, not particularly.

Q. At some stage? A. At some stage, yes. I know we got circulation at some time, at very much later date than we are now discussing.

Q. What are we now discussing? A. The discussion is now centred upon the organization of the Farmers Bank.

Q. You do not know there was circulation deposited as early as January, 1908, making up that small loan account which we have been discussing? A. I know from our records that bills came in and I also know from my own knowledge that our understanding of the source of that money was the notes were being paid off and—

Q. Will you say you did know that that account which began in January, 1908, with the item of \$3,655 was Farmers Bank circulation? A. I will say that I do know it was bills—

Q. Bank bills? A. Yes, possibly Bank of Montreal.



Q. You do not know whether Farmers Bank bills or Bank of Montreal? A. No.

Q. Who had to do with this in your office? A. Probably it would not be noticed.

Q. If you do not know, does any one else know? A. No, six years ago.

Q. Mr. Travers has testified to it, and you do not know and nobody else knows, there is no object in going into it, are you aware that the Trusts & Guarantee Company arranged to receive deposits at the rate of \$1,000 a day in Farmers Bank bills? A. At some later date, yes.

Q. In January, 1909? A. Possibly around that date; I do not place the date at all. I know as a fact that we did receive deposits of \$1,000 of circulation.

Q. Do you know anything about the terms on which it was received? A. The money came in and was deposited to the credit of the Farmers Bank subject to cheque withdrawal by them at any time; the money was used for the purpose of paying cheques on ourselves and other items over our counter.

Q. Do you know anything about the arrangements made under which that was deposited? A. Nothing further than I understood it was to provide us with circulation to meet our ordinary payments.

Q. Up to that date had you been unable to provide that? A. Before that date we were getting circulation required for the conduct of our business from possibly the Bank of Montreal or the Ontario Bank before they failed, or any other bank.

Q. At the same rate? A. There is no rate in connection with it.

Q. This is \$1,000 a day? A. Whatever we required we would draw out, whatever we required.

Q. If you do not remember the amount it is of no consequence; I am asking if it was at the same rate as you commenced to get it from the Farmers Bank? A. We estimated that \$1,000 a day would take care of our ordinary demands; before that time we would draw probably five or ten thousand dollars at a time and keep that money in our till until it was exhausted and then we would replace it by another cheque.

Q. Had you anything to do with making arrangements for getting it from the Farmers? A. No.

Q. Who had? A. Mr. Warren, I understand. Excuse me, you say did I have anything to do with arranging to get that circulation of the Farmers Bank; we did not arrange to get it from the Farmers Bank, but they arranged with us that we would pay that out over our counter; that is quite a usual arrangement for a new bank.

Q. Did you have anything to do to make arrangements under which it was received? A. No.

Q. Mr. Warren had? A. Yes, if any arrangement was made.

Q. Did he tell you what the arrangement was? A. Yes, I understood we were to get \$1,000 a day.

Q. What interest were you to pay on it? A. My recollection is it was first understood that we should pay 3 or 3½%, but that as we did not get a benefit from it which would be in keeping with the benefit they were getting from the circulation of the currency it was understood later that the interest would be dropped and it was dropped.

Q. How long did the interest arrangement last? A. I cannot recall.

Q. A short time? A. I think it was a short time.

Q. After that you paid no interest on it? A. No, they were reaping the benefit, we were not.

Q. You have the same erroneous notion of benefit? A. It is not an erroneous notion.

Q. You are not a banker? A. I know a little about banking.

## SESSIONAL PAPER No. 153a

Q. You are not a banker? A. I do not know what definition you give to banking.

Q. Then I suppose you are not one? A. I have a great deal to do with banking.

Q. You had very large deposits had you not with the Farmers Bank? A. We had some deposits.

Q. And they reached quite a very large amount? A. That is a relative term, they reached at one time over \$100,000.

Q. Would you call that a large amount? A. It is a fairly large amount.

Q. Were you getting interest upon that? A. Yes, we got interest on some of it or all of it I do not recall which.

Q. What rate? A. I think for a time a portion of it, that is the moneys to the credit of our company as liquidators of a certain company bore 4% for a time and then either 3 or 3 1-2% subsequent to that. I do not recall what our own account bore; that is what you might call current account.

Q. That lasted all the way through, didn't it, until you consolidated part of it in a loan? A. I do not recall that.

Q. You were getting interest on your balances all the time? A. I do not recall that personally.

Q. Who does know? A. I can probably find from the books.

Q. Do you not know yourself? A. I do not recall it; I do recall that we got interest on this special account, that is the liquidation account, but as to what you might call a current account I do not know whether we got interest or not.

Q. You might look that up. After the time you ceased paying interest on deposits of circulation, if you were receiving interest upon your deposits with the bank and the two accounts were pretty nearly equal, you would get very handsome interest? A. We were not getting benefit from interest on the liquidation account, that is as a corporation; the liquidation account got the credit for that interest.

Q. No part of it? A. No part of that interest.

Q. Whatever interest was allocated to that, would go——? A. To the Trusts.

Q. And you know you got interest on that? A. Yes.

Q. And accounted for that to the Trusts? A. Yes.

Q. As to your ordinary account or savings account? A. That is a matter of calculation, it does not appear on the face of our books there. I see certain entries for interest, but just what periods it would cover I cannot say. It would appear from this record that we did get interest on our current account. I have no doubt we got interest on it; I would naturally expect we did.

Q. If you were paying no interest on the amounts deposited with you from time to time, which I understand you were using and circulating, and they were about equal to the amount the bank owed you, you would be getting pretty handsome profits on the transaction? A. I have explained the principal portion of the moneys on deposit with the Farmers Bank to our credit were trust funds in which we reaped no benefit.

Q. I would agree to that to the extent of one-half? A. I would think the proportion is much greater than that.

Q. However, let that go; we can easily verify that. Even if that be eliminated you would be making a pretty handsome profit on the difference, would not you? A. In business you expect to get consideration for what you do. We knew that the Farmers Bank were making a large profit out of having their circulation out; it is a well-known fact that circulation is worth so much to every bank.

Q. We threshed that out with Mr. Travers and we do not agree to that; at all events the matter went on and it was turned into the shape of a loan afterwards, was it not? A. In November, 1910, a new advance, a new loan was made to the Farmers Bank of Canada for \$295,000.

Q. Yes, but much earlier than that, did not you in the place of having an ordinary deposit, did you not have a loan, did you not make them loans? A. They

applied to us for certain loans, and the security being satisfactory the loans were made.

Q. And on those interest was received? A. Yes.

Q. Did you at any time turn the current account into a deposit receipt? A. We took out a deposit receipt in respect of moneys to our credit with them in respect of the liquidation I spoke of.

Q. You must have had \$120,000 in the Hamilton Estate? A. Yes. I am just told that our deposit receipt covered both our current account and the Hamilton account.

Q. How do you put it now? A. I am told by our accountant who is more familiar possibly with that end of it than I was—

Q. Who is your accountant? A. Mr. Howard.

Q. It would appear you had \$64,000 odd to the credit of the Hamilton Estate and \$57,000 odd to the credit of your savings account, so that the \$120,000 deposit receipt would cover both? A. Yes, no doubt that is what it was.

Q. How much did that bear, 4% that deposit receipt? A. I do not recall; whatever the bank books show is no doubt right.

Q. What was the object in making that change? A. I do not know.

Q. Who made it? A. That was made by Mr. Warren, or at least I expect it was, I do not know about that.

Q. What was the next transaction dealing with the form of the loan? A. That deposit receipt has nothing to do with any loan.

Q. I did not say it had; I am asking you what is the next transaction with them connected with the loan? A. We advanced them \$75,000 on certain securities and \$100,000 in another case.

Q. They were both prior to this occasion, were not they? A. I do not remember the date we got that deposit receipt, so I cannot say whether it was prior or subsequent.

Q. Those were both advances in money? A. Yes, that is moneys went to the credit of the bank.

Q. Later on after this deposit receipt was given what occurred then? A. The mere fact we took a deposit receipt I do not think alters the situation so far as the bank is concerned.

Q. After that what occurred with regard to the loan? A. I attach no significance to the issue of the deposit receipt; therefore I cannot answer your question unless you put it differently.

Q. Assuming the deposit receipt has no significance, did you make any loan arrangement with them afterwards? A. I made two loans, the loans I have spoken of, and then in November, 1910, we made them an additional advance, a new loan of \$295,000 in total. That money went to their credit. They issued cheques against it paying off the amount due on the \$75,000 loan and the \$100,000 loan, and if I remember they paid off a certain amount that was in deposit with them.

Q. Are you speaking from your own knowledge or just from the books? A. I am speaking both from my own knowledge and from the books.

Q. Had you previous to that made any loan to them? A. We advanced \$75,000 to the Farmers Bank of Canada, February 5th, the year is not marked in the account here, on the security of 1,200 shares of the American Piano Company's stock preferred. We made a further loan to the Farmers Bank of Canada of \$100,000 under date of August 5th, 1910, on bonds of the Keeley Mine of the face value of \$1,000,000. On November 2nd, 1910, we made a loan to the Farmers Bank of \$295,000.

Q. What is the date of that loan? A. November 2nd, 1910.

Q. Had you to do with the negotiation of that loan? A. No, but I was in touch with the officers through whom it was negotiated.

Q. Who negotiated it? A. That was arranged by Mr. Morden, who was then our assistant general manager, and Mr. Wilson, who was our solicitor, called in at

## SESSIONAL PAPER No. 153a

this particular stage or shortly before it, rather, and possibly Mr. Stratton had something to do with it, I was consulted about the loan as it had to do with my end of the business.

Q. On what terms was it put through? A. Seven per cent interest payable on demand.

Q. On what security? A. 1,200 shares American Piano Company's preferred stock, 10 Keeley Mine bonds of \$100,000 each, and the pledge of course of the Farmers Bank of Canada.

Q. Anything else? A. I just read from the original agreement. The following security: Bonds of the Keeley Mine, Nos. 1 to 10 inclusive; par value \$100,000 each, with coupons attached; and 1,200 shares of the American Piano Company's preferred stock carrying 7% quarterly dividends, and promissory notes and bills receivable payable to the bank by customers which notes or bills receivable amount to \$108,129.70, and are scheduled and delivered by the bank to the company, together with any moneys held by the company on deposit or otherwise for the undersigned now or hereafter and including also any promissory notes, bills, stock, bonds or other securities which the undersigned may now or hereafter deliver to or deposit with the Trusts Company." That is signed by the Farmers Bank of Canada.

Q. That is the whole security? A. Then they also covenant to repay this loan.

Q. Was that the whole security? A. That was the security for the \$295,000 advance; then we have a demand note signed by the Farmers Bank of Canada for a like amount, dated November 2nd, the same date as the agreement.

Q. Was that the whole security you have mentioned? A. That was the whole security for that particular advance.

Q. So far as you know? A. Yes.

Q. So far as was told to you? A. I say positively that is all the security we got.

Q. Is it the case there was any Keeley stock? A. There was some Keeley stock—no, not in connection with this particular loan, at the time the \$100,000 loan went through, Mr. Warren arranged for a bonus of 25,000 shares of the Keeley Mine stock, that to be in addition to the interest called for by the agreement.

Q. How many shares? A. \$25,000.

Q. What was that for? A. That was as a bonus in addition to the interest; that is a consideration to us.

Q. You were to have that out and out? A. Yes.

Q. What else with regard to stock of the Keeley Mine? A. That is all I have any knowledge of.

Q. You did not know of any amount of \$50,000 of stock? A. Not at that particular stage. I know there was stock handed in to the Trusts Company after that.

Q. By whom? A. By Mr. Stratton.

Q. Held by him how? A. I understood it was in trust for the Trusts Company.

Q. When did you get that? A. I think it was somewhere around that time.

Q. About what time? A. About the time of this loan being made or shortly afterwards.

Q. Which loan? A. \$100,000.

Q. That was handed in by him without any reference to the loan? A. Yes, I took it that was to be further bonus, not arranged with Mr. Warren, but with Mr. Stratton.

MR. COMMISSIONER: Bonus or security? A. Bonus.

Q. You said security before? A. It was my mistake, I meant bonus.

MR. HODGINS: What became of that when the \$295,000 loan was arranged?  
A. The stock was still in our possession at that time.

Q. It would not be considered security for the \$100,000 loan or it would have been returned? A. We returned it when the loans were finally paid off, because we did not consider that any value to us.

Q. It was not taken in when you made the \$295,000 loan as security? A. It was not considered by us as security at all, but as a bonus.

Q. That loan paid off the deposit receipt and interest and the \$75,000 and the \$100,000 loan and \$5,000 of savings bank? A. It paid off the \$100,000 loan, the \$120,000 deposit and the deposit account with us, that credit balance of \$70,000 that was checked out by them in favor of the Trusts Company as partial payment of the \$75,000 loan; that left a balance due on the \$75,000 loan of the principal including interest of \$5,000 odd dollars; we got a cheque for that, cleaning it up.

Q. How much would that leave to the credit of the bank in your books? A. \$63,000 odd dollars.

Q. Left \$63,000 to the credit of the bank? A. Yes.

Q. At the time that loan went through what did you know if you knew anything about the condition of the bank? A. We regarded the bank as being in fairly good shape, subject to opposition on the part of other banks, but I think every one in connection with our company thought the bank was doing fairly good.

Q. On the 6th December, 1910? A. Yes; their statements looked good.

Q. So far as you heard from any of these gentlemen named, Morden, Wilson, Stratton, you thought the bank was perfectly solvent and was doing a good business? A. Yes; I do not say they were doing a particularly good business, but they seemed to be getting along fairly well considering the position they were up against.

Q. If they thought different at that time they did not reveal it to you? A. I do not think they did think differently.

Q. Answer the question? A. They did not.

MR. COMMISSIONER: Who do you mean by they? A. Mr. Morden and Mr. Wilson and Mr. Stratton. Any discussion we had, the question of the weakness of the bank was never discussed.

Q. How was that \$63,000 in what shape was it? A. That was a deposit to their credit.

Q. Was it in their circulation in your vaults? A. No, I do not think so.

Q. Do you know what it consisted of? A. That \$63,000 was a balance to the credit of the Farmers Bank subject to withdrawal by them at any time.

Q. And they were able to check it up without any trouble? A. With all deposits we reserve the right to demand certain notice.

Q. This specific sum were they able to check it out without difficulty afterwards? A. Sometimes they would come down with cheques for say five or ten or fifteen thousand dollars, and we would tell them they had not given us any notice according to the understanding.

Q. What was the understanding? A. That was the only difficulty that arose that understanding they should give us reasonable notice of all large withdrawals so that we could make arrangements.

Q. I understood you loaned them \$295,000 and got security for it, and then this \$63,000 was the balance to their credit, why should not they draw it out immediately? A. They could draw it out; as a matter of fact we had a lien on that according to this loan agreement I have read.

Q. Was that the difficulty? A. We kept in mind we had a lien on that account, and we would have more than an ordinary say as to how that should go out. All financial institutions like to have fairly reasonable notice of all withdrawals. The notice was what we had in mind particularly.

Q. You insisted on the notice? A. No, not in all cases.

Q. What was the reason in other cases where you did not insist upon the notice? A. I do not quite grasp your question.

## SESSIONAL PAPER No. 153a

Q. You say you did not insist upon the notice in all cases; what reason did you give? A. When we did not insist upon the notice we had lots of money available and paid it out; it did not make a pin's difference to us.

Q. You did not ask them for additional security when they came down to cash a cheque? A. When they wanted more money than we felt inclined to give them we would ask them for more security.

Q. They had difficulty in drawing this out, this \$63,000? A. I would not say they had any real monumental difficulty.

Q. Did they finally get it all? A. They had a credit in the books at the date of the failure of the bank, \$4,596. It ran through my mind that they drew out all this money with the exception of 59 cents at one time.

Q. That is fine for the liquidator.

(Mr. G. T. Clarkson, the liquidator, makes a remark to Mr. Hodgins).

WITNESS: They had this balance you are speaking of down as low as 59 cents at one stage. I heard Mr. Clarkson's remark; there are two items of \$5,000 each in transit to Calgary; we did not credit those up to the Farmers Bank until we got advice from Calgary that they had received \$5,000 advising us in effect to charge our Calgary branch in our head office books with this \$5,000 and credit the Farmers Bank of Canada.

Q. Those two items were remitted in Farmers Bank circulation? A. Yes.

Q. Were they left in your hands in the Calgary branch at the failure? A. I do not recollect; we had somewhere between \$5,000 and \$10,000 between the two offices in circulation.

Q. At the time of the failure? A. Yes.

Q. For which you have a claim? A. I think all that cash was distributed, nobody had any objection to taking Farmers Bank bills.

Q. You think you got rid of it after the failure? A. Yes, some of it.

The Commission adjourned at 4 p.m. to 11 a.m. tomorrow.

---

TORONTO, May 23rd, 1912.

The Commission resumed at 11 a.m. at Osgoode Hall.

PRESENT: Hon. Sir William Meredith, Commissioner; Frank E. Hodgins, K.C., and John Thompson, K.C., Counsel representing the Dominion Government; I. F. Hellmuth, K.C., representing the Trusts & Guarantee Co.

EDWARD B. STOCKDALE, Examination continued:—

MR. HODGINS: Did you read through that evidence I gave you? A. Yes.

Q. And having read that, do you find any reference——? A. I found no reference to the loan agreement for \$80,000.

Q. To what you call the hypothecation agreement? A. Yes.

Q. Have you a copy of it? A. We could not locate that. I had a thorough search made for it and we do not seem to have a copy made of it. I no doubt have that loan agreement so far as the production of it is concerned confused with the other loan agreement.

Q. There is one for the \$20,000 loan, but I think I am right in suggesting that there was no formal hypothecation beyond that letter connected with the \$80,000? A. I say most emphatically there was.

Q. You have, and I think produced yesterday a list of the notes, didn't you, that were hypothecated for the \$80,000? A. No, but the evidence shows that a list which I then described as a partial list of the notes given us at that time was produced.

Q. Yes, we have that; I am asking you if you took at that time a list of the notes that were hypothecated? A. The letter itself would show there was a list of notes at that time; we have no list in our office.

Q. I am asking you if you took a list at the time? A. No record of ours, because we had the notes themselves.

Q. Did you take a list at the time of the notes? A. In any record?

Q. Or on any piece of paper? A. We had a list of notes produced at that time shown by the documentary evidence that is already before this Commission furnished us, as I then said in that document by the provisional directors.

Q. You are referring to that letter of October 11th? A. Yes.

Q. That you say is the list of notes; have you any independent recollection, beyond what you are speaking of as shown by the documentary evidence, that you made out a list? A. No, I would say without a shadow of doubt that I did not make out a list; I would not duplicate the list produced.

Q. You would assume from what you see that there must have been a list in order to arrive at the total? A. Yes, unquestionably.

Q. Although you cannot say whether there was or whether the total was merely given to you? A. There was a list; the documentary evidence would show that; I could not tell of my own independent knowledge; I base my present statement on the letter, on the receipt produced.

Q. You think from that there must have been a list? A. Yes.

Q. I thought you produced and said you had a list of notes yesterday, I may be mistaken, among your papers? A. No, that is a list made up in our account, but that is not a list made up at the time the loan was made.

Q. What became of the notes themselves after the loan was made? A. We would hold the notes.

Q. You held the notes? A. Yes.

Q. For how long? A. We received altogether \$100,955 of notes in respect of the \$80,000 loan; then with respect to the \$20,000 we received \$26,500 of notes and certain stock; we received \$4,250 notes in respect of \$2,380 loan, making a total between the notes and the stock I spoke of of approximately \$150,000.

Q. Notes and what? A. That is the notes and the Canadian Loan and Savings Company's stock that was hypothecated. On March 6th, 1907, we returned \$4,450 of notes; on March 4th we returned \$770 of notes; on February 26th we returned \$32,300, and then in addition to all this we had Mr. Travers' own personal note for \$81,000.

Q. Did you have any further returns of notes; just give them in order? A. March 12th we appear to have returned the balance of the notes in our possession.

Q. Amounting to how much? A. This seems to total up to about \$160,000.

Q. That is the amount you returned? A. This is headed up—I am not saying that this is what we returned at this time—but this is a list I found among our papers headed up in this way: "List of notes, re Travers loan, March 12th, 1907."

MR. COMMISSIONER: Is the last item a \$5,000 note? A. Yes.

MR. COMMISSIONER: That is the same as the list, EXHIBIT 44.

MR. HODGINS: The question I asked you was, what was the total amount of the notes you returned on the last occasion, is that an answer to the question? A. That is the best answer I can give you at the moment.

Q. That is, this list will show as to the amount? A. I would assume so, although I cannot speak positively from my own recollection. This appears to be a list of notes as of that date.

## SESSIONAL PAPER No. 153a

Q. This was produced in the County Judge's Criminal Court as being the property of the Trusts Company as produced by the Crown? A. Yes, that is a copy of what I have before me; it totals up \$166,000.

Q. Was that prepared for you by the Crown in that case? A. No, it was taken out of our files and handed over for what it was worth.

Q. In whose handwriting is this, "Travers Loan" (at the left hand top corner)? A. That was a former employee of ours; I recall the handwriting.

Q. What was his name? A. I do not recall the name.

Q. There is struck out of that "delivered to the Farmers Bank," and re Travers written in pencil? A. That is for our file. (Referring to heading of list.)

Q. Who did that? A. Part of that is my own writing.

Q. Which part? A. "Re" and "loan"; and then "Travers" is Mr. Warren's writing, at least it looks like it.

Q. Not yours at all events? A. No.

Q. I see there is a mysterious "C" in the corner? A. I do not see anything mysterious about it. It looks like a "C".

Q. We are interested in that letter just now; there are three notes struck out there "F. W. Stair," "W. J. Lindsay" and "W. R. Travers," and they appear to be deducted in some pencilling at the bottom; do you know anything about that? A. The Stair note and the Lindsay note I think related to a different loan, to the \$20,500 loan and the \$81,000 Travers note; I cannot say why it was struck out of that.

MR. COMMISSIONER: It was not one of the collateral notes; it was the note for the loan? A. Yes, possibly that was the reason for it.

MR. HODGINS: What is the \$11,500? A. That is the amount of the Lindsay and Stair notes.

Q. Who did this pencilling here at the bottom? A. I do not know; I do not recognize the figures.

Q. This was, you say, taken from your file and handed over to the Crown Officers? A. Yes, we gave them copies of everything we could find in our office relating to the Farmers Bank.

Q. This is really a duplicate of what you have before you there as the list of notes you were telling us about? A. This appears to be a copy of that.

Q. You have before you a list of the dates at which you returned those notes? A. I pencilled that down the other day for my own reference.

Q. You gave them in reverse order of date? A. Yes.

Q. Would you say looking at this document of March 12th, 1907, all the notes that relate to this \$80,000 loan were returned? A. I would not say that, not on that, but I would say Mr. Travers would no doubt see that he got all the notes back; possibly he also got that loan agreement back at that time.

Q. How much does the total of those three dates you gave me, February 26th, March 4th and March 6th amount to? A. They amount to \$37,500.

Q. And this would amount, if this pencilling is right, to \$63,600 (on EXHIBIT 44)? A. Yes.

Q. That would be about \$100,000 of notes? A. Yes.

Q. And you had originally \$100,955? A. So that would practically account for them all.

Q. On March 12th? A. Yes.

Q. You had parted with all the notes before April 8th, which appears from my recollection of the books to be the date at which that \$25,605.81 cheque went through? A. That is the date when the Farmers Bank closed out the deposit account you are speaking of.

Q. Before that date? A. It was before that date our notes were returned.



Q. Did you get back any of the proceeds of that \$100,000 note after you handed them back to Mr. Travers? A. We got payment of our loan; we were not interested further in the notes.

Q. The deposits of circulation I suppose were kept track of in some account in your books; my recollection is it began in January, 1909, or January, 1908, at the rate of \$1,000 a day? A. I do not recall the day he commenced; I do recall that we got \$1,000 a day at some time.

Q. You recall the fact that an account was kept of that in your books? A. I do not think any account would be kept of it; we would take it in as so much cash and it would only form part of our general cash in the till.

Q. I thought it was credited up to the Farmers Bank in the books? A. The amount was, yes. (Turns up book).

Q. When did it begin? A. It began apparently on January 12th, 1909.

Q. It is just I suppose in the form of a credit? A. Yes.

Q. The credit increases every day? A. Yes.

Q. Will this account show the cheques that were given against it? A. It should; it will show their withdrawals and any cheques against it.

Q. I thought you said that they deposited and that you gave them your cheque on the Bank of Montreal? A. They drew on us the same way as you would draw on your own deposit account wherever you had it.

Q. How did they do it? A. By issuing a cheque drawn on the Trusts & Guarantee Company for so much.

Q. Would you give them so much money or a cheque on your bank? A. We might give them money, but usually we would clear a cheque of that nature by giving them a cheque on the Bank of Montreal.

Q. When did they first draw on that account? A. The first one is August 30th, 1909.

Q. What is the beginning? A. 12th January, 1909.

Q. From then up to August 30th there was nothing drawn from that account at all? A. No.

Q. The 14th September \$50,000; there appears to be quite an hiatus and no further drawing for some time apparently? A. Not for some time.

Q. Till December, \$50,000? A. Yes.

Q. And three in January? A. Yes.

Q. And one in February; they do not appear to have been very active in drawing for that and getting legals; it appears to have been fairly inactive account? A. Yes, at that time.

Q. During the first year then they could not have been in need of many legals? A. I do not know what they were in need of; we had a deposit to their credit, and it was subject to their withdrawal, and when they drew we paid their cheques.

Q. I thought perhaps you could tell, if not, all right? A. I knew nothing of the internal management of the Farmers Bank.

Q. Will you let me have, without going over it, just a list of the dates that they so withdrew; you can put that in afterwards? A. All right.

MR. COMMISSIONER: Put the first entry on the credit side and the last entry, and the withdrawals separate? A. Very well.

MR. HODGINS: Just to revert for the moment to that \$80,000, did you find last night any cheque which you thought closed that? A. No, I have searched for that cheque before.

Q. The mode of dealing between you and the bank was that the bank would give a cheque on you and you would give a cheque on your bank, that appears to have been followed out in connection with this \$80,000 loan in the cheques we have here? A. No, I did not say that before, that is not shown by any evidence.

Q. I am suggesting this to you, if there had been any such cheque it would have been a cheque of the Farmers Bank on you? A. Yes.

## SESSIONAL PAPER No. 153a

Q. And then your cheque on your own bank? A. No, not at all; if they gave us a cheque on their own deposit account that was payable to us, so that why in the world would we issue a cheque on the Bank of Montreal and cash it in out of our account down there, and put it back again into the account in the Bank of Montreal?

Q. Look at 57 and 58, I think those are the cheques that we traced up yesterday in that account which began in January and ended in April? A. No, this is a different account I think.

Q. No? A. Yes, a different account entirely.

Q. From what? A. From the one we were discussing a moment ago.

Q. I speak of one in January? A. You spoke of circulation account.

Q. I am speaking of the account I mentioned yesterday, you know the account? A. Yes.

Q. Are those the cheques that deal with it? A. Yes.

Q. Do those cheques appear to be cheques in the first place, by the bank on you? A. Yes.

Q. And then your cheques in favor of the Union Bank? A. Clearing the Farmers Bank cheques drawn on their deposit account with us.

Q. I asked you if there was a cheque for the \$80,000 would not there be one cheque of the Farmers Bank on you and the other your cheque in favor of the Union Bank to be looked for? A. No, positively not.

Q. Then you would not follow the same rule in closing out that \$80,000? A. Why should we?

Q. I do not know? A. I explained it a minute ago in simple terms.

Q. I do not see why if that was the course adopted between the bank and the company that you should say now there was one \$80,000 cheque to close that if in December, 1907, the Farmers Bank would not have given a cheque on you and you would not have given a cheque on the Union Bank? A. The only cheque—we give a cheque on the Bank of Montreal, not on the Union Bank as you say now.

Q. I mean in favour of the Union Bank? A. To clear a cheque drawn on us is when the cheque that is drawn on us is payable to some one other than ourselves. If the Farmers Bank had drawn a cheque in favor of the Trusts Company on the deposit account with the Trusts Company and the Trusts Company went through the same process here, that is of making out one of our cheques on the Bank of Montreal payable to ourselves, we would have drawn the money out of the Bank of Montreal and turned around and deposited it in the Bank of Montreal.

Q. What we would expect to find would not be in your company at all, but a cheque of the Farmers Bank on you which would be returned to them? A. Yes, it is usual to return paid cheques.

Q. If we do not find any such cheque, there would be nothing in your record to suggest— A. We have not got it.

Q. That it was paid by cheque? A. Well, it would not be paid by cheque, that is it would not be paid to ourselves by cheque on our deposit account in the Bank of Montreal.

Q. Are you familiar enough with the circulation account that you were good enough to procure of the entries in, to say whether towards the closing months that became an active account? A. I can give you a copy of that deposit account from beginning to end, of every deposit account for that matter.

Q. I quite appreciate that? A. You are terming a certain account circulation account.

Q. Are you familiar enough to throw any light upon it as to whether it was active or inactive towards its close? A. It was active; that is comparatively active; the ledger shows that.

Q. During the last few months? A. If you mean by active a lot of withdrawals, yes.

Q. That is what I do mean? A. But there is no account that I identify by the name of circulation other than the one I have spoken of here, and that for a time the deposit consisted of circulation to my knowledge; but the active deposit account that ran through to the time of the failure of the bank was not a circulation account, because they put in foreign exchange and cheques and so forth as well as a certain amount of circulation; it was a mixed deposit slip.

Q. You do not want to give us the impression that circulation ceased to be deposited to the same extent in the last few months? A. I am not giving that impression at all.

Q. It still kept up, at its usual current, but in addition to that there were other deposits made with you? A. There were deposits made with us, consisting of circulation, foreign exchange.

Q. And various other things? A. Yes.

Q. What I am calling circulation account is it began that way, but other matters got in towards the close owing to certain circumstances? A. We had several different accounts, but they all merged into one another.

Q. Merged when? A. Either closed out or merged.

Q. When? A. Different times, the books would have to show that.

Q. What was the surviving account, the one called circulation originally? A. There was no account in our books called circulation.

Q. What did you call it? A. We called it ordinary deposit account, the account that was in existence at the time of the failure of the Farmers Bank is the one that was opened on November 2nd, 1910, by the deposit to the credit of the Farmers Bank of \$295,000 the proceeds of a loan made at that time.

Q. Would it be from that date that other things besides circulation were deposited? A. I think that would apply to the account generally speaking for the last two or three years.

Q. What would apply to the account? A. That is that there was not only what you call circulation but also foreign exchange, other items, cheques and one thing and another.

Q. Will you kindly look at your account and see if you can find anything at all that gives the slightest warrant for that assumption? A. It is not assumption on my part.

Q. It is knowledge then? A. Yes.

Q. Then point out an item in the account from the beginning until the closing months that would show foreign exchange? A. I have a slip here right before me dated July 22nd, 1910, showing a cheque of \$10,000 which was deposited with us.

Q. That is 1910, and the bank closed December 19th, 1910; you said it would apply to two or three years? A. I would have to hunt through a host of deposits.

Q. I would be glad to give you the opportunity of verifying that statement? A. I will have to look back over these accounts.

Q. I think you could probably do that later on? A. 1909 there is one account here showing I would say from the face of it practically always in the nature of what you call circulation.

MR. COMMISSIONER: I do not think it is well to take up a lot of time examining these things; let the witness inform himself? A. I can say now the accounts would show it was circulation up to 1910. I thought it dated back beyond that, but it is 1910 that the other items apparently commenced coming in. Prior to that the items were very small amounts.

Q. The time would be just about the item you have given us in July, that was near the time when the \$100,000 loan was made. Going back to the \$80,000 loan was anything supplied to you except the notes? A. I do not recall anything else.

MR. COMMISSIONER: What does that "C" in the corner of one of those documents mean? (Exhibit 44). A. That "C" was not put on in our office. I

## SESSIONAL PAPER No. 153a

handed these documents myself to Inspector Duncan and I know for a fact that was not on them.

Q. When you handed it to Duncan? A. Yes; I think that is who I handed it to in the first place.

Q. This correspondence shows that changes were made in the notes from time to time, notes withdrawn and others substituted? A. Yes.

---

WILSON S. MORDEN, Sworn, Examined by:—

MR. HODGINS: Were you connected with the Trusts & Guarantee Company in 1906? A. Yes, sir.

Q. When did you join it? A. 1st September, 1910.

Q. What had you been doing previous to that? A. Practising law.

Q. I suppose you knew nothing of the affairs between the company and the Farmers Bank till you got there? A. Nothing whatever at that time.

Q. You interested yourself, however, in the matter? A. Not for some weeks, no. I went there on the 1st September and I went there primarily to look after the estates and so on, and I went at a time—I commenced my duties at a time when Mr. Warren, the general manager, was absent to the Coast, and I simply broused about for a few weeks to get in touch with the office and it was not till some time in October that I remember the Farmers Bank came to my attention in any way there.

Q. What was your position in the company? A. Assistant General Manager.

Q. When did you first learn that circulation was coming in on deposit? A. I should think about the time that I looked into the general situation, sometime in October. I knew from the fact that I drew cheques on the Trusts & Guarantee Company from my personal account that I was paid Farmers Bank bills in that way.

Q. That is prior to your coming there? A. No, at the time after I came in; but with the details of the banking I did not know anything about this for some weeks.

Q. You became aware that circulation had been deposited with your company, Farmers Bank circulation? A. Yes, I knew they had to use some bills, I knew as a matter of fact the first thing that came to my knowledge was that they were paying to customers principally at least anyway Farmers Bank bills.

Q. You learned they were making regular deposits every day with you of their circulation? A. I should say I did, some time in October, yes.

Q. Had you anything to do with withdrawals, cheques sent down by the Farmers Bank which had been paid by your company as against the deposit account? A. I was occasionally consulted about a cheque, if it was a large amount, the accountant would speak to me.

Q. Who was the accountant? A. Mr. Howard.

Q. Is he there in the office yet? A. Yes, he is here to-day.

Q. What was the necessity or occasion of your being consulted? A. This matter first took an active shape in my mind at least, about the 14th October. There was a meeting of directors on that date and as a matter of form the loan made on the last of July came up for confirmation, I refer now to the loan I think of \$100,000; there had been no meeting of the Board apparently during vacation months until the 14th October and at that meeting the loan had been made and was confirmed as a matter of form; but the directors at that time expressed a wish that the matter of the bonds and so on be looked into;—I am speaking now of the \$100,000 loan, and it was after that that I fixed that date in my mind as the time I commenced making any inquiries at all as to the position of the Farmers Bank account.

Q. What directors desired it to be looked into? A. This loan on the Keeley Bonds came up along with other mortgage loans, call loans, for confirmation on the agenda that day, and I cannot say what directors particularly spoke of it, there were probably six or seven there and in fact it has been said, and I have no doubt as a matter of personal recollection myself that some of the directors said they would like Mr. Wilson and myself also to look into that loan, it was a large loan and to look into the securities, and so on.

Q. Was anything said at that meeting about a deposit in circulation and cheques, the bank were giving as against it? A. No, I do not think anything came with the deposit account that time.

Q. In October, I think I am right in saying, it became a pretty active account, they were withdrawing considerable amounts? A. Yes; the week following the 14th October, I then looked into the position of the Trust Company and the Farmers Bank accounts, I remember that.

Q. Can you give us in a few words just what you found? A. I found at that time that there was a deposit receipt of \$120,000 held by the Trusts & Guarantee Company, issued by the Farmers Bank, and that also there was a current account, I mean a current account in the Farmers Bank at the credit of the Trusts Company of \$5,000 or \$6,000—it has been stated here a number of times; I also found those two loans, one going back I think to February, \$75,000, and the other one of \$100,000, and I found a deposit account with the Trusts Company approximately \$75,000. I found that position. I looked into those bonds to see if there was a solicitor's letter with them and I mentioned to Mr. Stratton who generally came down during the week that there was not any report on them and so on. I was looking more into the formal side of the loan. That was the first time I met Mr. Travers. I know Mr. Stratton told me he did not know anything about the details, and that Mr. Travers could give them and Mr. Stratton and Mr. Travers and myself had an interview I think about the 21st October, with regard to those bonds, and so on; that is the first I knew much about the situation.

Q. Did you know then that the Trusts & Guarantee Company had a large amount on savings deposit with the Farmers Bank and had also deposited large amounts of the Hamilton Estate funds there? A. I knew nothing about the Hamilton Estate; I knew just what I have told you now on that date, on the 21st October, I think it was of the \$120,000 deposit receipt, and the \$5,000 current account. That was the situation then; I did not go back into the account to go through a history of it.

Q. What occurred in that interview you had? A. At that interview I asked Mr. Travers about the formalities of these Keeley bonds and who was the solicitor and so on. I had found the bond mortgage and asked him questions of that kind and I think he told me where I would get any information about that; and I also told him—I was quite green at the Trusts Company and banking business and I had come into a situation entirely new—I told him that I thought those two accounts should be balanced off.

Q. Which two accounts? A. I mean the \$120,000 and the \$75,000 or \$80,000; I gave my personal opinion only, and I said I did not think there should be those simultaneous accounts, that wherever the liability was it ought to be placed. I remember expressing myself in that way to Mr. Travers. The way he put it I think Mr. Travers said in his evidence in one place that Mr. Stratton had said that I wanted to withdraw the deposit account; it was not that way; I thought it was an anomalous position from my personal point of view of having two accounts in that way.

Q. The bank owing you and you owing the bank? A. Yes.

Q. You wanted them set off one against the other and the balance struck? A. That is what I suggested at that time; I suggested he should I thought restrict his loans to his customers and adjust this account.

## SESSIONAL PAPER No. 153a

Q. You finally did come to some arrangement with Travers? A. That was a week later.

Q. Anything occur in the week? A. No, I do not think I saw Mr. Travers in that week, I am sure I did not in fact.

Q. Were they withdrawing from the circulation deposit account? A. From the deposit account, the account will show; I might or might not have been consulted. Those things went on pretty much as a matter of routine.

Q. The reason I ask you if you wanted one set off against the other you naturally would want to see which one was depleted or altered? A. Frankly from my point of view I am speaking now again—I am not the Trusts Company or was not the Trusts Company but I was put in a position of responsibility there and I was dealing with it with my own light, I thought that that account should be drawn down, the \$75,000 account, that an adjustment should be made; that is my position anyway.

Q. At all events if there was any application for funds out of that it would meet with objection by you? A. I think so, and I fancy—well, the accounts will show whether there was any—

Q. It appears when you made the loan to have amounted to about \$75,000? A. Yes.

Q. What was the final outcome of it, did you and Mr. Wilson look into the matter? A. No, after this general discussion I had with Mr. Travers on the 28th October, Mr. Wilson was in Toronto; I remember his coming in the office and I spoke to him that I had got what information I could about the situation, that the directors wanted looked at, and told him now it stood. Mr. Stratton was there too on that occasion. Anyway as a result Mr. Travers telephoned for and he came down and met the three of us. Mr. Travers in his evidence did not mention Mr. Stratton being present. Mr. Travers' attention was not drawn to it or he probably would have recalled it; but Mr. Stratton, Mr. Wilson and myself and Travers were present on the 28th.

Q. And Travers? A. Yes. The whole situation as to the position of the two accounts were gone into, I remember—I might say that Mr. Travers wanted to maintain an account with the balance as a sort of reserve as he called it, the Trusts Company; he seemed to be under the impression that he was not getting quite fair treatment from the other banks, that is the way he expressed himself and I knew nothing about that—that circulation was being dumped on him at unexpected times, and so on, and that was a sort of safety valve, and that was the object of having it—

Q. You were looking at it from the Trusts Company's view? A. Yes.

Q. What did you do finally? A. What was finally done, Mr. Wilson I know objected to the appearance rather of mining bonds, but did not quite like the look of them, and Mr. Travers said he would give them other security that he wanted to maintain a balance there which he could draw upon, and as a matter of discussion the general form of that loan was worked out; he had a balance there theoretically, but it was not a balance that was available to him at that time owing to the position I was taking. Mr. Travers at that time did not feel very kindly towards me; he thought I was unnecessarily officious.

Q. You were not well enough up in banking, that was all. The net result of the loan arrangement that was put through, however, was to leave that account practically, that circulation account, practically in the same shape, was it not? A. It left a balance much the same as the credit of the Farmers Bank, but I say it was a balance which they were allowed to draw down, and it left that available which before was not available, it was there, it was a credit—

Q. That is what I say; you put through your loan in the shape we heard of and you left Mr. Travers in a position to draw on the account, and it was just about the same amount it had been when you took hold of it? A. Only the

account as it stood before, owing to my opposition, was not such as could be drawn against.

Q. And the putting through of this loan got rid of your objections? A. It was understood then that he was allowed—I have the authority of Mr. Stratton and Mr. Wilson that he was allowed to draw down that \$70,000 whatever stood to his credit, as a result of our arrangement—

Q. Roughly speaking, it was \$75,000 when the loan was made and after the loan was made it was \$68,000, according to our figures? A. There may be a variation of a few thousand, yes.

Q. You knew the condition of the bank at that time? A. No, I did not any more than my conversation with Mr. Travers—

Q. Did not Mr. Wilson know it? A. Not from anything he said to me.

Q. Did not Mr. Stratton know it? A. They will have to speak for themselves.

Q. From anything they said to you? A. No.

Q. Did not you realize the straits the bank was in then? A. I did not any more than I asked Mr. Travers at the time I wanted this account balanced—he was the general manager of the bank and I had not met him before, but I practically said I thought the bank should deal on their own resources larger, and I think should restrict their loans to customers; that is the position I took.

Q. That is the natural outsider's view; at all events, you were not aware that the bank was in difficulties? A. No; I had been outside of the city and only knew them as one of the banks, one of the smaller banks.

Q. The loan that was put through, we have heard it described by Mr. Stockdale that it was \$295,000? A. Yes.

Q. That took up the deposit receipt of \$120,000 and interest and the February loan of \$75,000 and interest and the loan of \$100,000 which was made in July? A. Yes.

Q. And \$5,000 of what is called the savings bank account, Mr. Wilson's law costs and left the credit I have spoken of of about \$68,000? A. I think that is the way. There was a cheque issued for the \$295,000, I remember.

Q. After that were they allowed to draw readily? A. Yes, sir.

Q. No objections made? A. No, of course it was a disappointment when they drew, I must say; I mean calling on you for \$75,000 or \$70,000; it was not something that you really anticipated from what Mr. Travers said. He said, "This is getting on to the fall of the year, and my farmers will be depositing and so on, and then the account will grow up".

Q. Nothing was said about moving crops? A. I have heard that story somewhere in the papers, I think.

Q. How did you let him have this \$68,000, did he draw practically daily?

A. That, according to my recollection, it came in the course of the next ten days.

Q. And in answer to his demands you shipped a considerable amount out West? A. I had nothing to do with that, I did not know anything about that.

Q. Who had to do with that? A. I do not think anything left our office for the West.

Q. Mr. Stockdale said so, I thought? A. I think if you inquire that was sent direct from the bank; the Farmers Bank sent direct to Calgary—I have learned a lot of this since, I did not know of these details.

Q. Am I right in assuming your evidence is, so far as you are concerned, you sent nothing to the West; you gave it to them and what they did with it was their own business? A. No; I honored cheques on the Farmers Bank on this \$68,000; I did not give it to them. What was sent to the West was not the proceeds of their cheques on the Trusts & Guarantee Company, as I understand it, but those packages of their own circulation.

## SESSIONAL PAPER No. 153a

Q. That is what I wanted to get at; I understood it was circulation they got back from you? A. No, as far as I knew anything about the circulation—

MR. COMMISSIONER: If you do not know anything about it, there is no use telling us.

MR. HODGINS: Who could tell us whether that is the case or not; who would have been in the office that would have known? A. I think Mr. Howard ought to know.

---

 HORACE A. HOWARD, Sworn, Examined by:—

MR. HODGINS: You are now in the employ of the Trusts & Guarantee Company? A. Yes, sir.

Q. When did you join them? A. I joined the Trusts Company at the end of 1907.

Q. In what capacity? A. Well, when I first went with the company I had no particular capacity, but in the beginning of 1908 I was appointed accountant; I have been accountant ever since.

Q. You were just attached to the office without any designated duties previous to that? A. Yes.

Q. What was Mr. Stockdale's position when you joined? A. Mr. Stockdale at that time, I think, was assistant manager.

Q. Had you, up to the time you were appointed accountant, anything to do with the Farmers Bank matters? A. No.

Q. Did you know as a matter of knowledge there was circulation being deposited with you daily? A. No, I do not think there was any circulation being deposited at that time.

Q. Which time are you speaking of? A. When I first joined the company.

Q. Take the time you were appointed accountant, was it then they commenced to deposit? A. No, there was nothing then.

Q. It was after you were appointed? A. Yes.

Q. At all events, what was your position when they commenced to make these deposits? A. I was still accountant.

Q. Can you tell us what the course of dealing was between the two; generally speaking, the money would come in daily and when they wanted to draw against it, did they send over a cheque? A. Yes, the bank's manager would bring down a deposit in the ordinary course of business; it would be credited to their deposit account; when they wanted money out they presented a cheque to us, and it was in due course paid by a cheque of our bank.

Q. Was any difficulty made down to the middle of 1910, in paying any of their cheques? A. I do not remember of any difficulty, I think that we paid every cheque that they presented.

Q. Do you remember any difficulty arising about July, 1910? A. No, I do not remember any specific difficulty at any time.

Q. You never knew that there was any objection to honoring their cheques? A. The only objection, there would not be an objection at all—it is a rule in our office that a cheque for any large amount usually must be shown to the manager, so that he can see where our money is going and how much of it.

Q. That is not the sort of objection I am speaking of; that would not call Mr. Travers down from the bank to urge the payment of the cheque? A. Oh, no, I do not know that.

Q. Was it your duty to see that the two accounts, that is what the bank had to the credit of the Trusts Company and what the Trusts Company had to the credit of the bank, were kept fairly even? A. Oh, no, I was not responsible for that.



Q. Who would be the one to look after that? A. That would be a matter for the manager.

Q. If the cheques were coming in from time to time reducing the account, would not that be in your department? A. So far as the records were concerned, they would be.

Q. Did you have a custom of reporting daily to the manager on that subject? A. No, we did not report daily.

Q. How would he learn that the accounts varied? He would learn by asking me, and I would give him the information.

Q. If he came and asked you; but you had no system of reporting to him? A. No.

Q. And you kept no account to see that they did not vary, but they were kept fairly even on each side? A. No, I kept no record except that the books showed each day what the balance of each account was.

Q. Do you know anything about the transaction of July, 1910, the \$100,000 loan; do you remember that going through? A. I put the entries through.

Q. Had you any information other than what you were told? A. No.

Q. Did you not know of any objection to honoring cheques of the company until quite late in the year 1910? A. No, there was no objection.

Q. That would be right down to the time Mr. Morden came in? A. Yes, the only time, and I do not think that it could be considered an objection, was at the time after the \$295,000 loan.

Q. That is what Mr. Morden speaks of; he puts it before the \$295,000 loan that when he came he was the one who did the objecting? A. I did not know anything about that.

Q. Was any one else objecting that you know of? A. Not that I know of.

Q. It was after the \$295,000 loan that you heard objections? A. Yes, the only objection.

Q. What was the objection and who made it? A. Well, I do not remember the details of the thing, but as I understood the balance that remained at the credit of the Farmers Bank was not to be withdrawn or only withdrawn on the order of the management.

Q. By permission? A. Yes.

Q. And that was adhered to? A. Yes, sir.

Q. Do you know when the cheques came in how they were paid after that time? A. They were almost invariably paid by a cheque on our bank.

Q. Did any circulation of the Farmers Bank go back? A. Back to the Farmers Bank?

Q. Yes? A. No, I do not think so, not at that time.

Q. Would you know? A. Yes.

Q. You do not recall any? A. I do not recall any, I do not know that I have any way of finding that out either.

Q. There were packages sent to your Calgary office and Mr. Morden suggests they were sent by the bank; I want to find out if they were got back from you to the bank? A. No, they did not get anything back from us. The way that Calgary matter was worked, the bank would ship \$5,000 to our Calgary office; as soon as our Calgary office received it they would notify us by letter, and we would then know we had received the money and I would give the bank credit for that; but we did not give them back their bills; we simply gave them credit in their deposit account.

Q. That is probably the way it was done; I wanted to be sure it was so done after that last loan? A. Oh, yes, in fact I do not remember any occasion when we gave back the Farmers Bank any bills for any Calgary remittance.

## SESSIONAL PAPER No. 153a

Q. You used them I suppose in the ordinary course of business all the time when they were deposited there in paying out over your counter? A. Yes, we were paying them out every day.

Q. Were you getting circulation from any other bank or was it confined altogether to this and what would come in over your counter from clients? A. We might possibly have got an odd lot from the Bank of Montreal; I would not say we confined ourselves absolutely to Farmers Bank bills, because I don't think we did.

Q. The bulk was Farmers bank bills? A. Yes.

---

VICTOR BURK, Sworn, Examined by:—

MR. HODGINS: What connection had you with the Farmers Bank? A. I was accountant in the Farmers Bank from July, 1910; before that, other positions in the office.

Q. You became accountant in July, 1910? A. I think around there.

Q. What had you to do with the deposit account and the circulation with the Trusts Company? A. I made nearly all the withdrawals and a number of the deposits.

Q. Did you do that before July, 1910? A. Not to my knowledge.

Q. From that on you did? A. Yes, sir.

Q. Were you there up to the failure of the bank? A. Yes.

Q. You were teller for a short time and previous to that you were discount clerk? A. Yes, sir.

Q. And while you were paying teller you made up parcels for deposit, did you not? A. Yes.

Q. And after the 15th when you became accountant you took them down yourself, did you not? A. The majority of them.

Q. The deposits were made regularly were they not? A. Every day I believe, with few exceptions.

Q. And how about the withdrawals from July on? A. Whenever we needed the money.

Q. Did you need it fairly often? A. Fairly often.

Q. Weekly or monthly occurrence? A. Practically a daily occurrence.

Q. What would you take down? A. Well different things from July on. There was the circulation to a certain extent and then we sold them exchange and cheques on other banks and sundry bank bills.

Q. Always maintaining the same amount of circulation, your own circulation? A. It varied; I know one occasion when they got too much, we cut it down to \$500 a day, other times, it was \$1,000.

Q. Who used to go down with the cheques for the money you wanted to get back? A. I used to go down.

Q. Had you any difficulty in getting them paid? A. I could not say difficulty, but I had sometimes long waits; I do not know what the matter was.

Q. Did that occur often? A. I could not say; some days I would get it easy enough and other days I would have to wait; I could not say how often it occurred.

Q. Were you the only one who went down with cheques? A. From July, I think so; there may have been some days when other people, went down, I do not remember.

Q. Was not Dennis? A. He was accountant before July; in July he was transferred to a branch.

Q. Who made the difficulty when you went down that required you to wait? A. I could not say that; I saw Mr. Howard and he did the transactions.

Q. Did you report to Mr. Travers the difficulties? A. On one occasion Mr. Travers had to come down.

Q. On only one occasion so far as you know? A. As far as I know, I know of one occasion.

Q. Is that the only time you reported to him? A. Yes. I called up Mr. Renshaw and told Mr. Renshaw about it and he presumably told Mr. Travers and Mr. Travers came down.

Q. Was that the only occasion from July to the failure of the bank? A. That is the only one I can recall.

Q. If that is the only one you recall, it would just come down to that one item, would not it? A. They may have telephoned Mr. Travers and arranged it over the telephone, I could not say that.

Q. There is no one else we could look to to tell us. You used to draw out from July pretty large sums didn't you? A. Yes, sir.

Q. How often did you send circulation to Calgary? A. I think about every month for a while until the Calgary office got stocked up and we did not send any more.

Q. Is that the office of the Trusts Company? A. Yes.

Q. You used to make up parcels and send them off? A. Our teller made them up.

Q. That was in addition to the deposits with the Trusts Company here? A. Yes.

Q. After the loan of October of \$295,000 was made did you still go down with the money after that? A. Yes.

Q. Had you any difficulty then? A. Well, not as long as our balance kept up to a proportion, but after we had to send down exchange—

Q. What do you mean by your balance kept up? A. I think we had about \$70,000 after that transaction went through; I think we were allowed down to about \$20,000 or \$30,000, and after that we had to send down exchange.

Q. Why? A. I could not say that.

Q. If you had \$20,000 there, or whatever you had, why could not you draw it? A. Because we wanted \$20,000, sometimes we would draw \$20,000 a day, so that if we did not take it one day we would probably need it the next.

Q. What was the object of depositing these to draw on? A. So that we could pay the clearing.

Q. Was money sent to Calgary after that loan was made of \$295,000? A. I could not say that; our parcel book will show that.

Q. Did you ever get back your own circulation from the Trusts Company? A. I believe we did; I made up a circulation report which ought to show, the time before, the amount we sent down there and the amount we got back.

Q. When did you make that up? A. I made that up at the time of the other trials for Inspector Duncan.

Q. What trial do you remember it was used at? A. I do not think it was used; it was made up for his convenience.

Q. If we can find that—? A. It will save going through all the books?

Q. You could probably identify that if I were to send it to you? A. Yes.

Q. And getting them back were they given to you back in open packages or loose or closed packages? A. We sent circulation down there and we sent it, I remember one package contained about \$15,000,—that package had to be broken when we got circulation back.

Q. Do you remember from that statement you made out, have you a recollection of how much the total was of what you got back? A. No, I have not, sir.

Q. Would it be more than \$15,000 or \$20,000? A. I could not say; I know our circulation was up to the limit and we had to get it back, but how much I could not say.

SESSIONAL PAPER No. 153a

HENRY A. C. RENSHAW, Sworn, Examined by:—

Mr. HODGINS: What was your connection with the Farmers Bank? A. Manager.

Q. Manager of what? A. Of the Toronto Branch.

Q. When? A. I think it was the latter end of September, 1909.

Q. And all through 1910 until the failure? A. Yes, sir.

Q. What do you know about this deposit of circulation with the Trusts Company? A. There was an arrangement we sent down \$1,000 of it every day of our own notes.

Q. In addition to what was sent to Calgary? A. Yes, sir.

Q. Did that continue for any length of time? A. Yes, sir, right up to the suspension.

Q. All the time you were there? A. Yes, sir.

Q. Who would take the circulation down? A. Mr. Burk, the accountant; that was after July, 1910; previous to that, Mr. Dennis.

Q. Who is Mr. Dennis? A. He was the accountant; he was transferred to Norval as manager.

Q. If you wanted to draw, who would take down the cheque? A. Mr. Burk.

Q. Was there any difficulty in getting cheques cashed when you wanted circulation? A. Yes, sir, there were at times.

Q. How often? A. I could not say; well, possibly six times; I could not say.

Q. How did the objection reach you? A. Mr. Howard would telephone me, that is the accountant.

Q. To what effect? A. He did not know whether he would be able to supply us with a cheque that morning.

Q. What was the reason? A. Our account was low.

Q. Did he mean there was not sufficient funds for the cheque? A. Yes, sir.

Q. Would that be the case? A. We had the funds there; the account at this time would be about \$70,000.

Q. What was the amount of the cheque? A. They would vary from \$5,000 to \$20,000.

Q. What did he mean by saying it could not be paid; there were not sufficient funds; you had plenty to your credit, hadn't you? A. Yes, sir.

Q. Did he explain what the objection was? A. No, sir; not to me.

Q. Did you understand what the objection was? A. No, sir.

Q. He gave you no reason? A. Well, he would say either the general manager was out; he could not get it, or we would have to see him about it.

Q. What did you do, report to Mr. Travers? A. Reported to Mr. Travers.

Q. Did you ever go down yourself and make arrangements? A. I think Mr. Travers sent me down once, if I recollect.

Q. Who did you see? A. I saw Mr. Warren and Mr. Stratton.

Q. And what took place between you? A. I forget what the conversation was.

Q. You went down to get money? A. Yes, sir.

Q. And they were not anxious to give it to you? A. No, sir.

Q. Did they give you any reason why they would not? A. Well, yes; I have forgotten what the reason was now.

Q. Did you get it in the end? A. Yes, they decided to give it to me.

Q. Did they look up the accounts as between you and the bank? A. Not then; not before me.

Q. Did they say anything about the amount the bank owed them? A. I do not recollect.

Q. Did they say anything about the amount they owed the bank and compare the two? A. No.

Q. Do you know anything about the return of circulation? A. No, sir; there was some returned, but not very much.

Q. I suppose that is all you know in the matter? A. That is all.

MR. HELLMUTH: Mr. Hodgins, will you ask Mr. Renshaw whether the circulation that was returned was because the bank had exceeded their circulation and had to get it back.

MR. HODGINS: How was that? A. I think that was the reason it was gotten back.

Q. When the circulation was got back they had exceeded their circulation? A. Yes.

MR. HELLMUTH: What they were authorized to circulate.

MR. HODGINS: They got back this from the Trusts Company? A. Yes.

Q. How would that help the situation; do you mean exceeded circulation, including this from the Trusts Company? A. No, sir.

Q. This deposit with the Trusts Company was not treated as circulation? A. What is that?

Q. What you had deposited with the Trusts Company, was that treated as being in circulation? A. Oh, certainly.

Q. Getting it back would withdraw it from circulation, that is the idea? A. Yes.

Q. And that only occurred on one occasion? A. To my knowledge.

Q. When was that? A. I could not recall the date.

Q. Just about? A. I should judge it would be September, 1910.

Q. And that never occurred again? A. Not to my knowledge, sir.

Q. I wish to ask you another question, at Mr. Travers' suggestion: what were the size of the bills that were got back from the Trusts Company? A. I did not see them, but I think it was twenty-fives.

Q. What was done with them; were they sent to Calgary? A. I do not remember; Mr. Travers said they were, but I do not remember.

Q. Were they large bills? A. Yes, sir.

Q. That were got back? A. Yes, sir.

Q. Or were sent to Calgary? A. It would be small circulation sent to Calgary, mostly five's; I think the parcel made up \$3,000 in five's and \$2,000 in ten's.

Q. You are speaking of this circulation what was got back from the Trusts & Guarantee Company? A. Those were large bills; I understand they were twenty-five's.

---

FREDERICK M. HOLLAND, Sworn, Examined by:—

MR. HODGINS: What is your occupation now? A. I am general manager of the Dominion Permanent Loan Company.

Q. Were you its manager on the 26th February, 1910? A. Yes, sir.

Q. Did you have an arrangement with the Farmers Bank to take deposits of circulation? A. Yes.

Q. That began, did it, about February, 1910? A. No, it began on January 15th, 1910.

Q. What extent was deposit made with you? A. They deposited \$500 a day.

Q. For how long? A. And they would draw it out at the end of each month.

Q. How long did that go on? A. Right up till the bank closed; they deposited \$500 a day and we paid out the money; we paid them no interest and had ten days' notice of withdrawal.

## SESSIONAL PAPER No. 153a

Q. The arrangement that they were to have no interest was at whose suggestion, at their suggestion? A. I think it was at mine.

Q. I have a letter here from Mr. Travers: "Re our conversation of to-day"—? Is that Mr. Travers' letter?

Q. Yes; perhaps you have it February 26th? A. It is signed Mr. Renshaw, the letter I have.

Q. Yes, that is the one; how did this letter come to be written? A. Mr. Renshaw saw me about it, and they wanted 2% interest, and I told them I would not give them any interest.

Q. Why? A. I wanted to make all the money I could. I thought I could get the money without interest and so I made an effort and got it.

Q. You judged from the conversation that this was a convenience for them? A. I knew it was a convenience to them and a profit to us.

Q. You refused to give interest? A. Yes, sir.

Q. This letter says: "We wish no interest on this deposit"? A. That was in answer to my intimation.

Q. His way of putting it? A. Yes, that I would not give any interest.

Q. They thought it better to fall down gracefully? A. Yes.

Q. You paid it out over the counter and they drew it out, you say—? A. We paid any demands made on us—you see we used about \$1,500 a day circulation, we have to get from some bank, and we paid out theirs over the counter and got the rest from other banks.

Q. What do you mean by saying they drew it out at the end of the month? A. They would draw a cheque on us and we would give them a cheque on the Imperial Bank for the balance.

Q. The balance would be just the \$500 a day? A. Yes, sir; you see here, take for instance the 29th of January, their balance was \$6,500; they drew out \$6,000; at the end of April it was \$13,000, and drew it all.

Q. How much did they deposit with you all told? A. I have the record here, but it will take me a long time to make it up.

MR. COMMISSIONER: \$500 a day? A. Yes, for about a year, but the account was squared at the end of each month within \$500.

MR. HODGINS: How did they come to make that arrangement with you; were you connected in any way with the Trusts & Guarantee Company? A. No, sir.

Q. Were you at that time? A. No, sir.

Q. Are any of the directors of the one company on the board of the other? A. Yes, sir.

Q. Do not the Trusts & Guarantee Company hold the largest amount of stock? A. In our company?

Q. Yes? A. Well, I do not think they have a share.

Q. How are they connected? A. Not connected in any way; I hold about ten shares of their stock; that is about the connection.

Q. Are you a director of the Trusts & Guarantee Company? A. No, sir.

Q. Were you then? A. 1910?

Q. Yes? A. No.

Q. What members on your board were on the Trusts & Guarantee Company board? A. Mr. Stratton, Mr. Karn and Mr. Kloefer.

Q. Who introduced this matter to you of the Farmers Bank? A. It was introduced to me by Mr. Warren; one day I was talking to him and he says, "Why don't you do something, you are paying out money every day, different banks, why don't you make them deposit with you?" I said none of them had shown any inclination so far and he says, "I think the Farmers Bank would do it". I said, "Tell them to come and see me". That was the end of it as far as he and I were concerned.

Q. That is how it arose? A. At least I presume so, because Mr. Renshaw came to see me.

Q. Had Travers any stock in your company? A. No, sir.

Q. There is some stock of the Dominion Permanent mentioned in connection with one of these loans? A. That if I remember rightly was some stock which Mr. Travers bought out one of our shareholders, got him to trade for his stock; I do not know whether they hold it now or not, but I think they did at one time have a few shares; in the same way they got some of our debentures.

---

DUNCAN S. MACCORQUODALE, Sworn, Examined by—

Mr. HODGINS: Do you believe in the binding nature of an oath? A. I believe every person should speak the truth on all occasions.

Q. Do you believe in the binding nature of an oath? A. I do.

Q. The oath you have taken? A. Yes.

Q. Were you selling stock for the Farmers Bank? A. Yes, I sold a little.

Q. Who were you working for? A. I think the matter was introduced to me first by the provisional directors.

Q. Who were you working for in selling the stock? A. That is to say who paid me?

Q. Yes? A. Mr. Travers, anything I got, I got from Mr. Travers.

Q. Who employed you to sell it, Lindsay? A. No.

Q. Who did? A. I think the first I sold, I think it was at the instance of the provisional directors and afterwards Mr. Travers gave me authority to sell.

Q. You had no authority from Lindsay to sell? A. No.

Q. You were not his sub-agent in any way? A. In no way; I may say after a certain period when I wanted to sell more, having made one fairly good sale as I thought I began to think I could sell stock and I spoke to Mr. Travers about it and he refused to deal with me, referring me to Mr. Lindsay, saying that it was entirely in his hands, and Mr. Lindsay refused to give me any stock to sell at what I thought a fair commission, and so we did no business.

Q. You subscribed for stock in this bank? A. Yes.

Q. How many shares? A. One share.

Q. Ever pay for it? A. No, I expected to pay for it out of commissions.

Q. There were three of you, three of the same name subscribed for one share each? A. Yes, I subscribed for one.

Q. Just at the closing moment, was it not? A. I cannot say now just when it was, it was some time ago and I am not as young as I was.

Q. Were you intimate with Lindsay? A. No, only met him there at the bank.

Q. At what bank? A. At the premises down on King St., at the North American Life when their offices were there.

Q. The offices of the bank? A. Yes, the offices of the Farmers Bank.

Q. What was the occasion of meeting him? A. I went to the bank because I was acquainted with some of the provisional directors, one of whom I had known since he was practically a boy.

Q. What did you and Lindsay do then? A. Lindsay and I did not do anything.

Q. Lindsay says you did? A. I had no trade with Lindsay at all.

Q. Did you ever go down with Lindsay to the bank towards the foot of Yonge St., the Traders Bank? A. Yes, I met him one day and he asked me to take a walk.

## SESSIONAL PAPER No. 153a

Q. Where did you meet him? A. I think I met him about the corner of Bay and King on the street.

Q. Were you in a hurry? A. No, apparently not.

Q. Going anywhere? A. He asked me would I take a walk, and I walked with him and we went down Bay St. to Front, and along Front St. to the Traders Bank; he went in.

Q. Just strolling along leisurely? A. Went along leisurely, he went in there and he had some transaction with the teller or bank official.

Q. What was it? A. He drew some money.

Q. How much? A. I do not know.

Q. Did you see the bills? A. I saw them being handed out, but I stepped a little aside, it was not my business and I was not curious; I noticed they were large bills; I think they were about fifties he got, I do not know.

Q. How did you notice that? A. I was looking, I could see them handed out, but how many he got I do not know.

Q. What did he do with them? A. He rolled them in a roll and put them in his pocket and then he walked up and went to the bank; at this time it was in the Stair Building; we went in there and my recollection of it is he handed a package—I supposed it was the money he had had in his pocket—he handed a package to Mr. Travers.

Q. Who else was there? A. I do not know who was there. There were two or three offices, Mr. Travers as I recollect it was in front of the door, as we entered a general lobby, a general open space there in front, and I think Mr. Shaver had an office to the west of that.

Q. Was Dr. Nesbitt there? A. I did not see him.

Q. What room did you and Lindsay go into? A. Entered the front room.

Q. Whose room is the front room? A. We entered one general room, and these offices were off that room.

Q. It was the general room you went into? A. Yes.

Q. Sit down? A. I could not say whether we sat down or not; I had a habit of going in there often because I was wishing to get shares to sell if possible and naturally gravitated there on a good many occasions when there was no business of any kind for me at all.

Q. Did Lindsay ask you to accompany him? A. He asked me to take a walk.

Q. After you got through taking a walk and getting the money did he tell you to go back with him and tell you he wanted you to be a witness? A. He did not say so.

Q. Did he invite you back to the bank? A. I cannot say he did; I went in with him and went out with him and we discussed some matters; I don't know what they were.

Q. How long did he stay there? A. At the bank?

Q. Yes? A. At the Traders Bank?

Q. No, at the Farmers Bank when he got back? A. I do not think we were there over a few minutes.

Q. Was Travers the only one you saw? A. I cannot say whether I saw Mr. Shaver or Mr. Fitzgibbon; I frequently saw them, but I do not know whether I saw them then or not.

Q. You saw Lindsay hand a package to Travers? A. Yes.

Q. Quite sure? A. Quite sure, certainly, no doubt.

Q. You know what it was and what was in it? A. I inferred it was the money he got down at the other bank, but I could not swear as to whether it was money or not.

Q. Was Lindsay talking to you about this the last few days? A. Yes, Lindsay talked to me about it before he was on trial for conspiracy asking me if I recalled the matter of our having taken a walk.



Q. What else? A. He asked me if I recalled our going down and getting the package and coming up to the other place.

Q. And paying it to Travers? A. Yes, he did.

Q. You told him you did remember? A. I told him yes, I recalled it, because I might say that it was the first time I had seen such a large wad of money in the hands of one individual that was not behind a bank railing.

MR. COMMISSIONER: You speak of handing a parcel, what do you mean by a parcel? A. It was something, I do not know whether he had a wrapper around it or not.

Q. Something wrapped in paper? A. I could not say whether it was wrapped in paper or not.

Q. Could you not see if it was bills, you could tell? A. I was not there to watch.

Q. You saw it pass from hand to hand you say? A. Yes, but I did not think I should be called on.

Q. What do you mean by calling it a parcel and not knowing whether it was money, would not you know it was money if you saw it? A. I would know if I saw it now.

Q. Would not you know if you saw it then? A. I would know, but I cannot recall further than he pulled something out of his pocket, and apparently the same pocket he had put it into when he left the other bank.

Q. Was it put in a parcel at the Traders Bank? A. I think he rolled it up and put a wrapper around it quite a large package.

Q. It would not be a very large package if you are right about the number of bills, one hundred fifty-dollar bills would not be a very large package? A. It was so large that it drew my attention when I saw him getting it.

MR. HODGINS: What did Lindsay say when he handed this over? A. I do not know what he said,

Q. Did he say anything? A. I do not know what he said, I could not say; my interest was to sell stock.

Q. How long was he there with Travers? A. I do not know, a few minutes; I think Travers proposed to go out and have a cigar or something on the head of it.

Q. Did you go? A. Yes, went down to the place on the other corner opposite the bank.

The Commission adjourned at 1 P.M. to 2 P.M.

---

The Commission resumed at 2 P.M., May 23rd, 1912.

DUNCAN S. MACCORQUODALE, Examination continued:

MR. HODGINS: You received something like \$1,080 in commissions? A. Yes, probably a little more; I am not sure.

Q. Whom did you get those from? A. I had only one large one, that was Mr. Devean, that would be 200 shares.

Q. Who paid you those commissions? A. Mr. Travers; I cannot name the whole of them; I can recall some.

Q. I am not asking you anything more about it; what do you know about how Dr. Beattie Nesbitt became President? A. We were in the bank, the office premises on King St. one day.

Q. You and he? A. We, I was and Mr. Travers and Mr. Lown and Mr. Smith, I do not know who all were there, and the question of Colonel Munro being made President, Mr. Travers seemed to think that somebody who had more business advantages than he would be better as President and I recollect suggesting Dr.

## SESSIONAL PAPER No. 153a

Nesbitt because of his at that time strong pull apparently with the Government and the Tory organizations in the City; I suggested he would be a good man to bring in business.

Q. How long before the organization meeting was that? A. That was when we were on King St.

Q. How long before November, 1906? A. It would be some time in the summer or fall, August or September something like that, it was before they moved their offices up.

Q. And that suggestion was not accepted? A. The suggestion was made to Mr. Travers.

Q. And it was not accepted? A. It was accepted by him. He says, "Who is he and what does he do?" He seemed to me not to know him, and finally he seemed to have much doubt of my being able to negotiate it, but I undertook to see Nesbitt about it and I saw Nesbitt in the Registry Office and the result of a long talk was that he would like to see Mr. Travers. The result of that was that after a time I went with Mr. Travers up to the Registry Office and introduced the one to the other and I remained in the outer office while they went in to have a talk about it. Later I arranged a meeting at the Queen's Hotel between the two. Later I arranged another meeting and I think Mr. Travers had left the Queen's by that time; finally they made their arrangements together; Dr. Nesbitt would not sign for me, my interest was in getting a commission, he would not sign for me, said he must discuss the thing with the Manager, he would know if he would be able to give sufficient time to perform his duties as President, and it resulted in his being President.

Q. Who took his subscription then? A. I did not take it, he would not sign for me.

Q. When you went to see him? A. I went to see him.

Q. When you went to see him first did you tell him that somebody would pay up his stock for him? A. I told him nothing and I knew nothing about that at all. I negotiated him as soon as a bona fide man that was going to take stock.

Q. You never landed him in the sense of getting him to sign a stock subscription? A. No, I did not get him to sign it at all, but I got the commission for it.

Q. When was the first negotiation for him again in the summer? A. The only thing I am clear about is when we were in the office on King St., I do not know when we left that office, I cannot say.

Q. That is all you remember? A. Yes, that is all I remember of it.

MR. TRAVERS: Will you ask him if he was getting stock from Smith before I went in the bank?

MR. HODGINS: Were you getting stock as a stock seller from Smith? A. I think Mr. Smith was the one; it was one of the provisional directors introduced the sale of stock to me and I sold some; I do not recall what, but I sold a few.

Q. Did you charge up or try to collect any commission on Beattie Nesbitt's stock? A. I got paid a commission of 5% on \$3,000; I took Mr. Travers' word for it that he had signed for \$3,000.

Q. When did you get that? A. In the Stair Building.

Q. Was that after the bank commenced active operations? A. I cannot say, I cannot recall it, but it was in the Stair Building.

Q. Was that percentage included in the \$1,080? A. It would make more than \$1,080.

Q. 5% on \$3,000? A. No, but I got \$1,000 out of one sale.

Q. I am asking you about this commission on Beattie Nesbitt's stock? A. I got \$150.

Q. After the bank commenced business? A. I cannot say that.

Q. Your stock was afterwards cancelled? A. Mr. Travers told me it should be cancelled.

Q. How much was it? A. One share.

JAMES R. STRATTON, Sworn, Examined by—

MR. HODGINS: Q. You were President I think of the Trusts & Guarantee Company? A. I was.

Q. During 1906 and 1907? A. Yes.

Q. 1908 and 1909 and right down to 1910? A. Yes, right down to last January.

Q. You ceased to be? A. I resigned.

Q. Are you connected with it in any way now? A. Yes.

Q. In what way? A. As a director.

Q. Were you a Member of Parliament in 1906? A. I was up to the time—I do not remember the year; I resigned the Provincial Secretaryship just before Mr. Ross went to the country, whatever year that was in, I just forget for the moment the year.

Q. You were not a member of the Dominion House in 1906? A. No; it was when Mr. Whitney came into power, the year he came in.

Q. Did you know Travers in 1906? A. No, never heard of him.

Q. I thought Mr. Warren introduced you to him in 1906? A. Oh, in 1906?

Q. Yes? A. The first I knew of Mr. Travers was when he came to borrow money from the Trusts Company.

Q. Was it you who arranged the terms of the loan? A. No.

Q. Had you anything to do with that? A. No, that was arranged between Mr. Travers and Mr. Warren.

Q. The details you did not interest yourself in? A. No.

Q. Did you suggest the bonus to Mr. Warren that was paid of \$1,000 on the first loan and \$500 on the other? A. I don't think so.

Q. Left entirely to him? A. Yes.

Q. Had you anything to do at all with the getting of the certificates? A. Nothing whatever.

Q. Do you happen to know whether you were in Ottawa on November 6th, 1906? A. I could not say; I might have been.

Q. At all events, you had nothing to do with getting the certificate? A. So as to put it clearly and distinctly, I had no interview with any member of the Government or any official of the Government or any Department of the Government or with any person else with regard to the certificate.

Q. No Member of Parliament? A. No.

Q. Nor with Travers? A. Nor with Travers.

Q. That is pretty broad? A. Yes, I do not want any doubt about that, because I had nothing to do with it.

Q. After the bank started, had you anything to do with the loans that were given by the Trusts & Guarantee Company? A. Yes, I had; in 1910, I think it was, I saw Mr. Travers, and had two or three interviews with him with regard to the account of the Trusts & Guarantee Company.

Q. That was in connection with the last loan, \$295,000? A. Yes, I had a talk with Mr. Warren with regard to the other loan.

Q. Between the time of the first loan and the time of the last loan you were the chief executive officer, you were president? A. Yes.

Q. And Mr. Warren was the manager? A. Yes.

Q. Did you keep pretty close touch with the business of the Trusts & Guarantee Company? A. I kept in touch with those matters that came before the board.

Q. Was that all? A. Yes; the business of the office was conducted by the officers.

Q. Yes, but you being president, had you any special duty in regard to the business? A. If there was anything of any importance they generally spoke to me about it.

## SESSIONAL PAPER No. 153a

Q. You would be consulted by the manager? A. Yes.

Q. But you did not make a practice and did not go there day by day and really keep in touch with the work? A. No.

Q. Were you consulted before the arrangement was made about the deposit of circulation? A. No.

Q. When did you learn that the payments made on this \$80,000, the first loan, had been reversed in the company's books? A. I could not say as to that; I do not think I heard anything about that till it came out in the Police Court evidence.

Q. You think nothing was said to you about that? A. I do not think so.

Q. Was anything said to you about the account that was opened in January, 1907, it ran along till April? A. That was the account in the Trusts Company?

Q. Yes? A. No. Have you reference there to the \$20,000 loan?

Q. I have reference there to the deposits that were made from time to time? A. No, I had no knowledge of that.

Q. Which totalled \$80,506.81? A. No.

Q. That was left in Mr. Warren's hands? A. Yes.

Q. Did you know of the depositing of circulation at the rate of \$1,000 to \$500 a day? A. Not till after Mr. Morden—Mr. Warren was away and Mr. Morden spoke to me with regard to the account.

Q. Did you know about the transfer of the loan in the form of a deposit receipt of \$120,000? A. The transfer of the loan with regard to the deposit receipt?

Q. There was a deposit receipt issued by the bank in favour of the Trusts Company? A. The deposit receipt given by the bank?

Q. In favour of the Trusts Company? A. Of \$120,000?

Q. Yes? A. That would be the money deposited by the Trusts Company in the bank.

Q. Yes? A. No, I was not aware of that.

Q. You, I suppose, were aware that the Hamilton estate money had been deposited in the Farmers Bank? A. No.

Q. Was not the Hamilton estate a Peterboro estate? A. It was a Peterboro estate, but the business of the Trusts Company was being conducted by the manager; he did not refer to me particularly about in what bank he would deposit it.

Q. I am asking you if you happen to have known, seeing it was a Peterboro concern? A. No.

Q. Were the Trusts & Guarantee Company the liquidators? A. Yes.

Q. Then did your first knowledge of the state of financial relations between the bank and the company date from Mr. Morden's coming in—I mean apart from the April loan? A. In what way? In connection with the Farmers Bank and the Trusts Company I had nothing to do with their negotiations; if there were any negotiations; I do not know who has accounts on deposit in the Trusts Company or who has not.

Q. Had you anything to do with putting through the loan for \$100,000? A. When would that be?

Q. I think that was July 31st, 1910? A. Was that the time that Mr. Travers came to Peterboro?

Q. Very likely? A. Mr. Warren told me that Mr. Travers had made application for a loan of \$100,000, and he asked me if I would see him if he came down, and I told him I had no objections.

Q. If Mr. Warren was looking after all these matters, why should he suggest that you see Travers? A. I suppose it was a large loan and he wanted to have my approval of it if it was to go through.

Q. Did he submit to you what Travers proposed? A. Mr. Travers came down and explained to me himself; I telephoned Mr. Warren and I said to him that if he was satisfied with the security I had no objections to his helping him. There was a run on the bank at Lindsay, as I recollect it, and I think he had some trouble somewhere else, and the money that was being advanced was a temporary loan, and I think it was to tide him over the difficulties that he had arisen at Lindsay, if I remember correctly.

Q. What security did Warren tell you was being offered? A. He said he had bonds in the Keeley Mine, \$1,000,000 of bonds, that Travers had been offered some large amount, \$700,000 or \$800,000, I think, or six or seven or eight hundred thousand dollars for the mine and had declined it; that it was one of the rich mines of the Cobalt District, and he felt that he was absolutely secure in making that loan, and that he had in addition to that about \$120,000 of the bonds of the American Piano Company, that were quoted somewhere around 110 or 100 at that time; I just forget the additional security he had.

Q. When Travers came down to see you then did he offer the same security that you had heard of from Warren? A. Yes, talked the same security.

Q. Explained about the mine? A. No, he did not make any explanations about the mine.

Q. Did you understand it was a producing mine? A. I understood it was about to produce and it was producing; that he had refused a large sum for it.

Q. What were the final arrangements made with Travers for the loan? A. With Mr. Warren?

Q. No, with you? A. He did not make any final arrangements with me; he just spoke in a general way.

Q. The final arrangements were made with Warren? A. Yes.

Q. In addition to the million dollars of Keeley bonds, was there anything else stipulated for? A. Not with me at that time.

Q. And you do not know anything about the stock in the Keeley mine? A. What I understood was he gave—subsequently to the conversation at Peterboro I understood—

Q. From whom? A. From Mr. Stockdale or Mr. Warren, from the office from the Trusts Company that he had given a bonus of either \$25,000 or \$30,000 of stock on the Keeley mines for the loan in addition to the rate of interest that he was paying, but it was not looked on in the office as being of great value at this time.

Q. That was no part of your stipulation with him? A. No.

Q. You only heard it afterwards from either Stockdale or Travers? A. Yes, Stockdale and Mr. Travers—well, Mr. Travers felt that Mr. Stockdale was not friendly to him, and that Mr. Stockdale wanted more and a larger bonus than he obtained, because Mr. Stockdale put no particular value on the mine, and Mr. Travers spoke to me with regard to additional security; that he would be satisfied to place in my hands in trust \$50,000 of stock of the Keeley mine; that if the Trusts Company loan was paid off the stock would go back to the bank; if it was not paid off, the stock would be the property of the Trusts Company.

Q. When was this arrangement made? A. That was made in the Trusts Company; he came down to speak to me about Mr. Stockdale.

Q. After the Peterboro interview? A. Oh, yes.

Q. After the loan had gone through? A. I suppose so.

Q. The bonus arranged was \$25,000, which was transferred to Mr. Stockdale, was it not, in trust? A. Yes.

Q. The other was in trust to you. The loan had gone through? A. Yes.

Q. And then he came down and offered you \$50,000 more? A. Yes, he was not satisfied with Mr. Stockdale. He said, "I will entrust you with \$50,000

## SESSIONAL PAPER No. 153a

—I place in your hands in trust \$50,000; you are to hold that on these terms". I said, "All right, Mr. Travers".

Q. What was the object of that if the loan had gone through, if he had put up the bonus? A. I could not say; that was his own way of doing it.

Q. Did you ask him what were his reasons? A. No, I did not ask him anything about it.

Q. Did you inquire from Mr. Warren? A. No, Mr. Warren was at the Coast.

Q. Did you inquire from Mr. Stockdale as to why you should be offered this? A. No, I said nothing about it; I handed it over to Mr. Stockdale afterwards.

Q. I understood from Mr. Stockdale yesterday that no entries were made at all with regard to the \$25,000 of stock or the \$50,000? A. I could not say whether they were or not.

Q. They did belong to the company? A. No, the \$25,000 of a bonus to Mr. Stockdale was absolutely the property of the company; the other was in trust, that if the Trusts Company was paid off the amount of the loan then it belonged to bank and if they were not it belonged to the Trusts Company.

Q. That was all word of mouth? A. This was all word of mouth.

Q. No document signed? A. No document, except that I pinned to the stock certificate the conditions on which I accepted it.

Q. And that has been handed back, has it not, to the liquidator since? A. When the loan was paid off, the certificate went back to the bank with the other securities.

Q. Where was it retained in the meantime? A. In the Trusts Company.

Q. Who did you give it to? A. I do not remember, I think it was Mr. Stockdale.

Q. Did you tell him what the commissions were? A. Yes.

Q. You had pinned them on in the meantime? A. They were on in the meantime, that is my recollection of it.

Q. So that he knew from the time of the loan exactly what that \$50,000, the conditions on which you held that? A. As soon as I handed it over to him I told him.

Q. Do you know where the certificate for that \$25,000 was held? A. No, I do not know where that is; I think that was sent back with the other.

Q. Had you any independent knowledge about the Keeley Mine at the time you lent that money? A. No, nothing further.

Q. Than what you have told us? A. Than what I have told you, Mr. Warren was to look into the securities.

Q. Were you consulted later with regard to the \$295,000 loan? A. Yes, Mr. Morden spoke to me about that.

Q. At the time of the \$100,000 did you know that they were depositing circulation with you daily? A. I did not know they were depositing it daily; I knew that the Trusts Company was circulating to some extent some of the Farmers Bank bills.

Q. Did you know of the understanding that the amount deposited in the bank by the Trusts and the amount deposited in the Trusts Company by the bank should be kept about equal? A. No, I knew nothing about that.

Q. After the last loan, what position was the bank in when that loan was made? A. So far as we knew at that time the bank was in an excellent position.

Q. You heard no rumors about it? A. We heard rumors of course, but the statement of the bank was all right and Mr. Travers was very strong in his views as to the substantial standing of the bank; we had nothing before us that would lead us to doubt his statement and he was very strong with regard to the bank.

Q. Did you make any inquiries from Warren or Mr. Stockdale as to the state of the accounts between the two institutions? A. No.

Q. Made no inquiries? A. No.

Q. They never informed you? A. No, I did not know the Trusts Company until the time we made the loan, that the Trusts Company had on deposit this \$120,000.

Q. Were you astonished at the state of accounts between the two institutions? A. No, I would not say I was astonished.

Q. Would surprised be a better word? A. I do not know that I would even be surprised.

Q. Interested then? A. Mr. Warren had great faith in Mr. Travers and he deposited the money there I believe as a kind act to Mr. Travers or to his bank.

Q. You have had some experience in financial institutions, were you surprised when you learned in October, 1910, the state of affairs between the two? A. I was I suppose you may put it surprised; I was not aware—

Q. I am told that Mr. Morden although he did not say so this morning felt very uneasy about it? A. Yes, Mr. Morden spoke to me about it and I said, well he had better consult the solicitor member of the Board, Mr. Wilson, and Mr. Wilson happened in and we talked the matter over. We had no reason to fear anything at that time.

Q. Did you get Mr. Travers down to the conference? A. I think I telephoned him or had some one telephone him, one or the other.

Q. Yourself and Mr. Travers and Mr. Morden, and who else? A. Mr. Matthew Wilson.

Q. Was that the time that the Bank Act was brought down and read to Mr. Travers? A. It was brought down and read to him on one occasion, I won't say whether that was the occasion or not.

Q. The meetings were close together at that time, from the first time you were informed until the loan was put through? A. The negotiations for the loan were largely done by Mr. Wilson.

Q. But you had several interviews following each other in rapid succession? A. No, I had not; I had two; when you say several do you mean three or two or five? I had about three interviews with Mr. Travers all told.

Q. Five would be my selection? A. I think I had three on that occasion; I think Mr. Wilson and Mr. Travers did the negotiating.

Q. What was the occasion of bringing the Bank Act down and reading it to Mr. Travers; if it had been the Riot Act I could have understood it? A. I don't know about that—something about Mr. Morden—I recollect the Bank Act—but I do not remember that.

Q. Was there a question whether the Bank could legitimately give you this security considering the position it was in? A. I do not know the nature of the negotiations for the security.

Q. Did you take part in arranging what you should get? A. No.

Q. What part did you take in it? A. The part that I took in it was Mr. Morden pointed out to me that the Trusts Company had on deposit in the Farmers Bank a certain amount of money, and that the Farmers Bank had an open account in the Trusts Company and he thought it was a little anomalous position, and he as manager of the company thought it would be better to have one loan, one account, and he and Mr. Wilson arranged it; I think they took on deposit certain notes in the Farmers Bank and they took some other securities, I do not just remember.

Q. I think they took the security they already had over again, the bonds and Piano Company stock and some notes? A. Yes.

Q. And you consolidated the whole thing into one loan? A. Yes, it was consolidated into one loan.

Q. That did not remove the objection Mr. Morden had raised, because according to the figures it still left about the same amount to the credit of the Loan Company? A. No, it made to the Farmers Bank a loan of two hundred odd thousand

## SESSIONAL PAPER No. 153a

dollars, which gave the Farmers Bank a credit of some seventy or eighty thousand dollars in round figures, gave them a credit which they had the right to draw on at any time they wanted.

Q. Had not they that privilege in regard to the balance they had there previously? A. So far as I know they had.

Q. And the net result was, the situation so far as they were concerned was not changed and you had a new loan with the securities attached to it? A. They had a deposit account in the Trusts Company, as I understand it, and the Trusts Company made them this loan and gave them the seventy or eighty thousand dollars of a credit which they had a right then to withdraw at any day they liked on call, just as you would check out anything else.

Q. Had not they the right to withdraw that previously? A. I suppose they had. I heard something here this morning about hesitating about cashing a cheque; that is easily explained, because sometimes they would send down a cheque for \$15,000 or \$20,000 on a day when we perhaps had several twenty or thirty thousand dollars to look after and we had to hesitate a little bit.

Q. Are you speaking of your own knowledge, do you recollect any such occasion? A. Yes.

Q. More than one? A. I was not there often.

Q. Do you recollect one occasion? A. Yes.

Q. Where they wanted more—? A. They wanted the same day—perhaps the person wants to collect an account from you when you have not it in your pocket.

Q. That occurred once? A. It occurred on my understanding on different occasions.

Q. To your knowledge? A. To my knowledge once.

Q. Did you take any further part in negotiating that loan than you have told us? A. No.

Q. Mr. Wilson would know the full details of the loan, how it was made and why, and the difference between the situation before and after? A. Yes, that is right.

Q. I have been informed and I am asking you so as to get the matter disposed of one way or another, did you ever tell any people in Peterboro that you had made \$8,000 out of the Trusts & Guarantee transaction with the Farmers Bank? A. I never did.

Q. Or any large sum? A. Not a cent.

Q. That statement would be—? A. Absolutely untrue.

Q. You did make some statement though about having made quite a lot of money out of that original loan? A. To the Farmers Bank?

Q. Yes? A. No, no person.

Q. Do you remember Mr. Charles giving his evidence? A. Yes, I remember that jollyng that afternoon, five o'clock tea.

Q. There was some criticism addressed to his having repeated it, I notice; he informed his manager about it? A. No, he informed his general manager with regard to the loan made by the Trusts Company, but he never informed the general manager that I can recollect that I made any money out of it, because I did not.

Q. That was not what you said? A. No; do you know Mr. Charles?

Q. Yes, do you? A. Yes; Mr. Charles is of a jollyng nature.

Q. Did either you or the Trusts & Guarantee Company get any benefit or advantage other than what you have told us, you and Mr. Stockdale have told us? A. No.

Q. None whatever? A. None whatever.

Q. In any matter in connection with Mr. Travers or the Farmers Bank? A. No.



ARTHUR R. SHAVER, Recalled by Mr. Hodgins:

Q. I forget what your position in the Farmers Bank was? A. Transfer clerk.

Q. You seem to have written out most of the cheques at one time? A. Most before organization, none after.

Q. I suppose that is your handwriting in that cheque (Exhibit 28)? A. Yes.

Q. Under whose instructions did you write out the cheque? A. I cannot say whether it was under Mr. Fitzgibbon's or Mr. Travers' instructions, on one or the other.

Q. You marked that "Commissions"? A. Yes.

Q. What was done with it? A. I could not say.

Q. Who did you give it to? A. That I cannot say; most likely Mr. Fitzgibbon, but I cannot say.

Q. Do you think you would give it to Mr. Fitzgibbon? A. I would think so.

Q. How was it that you were writing out all the cheques at that time? A. It was just a short period at the time of organization till the bank organized and after that I drew no cheques.

Q. I did ask you before about those three cheques that were sent down to Ottawa? A. Yes.

Q. I suppose they were taken out of the cheque book? A. Yes, sir.

Q. By you? A. No, sir.

Q. Who took them out? A. I could not say.

Q. Did you afterwards, in writing up the cheque book, see that they were gone? A. Yes, I must have discussed it with Mr. Fitzgibbon.

Q. Do you remember doing that? A. Yes.

Q. What explanation did you make? A. I could not remember now; they were just explanations that they were sent to Mr. Travers at Ottawa.

Q. Was it your duty at all to get the cheques from the banks? A. No, sir.

Q. Whose duty was it afterwards? A. That came in through the local office, the Toronto branch and up into the head office.

Q. Whose duty would it be there? A. I could not say.

Q. You cannot throw much light on that cheque? A. No, sir.

MR. TRAVERS: Are you not mistaken about that? A. In what regard?

MR. TRAVERS: Getting those cheques back from the bank? A. Mr. Hodgins said afterwards; I do not remember how those cheques came to me prior to organization; after organization they all came through the Toronto office.

MR. HODGINS: I was speaking of these three cheques that were taken out prior to organization?

MR. TRAVERS: Is not that dated after organization? A. That is dated the 6th December.

MR. TRAVERS: We were in business after the 1st December? A. Not to the public.

MR. HODGINS: You mean after the first January, 1907? A. All the cheques came through the Toronto branch.

Q. Prior to that you were writing cheques for a short time? A. Yes.

Q. At Mr. Fitzgibbon's request? A. Yes, or Mr. Travers.

JAMES G. FITZGIBBON, Recalled by—

MR. HODGINS: Q. Look at that cheque, it is dated the 7th April, 1907, to W. J. Lindsay for \$6,000, what is the occasion of that cheque? A. I was instructed by Mr. Travers to make out a cheque payable to Mr. Lindsay and give it to him.

## SESSIONAL PAPER No. 153a

Q. What account would that be on? A. I could not say without reference to the books what account it was charged to, but I presume Mr. Lindsay's commissions.

Q. I suppose the bank books will show that? A. Yes.

Q. There is a cheque here on the 20th April, is that the one of which the stub was produced on the last occasion? A. I think so, I would not be positive, but I think it was 105.

Q. Look at the stub? A. Yes, that is the cheque I refer to marked "C".

Q. That has attached to it deposit slip April 20th, 1907, credit W. R. Travers? A. That was put through in the downstairs office.

Q. That would go to his private account in the Farmers Bank? A. Apparently from the slip.

Q. Subject to his private cheque? A. Yes.

Q. Look at that other cheque I gave you there, the first one and see what the stub for that says? A. Payable to W. J. Lindsay, commissions.

Q. That is all? A. Yes.

Q. The next cheque is one of the 14th June, 1907, W. R. Travers, \$6,000, No. 157; what is that marked? A. Simply W. R. Travers, \$6,000.

Q. That appears to be placed according to the deposit slip to his credit in the Farmers Bank in his private account; and the next one is 272? A. W. J. Lindsay, \$3,000.

Q. What is that marked? A. If I remember rightly that was final squaring up with Lindsay to date of all his commissions.

Q. Endorsed on the back in pencil "Receipt in full to date handed to Hunter & Hunter this date October 26th"? A. We had a great deal of trouble getting down to a settlement with Lindsay as to the amount of commissions paid to him, and a statement was made up to the 30th September, and on the 1st October he was given a cheque, and I took his receipt in full for all claims against the Farmers Bank or Travers and that is the receipt referred to which was attached to that cheque when it came back through the Toronto office, and that was subsequently handed to Mr. Hunter I believe in connection with Lindsay's suit against Mr. Travers.

Q. I did not understand that law suit was settled? A. No, the law suit was not settled, but when the law suit was instituted this receipt was dug out and handed to Mr. Hunter as proof that up to that date Lindsay had been fully satisfied and had given a receipt in full.

Q. The next cheque is No. 353? A. That is marked here "W. R. Travers, balance of commissions."

Q. \$2,464? A. Yes.

Q. That appears to have been the deposit to his private account in the Farmers Bank; the next one attached is 002 dated in March 1908, "Pay to the Farmers Bank of Canada \$21,675"—that is Continental Securities Company? A. Yes, that had nothing to do with the head office.

Q. Look at that, it appears also to have been deposited to Mr. Travers' credit, although it is payable to the Farmers Bank; was that in connection with the stock deal with the Continental Securities Company? A. I presume so.

Q. It is their cheque? A. Yes.

Q. In favor of the Farmers Bank and deposited to Mr. Travers' personal credit? A. Yes.

Q. What date? A. The 25th March, 1908.—EXHIBIT 61: Six cheques with deposit slip referred to.

The Commission adjourned at 4 P.M. to Monday next, May 27th at 11 A.M., Osgoode Hall, Toronto.

Toronto, May 27th, 1912.

The Commission continued its sittings at Osgoode Hall, at 11 A.M.

## PRESENT:

HONOURABLE SIR WILLIAM MEREDITH, Commissioner.

FRANK E. HODGINS, K.C. and JOHN THOMPSON, K.C., representing the Dominion Government.

FREDERICK CARMICHAEL, Sworn, Examined by—

MR. HODGINS: Q. You are in the Bank of Montreal? A. In charge of the Bank of Montreal on Dundas St.

Q. Is it in your branch that Mrs. Lindsay had an account in 1907? A. No, she had one at the corner of Yonge and Queen Sts.

Q. In December, 1906? A. And 1907; they asked me to come and represent—

Q. Were you in charge of that? A. No, Mr. Crawford is in charge, but I was in the office at the time.

Q. I ask you to produce her account? A. A copy of the account?

Q. Will you do it? A. I am quite satisfied if the Commission asks for it.

MR. COMMISSIONER: Yes.

A. I am quite willing to do whatever the law calls for. If Mrs. Lindsay is to be subpoenaed perhaps you would wish that we would hand over the copy of the account and the cheques to her and let her give the evidence. I will willingly if you wish go and see Mrs. Lindsay and ask her if she wishes these handed over; or are you going to subpoena her?

MR. HODGINS: It does not make any difference; I have told Mr. Lindsay I want the particulars of this account, and he can get them? A. He can get them.

MR. COMMISSIONER: They are here now and you had better have them. (Witness produces copy of ledger account of Mrs. Lindsay in the Bank of Montreal).

MR. HODGINS: Did you bring the cheques up? A. I have some cheques, yes. You can understand, Mr. Commissioner, the natural wish of a bank man—

MR. COMMISSIONER: Quite so, you are protecting your client.—Witness produces four cheques.

EXHIBIT 62: Mrs. Lindsay's account in the Bank of Montreal and four cheques filed together as Exhibit 62.

G. TICE BASTEDO, Sworn, Examined by—

MR. HODGINS: Q. You are on the staff of the Traders Bank? A. Yes, sir.

Q. In what position? A. Assistant chief accountant.

Q. We are trying to identify who marked that cheque (Exhibit 28); will you be able to give us that information; whose initials are those on the corner? A. No, sir.

Q. I am told it is somebody named Graves who initialled this cheque? A. We had a Mr. Graves in the service but he resigned some two years ago or more.

Q. You cannot recognize that as his signature? A. No, I was not familiar with his signature.

Q. Do you know anything about the cheque? A. No, sir, nothing.

## SESSIONAL PAPER No. 153a

Q. Were you in the service of the bank on December the 6th, 1906? A. Yes.

Q. What was the highest amount of bills the Traders Bank was issuing then?

A. \$100 bills.

Q. Have you any one at present employed by the bank who can tell anything about the marking of that cheque and how it was paid? A. Either the ledger keeper or the teller.

Q. Can you tell us who they are and where they are? A. Mr. Graves I believe is attending the University at the present time.

Q. We are endeavoring to subpoena him; but in the ordinary course of banking business who would know how that cheque was paid? A. I could not tell you that.

Q. The paying teller? A. The paying teller at the time would know.

Q. Could you tell us who he was? A. No.

Q. Could you find that out and let me know? A. All right, sir.

Q. Who was the official at the bank to ask? A. If it was paid in cash he would know.

Q. And your bank books would show whether it was paid in cash or not, would not they, his cash book?

Q. Not necessarily.

Q. Probably you will let me know that and find out if there is any entry?

A. Yes.

MR. COMMISSIONER: Surely your bank books will show whether it went through the Clearing House or whether it was paid over the counter? A. Could I see it?

Q. It is a cheque on your own bank and look at the figures in pencil on the back of it; it was evidently debited to the customer's account; the initials in the corner would show it had been debited to the account of the drawer? A. Yes, my Lord.

Q. What did the \$10,000 mean on the back of it, those figures? A. There are no particulars given; sometimes they mark cheques that way.

Q. Would that indicate it was paid out in bills? A. No, sir.

Q. Is it not usual to put on the back of the cheque the bills paid—supposing that was paid in fifty-dollar bills or one hundred-dollar bills, is it not usual to put that on the back of the cheque? A. As a rule.

Q. Does the teller keep a slip that is preserved that shows how he paid a large cheque like that? A. No, my Lord.

MR. HODGINS: He keeps a blotter does he not?

MR. COMMISSIONER: Does that show? A. In his blotter it would not show. His cash statement book would show the balance.

Q. It would not indicate what went to meet that particular cheque? A. No.

Q. Would not the cheque itself indicate it was paid in cash? A. No, my Lord.

Q. Or is there anything to indicate that? A. Nothing to indicate that at all.

Q. You find it debited to the Farmers Bank on the day it was presented, then it was paid out the same day, surely there would be something to show how it was paid? A. My Lord, the teller at that date—

Q. Surely the book would show whether it went into any account? A. The account would show it certainly.

Q. If you find it charged to the account and do not find a debit of this cheque to somebody else, would not it indicate it was paid in cash? A. Yes.

Q. How else would you suggest it could have been paid? A. Looking at the cheque I thought possibly it had been deposited to Mr. Lindsay's account.

Q. You could find that out? A. I am not familiar with the accounts at that date, because I was not in Toronto at that time.

Q. The books are there, I suppose they can be looked up? A. Yes.

MR. HODGINS: Perhaps you will let me have the name of the paying teller at the date, and have his blotter looked up and the other books of the bank that will enable him, when he comes up, to tell the Commissioner just these questions you have been asked? A. All right.

JAMES G FITZGIBBON, Recalled by—

MR. HODGINS: Q. There are two items of stock in the Keeley Mine, \$25,000 being issued to Stockdale in trust and \$50,000 I think to Mr. Stratton in trust? A. Yes.

Q. What became of the certificates for that stock? A. I remember they were filled with all other certificates in the Keeley Mine box being held in trust under a general agreement that no stock was to be transferred without the consent of the Board.

Q. Where was that box with the certificates in it kept? A. In the Farmers Bank Head Office vault.

Q. Were these certificates handed out to Mr. Stratton or Mr. Stockdale? A. Not as I can recall.

Q. See if those are the ones; there are more than two there? A. Yes, I would say those are the ones.

Q. How many are there? A. Three, \$25,000 each, one in favour of E. B. Stockdale in trust and the other two to J. R. Stratton in trust.

Q. What are the numbers? A. 57 is Stockdale; 59 and 60 are J. R. Stratton.

Q. What is the date? A. Stockdale was the 3rd August, 1910, and Mr. Stratton's were the 5th August, 1910.

Q. I see they are marked on the back Exhibit 18, I am instructed they were used in the litigation between the liquidator and the Trusts & Guarantee Company and that they were taken out of the package for that purpose; do you know anything about the memorandum said to be attached to them by Mr. Stratton? A. No, sir.

Q. Did you ever see any such memorandum while you were in the bank? A. No, sir.

Q. That is a memorandum showing what was to be done with them, as he expressed it? A. So far as my memory serves me, they never went out of my possession under the arrangement they had that all these were to be left in the bank until the indebtedness of the mine to the bank was paid off.

Q. At the failure of the bank, where were they? A. They were in our possession.

Q. Still in your possession? A. Yes, as far as I remember.

Q. Did you have any talk with Mr. Stratton about the certificates that were in his name? A. No, sir.

Q. Or with Mr. Warren? A. No, sir.

Q. Or with Mr. Stockdale? A. No, sir; I saw Mr. Stratton only the day that he accepted the transfer in the Keeley mine box.

Q. When was that? A. That would be on the 5th August, 1910.

Q. There is no blank endorsement of transfer on any of those, I think; I mean no signed blank transfer? A. No, sir.

SESSIONAL PAPER No. 153a

W. R. TRAVERS, Recalled by—

MR. HODGINS: Q. When you were giving evidence before you spoke of a cheque which you indicated had the letter C on the stub or some way associated with it and you called it a \$3,000 cheque? A. That is my recollection, yes.

Q. Mr. Fitzgibbon identifies a cheque for \$6,000 which he has marked as account C; Mr. Fitzgibbon said he identified the cheque, being a \$6,000 cheque, dated the 20th April, 1907; does that correct your memory at all as to the cheque you referred to—there is the cheque (part of Exhibit 61) and there is the stub and there is the deposit slip showing what was done with it? A. That is not my recollection of the cheque that you referred to; I understood when you were examining me there you had my evidence in the Police Court in front of you, and my recollection is that a cheque of \$3,000 was brought before me in the Police Court that I was questioned on.

Q. What is the date of the cheque you were referring to? A. My recollection was it was before this date, about December, 1906.

Q. That is what I thought, too; that you were referring to one of those three cheques that had been sent down to you, was I right there? A. That is my recollection.

MR. COMMISSIONER: What is the significance of that note there, account "C"? A. I cannot recall why Mr. Fitzgibbon marked it "C" because it went to my private credit; I do not see any necessity for marking it "C".

MR. HODGINS: When you were examined before, you did refer definitely to the cheque for \$3,000 and you refused to say who got it or what was done with the money; you must have had a very distinct recollection of the cheque? A. My recollection is that a cheque of \$3,000 was shown to me in the Police Court and I was questioned about it, my evidence would show that; that was the cheque I thought you were asking me about.

Q. I say you had a very distinct recollection of that cheque in your mind when you refused to say who got the money for it? A. Yes.

Q. You still have a distinct recollection of that cheque? A. I have.

Q. Looking at that cheque and that stub, is that the same cheque? A. I do not think so.

MR. COMMISSIONER: Do you come across any such thing as he speaks of in his evidence?

MR. HODGINS: No, I have not been able to find the cheque he speaks of; it is not entered in the stubs.

Q. There is a \$3,000 cheque on the Union Bank, January 7th, 1907; look at that cheque and tell us if that is the one you refer to? A. I could not say whether that is the cheque or not.

Q. You see it is a \$3,000 cheque payable to yourself? A. Yes.

Q. And has on the back of it the denominations of the bills in which it was paid, so it would be paid in cash? A. It was paid in cash, undoubtedly; twenty one-hundreds and two five-hundreds.

MR. COMMISSIONER: What do the books show about that cheque?

MR. HODGINS: That is one that is charged in the account to fixtures and furniture.

MR. COMMISSIONER: What does the witness say about that?

MR. HODGINS: How was that cheque charged? A. I should fancy it was charged to my commissions.

Q. Would the books show? A. Should show, certainly. My recollection is in the Police Court there was a mark on the \$3,000 cheque, and I cannot find it here.

Q. At whose trial are you speaking of? A. (Turns up the book of the bank.) This cheque appears to be charged to bank premises.

Q. It is pretty evident, is it not, that if that were really legitimately used for bank premises it would not be paid out to you in cash? A. Undoubtedly not.

Q. Who got the money for that from you? A. I cannot say now and I am unable to say what I did with it.

Q. The cheque that we discussed previously for \$3,000 was one of the three sent down to you in Ottawa? A. My recollection, when I was in the Police Court they had those three cheques, three blank cheques that correspond, and I was confronted with one of them; that is my recollection of it, and it was marked—

Q. Well, I would like you to answer the question; when we got your evidence previously you had a very clear and distinct recollection of a cheque for \$3,000, the destination of which you refused to disclose because you did not want to implicate anybody, and you said certainly the Finance Department and no official in it benefited thereby? A. Yes, I said that.

Q. Now I am asking you as to that particular cheque; I want to fix your mind on it; is it a different cheque from the one that you have in front of you now? A. I think it was.

Q. You won't account for the earlier cheque, and you say you cannot account for this one? A. No, I cannot.

Q. Can you account then for the one of the 20th April, 1907, for \$6,000 which was marked account C on the stub? A. It went to my private credit.

Q. Can you tell who got the benefit of that? A. No, I could not tell that now.

Q. It looks as if banking was pretty expensive at the start? A. Yes.

MR. COMMISSIONER: Cannot you brush your memory up on that? A. I will try before you get through, but I cannot for the moment.

Q. Would not it look as if this was money somebody wanted and wanted in not too big a parcel? A. It has that appearance to me, sir.

Q. Is it not possible that that is the cheque you speak of,—if we had the stub? It is possible, I do not think it is probable though.

Q. On account of what? A. On account of the date; my mind is so fixed on December.

Q. Do you remember whether with regard to the cheque you drew the money—I suppose you would have drawn the money? A. I am sure I did.

Q. Would not that be the kind of money you would have drawn? A. Yes, sir; it would certainly.

Q. Does not it look as if that probably is the cheque? A. It might be, but I cannot say at the present moment; I will have to think that over.

MR. HODGINS: The three cheques that we sent down, one of them is identified because it was a cheque payable, on the stub, apparently, to MacCorquodale and then struck out and Guthrie & Pringle substituted, that is No. 26; No. 27 is marked cancelled? A. You should have those cancelled cheques here.

Q. No 30 marked cancelled.

MR. COMMISSIONER: It could not be any of those; they are blue cheques and this is a brown cheque.

MR. HODGINS: My idea from his evidence is these are different things? A. Where are the cancelled cheques? The cancelled cheques should have been kept that would correspond with those stubs.

Q. You can probably find that out from Mr. Shaver; I have failed to do so.

MR. COMMISSIONER: With regard to that question you have declined to answer; you will observe one newspaper has at all events made a very pointed reference to the cheque, and made a suggestion that perhaps to any one who has followed this evidence may make it appear to point to a particular person, don't you think in justice to him, if that is not so you ought to disclose? A. Mr. Commissioner, if a certain person is named and I am asked that question I will say yes or no to it. I read that scurrilous article, I thought it was unfair to try

## SESSIONAL PAPER No. 153a

to coerce me into it on the threat that I would probably have a further sentence, or something of the sort.

Q. I do not know that it is the same one you mean; the one I speak of was in the World? A. No, I did not see the World. A friend of mine cut out a paragraph out of the Telegram.

Q. The World has an article in which it says that it was pretty well known that a man in business—

MR. HODGINS: A well known politician and business man who is not now a member of Parliament.

MR. COMMISSIONER: Had received the money, that is what the statement was? A. Well, sir, I am prepared to say yes or no if I am confronted with the man's name.

Q. Don't you think for your own sake, to put yourself right, that you ought to disclose? A. I cannot look at it that way.

Q. Well, you are not doing this voluntarily as if you were volunteering information to anybody; this is a public inquiry, the purpose of which is to get at the bottom of things connected with this bank, and if it was not for the position in which you are a refusal to answer a question would subject you to imprisonment?

A. I understand; it is not for that reason I am refusing; I would rather go to prison than tell it.

MR. HODGINS: Do you remember the certificate I have just asked Mr. Fitzgibbon about, \$25,000 and two others aggregating \$50,000 stock in the Keeley Mine in favour of Stockdale and Stratton in trust; were those ever out of the possession of the Farmers Bank? A. No, they never were.

Q. Did you ever see any such memorandum as Mr. Stratton spoke of attached to them? A. No, I do not think any such memorandum was ever attached to them.

---

EDWARD W. J. OWENS, Sworn, Examined by—

MR. HODGINS: Q. You are a practising barrister in Toronto? A. Yes, sir.

Q. I think you had a share or some small interest in the Keeley Mine, did you not? A. \$5,000.

Q. What I called you here for was in consequence of what Mr. Travers has said; we have been anxious to get certain cheques or notes which were said to be in his private drawer and I understood him to say that there were some things that went to your office; I want to find out if in what went to your office there were any cheques or notes signed by Dr. Beattie Nesbitt or George Wishart or any one whose name has been mentioned at this inquiry? A. There was nothing came to my office that I knew the contents of. What did come to my office was the Keeley box papers, and that was locked and was taken by me and I think Mr. Shaver, I am not certain as to that, from my office to the Police Court and it had to be opened there; I know of no papers.

Q. How was it opened? A. I do not know whether some other officer had a key to it, probably Mr. Fitzgibbon, I am not going to be sure as to Mr. Fitzgibbon, but some other officer had the key to it and it could not be opened unless Mr. Fitzgibbon or somebody was there with the key.

Q. You delivered it over to the police authorities? A. Yes, to Crown Attorney Corley.

Q. You do not know what it contained? A. No.

Q. Never saw the contents? A. No.



Q. Did not examine them when they were opened in the Police Court? A. Did not; it was supposed to be the Keeley box of papers and Mr. Corley telephoned me had I them there and I said yes, and he said "Will you kindly bring them up to my office", and I think Mr. Shaver or some other person came and we both carried it up to the Police Court.

Q. How did you come to get that? A. It was sent over to my office.

Q. By whom? A. I cannot say, presumably Mr. Travers.

Q. Did he communicate with you at all about it? A. That I cannot charge my memory with; I knew they came there.

Q. Had you another position than that of shareholder in the Keeley Mine?

A. I was then the nominal president, after the change.

Q. Were they sent over after the failure of the bank? A. Yes, shortly after.

Q. It would be either immediately preceding or immediately after the trouble that Mr. Travers got into when he was under surveillance.

Q. Did anything else reach you from Mr. Travers or from the Farmers Bank office? A. Nothing. Of course we had correspondence about the Keeley Mine matters, but nothing further than that.

Q. Did you know anything about notes or cheques signed by Wishart or signed by Beattie Nesbitt? A. Not a thing.

Q. You I suppose were one of the directors? A. Yes, at that time.

Q. And had the company regular meetings? A. They had their annual meeting and that is about all I recollect of.

Q. What about the directors' meetings? A. I do not know that the directors ever had any meetings that I can recollect of except probably the preliminary meeting to the annual meeting; the minutes would show that I suppose.

Q. There are minutes of course? A. Yes.

Q. Did you pay any active attention yourself to the matters of the Keeley mine? A. No.

Q. Why not? A. It was a matter that Mr. Travers had supreme control of and he was managing it and looking after it; there was not much doing in it as I understood, except the original incorporation and then the transformation from the then capital to a new capitalization and the issuing probably of these mortgage bonds, that is really all the business.

Q. In connection with that were you a member or director of the original company? A. That I could not say offhand; I was one of the original incorporators.

Q. You remember the reorganization? A. Yes.

Q. Do you remember Wishart's part in that? A. I cannot get the detail of that; I do not know any thing about the internal transactions.

Q. Do you remember that he was a factor in the reorganization? A. Yes, that is my impression; he had to be got rid of, I think.

Q. Do you understand he had given a note and did you hear it had been given back? A. No.

Q. Do you know anything at all about that? A. No.

---

#### W. R. TRAVERS Examination continued.—

Mr. HODGINS: Continuing your evidence with regard to the Keeley Mine, you have gone over the minutes I think? A. I looked over the minutes.

Q. And can you account for the position now taken by Wishart or taken by yourself that he had to be got rid of because he would not agree to the reorganization? A. We did not get rid of him, we got him to come into line and assist us through with it.

## SESSIONAL PAPER No. 153a

Q. After reading the minutes how do you find that came about; it was to his interest I should judge to join in the organization; what was his objection to doing so? A. At the time he wanted to have the reorganization so that the company could be floated in England.

Q. What was there in his attitude or in his position that necessitated your giving back the note? A. He had promised a lot of people part of his stock and as I had it tied up in a pool he was anxious to get it out of the pool and have it transferred.

Q. That does not make it clear to me why you should have to give him back his note in order to get him to agree to the reorganization? A. He would not sign anything and would not agree to anything unless the note was given up. I am a little out on the date of that \$25,000 note given up; I do not think it was at that date of reorganization, I think it was before that the note was given up. I could not satisfy my mind on the minutes of the Keeley mine as to the date, but my recollection is that prior to this reorganization we had talked over the matter from time to time and I insisted on the bank having a larger holding of stock, and I think that if you look at the transfer books a certain proportion of the stock from Nesbitt and Wishart was transferred about the time that his note disappeared.

Q. Just tell me what there was in connection with the note; you can describe how you got it; tell me why you gave it up? A. I gave it up because I was forced to give it up, and Wishart threatened to bring suit to dissolve the pool and to make public the investments of the bank in the Keeley Mine. I gave it up to avoid it.

Q. Did he come over here himself? A. He did on several occasions.

Q. Was he a stockholder in the bank? A. Not at that time, I do not think, but he got a friend of his to take \$500 of stock in the bank, and I think it was about that time.

Q. Who was the friend? A. A man named John Costigan.

Q. Did he use the status of shareholder for any purpose? A. No.

Q. Did he say anything to you about it? A. No, he was in the background.

Q. That \$25,000 note was given back and not paid, and did the bank get any benefit or advantage by giving it up? A. The only advantage the bank got was to enable me, to have more control over the mine's affairs, the company's affairs.

Q. In what way? A. I had everything absolutely in my own hands then.

Q. You were not the only stockholder? A. No, but I got them to agree at that time that I would be absolutely in control, nothing would be done without my consent.

Q. Is it the case that Wishart had paid \$50,000 in cash in Haileybury to Mr. Graham, who was solicitor for the Keeley-Jowsey Wood prior to the due date of that \$25,000 note? A. No, he never paid a dollar unless he took my cheques and handed them over; that is the only way he would ever have paid anything.

Q. When the note came due actually on the same day, was there a transfer of stock to the Farmers Bank or to you by Wishart, \$50,000? A. I cannot say whether it was the same day, but my recollection is there was a transfer.

Q. About the due date? A. I cannot say that; the books would have to show that. I remember a transfer being made on or about that time.

Q. And was that in consequence of giving up the note or the consideration? A. No, that was in consequence of my making the next payment on the mine; I refused to pay anything further unless something more was done for the bank.

Q. If, as a matter of fact, on the very due date of the note \$50,000 was transferred to you or the Farmers Bank by Wishart, would the two have any connection? A. I do not think they had.

Q. Then would the reorganization have taken place some months after that?

A. Yes, the reorganization took place some months after that.

Q. And would the \$25,000 note have anything to do with the reorganization?  
A. Well, I do not think so; no, I cannot see that it had.

Q. Then when the reorganization took place you were in supreme control?  
A. Well, I was, yes, to a certain extent; I could not get by-laws passed and such matters unless they had consented to it.

Q. I thought you said nothing was to be done without your consent? A. My being in supreme control was this: no stock should be transferred, nothing could be done without my consent, but it would require the consent of two-thirds of the shareholders in order to carry out some of the schemes that we were in, that is the reorganization.

Q. Who were the shareholders at that time? A. The shareholders were Mr. Wishart, Dr. Nesbitt, the Farmers Bank and myself, and Mr. Owens had a few shares.

Q. You told us on the last occasion that there had been an advance practically of the first \$50,000 by the bank, and then when the next payment came due a similar amount had to be made up and paid? A. Yes.

MR. COMMISSIONER: Does that mean another \$50,000? A. Yes, another \$50,000.

MR. HODGINS: Can you tell at all the total amount that was advanced by the bank to or on account of or charged to the Keeley Mine? A. I could not tell you the exact figures, but I think it was in the neighborhood of \$600,000—

Q. Was that advanced in cash? A. In the first place the \$300,000 was paid for the property; there was about \$60,000 invested in machinery and about \$15,000, I think, on buildings, and then the mine cost about \$5,000 a month; \$120,000 paid out in wages and supplies; the books would show that; I could not tell you offhand.

MR. COMMISSIONER: How long was it operated then? A. It was operated from May, 1908, 1909, and 1910—about two and a half years.

MR. HODGINS: The date of reorganization appears to be, as far as I can make it out, about December 14th, 1908, when there was a call loan put through for \$350,000? A. That may be.

Q. December 4th, 1908, appears to be a meeting of the provisional directors of the Keeley Mine, Limited, that is the reorganized company, is it not? A. Yes, that will be the reorganized company.

Q. The president, William J. Trounce, in the chair; Hiram J. Pritchard, secretary; and William T. Taylor. This resolution was carried: "That the offer of the Keeley-Jowsey-Wood Mine, Limited, to sell out to this company in terms as follows; that the Keeley-Jowsey-Wood Mine, Limited, make an offer to the Keeley Mine, Limited, to sell, transfer and assign all its bonds to the Keeley Mine Limited, in consideration of the assumption by the Keeley Mine, Limited, of all the liabilities of this company and two millions stock fully paid up, and non-assessable in the capital stock of the Keeley Mine, Limited, the said stock to be issued to the following shareholders of this company, viz,:

W. R. Travers.....	100,000 shares
George Wishart .....	100,000 "
William Beattie Nesbitt.....	99,999 "
E. W. J. Owens.....	1 "
The Farmers Bank of Canada.....	100,000 "

be and is hereby accepted"—that would be the terms on which that went through?  
A. Yes.

MR. COMMISSIONER: There is nothing there about \$300,000; and Mr. Owens is down for only one share? A. I transferred some more to him afterwards.

MR. HODGINS: Up to this date, December 4th, 1908, I find there were three payments and an over-drawn account; I will just read you the items: May 29th,

## SESSIONAL PAPER No. 153a

1908, \$25,000; May 30th, 1908, \$25,000; August 15th, 1908, \$50,000; those three would be the payments we have been speaking of? A. The first two, May 29th and May 30th, would be the first payment of \$50,000.

Q. August 15th, \$50,000 would be the second payment? A. Yes, I would say so.

Q. The next item is overdrawn account, December 17th, 1908, \$61,374.31; speaking generally, what does that represent, operating expenses or further payment? A. Cheques of the Keeley Mine will show that; that is, June, July and August; it would not be operating expenses. But there were buildings, we built a road there that cost three or four thousand dollars.

Q. I want to find out what the situation of you and your associates was before the transfer that I have just read you of December 4th, 1908; the first two payments were made, one on the note of Beattie Nesbitt, another on the note of Wishart, of \$25,000? A. No, Beattie Nesbitt never gave a note, not for that.

Q. Was it simply charged up to him? A. No, it was not charged up to Nesbitt even.

Q. What was done with it? A. It went through a special account of my own. The ledger will show that I drew a cheque and marked it special account for this transaction.

Q. Beattie Nesbitt got the stock did he not? A. Yes.

Q. In the Keeley-Jowsey-Wood Mines, Limited? A. Yes; he got the stock for putting the deal through; he had the option.

Q. He got \$25,000 of stock? A. He got more than that; the original one was one million dollars, and the second one was two and a half million; and of the first million dollars Nesbitt got, I think, \$350,000.

MR. COMMISSIONER: Does that mean that Nesbitt was to have his interest for the introduction of the property? A. Yes.

Q. Paid nothing? A. Paid nothing at all.

Q. He was to pay nothing? A. He was to pay nothing.

Q. I thought you mentioned previously that Nesbitt was to pay \$25,000 and he did not pay? A. No, Nesbitt was to get \$25,000 deposit for me so that I would not feel the drag on the bank.

MR. HODGINS: He was not personally to pay anything? A. No, he could not pay anything at that time; he had nothing to pay with.

Q. He was to get whatever interest he got for turning over the option? A. Yes.

Q. Was the option in his own name or his and Wishart's? A. No, it was in his own name.

Q. The option was for \$300,000? A. Yes.

Q. So he charged for the option and got his interest in the mine, in this million dollar capital, of \$350,000 for nothing then? A. Yes, absolutely so far as paying any money was concerned, yes.

Q. The \$25,000 was represented by a charge to your special account? A. Yes.

Q. \$25,000 and by Wishart's note which was discounted was it not? A. Yes.

Q. And then when the second payment came to you of course Beattie Nesbitt was not to pay anything more? A. No, we did not expect at that time that anybody would have to pay anything more.

Q. Who was the \$50,000 paid to? A. That was paid to Keeley, Jowsey and Wood at Haileybury at the Union Bank.

Q. Who was it charged to in the Farmers Bank? A. I cannot say whether it was charged to me in my special account or whether we had opened an account for the company at that time.

Q. It appears to be charged in an account called Keeley-Jowsey-Wood Mine Limited, just charged up to them? A. That is where the payment was made to out of the bank funds.

Q. The two earlier payments appear in the same account as discounts? A. After the company was formed it was transferred over from my special account in order to commence the records of the company from the date of the purchase of the option.

Q. What was put through to authorize the charge of \$25,000 was to discount a note of yours? A. No, the note of the company.

Q. There were two notes discounted on May 29th and 30th \$25,000 each? A. Yes, I believe there was, one was Wishart's and one was the company's.

Q. Did Beattie Nesbitt's interest increase over the \$350,000 in the original company? A. No, it did not.

Q. To whom was the other stock issued? A. The other stock was issued to Wishart, the Bank, Mr. Owens and myself.

Q. In what amount? A. Mr. Owens' was a small amount, one share, you saw that; and the others were equal amounts.

Q. \$1,650,000 to be—? A. No, it was \$1,000,000, the first company was \$1,000,000.

Q. You had \$650,000 to divide up? A. There was \$650,000; my recollection is, the Keeley Mine Stock book would show that one-third of the \$650,000 went to Wishart and one-third to myself and one-third to the bank.

Mr. COMMISSIONER: Why do you say \$650,000? A. \$350,000 went to Nesbitt, that is my recollection.

Q. That was his total interest? A. Yes.

Q. When the capital came to be increased to two and a half millions, did he still remain at \$350,000?

Q. Then it was divided equally, \$500,000 to Wishart, \$500,000 to Nesbitt, \$500,000 to me and \$500,000 to the Bank.

Q. That is only two millions? A. We kept \$500,000 in the treasury.

Q. His holding increased then? A. Only nominally; we doubled the capital; it rather decreased.

Mr. HODGINS: The thing started off with Beattie Nesbitt having \$350,000 of the stock in the original company as against \$200,000 to each of you three? A. \$200,000 apiece, yes; the Keeley Mine stock ledger will show that exactly.

Q. What was the cause of his interest when it was turned over to the new company being decreased? A. A general understanding that the stock was to be divided that way; my mind at that time was to increase the bank's holdings and my holdings.

Q. You spoke of Nesbitt and Wishart having turned over an amount? A. That would be back about the second payment.

Q. That would be in the original company? A. Either the second or third payment. The first was in May, the second one was in August and the third one I think was a month or so later, and that is when I found out I had to go on and assume the whole responsibility of the payments I demanded more of the stock.

Q. You made after August another payment of \$50,000? A. Yes, we went on making payments at certain intervals, I do not know whether there was 30 or 60 days between, till we had paid \$300,000.

Q. Payments after the first two \$50,000 were at the rate of \$40,000? A. No, they were always \$50,000, but we got paid something on account and had them extended; we did not pay the full each time; we would pay something, sometimes half of them, sometimes \$20,000 and then ask a further extension for 30 days.

Q. You had no obligation from Beattie Nesbitt; you had a \$25,000 note from Wishart, and the payments were coming due; did you get any securities from anybody else? A. No.

SESSIONAL PAPER No. 153a

Q. Then when you parted from Wishart there was no security standing in the hands of the bank, nothing but the bank's interest in the company? A. None whatever.

Q. You formed the new company and took the transfer over in the way I have spoken of; how did you charge that \$5,000 that Beattie Nesbitt got out of that \$10,000 cheque that Lindsay cashed, how did you enter it up in the books? A. I did not enter it at all; I told you I exchanged that for another cheque for \$5,000.

Q. Was there a payment made to Beattie Nesbitt in December later on? A. Payment made to him?

Q. Yes, of \$5,000? A. I think there was.

Q. How was that charged? A. That was charged to the Keeley Mine.

Q. Why was it charged to the Keeley Mine? A. That was for Nesbitt arranging the reorganization in order to get the new company in operation.

Q. I do not see what benefit you got through that? A. I felt at that time we had to do something and the million dollars capital, it was \$5 a share and we had to get a larger capital in order to float it.

Q. It does not cost \$5,000 to get a new charter? A. No, the \$5,000 had nothing to do with it, that was Nesbitt's demand of \$5,000 at that time.

Q. What was he doing to earn it? A. He was getting Wishart into line and assisting me to get the thing through.

Q. I have been unable to understand why Wishart should hold the key to the situation; you and Beattie Nesbitt and the bank could out-vote him? A. We felt that we had to play friendly with him at that time, I did, had to give in to anything he wanted.

Q. What was his hold over you? A. His threat always to bring a suit to dissolve the pool and get the stock.

Q. Well, what would have been the result of that? A. The result of that would have been better for me if it had been done, the result would have been that the advances of the bank to the Keeley Mine would have been exposed.

Q. They had only made these two advances, had not they, May and August? A. There was more at that time, at December.

Q. \$100,000? A. More than \$100,000 at that time.

Q. You thought that this suit would disclose the advances to the bank by the mine? A. Yes.

Q. Did Wishart make that threat? A. Yes, he made that threat, threats to that effect.

Q. He must have made those threats prior to August 15th, because that is the date of the second payment? A. When the second payment came along, when it came due, the friction began.

Q. How long did the friction last? A. Until after reorganization.

Q. I thought you told me a little earlier this morning that you got rid of Wishart some time before? A. I never got rid of him; from the very first to the last I was trying to get him in line so that I could work.

Q. Was his position any different from any other stockholder? A. No, his position was no different, but if he had started that suit against the bank and myself and dissolved the pool, why it would have made trouble, that is all.

Q. Had he any grounds for such a suit? A. I could not see that he had.

Q. Was the pool a written agreement? A. Yes.

Q. It was his interest was it not, to have this mine reorganized and the stock unloaded, as you said, on the suffering public? A. Yes, it would be for him to get his share out of it certainly.

Q. I wish you would give me some idea how it was he was able to hold you up to that extent that you had to pay Beattie Nesbitt \$5,000 to get him into line and give him back his note and give him an equal share with you in the mine? A. That is very plain. We could not possibly reorganize with one of the directors and President of the bank (the witness means company) refusing to take any action in

the matter and the Vice-President—I cannot say that Nesbitt refused to do it, but Nesbitt at that time managed Wishart.

Q. Was Nesbitt acting in the same way as Wishart? A. No, I cannot say as he did; he thought he ought to get something out of it.

Q. I may be dense, but I do not really understand the situation that you got into at that time which necessitated— A. The situation that I was in at that time was I was afraid they would disclose the advances of the bank to this mine; I did not know where I was at at this time.

Q. Was Beattie Nesbitt your President? A. Not at that time.

Q. When did he become President? A. The 26th November, 1906.

Q. When did he cease to be President? A. On the middle of January, 1908, about that.

Q. What position did he occupy, was he a director or vice-president, after that of the bank? A. He had no position at all in the bank.

Q. What did you mean by referring to the president of the bank or the vice-president refusing to take action? A. I meant the president or vice-president of the Keeley Mine, not of the bank; Wishart was the president and Nesbitt was the vice-president and I was the secretary-treasurer.

Q. At all events you reorganized and paid Beattie Nesbitt on December 14th, 1908, the \$5,000 really for getting Wishart into line? A. Yes.

MR. COMMISSIONER: Perhaps you would ask him why he did not give him stock instead of cash.

MR. HODGINS: Why did you not give him stock instead of cash? A. Because he wanted the cash at that time; I could not say why; it never entered my mind until now. He had all the stock he wanted at that time.

Q. It was money he wanted? A. Yes, it was money he wanted then.

Q. Did he tell you he could get Wishart into line for that amount of money? A. He did.

Q. Did he tell you so before he did it? A. He must have or I would not have given him the money.

Q. You remember it? A. I cannot remember him saying he would do that, he is not that kind of a man, he never speaks out exactly what he means; he meant that anyway.

Q. You understood he meant that? A. Yes.

Q. You paid it out to him on the 14th? A. It went to his credit, you will find it in the ledger.

Q. It was paid before the transfer was actually consummated? A. I cannot speak as to that but I think it was just simultaneously.

Q. December 4th, is the first meeting of the Keeley Mine Ltd. the new company? A. Yes.

Q. The allotment of stock was made, and you and Wishart and Nesbitt were elected directors, Wishart was appointed president, Beattie Nesbitt, vice-president, yourself secretary-treasurer and then it appears to have been moved and seconded and unanimously carried that the offer of the Farmers Bank of Canada to underwrite \$500,000 of the capital stock of the mine at a discount of 30% be accepted and the same be allotted in the name of W. R. Travers in trust, the said stock to be disposed of in such manner and way as the said bank may determine. The account was to be kept and you were to have the signing in your discretion of the cheques and so on? A. Yes.

Q. It was after that that you signed the cheque to Beattie Nesbitt? A. No, I signed a cheque of the mining company for \$5,000; I do not know whether I made it to his order or not; at all events it went to his credit in the bank books.

Q. Went to his credit in the Farmers Bank? A. Yes.

Q. And he accordingly checked it out? A. Certainly.

Q. It was not paid to him in money? A. No.

## SESSIONAL PAPER No. 153a

MR. COMMISSIONER: That was part of the over-draft of the Keeley Mine I suppose? A. Yes.

MR. HODGINS: Did Wishart get any money? A. I do not remember giving him any at that time, no.

Q. What was his original interest in the mine? A. His original interest as I have explained to you before shows in the books of the Keeley Mine a certain amount of stock.

Q. When Beattie Nesbitt took over the option had Wishart any interest in it? A. He had no interest at that time; Beattie Nesbitt and myself went to New York and got Mr. Wishart interested in it, thinking that he would be able to float it, and that we could turn it over and make some money out of it; that was the origin of it.

Q. When it came down to the reorganization you had given him back his note, he had put up no money? A. Not a cent.

Q. He had over \$200,000 of stock and he got on the reorganization \$100,000, an equal amount with you and Beattie Nesbitt? A. Yes.

Q. What did you give him that for? A. Why?

Q. Yes? A. How could we get rid of him?

Q. I suppose if he got his note back he would hand back his note? A. No, he did not. At the time he gave his note back if you look at the transfer book of the Keeley Mine you will find an additional amount of stock was transferred to the bank, that is as I recollect it now.

Q. The three persons that were interested, yourself, Beattie Nesbitt and Wishart do not appear to have put a cent up to the time of the reorganization into the bank? A. There was not anybody ever put a dollar into the Keeley Mine from start to finish but the Farmers Bank.

MR. COMMISSIONER: Why did you not, when they defaulted, close them out, if you were going to make these advances? A. I was afraid of them.

Q. There would have been only \$50,000 then invested? A. I wish I had.

MR. HODGINS: Did Beattie Nesbitt make any threats that he would bring an action to dissolve the pool? A. No.

Q. Or was he associated with Wishart in that attitude? A. No, he never made any threats.

MR. COMMISSIONER: Was there any agreement about these advances, was the Farmers Bank protected in any way? A. Yes, there was the original agreement, before the first \$50,000 was paid—that agreement should be among the papers; I have seen it during the giving of my evidence—which was to the effect that if I paid this \$50,000 that the affairs of the company should remain in my hands until the bank was paid off and that all the stock should be pooled until the bank was paid off.

MR. HODGINS: You having got that, you entered into it as general manager of the Farmers Bank and the money having been advanced they proceeded to make it uncomfortable and you say these payments and this stock is the result? A. Yes; I would not say that as to Dr. Nesbitt; I won't say he took that stand.

Q. He seems to have been equally favored as if he had? A. He thought he was entitled to it; we thought it was very wealthy at that time; I thought we would make big money out of it. I was in New York and I was offered \$500,000 cash for it in the presence of Mr. Yarker, the manager of the Clearing House in Toronto; I took him down on purpose as a witness as an old friend of mine and I thought we had a real proposition.

Q. Did you pay Dr. Nesbitt anything more than \$5,000? There is another W. Beattie Nesbitt amount charged to profit and loss and from there to Keeley Mine stock and bonds, \$5,000 later on; can you throw any light on that? A. What date is that?



Q. It is not dated in the statement I have, but it is later because it is charged into Keeley Mine stock and bonds account, which was a later account? A. I cannot recall that just now.

MR. COMMISSIONER: How did that go out?

MR. HODGINS: That \$5,000 when paid to Beattie Nesbitt was charged up on loan.

MR. G. T. CLARKSON: Charged up to profit and loss? A. I do not think it was charged as a loss.

MR. COMMISSIONER: Profit and loss in the bank books?

MR. G. T. CLARKSON: Yes.

MR. COMMISSIONER: How did it come back from profit and loss?

MR. G. T. CLARKSON: They credited profit and loss and charged Keeley Mine Stock and Bonds, then it appeared as an investment in stock.

MR. COMMISSIONER: In the stocks and bonds of the company?

MR. CLARKSON: Yes.

The Commission adjourned at 1 P.M. to 2 P.M.

---

The Commission resumed at 2 P.M., May 27th, 1912.

W. R. TRAVERS Examination continued.—

MR. HODGINS: In the prospectus of this Keeley Mine Ltd. amount payable to the three original owners is given as \$180,000 out of the issue as stock? A. That cannot be right.

Q. It says so here in the prospectus; look at it? A. That is the balance of the \$300,000.

Q. The \$120,000 would have been paid before that? A. Yes.

Q. The liabilities of the company at that time amounted to \$215,655 according to the prospectus, machinery, supplies, coal, pay roll and borrowed money? A. I presume so.

MR. COMMISSIONER: That borrowed money being what they owed the bank?

A. Yes, sir, in fact it was all owed the bank; there was no other money came into it.

MR. HODGINS: After the reorganization there is I see a transfer here of 50,000 shares of Wishart's stock to Pakeman, of London, and Whitney, of New York; has that anything to do with the transfer of some of Wishart's shares that you spoke of? A. Those are Wishart's shares.

Q. You said Wishart and Beattie Nesbitt had transferred shares? A. Not those shares; that is a different matter.

Q. From the time of the incorporation of the new company you had practically the control? A. So far as the money part was concerned, yes.

Q. And advances were made right on through 1908, 1909 and 1910? A. Yes.

Q. What was the method adopted? A. The company gave its note and we placed the money to the credit of the company and it was checked out by the company's checks signed by me.

Q. No further security taken than notes of the company? A. Not until we took the bonds, no.

Q. Not until you took the bonds of the company? A. Yes.

Q. There are two balance sheets here shown the 30th April, 1909, and the 30th April, 1910, which show that on the 30th April, 1909, there were bills payable, call loans, Farmers Bank of Canada \$355,000, as well as over-draft of \$7,111; and 30th April, 1910, bills payable increased to \$518,561? A. I presume that is right; Mr. Clarkson has the books there.

## SESSIONAL PAPER No. 153a

Q. On the 19th May, at a meeting of the directors, they appear to have authorized the issuing of a million of bonds of the Keeley Mine? A. Yes, I presume that is the date; they did so.

Q. Which are described here as secured by a mortgage to the Trusts & Guarantee Company, Limited? A. Yes, the Trusts & Guarantee Company issued a trust mortgage for one million dollars and then the debentures were made of smaller amounts; I have forgotten what they were.

Q. "The said bonds to be pledged to the Farmers Bank of Canada to secure all indebtedness of the company, present and future, to the bank"? A. Yes.

Q. Were they so held from the time they were issued in May, 1910? A. They were.

Q. Until they were pledged? A. With the Trusts Company for the \$100,000 that was borrowed.

Q. That was shortly afterwards? A. That would be in August of the following year.

Q. Then was interest charged up on these payments? A. Yes.

Q. How did it increase to such a very large amount? A. The books of the Keeley Mine will show how it was paid up.

Q. Speaking generally, what was the money used for? A. The money was used for operating expenses and machinery account, interest.

Q. Did you put up buildings? A. Yes, we put up buildings; we had very fine buildings there, the best in that country.

Q. Did you put in a gas plant? A. We put in a gas-producing plant, yes.

Q. Was that very expensive? A. Yes, it started out with \$29,000 and ended up with about nearly \$50,000, I think.

Q. What did your buildings cost in round numbers? A. I think about \$15,000.

Q. Your machinery? A. Something like \$50,000; the books speak for themselves.

Q. That was the gas producer plant? A. Yes, but through the mistake of the manager the gas-producing plant was ordered improperly; that is to say, the parts that were put in were not in proportion to the strength, and we had to send to England and get new parts for it and charge them, and that is where the additional cost came in.

MR. COMMISSIONER: I thought you made \$30,000 before as the cost of the building? A. I think I said \$15,000. The figures are all in the books. Mr. Clarkson could prepare a statement which would be exact.

MR. HODGINS: Yes, I only want to get what the money was spent for. I see that in your prospectus you say there is being installed over \$25,000 worth of machinery, half of which is now on the property and the camp is most thoroughly equipped, having two bunk houses, one mess house, office and assaying office, with full equipment, blacksmith shops, etc.; in fact, with everything necessary to carry on successful mining. Then interest was charged upon these advances from time to time? A. Yes, they were charged up to the company's account.

Q. Was this matter ever brought before the directors of the bank? A. No.

Q. In what way was it kept from them? A. They never asked anything about it and I never said anything to them about it.

Q. They did not know you were investing all this money in the mine? A. They knew that I invested it in the beginning, but as the whole of the directors were prepared to swear that they did not know about it, that they authorized \$5,000 when the first payment was \$50,000 and they could not remember about anything else that was in the books, so I pleaded guilty to that charge that they did not know anything about it.

Q. You never reported these large advances? A. I never reported after the first payment was made.

MR. COMMISSIONER: That is the first \$50,000? A. Yes.

Q. Is there a record of that in the minutes? A. The first \$50,000 was changed from \$5,000 to \$50,000 in the minutes, and they indicted me for forgery for that and I pleaded guilty to it.

Q. What does that mean? A. It means that the directors were prepared to swear that that was \$5,000 advance, not \$50,000, and that I had changed it after the meeting.

Q. What was the fact? A. The facts were that it was changed between the first meeting and the meeting that the minutes were confirmed at.

Q. It was changed after the meeting? A. It was changed after the first meeting.

Q. Why? Because my stenographer took it down wrong and I called my secretary downstairs, which she will be prepared to swear, and I had the change made there and then, before the minutes were read at the next meeting.

Q. In the presence of the members of the board? A. No, they were not there; that is the only information.

Q. Where did you keep the minutes as the meeting went on, on a slip of paper? A. I kept the minutes on a slip of paper and had them copied in a book.

Q. And the paper destroyed then? A. It should not have been destroyed; I thought they were all there at the time my trial took place, but it appears they were not.

Q. It is quite true that the change was made? A. Yes.

Q. It was only made on account of the mistake in entering it as \$5,000?

A. Yes.

MR. HODGINS: After that? A. After that I did not report anything to them at all.

Q. I suppose when the change was made, the minutes would come up for confirmation? A. Yes.

Q. And would be read as in the changed form? A. I say that I read those minutes to the board as \$50,000 and they were confirmed as that.

Q. You thought they were confirmed, and that is your idea, at that figure? A. Yes.

Q. That was in 1908? A. Yes, 1908.

Q. And the directors evidently did not know there was any change at that time? A. Why, no; there was nothing said about it at all.

MR. COMMISSIONER: This is June 17th.

MR. HODGINS: Then there was no feeling between you; no reason why you should not have reported anything further? A. No, they would have granted anything I asked them.

Q. Why did you not report anything further? A. I read the \$50,000.

MR. COMMISSIONER: Did you notice this (page 133): "The general manager explained the formation and interests in the Keeley Mine which was satisfactory to the board, and further advances were authorized if necessary". Did they say that was put in? A. Yes, that is what they said after I was arrested.

Q. That those three lines I have read were interpolated? A. Yes, sir.

MR. HODGINS: What is your reason for not having reported these advances to them from time to time? A. I explained the matter to them fully at first and told them I did not know how far I would have to go; I did not think I would have to pay anything more than the first payment and that we stood to make large money for the bank out of it.

Q. I should have thought that even if you had distinct authorization, their interest in the thing would cause them to ask you from time to time how it was getting along? A. They did not do so.

## SESSIONAL PAPER No. 153a

Q. I suppose you found the advances were so large you were afraid to report?  
A. Yes, that is true.

Q. Were any members of the bank at that time members of the Keeley Mine Directorate? A. None but myself.

MR. COMMISSIONER: What was their explanation as to what explanation you gave as to their credit; the directors were examined, were they, about it? A. No, they were not examined about it.

Q. You do not know what their statement is? A. No, my solicitor told me that they were prepared to swear that that change was made unknown to them, and I had not a leg to stand on; I might as well plead guilty to it; that is the way it was.

MR. HODGINS: There were two accounts; one the Keeley Mines, Limited, account, and there was another one later called the Keeley Mine Stocks and Bonds Account, was not there? A. Yes.

Q. Why were there two accounts? A. Because the one account was the direct advances of cash to the Keeley Mine; the other was the \$500,000 stock that was given as a bonus to the bank that was picked up as we required to cover up a loss.

Q. What do you mean by picked up? A. Picked up, carried into the books; it was not carried into the books when it was given; the \$500,000 was simply kept on hand without any entry in the books at all.

Q. Do I understand that if you made a loss in some other transaction that you would carry this into the books to offset that loss? A. We did.

Q. A sort of dumping ground for losses? A. I considered that the stock was worth \$300,000, 60 cents on the dollar, and I was using that surplus for the purpose of making profit.

Q. Or covering losses? A. The same thing.

Q. Is that another phase of banking, making profits and covering losses are the same thing? A. If your expenses are greater than your profits and you pick part of that stock up and credit it to profits then you are reducing—

Q. That is what you mean by making profits, manufacturing profits? A. I do not consider that manufacturing profits.

MR. COMMISSIONER: I suppose if it had been an ordinary business transaction it would have appeared as an asset of so much value at the time I got it? A. That is what I should have done.

Q. Instead of that you used it from time to time where you were running behind, appropriated it to meet the deficiency? A. That is exactly what was done.

MR. HODGINS: How were the call loans and current loans charged—to the Keeley Mines Limited? A. The call loans were the Keeley Mines Limited.

Q. Was anything else put in the account called Keeley Mine Stocks and Bonds—other losses in other transactions? A. Advances that were made to me.

Q. To what extent? A. \$90,000.

MR. COMMISSIONER: What does that mean? A. I borrowed on this stock that was in my name \$90,000.

Q. That is your stock? A. Yes.

Q. From the bank? A. Yes, the same as other directors of other banks borrow, and it was charged up to the Keeley Mine. There was \$50,000 in one transaction and \$40,000 in another; there was one hundred and fifty thousand dollars of my stock at 60 cents on the dollar transferred to the bank direct.

Q. You had how much stock? A. I had \$500,000 worth; I took the stock not thinking it was a personal matter, but to protect the bank.

Q. That was after it was re-organized for the second time? A. Yes, the second time.

Q. Because originally in 1908, in the Keeley Mine you got 100,000 shares, \$5 a share? A. No, that is not \$5 a share. One hundred thousand would be five hundred thousand dollars; the first amount was only two hundred thousand.

MR. COMMISSIONER: About \$200,000? A. Yes, about \$200,000.

MR. HODGINS: I am speaking December 4th? A. Then I got \$500,000.

Q. 100,000 shares at \$5 each? A. That is the original stock.

Q. I am speaking of the 4th December, 1908? A. Yes, that would be right.

MR. COMMISSIONER: Were they \$5 shares? A. They were \$5 at first.

MR. HODGINS: At this time in December, 1908 they became \$5, they became \$1 later on? A. Yes.

Q. When you speak of your stock you mean that \$500,000? A. No, I mean \$500,000 that was in my name personally.

Q. That is the one I am speaking of? A. Yes.

MR. COMMISSIONER: That is what you describe as yours, it was for your trouble and your work? A. Exactly.

MR. HODGINS: There is another 100,000 shares at \$5 each in the name of the Farmers Bank of Canada? A. Not in the Farmers Bank, myself in trust.

MR. COMMISSIONER: Follow up what that \$90,000 is?

MR. HODGINS: You say you borrowed \$90,000 in two sums of \$40,000 and \$50,000 on this stock? A. I did.

Q. What you call your own? A. Yes.

Q. What became of that money? A. I take the responsibility of that, I pleaded guilty to it in the Police Court, I used it, part of the property that I used it for I turned over to the liquidator.

Q. We are interested of course to find out where that money went, because it is a very serious matter if we are not able to recover any of the money for the shareholders or depositors, it was a very large sum? A. I cannot account for it all.

MR. COMMISSIONER: Cannot you tell in the main? A. I think the liquidator got about \$75,000 worth of property, I do not know what he sold it for.

MR. HODGINS: If you tell us first what you put it into we would have a better idea? A. I put it into Rosedale real estate, part of it, I think about \$40,000 there; it was sold for about \$27,000 I think.

Q. Is that your house? A. Yes.

Q. You put \$40,000 into that? A. I put that and the land that was there.

Q. And it was sold for \$27,000? A. \$22,000 the house was sold for and the lot was sold before that went into the liquidator's hands for \$5,000.

Q. That is hardly credible since 1908, since that time property has been going up in Rosedale? A. It is not credible; I say my house was sold for \$27,000 which should have been sold for about \$30,000.

Q. How do you say you put about \$40,000 into real estate? A. Because I put about \$35,000 into that real estate alone; I had three lots there that I refused \$16,000 for.

Q. You paid \$16,000 for? A. I did not pay \$16,000 for anything, I say I refused that for three lots there.

Q. How much did you buy? A. I bought three lots.

Q. What size? A. One was 70 x 120 and the other was 60 x 120, and the other 60 x 120, 190 feet in all.

Q. What did that cost you? I have just told you in the neighborhood of \$35,000 with the house and everything on it.

Q. You built the house? A. Yes.

Q. What did you pay for the lots then? A. I paid \$3,600 for one lot and \$5,000 for the other, those two.

Q. What for the third? A. The third was something like \$5,000, I have forgotten just what.

Q. That would be about \$15,000? A. Yes, about \$14,000.

Q. What did the house cost you? A. The house cost me about \$16,000.

Q. That would be about \$30,000? A. Yes, but I made improvements there; I sodded the place, I put in shrubbery, I improved some trees around there, I built a garage, I connected the waterworks with it; I have not got my private books.

## SESSIONAL PAPER No. 153a

Q. When did you do this? A. I did this in 1907 and 1908.

MR. COMMISSIONER: Q. Did you keep a book showing? A. No, I had not anything but my private cheques, I do not know what has become of them.

MR. HODGINS: Q. The \$40,000 was not drawn till January, 1910? A. I am not going to say anything about the \$40,000 beyond I pleaded guilty in the Police Court.

Q. I thought we were speaking on that? A. I say out of the moneys I took I am accounting for a certain portion of it that was turned over to the liquidator.

Q. I am going a little further than that, I want to see whether we can tell what you did with the \$90,000? A. You cannot, because I do not remember.

Q. I am trying to help your memory by suggesting that if you take the amounts you paid for these various things you would get a pretty good idea where the money went to; that cannot certainly refer to the \$40,000 because that was not advanced till January, 1910? A. No, I say of all the moneys that were referred to the Police Court on which I pleaded guilty, every dollar that was short was mentioned to the Police Magistrate when he sentenced me, and I am taking the responsibility of it all.

Q. That is you are taking the responsibility of misappropriating it, is that what you mean? A. The charge that was laid against me.

Q. But it is of a considerable interest to know if possible where the money actually went to? A. I have not a dollar of it, it is all gone.

Q. You ought, I think, to try and help the depositors? A. There is nothing the liquidator can get back out of it, or I would be very glad to help him.

Q. Why not let him try? A. Because I know it would be no use.

Q. Did you disclose to the liquidator what you did with this \$90,000 money? A. No, I did not. I was arrested so quickly and they locked me up and gave me no chance for my life and therefore I had no chance to help the liquidator.

Q. But since then, since the trial was over? A. The liquidator has talked to me about it several times and I have done what I could.

Q. Of course if you have told him what became of this \$90,000 it would be quite sufficient for us to get a statement from him, but have you done so? A. No.

Q. Are you objecting to? A. I am just now.

Q. Why? A. Because I do not think it will do any good so far as I am concerned.

Q. You are the only man who has had a chance to consider that question up to the present time? A. Well, I think I have taken the responsibility and taken my sentence on it, and I do not see I should follow that up; it has gone, I have not a dollar.

Q. If you could restore it now, you would be glad to do it? A. If I had the money or could get my hands on it, I should give it back with the greatest of pleasure.

Q. Why do you not give the liquidator a chance of seeing whether he can realize it? A. I do not think he could, it was paid out in different ways.

Q. Was it put into the Welsh Mine? A. There might have been some in, I do not remember just now.

Q. Have you any stock in there? A. Not in my own name, there was some stock held in trust for the bank.

Q. Who has got that? A. I think Wishart swindled him out of it, didn't he? Wishart was handling that.

Q. How much went into that? A. About \$35,000.

Q. And did that stand in your own name or in the bank? A. No, that stood in the bank's; that is apart from this other.

Q. It is apart from the \$90,000? A. Wishart owes the bank \$50,000 now.

Q. I am speaking of the \$90,000, bear that in mind; I thought you said part of it might have gone into the Welsh Mine? A. No, the Welsh Mine was a separate transaction of itself; that speaks for itself in the books.

Q. What is the reason that you won't say anything about the \$90,000 because it was taken by you and appears in the Keeley Mine account? A. It was borrowed by me, I borrowed it; I did not disguise it, I showed it in the books.

Q. Who did you show it to? A. Mr. Fitzgibbon made the entries, and there was no secret about it in any shape or manner.

Q. Did the directors know that? A. They could have if they had asked about it.

Q. You did not tell them? A. No.

Q. Frankly admitting you got it, that accounts for it in that way, but the liquidator is most anxious, and so am I, that if possible, some part of it should be recovered? A. I would tell him if it could, if a dollar of it could be recovered, I would tell him.

Q. You are not able to give him the satisfaction of knowing he cannot get it? A. Not to-day, no.

MR. COMMISSIONER: What does that mean, that it was applied for purposes of your own? A. Some of it, yes.

Q. And some not? A. Yes.

Q. Are we up against the same snag as we were about \$3,000? A. Yes, I was just about prepared to tell you the other one till I read that Telegram's article and then I thought I would quit when they put such an article as that in, I was doing my best.

Q. You ought not to hold the community for that? A. I may tell you privately before we get through with it; I am not prepared now; I am thinking over it very seriously; it is worrying me very much.

Q. Those letters you handed me they all showed that a great many people are suffering from this; even if they cannot get any money if they got a little satisfaction in knowing what became of their money? A. It went into the Keeley Mine, practically, that is where the money has gone; if I had had three months longer, nobody would have required to have made any requests about it at all.

MR. HODGINS: This \$90,000 did not go into the Keeley Mine? A. I did not say so.

MR. COMMISSIONER: He means the money these people have lost? A. The depositors money went into the Keeley Mine.

MR. HODGINS: There are two other sums of \$15,000 and \$20,000 in addition to the \$90,000 that were taken by you, were there not? A. Yes, they were borrowed by me.

Q. On the same stock? A. Yes.

Q. And are represented now by Keeley Mine notes, are not they? A. Yes, I borrowed through the Keeley Mine by using the Keeley Mine notes for the purpose of avoiding the directors' liabilities to the Government.

Q. Did you make a Keeley Mine note and then put it into the bank and take the money out yourself? A. I made a Keeley Mine note and then credited the Keeley Mine with it and drew a cheque of the Keeley Mine to my order.

Q. And took the money? A. Deposited it to my credit.

Q. That would make \$125,000, the \$90,000 and \$15,000 and \$20,000? A. The liquidator has the whole amount there.

Q. That is he has a detail of the whole amount? A. Yes.

Q. I am bringing that to your knowledge in order to ask you if you would let me know what was done with that or whether you would rather consider that as well? A. I will.

MR. COMMISSIONER: I do not understand how that was put through the books, the Keeley Mine note? A. The Keeley Mine directors passed a resolution

## SESSIONAL PAPER No. 153a

that I could use the company's name in any way I saw fit, I think that is about the size of the resolution, and I made a Keeley note for \$20,000, I credited the \$20,000 to the Keeley Mine and then drew a Keeley Mine cheque.

Q. Credited where? A. Credited the proceeds of the note to the Keeley Mine account in the bank, then I drew a cheque of the company to my personal order.

Q. MR. HODGINS: I do not see how that would work, the Keeley Mine borrowed from the bank \$20,000, gave a note for it? A. Yes.

Q. That is the first step; the money was paid to whom for that? A. The money was paid to me.

Q. What was done with it? A. The proceeds of that note was credited to the Keeley Mine account in the bank and then a cheque of the bank was drawn to my personal order.

MR. COMMISSIONER: What account are you reading from, Mr. Hodgins?

MR. HODGINS: From the Keeley Mine account; that was simply put into the account as a Keeley Mine note, that is the security which represents this advance of \$20,000 and \$15,000 ostensibly on account of Keeley Mine and it really went to Mr. Travers.

MR. COMMISSIONER: Of course it would properly appear in the Keeley Mine account the way he described it, they discounted the note.

MR. HODGINS: You did not actually discount the note in the sense of putting it through the discount? A. I did discount the note.

Q. I thought you just left it in the bank without discounting it? A. No, you are wrong, I discounted.

MR. COMMISSIONER: You said you discounted and carried the proceeds to the credit of the Keeley Mine account? A. Then I drew a cheque to my personal order and credited my own account with it.

MR. HODGINS: That was apparently November 3rd, 1910? A. Very likely.

Q. That is a little more than a month and a half before the bank failed? A. Yes, but it was not all used, the \$20,000, in one moment; my personal account will show that is chequed back for two weeks.

Q. Where is your personal account? A. In the ledger of the bank.

Q. Have we access to your personal cheques? A. No, I do not know; I sent them up to my house and I have never seen them since.

Q. When did you send them to your house? A. I told you the other day; the day the bank failed.

Q. I thought you said they were sent to Mr. Owens? A. They were sent to Mr. Owens with the Keeley Mine box, that is my impression, and they were sent up from there to my house.

Q. Did you ever see them at your house? A. No.

Q. Did you ever inquire from any one whether they got there? A. I have since the failure of the bank, yes.

Q. What was the result of your inquiry? A. I have not had any chance; I have been in jail all the time.

Q. When you were arrested the first day, that was the day in which the Keeley Mine box and your private cheques went out of the bank? A. Yes, there was no question about those cheques then for some time afterwards, and when the question came up the cheques were not at my house; I think Duncan sent up for them.

Q. You had an opportunity of finding out if they had reached your house? A. I had no occasion to find out; there was nothing came up that caused me to look for them.

Q. Why did you send them off? A. Because I wanted all my papers; there were private letters.



Q. Give me the reason you sent them to your house? A. Because I did not wish them seen.

Q. Did you pay no attention to whether they had ever arrived there safely?

A. I knew the box had arrived, but I never looked at it.

Q. How did you know the box had arrived? A. I was told so.

Q. That is the Keeley box? A. No, my private box.

Q. You were told it had arrived at the house? A. Yes.

Q. Who had received it there? A. One of the servants, I suppose.

Q. Who told you it had arrived? A. I do not know.

Q. Did you give directions? A. I did not think about it at all; it did not worry me; I did not think about it; I was just told there was a box there.

Q. If you did not want it to be seen and you found out it had got there, you would naturally make some inquiry, would not you? A. No, it did not give me any consideration beyond there was some private letters and papers and other things in it that I wanted home.

Q. Did you see it after it got home? A. No.

Q. Did you go through it? A. No.

Q. Did you take out anything from it? A. I never did.

Q. Did any one else at your request? A. I don't know, I never asked anybody.

Q. Did anybody ever tell you they had? A. No.

Q. Do you know where those cheques are? A. No.

MR. COMMISSIONER: Has the box turned up?

A. Yes, Inspector Duncan went up there and seized a box.

MR. HODGINS: Seized this box? A. I believe so.

Q. Did you ask him what it contained? A. I did not.

Q. Never made any inquiry? A. I was shown so little consideration that I did not bother much about it.

Q. Would what you have told us about the \$20,000 note refer also to the \$15,000 note? A. Yes.

Q. Did you think that was in pursuance of some resolution of the directors—

MR. COMMISSIONER: He spoke of some general resolution? A. There was a general resolution.

MR. HODGINS: Was that in the early stages? A. Yes, I think I could find it there.

MR. COMMISSIONER: That would mean that the Keeley Mine was lending you that much money. A. The Keeley Mine lent me that much money under authorization of the Board of Directors of the Keeley Mine.

MR. HODGINS: I suppose neither the Keeley Mine nor the bank, other than so far as you represented them, ever realized that fact? A. Yes, they did; the Keeley Mine did.

Q. Who knew of it then in the Keeley Mine? A. Both Dr. Nesbitt and Wishart.

Q. Of both those loans? A. Of everything I did in connection—

Q. Be definite, both the \$15,000 and the \$20,000 loan? A. Yes.

Q. Because they are more than a year apart? A. It does not make any difference, from the very first to the last.

Q. You say that both Wishart and Nesbitt knew? A. Yes.

Q. That you were borrowing that money? A. Yes, I would say so.

Q. And were putting it into your private account? A. Yes.

Q. Did they get any money at the same time? A. I do not care to answer that.

Q. I think you ought to answer that? A. I have pleaded guilty to taking that money and my solicitor says that is sufficient for me; I do not want to get anybody into trouble.

## SESSIONAL PAPER No. 153a

Q. I would like to know whether they were asking you to get money for them under this general authority or not? A. Well, Wishart got some of it, yes.

Q. What about Beattie Nesbitt? A. Beattie Nesbitt did not get any of that money; at least, I do not remember him getting any of it.

Q. Which money do you speak of? A. You have spoken to me about the \$20,000 and the \$15,000.

Q. Yes? A. Some of those amounts commencing with the \$50,000; \$50,000, \$40,000, \$20,000 \$15,000; I say Wishart got some of that money.

Q. You do not remember, is it, about Beattie Nesbitt getting any? A. No, I do not think he got any of it at all.

Q. Why are you so indefinite about that? A. About Beattie Nesbitt?

Q. Yes? A. Because I do not remember giving him any.

Q. Is this resolution you spoke of about an account being kept in the Farmers Bank? A. I thought there was another one besides that.

Q. That is not the one, is it? A. That is not the one I was thinking about; I thought there was another.

Q. That is the first meeting of the new company, I think? A. I do not think so; this is the only one I see here, but it was in my mind, although that gives me authority to sign cheques.

Q. This one that I pointed out to you at the first meeting of the directors, December 4th, 1908, says, "all cheques, notes, drafts, and other documents necessary for the carrying on of the business of the company to be signed by the Secretary-Treasurer"; that was yourself? A. Yes.

Q. "And that the management of the mine be left entirely at his discretion" --you would not want any more than that to do any legitimate business? A. But my impression is there was another agreement amongst us; I thought it was in the shape of a resolution.

Q. Who was the agreement made between? A. There were only three of us that were interested in that, Wishart, Nesbitt and myself, and I acting for the bank.

Q. There are quite a number of other shareholders came in? A. Afterwards, but those shares were transferred subject to all the conditions that existed under them at the time Wishart held them.

Q. The payment of the \$15,000 was October, 1909? A. It might have been.

Q. There were quite a number of shareholders had come in prior to that? A. There was stock transferred from Wishart to them, the same stock.

Q. Mr. Crompton was a shareholder, was not he? A. Yes.

Q. Did he know anything about your borrowing? A. No, I do not think he did; I am sure he did not.

Q. Did any of those to whom Pakeman assigned the shares know anything about your borrowing? A. I never told him.

Q. Did they know anything about this alleged resolution or agreement that you speak of? A. I fancy they did; I could not swear to it.

Q. You think Crompton would have known? A. No, Mr. Crompton would not.

Q. Would those Pakeman had—? A. I do not know what Wishart told them; he dealt with them entirely, I did not.

Q. At all events, you did not tell him. October 26th, 1909, I see quite a lot of stock allotted on the increase of the capital stock; and then I see Dr. Beattie Nesbitt resigned on the 5th April, 1910, as director? A. Yes, I presume so if the minutes show that.

Q. And did Wishart remain in after that or did he get out at the same time? A. Wishart went out then too, I think; the minutes show what happened.

Q. I do not find that he did at that time; I do not say he dropped out, but he was not elected a director on May 19th, 1910? A. That is the annual meeting; he was dropped.

Q. How would you say that either Beattie Nesbitt or Wishart knew anything about this November 3rd, 1910, \$20,000? A. How would I say so?

Q. They had both dropped out as directors before that? A. Which one do you refer to?

Q. The advance of \$20,000 November 3rd, 1910? A. I could not say that; I thought you meant the other, before they left; the \$20,000 I do not know, they would not know anything about that.

Q. As I make it out, that is \$90,000 and the \$35,000, making a total of \$125,000, and the amount paid to Dr. Beattie Nesbitt of \$5,000 for re-organization, as you said, managing Wishart, amounting to \$130,000, appears to have been paid out and not used for the purpose of the operations of the mine? A. No.

Q. I am right in that? A. Yes—I won't say that; no, I won't go that far.

Q. Pretty nearly that far? A. No, I cannot go that far. I will say that they do not show in the books of the company for operating the mine.

Q. My question is rather directed to the reality instead of the— A. As far as the books of the company goes, it would show the money was not used for the purpose of the mine.

Q. So far as you yourself are concerned as to the \$125,000? I thought I was using it for the purposes of the mine to help the bank.

Q. You might leave out the words "for the purposes of the mine", would not you? A. Both the bank and the mine were so intimately associated that we can hardly divorce the one from the other.

Q. You do not mean to indicate it was spent on the mining operations at all? A. Not in sinking down in the ground and paying wages, no.

Q. Do you suggest that any of it was indirectly used—

MR. COMMISSIONER: Development.

MR. HODGINS: Can you suggest any way in which the mine or mining property got the benefit of it? A. Not without giving the complete details, which I could not do just now.

Q. How do mean the complete details? A. Where the money went.

Q. You are still back to the point you want to think over? A. I am still back to the point you started from.

MR. COMMISSIONER: Perhaps you can find out from this witness whether he kept a record of these things.

MR. HODGINS: Did you keep a record of these payments at all? A. I had one some place; I don't know where it is.

Q. Where did you keep it? A. I kept it in a memorandum book I had that went up to my house, I think, with the other things.

Q. Did you find out what became of that? A. I never saw that box from the time it left the bank; please let me be emphatic about it; I never asked anything about it or saw it, and I was in such trouble I did not think about it; the first time the matter came up was in the Police Court, and to tell the truth I did not care for it after that.

Q. I should think that would be the one thing you did care about? A. I got such swift and such unfair treatment, that really if they had waited a while they would have got everything; I was not trying to get away from any responsibility at all; the bank failed one day and they had me arrested the next.

Q. That was not the doing of any of the depositors? A. No.

Q. You understand that my interest in the matter is directed in these inquiries at all events to help them, because if anything can be recovered they are the ones that will benefit? A. I have already told you that if it was possible to get one

## SESSIONAL PAPER No. 153a

dollar of that money back I would gladly give the liquidator the fullest information but I cannot see it will.

Q. He naturally wants to have some chance to decide that himself; before leaving this, you, I think, gave a wrong impression; you said you turned over \$75,000 of property to the liquidator which he has sold as I understood for about \$30,000? A. Yes.

Q. Is not that a little misapprehension? A. Not a bit, not a particle. We will just see how close we can get to that. It is not what he sold it for, it is what it cost me, I am going on.

Q. You do not mean to suggest that he sold at an undervalue? A. I think he sold for all he could get for it; I am not quarreling with him in the slightest; he is a very careful and honest man, and I am only saying I was not consulted in the matter, nobody said a word to me about the house being sold; it was in my wife's name, and I think she could have kept it, because it was built in 1907 and there was that money, commissions owing me at that time.

Q. Did you sell a lot close to the house and get money for it before the failure? A. Yes, I sold it for \$1,000 to pay my solicitor.

Q. What was the size of that lot? A. That lot was 60 feet by 120.

Q. What was that worth, what did it cost you? A. It was worth over \$6,000.

Q. You sold it for \$1,000? A. Yes.

Q. Subject to mortgage? A. Subject to a small mortgage about \$2,000.

MR. CLARKSON: I think it was \$3,500? A. No, it was not; I sold it for \$1,000.

MR. HODGINS: Considerably undervalued? A. Yes, I sold it quickly to get money to defend myself with.

Q. Just give me that memorandum you are making and we can go to something else? A. Here is \$68,000 I can figure up in a minute; the house and two lots cost me \$35,000; the garage \$2,000; the next lot \$3,500 over and above the mortgage; that is \$40,000. The Maitland property cost \$20,000; that is \$60,000 I spent that much on it; and the automobile you took and sold for \$2,500, for the duty on it, the pure duty on it cost \$7,500. That automobile was given me by Wishart in the first place or I would have never had it, and then he made me pay for it afterwards.

Q. He seemed to have a very winning way with him some how? A. There is \$68,000 worth of stuff.

MR. COMMISSIONER: What is meant by the Maitland property? A. It is the old Lewis Rectory below Brockville, about 5 miles. There was a stone house and 35 acres of land; that property was very valuable down there and I bought that place.

Q. Is that the place where the distillery was? A. Yes, where my brother-in-law lived, Mr. Harvey.

Q. What did it sell for? A. \$7,500; but you gave Mrs. Travers about \$5,000 out of that.

MR. CLARKSON: In connection with her dower? A. Yes.

MR. HODGINS: Did you pay \$20,000 for the Maitland property? A. I did not, but I spent that much on it.

Q. You spent pretty freely on your house and Maitland property? A. Yes, I spent it whether it was free or otherwise.

Q. How do you make these amounts up? A. I am putting it down roughly.

Q. Did you keep an account of these expenditures? A. Yes, and my cheques would have shown all that, and I had a little memorandum book that was in there I think; I have never seen it since I was arrested.

Q. Are you just taking now a sort of general estimate of what they must have come to? A. No, I kept a memorandum of them, everything I did.

Q. Do you recollect what the memorandum showed? A. No.

Q. You are really estimating this is what they cost you? A. I can pretty nearly figure it up in my mind.

Q. We have no means of checking it? A. In the first place the place was \$6,000, of which there was 5,000 paid. The verandahs cost \$4,000, that is \$9,000; a little bungalow which you gave to Mrs. Travers cost about \$3,000, that is \$12,000; and then there is the ice house cost \$500—no, I did not pay for that. Then there was a wharf down at Maitland cost a couple of thousand, that is \$14,000. There was a couple of thousand dollars spent on the stables, that is \$16,000—there was a windmill, there was a waterworks, there was plumbing, there was the re-decorating the house—I cannot remember all the amounts, but I am sure it ran up to nearly \$20,000.

Q. To turn a little while to another matter altogether I want to speak to you about the Continental Securities Company subscription and its effect on the Keeley Mine account and other accounts; this was a Winnipeg company was it not? A. Yes.

Q. And you negotiated with them for a subscription for stock? A. I negotiated with them to take one half million dollars of our stock.

MR. COMMISSIONER: At what? A. At 125.

MR. HODGINS: Had you at the time of that subscription that amount on hand, half a million? A. No, there was not half a million on hand subscribed for at that time, but there was certain stock we could make use of though.

Q. Allotment was made on the 18th March, 1908, to the Continental Securities Company? A. By allotment or transfer, is it not?

Q. No, allotment I think? A. I thought it read by allotment or transfer.

Q. You transferred or cancelled about how much stock? A. I could not tell, the minute book will show that.

Q. At all events you transferred certain stock, the minute book will show what that was? A. Yes, it will show how that was made up.

Q. Did any of these subscriptions that were cancelled or that were transferred, figure on the original list sent to the Government? A. Yes.

Q. Apparently the total you had to get in order to make up the half million was about \$139,000 or \$140,000 in stock? A. I should say from memory.

Q. The Lindsay subscription was cancelled, was it not? A. Yes.

Q. For 500 shares? A. Yes, that was cancelled.

Q. And the Davidson and Smith, the two in Flint? A. Yes, I think they were cancelled too.

Q. Luxton—

MR. COMMISSIONER: Cannot we get all this without spreading it all out here? Cannot we get a statement of that?

MR. HODGINS: Yes, if you prefer that I will do so.

MR. COMMISSIONER: I think we had better get a statement. It all appears in the books? A. It is all in the minutes of the directors there.

MR. HODGINS: Minute book page 122 is the cancellation of 578 shares for which, the minute book says, with the balance of the unsubscribed shares of stock, viz. 3,914 shares, was allotted to the Securities Company.

MR. COMMISSIONER: That is nothing like the figure you mentioned to the witness, 578 shares.

MR. HODGINS: \$57,800—sixty thousand eight hundred of transfers. Page 122: "The General Manager submitted the proposition to subscribe for 5,100 shares of our stock at 130 each"? A. I thought it was 125.

Q. "A commission of \$15 per share"—

MR. COMMISSIONER: What is that about commission?

MR. HODGINS: \$15 a share; that is payable to Mr. Chevrier for the Continental Securities Company of Winnipeg? A. Yes, he was a brother of the Senator that died up there.

## SESSIONAL PAPER No. 153a

MR. COMMISSIONER: Does that mean he was getting that personally or a discount to the company? A. He was to get it personally I understood, and one or two men that were associated with him.

MR. HODGINS: "That 578 shares with the balance of the unsubscribed stock, viz. 3,914, making in all 4,492 shares be and they are hereby allotted to the Securities Company, and the General Manager is authorized to procure the transfers of 608 shares to complete the 5,100 shares to give effect to this proposition"—that is the way it was done? A. Yes.

Q. That large Lindsay subscription was cancelled at that time? A. It will show there if it was cancelled; I think it was.

Q. Those were transferred by the company to three men, Tevis, Chapman and yourself afterwards? A. Not to me.

Q. Were they transferred to Tevis and Chapman? A. Yes.

MR. COMMISSIONER: What were transferred? A. The shares that were held.

Q. Your bank shares? A. Yes, 5,100 shares, \$510,000.

Q. MR. HODGINS: That was allotted to the Continental Securities Company and transferred by them afterwards by Tevis and Chapman? A. Yes.

Q. What was the object of that transfer? A. The object was that the Winnipeg people fell down in their arrangements.

Q. That is the Continental Securities Company? A. Yes. That was only just a company formed by Chevrier and a lawyer named Huggard, and another man up there, so that it would not appear in their own names personally. The Continental Securities I do not think amounted to anything.

Q. Did you know that when you made the arrangement with them? A. Yes.

Q. What was the object of making it? A. Because they were going to sell this stock to the grain growers up there, and I went up and met the grain growers, they were just prepared to subscribe for the whole of the stock when the question came up of Chevrier's commission, and they said they did not know about that, and the whole thing fell through.

Q. The transfer to Tevis and Chapman made by the company was with your consent, of course? A. Yes, I tried to place it elsewhere.

Q. Tevis and Chapman represented the people you were placing it with? A. Yes.

Q. What arrangement did you make with Tevis and Chapman? A. I made an arrangement with them that Chapman would subscribe for the full amount, if I remember right, with the idea of re-selling it.

Q. Who were Tevis and Chapman? A. Chapman was a son of E. R. Chapman, the private banker on Broadway, N.Y., supposed to be a wealthy man.

Q. Who is Tevis? A. Tevis is a lawyer from Louisville, Kentucky, that was friendly with them; I did not know any more about him than that.

Q. What were they to do towards paying up the stock? A. \$115,000 was taken up by \$120,000 worth of American Piano Co. stock.

Q. Those Tevis shares, 1,150 shares? A. Yes, then the rest of it was in Chapman's name, and has stayed there from that day to this.

Q. This was really devised to increase your right to your circulation? A. No, I had no idea about that; it was to get capital; they were under the impression that they would be able to sell it, produce the money for it.

Q. Tevis on this personally got a loan did not he? A. The company's stock was hypothecated for a loan to Tevis, giving the original owners of the Piano Company's stock a chance to take it back if they wanted to.

Q. When Tevis got this transfer of 1,150 shares he was bound to pay for them, that was your idea, that they were to be paid for? A. Yes.

Q. They were paid up by your taking \$120,000 of American Piano Company's stock? A. Yes.

Q. That paid them up? A. Yes.

Q. And that was so shown in the next statement that they were paid-up stock? A. Yes, it was.

Q. Did you get the American Piano Company's stock, \$120,000? A. I got all the \$120,000, yes.

Q. And then you loaned on that, as I understand it, \$120,000 to Tevis? A. Yes.

Q. So that the transaction resulted in this, that you had 1,150 shares paid up in full, you had the American Piano Company's stock which paid it up, and then you loaned to Tevis \$120,000 of money? A. I loaned Tevis \$120,000 against the Piano Company's stock. Tevis gave a cheque for \$120,000, and \$115,000 paid the cheque, and the other \$5,000 was credited to the profits of the bank, which the books will show.

Q. \$115,000 was used to pay up the stock and \$5,000 went as a credit to the profits of the bank? A. Yes.

MR. COMMISSIONER: How did Tevis borrow on stock that was transferred to the bank? A. He did not borrow on the bank's stock, but on the Piano Company's stock.

Q. That had been transferred to the bank as I understand it in payment for the shares?

MR. HODGINS: I had put it a little wrongly; he comes and borrows on the American Piano Company's stock \$120,000.

MR. COMMISSIONER: Before he does any business.

MR. HODGINS: Yes; then he gives them a cheque on their own bank for \$120,000, of which \$115,000 pays up the stock, and the \$5,000 goes to the profits? A. Yes.

Q. Then you have the \$120,000 as security for a loan? A. Yes. The idea was he had got the Piano Company's stock from a man named Knabe, and Knabe I think had an arrangement with Tevis by which he could redeem that stock if he wanted to.

MR. COMMISSIONER: Where did it leave the bank?

MR. HODGINS: It left the bank out that \$120,000 and \$120,000 Piano Company's stock. A. It left the bank with \$120,000 of Piano Company's stock which was sold by the Trusts Company for \$95,000 cash afterwards.

MR. COMMISSIONER: What did you get for that, you paid cash for it, didn't you? A. It really boiled itself down to this, that the Piano Company's stock was exchanged for the Farmers Bank stock.

Q. It did not stay exchanged because you lent the money on that? A. No, that loan wiped out—the Tevis loan was wiped out when the Piano Company's stock was used.

MR. HODGINS: There was a loss of \$30,000.

MR. COMMISSIONER: When it was ultimately sold? A. Yes.

MR. COMMISSIONER: I thought it was the other way on; you did get the Piano Company's stock for your stock? A. Yes.

Q. And no loan to Tevis—the loan was paid off? A. Yes, it was paid off down to the full amount, I think.

MR. HODGINS: \$120,000 and you got \$95,000.

MR. COMMISSIONER: That is by sale; if it sold for what is cost it would have paid the loan.

MR. HODGINS: In the meantime you got advantage of having that much more capital paid up? A. Yes.

Q. Against which you could issue circulation? A. Yes.

MR. COMMISSIONER: Did Tevis sell? A. He was a go-between for the man named Knabe.

Q. Did Knabe get Farmers Bank stock? A. It was issued in Tevis's name and he turned it over to them; they held it, although it did not appear in their name; the transfers were never made on the bank book.

## SESSIONAL PAPER No. 153a

Mr. HODGINS: He was a sort of stool pigeon for the other people? A. Yes, if you want to put it that way.

Q. There was really more than that \$120,000 of Piano Company's stock, there was \$145,000? A. Yes, something like that was the original amount; it never came into our hands though.

Q. Whose hands did it come into, the Merchants National Bank, New York? A. Not the \$25,000 of stock I think; it is not fresh just now in my mind.

Q. A letter from you, dated November 12th, 1908, to the cashier of the Merchants National Bank, Mr. Byrne: "In reply to yours of the 10th, your understanding of my instruction is correct, viz.: that on delivery of the \$145,000 stock of the American Piano Company preferred 7% cumulative deliver the bank's certificates representing \$115,000 of our shares, and when said Piano Company's stock is put into marketable shape pay M. D. Chapman \$20,000, the amount I agreed to loan him for a short time on completion of the transaction"—does that recall what was done? A. \$20,000 was loaned to him, but that was paid back again.

Q. On delivery of the \$145,000 Mr. Byrne is to deliver the bank's certificates representing \$115,000 of shares? A. Yes, that is right.

Q. Did he get that? A. \$145,000?

Q. Yes, did he get that before turning that over? A. I do not understand the way you put that.

Q. Your letter indicates that Mr. Byrne is to receive \$145,000 worth of American Piano Company's stock before it is to hand over the bank's certificates? A. Yes.

Q. Did he get that? A. I presume he did; I never saw it.

Q. What became of the other \$25,000? A. Twenty-five thousand Chapman took for his commission on the whole transaction.

MR. COMMISSIONER: You lent him \$20,000 against that? A. Yes, I lent him \$20,000 against that and it was afterwards paid off.

Q. And then he got his shares? A. Yes.

Mr. HODGINS: Who is J. H. Allen? A. I could not tell you, I do not remember.

Q. Look at that letter, because that looks as if that \$25,000 shares went to Allen instead of Chapman? A. When those people issued their capital stock they make it into a certain name, and have him endorse in blank, with the object of not having to make so many transfers; that is what I think that is.

Q. Does that change your evidence at all with regard to what became of the extra \$25,000? A. No, I knew twenty-five thousand was to go into Chapman's hands for the transaction.

Q. Chapman and Tevis were the two people to whom the stock had been transferred, and you gave him \$25,000 commission, did you, for selling the Tevis shares? A. Not for selling the 115,000; it was based upon the whole transaction, on the 5,100 shares. You see the balance of the stock was sold at 130, so that had he completed the whole transaction, the transaction that he got then would have come out all right.

MR. COMMISSIONER: Everybody except the bank seemed to get in front? A. Get the best of it; it looked so easy to me, and I thought if he was a rich man he was good enough for his subscription.

Mr. HODGINS: That is Chapman? A. Yes, I thought he was perfectly good.

Q. You gave him that extra \$25,000 as commission on the whole transaction? A. That was an arrangement they had with him, and I did not think it affected me.

Q. You lent him \$20,000 which he afterwards paid back? A. Yes, that was paid back with interest.



Q. There is a receipt from him for his commission for \$50,000; is that the same or an addition? A. You see he only got \$25,000 on account of that; that document is a receipt for \$50,000.

Q. Fifty thousand, that was 10% on the five hundred thousand he was to get originally.

MR. COMMISSIONER: I thought it was fifteen? A. That was \$15 a share, you were speaking of a little while ago. He was to get \$50,000 for placing the whole \$500,000.

MR. HODGINS: There is a receipt signed by him as if he had got it? A. Quite right.

Q. Did he get it? A. No, he did not.

Q. What did he sign the receipt for? A. That was so that when the balance of the stock was sold the commission would have been completed; he did not get \$50,000.

Q. I really do not understand; this is a receipt, "Received from the Farmers Bank, \$50,000, the par value of the 7% cumulative preferred stock of the American Piano Company, in full of charges and commissions due me or my partners for selling \$500,000 of the capital stock of the Farmers Bank of Canada. Melville D. Chapman"—and who are the others? A. I did not notice who signed there.

Q. That is dated the 9th November, 1908; was that \$50,000 ever paid or did he only get \$25,000? A. He only got \$25,000.

Q. That would be for writing 115,000 of shares? A. Yes.

Q. For selling the other 3,850 shares he would have got the other \$25,000, according to that receipt; however, he did not? A. No, I do not think he ever did.

Q. He never sold the 3,850 shares? A. The 3,850 shares were never sold.

Q. In round numbers, there was a loss on that transaction of \$25,000 when they realized on the American Piano Company's stock? A. No, I cannot say there was any loss on it at all, because while I was made use of the Piano Company's stock was a matter as between them; I got 100 cents on the dollar on the \$120,000 and the stock was still subscribed to be paid for at 130.

Q. When the bank failed, they found themselves with those 1,200 shares of the American Piano Company, and a loan of \$120,000 to Tevis with interest? A. No, they did not; they found that transaction closed up and with Tevis owing a balance.

Q. How much? A. About \$30,000, I think.

Q. Tevis owing a balance of about \$30,000? A. Yes, but that \$30,000 would not be on that transaction; \$15,000 of that was a new loan I made to him entirely.

Q. You are looking at it from the bank's point of view as if they had paid up the stock with that and therefore it became their own good asset? A. Yes, because we cancelled this loan and cancelled the stock.

Q. The loan was \$120,000? A. Yes.

Q. How much did he pay on that loan? A. He paid \$100,000 of it.

Q. In cash? A. In cash, well practically so.

Q. When did you get that out of him? A. The Piano Company's stock sold for \$95,000, \$5,000 profit paid the Head Office, \$100,000.

Q. You do not regard that as a loss to the extent of \$30,000? A. Yes, I certainly do, because the Piano Company's stock was sold too cheap.

Q. That completes that particular transaction, does it not? A. Yes, that is as far as I remember.

MR. COMMISSIONER: Why, if Chapman was personally liable for these shares, why did he get money; was not a suggestion made to apply them on the shares he had? A. Because they had got Mr. Knabe into it—the arrangement of the Piano Company's stock was with Mr. Knabe; it was a side matter, and we were

## SESSIONAL PAPER No. 153a

working the bank stock off by using part of that Piano Company's stock, and Chapman was to be responsible for the balance of the subscription, 3,850 shares, I think it was.

Q. That transaction closes itself, that was closed, you parted with so many shares and got that stock of the Piano Company; why should this man get commission in money if he was under a liability to the bank of several hundred thousand dollars? A. He was not under any liability at that time.

Q. Why not? A. Because he had—

Q. I thought he subscribed for the shares? A. Mr. Chapman subscribed for the shares; Tevis is the man who made the loan of \$120,000.

Q. Yes, and Chapman and somebody else and Hunt received the \$50,000? A. Yes.

Q. Why should they get that money, the \$25,000, if Chapman owed all this to the bank? A. They were not entitled to all that money at that time; they were entitled to only part of it, as I understood it; they only got \$25,000.

Q. They had not earned that, even at \$10 a share; there were only 1,115 shares; how many shares did they get? A. They got 1,118 shares, I think, \$118,000.

Q. That would be \$11,000? A. Yes, I overpaid him commissions there on the expectation that the balance of stock would run right; I thought we had a good subscription there; I thought it looked pretty good to me at the time; I thought it could be paid up very rapidly when they could get a man like Knabe to take \$115,000 of it as rapidly as they did; I thought the rest of it would run off the same way.

MR. HODGINS: The Continental Securities apparently gave its cheque, did it not, for a very large amount in the bank, over half a million? A. Yes.

Q. Really \$538,525, that was the difference between the certain charges you had made and the total amount they were to pay, was it not? A. No, that was for the full amount of the stock, I think.

Q. We make it \$663,000 would be the full amount of the shares, and all they gave you was \$538,525; the balance was made up how? A. The books speak for themselves there; it was just a cross entry, the whole business.

Q. This is one of the items that is said to be charged up against that; credited upon the total amount in order to bring out that balance; will you just look at that \$21,000 cheque; I find that that cheque was credited to the Continental Securities Company on account of the amount that they were to pay for this stock on account of this \$663,000. (Cheque referred to is part of Exhibit 61.) A. I presume so; the books will show that.

Q. That is payable to yourself, is it not? A. No, payable to the Farmers Bank of Canada.

Q. What became of the money for that? A. It appears to have gone to my personal credit.

Q. What was done with that; was that commissions on this stock sale? A. A. That was to be held by me for these chaps in Winnipeg, think.

Q. Who were they? A. Mr. Chevrier and others.

Q. That fell through and they did not get it? A. No, they did not get it, I do not think so.

Q. What became of it? A. I think I must have used it.

Q. Was there a Menzie note held by the Toronto branch at that time that was credited on that? A. There was a Menzie note.

Q. R. E. Menzie note held by Toronto branch, \$40,000? A. Yes.

Q. Why should that be credited to the Continental Securities Company? A. It is not credited to the Continental Securities Company.

Q. Was it allowed against your purchase price? A. No.

Q. I am trying to account for the fact that while they had \$663,000 they only paid \$538,000? A. Menzie took \$40,000 of the Farmers Bank stock and he gave me his note for it, secured by the Menzie Wall Paper Company's stock, and he never paid anything for it, and that stock was then transferred over to the Winnipeg people.

Q. The note was? A. Cancelled and given back to Menzie.

Q. And allowed the Continental people on their subscription? A. Well, taken up through the Continental.

Q. I do not see how that was if Menzie's note was outstanding? A. His note was not paid at all.

Q. If it was credited upon this \$510,000 of stock that would be wrong, would it not? A. I do not think that is the way it shows.

Q. If it does show that way in the book? A. It cannot show that way; I do not think so.

Q. It ought not, certainly? A. The books will speak for themselves. I do not remember that transaction exactly, but I know Menzie paid nothing.

Q. And his stock went to the Continental people? A. Yes.

Q. And they ought to have paid for it. A. They paid for it through their own cheque.

Q. They should have paid for it? A. It would appear so.

Q. And if instead of paying for it you put to their credit this Menzie note, that would be wrong. A. I don't think I did.

MR. CLARKSON: You charged it up against \$663,000 and they gave you a cheque for \$538,000, the balance, you threw all your obligations into that pot? A. That is only a cross entry; I am sure the books will show cross entries there.

MR. COMMISSIONER: That won't explain? A. No, that won't show Menzie paid up a dollar.

MR. COMMISSIONER: It won't show why these items went to the credit of that \$663,000—

MR. CLARKSON: The bank was carrying these items as paid up on its books and carrying Menzie's stock as paid up? A. Yes.

MR. CLARKSON: Q. They could not charge the Continental again with the Menzie's stock without paying it twice; that is why you put the note in against the \$663,000.

MR. COMMISSIONER: That would not be any reason why they should not pay \$663,000.

MR. HODGINS: They agreed to pay \$663,000, they give a cheque for the major part of it and they take credit for the Menzie note because they get the Menzie stock and I say that was wrong, because the Menzie note was not paid? A. They never took credit for it.

MR. CLARKSON: They are not credited, they are charged.

MR. HODGINS: Charged, that is more correct.

MR. COMMISSIONER: That is a different story altogether.

MR. HODGINS: My word is perfectly right, for I see there was credited on the \$663,000 the \$40,000 Menzie note, that is what the books disclose? A. I do not think they do.

Q. If they do show that it was wrong to have done it? A. I won't say that until I have gone into and examined it and saw the transaction exactly.

MR. COMMISSIONER: What was the bonus.

MR. HODGINS: At 130.

MR. TRAVERS: At 130, 5,100 shares would be \$663,000.

MR. HODGINS: The cheque they gave was \$538,525.

MR. COMMISSIONER: There must be another entry to meet that; there cannot be such a large slip as that.

MR. HODGINS: It is not a slip at all.

## SESSIONAL PAPER No. 153a

MR. COMMISSIONER: It would be absurd to think that a man dealing with these people would give them credit for \$130,000 for nothing.

MR. HODGINS: I quite agree with you.

MR. COMMISSIONER: I think it is most probable you will find another entry.

MR. HODGINS: We will drop this here till we have another look at that. A. That transaction works itself out right.

MR. COMMISSIONER: What do you mean by that? A. They stopped paying up the stock that was not already subscribed for, together with taking up the stock that had been subscribed for and nothing paid; one washes the other.

Q. They were to give you \$663,000 for this stock that they got, no doubt about that is there? A. There is no doubt about that.

Q. They only gave you \$538,000 according to the book, according to what Mr. Hodgins is reading from, that leaves a difference? A. About \$124,000; that cannot be.

Q. That is made up by giving them the benefit of this sum that has been paid by note, but not actually been paid by the people whose stock was taken over? A. That is how I think—

Q. Where is the entry; there ought to be something on the other side to cover that \$124,000 if the bank was properly dealt with? A. It is; it will be shown in the books.

Q. How do you suggest it would be; if they got credit for the moneys that had been credited on your books? A. Those were kept by the Toronto branch.

Q. Who was the accountant? A. The accountant at that time?

Q. Yes? A. I think it was a man named Spink.

MR. HODGINS: Using this as an illustration; there cannot be much doubt about what they did; these 5,100 shares of stock included Menzie's \$40,000? A. Yes.

Q. He had not paid for it? A. No, he gave a note for it.

Q. How did the Continental Company pay for it? A. Giving their cheque to take up Menzie's note.

Q. Did they? A. The books I am sure show that.

MR. COMMISSIONER: That must be the form if it went through properly, the form which it took; they must have taken up this obligation of the people who had not paid for their shares.

MR. HODGINS: You do not mean the Continental Securities Company gave their cheques for \$40,000?

MR. COMMISSIONER: They must have done that to make the transaction square.

MR. HODGINS: If it had been carried out as agreed well and good.

MR. COMMISSIONER: I do not think it is possible they made any such bungle as that? A. There is no question about it in the world, no.

MR. COMMISSIONER: However, the books ought to show if there is such an entry.

The Commission adjourned at 4 P.M. to 11 A.M. to-morrow, May 28th, 1912.

Toronto, May 28th, 1912.

The Commission resumed its Sittings at 11 A.M., at Osgoode Hall.

GEOFFREY TEIGNMOUTH CLARKSON, Sworn Examined by—

MR. HODGINS: Q. You are the liquidator of the Farmers Bank? A. I am.

Q. And you have had practically entire charge of the investigation of these matters since it came into your hands? A. Yes.

Q. You are thoroughly familiar with the books and records of the bank? A. Excepting in the minor details.

Q. Have you had access to all the documents connected with the bank so far as you could collect them? A. Yes, the only documents which I have not—perhaps I had better tell you this way: the day I went into the bank I gave instructions that no papers should be interfered with or go out of the bank, and while I was up in the Head Office I was told that Mr. Travers had removed some Keeley Mine papers and another box of papers. That resulted in Mr. Travers not coming into the bank premises again. So far as those papers are concerned I got back the Keeley Mine papers, but a box of papers went away containing what he said were private memoranda, and the police became aware of it immediately, and I think that box was traced to his house and into the custody of his son. I believe that afterwards the police got hold of a box, whether it was the one in question or not I do not know, but we got some papers, but not the notes and cheques and other documents that he refers to.

MR. COMMISSIONER: Where is the son? A. In Toronto here.

Q. I suppose he can be got. Has he been examined in the liquidation? A. He has not sir, but we have asked for papers from time to time and—

MR. HODGINS: Then the failure of the bank was on the 19th December, 1910? A. Yes.

Q. Having taken possession of all the books and papers of the bank you came into possession of all the outstanding assets, as I understand it? A. Yes, so far as I know of.

Q. And you have given your own personal attention in endeavouring to realize on them? A. Yes, my own personal attention.

Q. And you understand the particular situation of each asset and the transactions which produced it? A. I think fairly fully.

Q. Would it be possible for you to give from the books a statement of just how the bank stood when it opened its doors, or closely near that time? A. Yes, I have a statement here as of December 31st, 1906. That is on page 43 of that report.

MR. HODGINS: I am going to ask that we might use this book as a matter of convenience, and then the pages of it which we refer to might be bound up separately.

MR. COMMISSIONER: Very well. This statement is on page 43; and the exhibit will be marked as Exhibit 63.—EXHIBIT 63—pages of Mr. Clarkson's report which will be hereafter referred to.

MR. COMMISSIONER: Page 43 is a statement of the affairs of the Bank as of the 31st December, 1906.

MR. HODGINS: That statement shows what is compiled from data and books of provisional directors; also as shown by the permanent books of the bank; and as shown by return to the Government, and the differences between them? A. That is right.

Q. Then the payments on capital stock in cash would represent what was left out of the amount raised I suppose and in securities? A. The first statement shows that on the 31st December, 1906, \$227,034.30 had been received in cash on capital stock, that there was on hand at least put under the control of the bank, including the notes with the Trusts Company, \$175,830 of promissory notes given on account of stock—

Q. That is taking in those which the Trusts Company still had? A. That is right.

MR. COMMISSIONER: The loan would be on the opposite side, would it not, or is it shown? A. I have shown the balance of the loan at that time.

Q. Had not you better put opposite that what those notes are, because otherwise it might seem promissory notes of customers? A. Yes (Witness inserts "Given on account of capital stock").

## SESSIONAL PAPER No. 153a

MR. HODGINS: When the permanent books of the bank were opened the cash is shown as \$300,000 instead of \$227,000? A. Yes, there was I think \$75,995 of spread items included in that.

Q. That accounts for that? A. Yes, the difference in the borrowing.

MR. COMMISSIONER: The next item there is a credit of the Trusts & Guarantee Company, is that explained in the same way?

MR. HODGINS: The Trusts & Guarantee Company is shown among the credits of \$20,894? A. It is shown on my statement as among the liabilities; that \$20,894 is that amount was owing to the Trusts Company.

MR. COMMISSIONER: How could it be a credit? A. It is shown on the credit side of the account; the liability side of the account; anything on the credit side is a liability.

MR. HODGINS: That item is not shown, nor were the promissory notes shown in the permanent books of the bank or the return to the Government? A. No.

MR. COMMISSIONER: But that was replaced to the extent of the difference by the sum that was spread over got from the loan from the Trusts Company? A. Yes, sir.

Q. Why is premium on stock treated as liability, is not that profit? A. Yes, it is afterwards written off to profit and loss; it is a profit, but it shows the source of the item, that is why it appears in the credit.

MR. HODGINS: On the other side, which would be the debit side of the account, would represent the assets of the bank? A. Yes.

Q. Organization and other expenses in the permanent books as opened are about \$13,000 less than they really were according to the provisional directors' books? A. That is correct.

Q. Does that mean that they were improperly entered or is there any other explanation? A. It means they dropped \$13,000 of expenses at that time.

MR. COMMISSIONER: How? A. In the permanent books the expenses as shown there are about \$13,000 less than the provisional books show. There was a payment made to the Trusts & Guarantee Company I think of some \$25,000 in March, 1907, which was charged to organization expenses, and that difference of \$13,000 was picked up in those items. The full method of how that was picked up is shown on page 48 of my report.

MR. HODGINS: The cheque that you speak of, that last cheque of \$25,000 odd that appeared in the Trusts & Guarantee account that we went over the other day, some time in April is—A. \$25,344.

Q. That is the one? A. So far as I can find out the difference was picked up in that cheque through there.

Q. Picked up is an expression I would like you to explain; they opened their books showing that the expenses up to that time were \$13,000 odd less than they really were, and they have to account for the item somehow, how was it accounted for and what was it charged to? A. They borrowed from the Trusts Company \$100,000; they allocated about \$75,000 capital stock, including it in this \$300,000, that represents about \$25,000 that was charged back to organization expenses.

MR. COMMISSIONER: The whole of that? A. Yes, the whole of the \$25,000.

MR. HODGINS: That would account for about \$13,000 odd, which is the difference between these two items? A. Yes.

Q. What was done with the balance according to your investigation into the books? A. According to my opinion \$2,380 covered that re-payment to William Laidlaw through Lindsay, and I maintain that \$8,548 went other ways; Mr. Travers can tell you where that went; I cannot find out.

Q. How does it appear in the books; it is charged to organization account, is it not? A. Yes.

Q. Can you account at all for its expenditure? A. What I say is at the time it was charged to organization expense this \$13,000 increased to \$14,416, that was moneys expended by the provisional directors and not organization expenses;

that left \$10,928.80 still to be accounted for; \$2,380 of that was used to refund to William Laidlaw the amount paid into the bank by his clients on their stock subscription.

Q. Not to refund to William Laidlaw, refund to Travers? A. Refund to Travers, yes; that left \$8,548 still to be accounted for.

Q. Is there any cheque or vouchers to show how that was paid out? A. No, the only cheque in the bank's possession would be that \$25,344.

Q. We have to find out what was done with the proceeds of it.

MR. COMMISSIONER: That \$2,380 had been received from Laidlaw's clients?  
A. Yes, by the bank.

Q. And that appears on the debit side in those payments on stock? A. Yes, part of that \$8,000 will be in connection with interest and charges paid to the Trusts & Guarantee Company, probably—

Q. You have here Trusts & Guarantee Company bonus, it does not appear?  
A. No.

Q. May those three items you have here, \$1,500, \$327.65, and the \$560—?  
A. No, I have an exact accounting of that Trusts & Guarantee Company and it is accumulation of interest and other differentials; it won't amount to much, it will amount to a few hundred dollars.

Q. Are there any other items as you go down that need explanation?

MR. COMMISSIONER: Had not he better explain all these differences: first, the Trusts & Guarantee bonus? A. \$1,500 was the amount paid to the Trusts & Guarantee Company for those two loans of \$80,000 and \$20,000.

Q. Neither that, nor the furniture nor Lown \$560 is carried into the permanent books? A. No, they appear in the provisional directors; bank premises is carried into the permanent books.

Q. All down; the bills receivable? A. Yes.

Q. That is a cross entry? A. Yes, the point there is the banks did not carry those Bills Receivable on account of capital stock as on account of the capital stock at all. Then the legals, that is the same all through. Stock and bonds, \$27,027; those are stocks and securities obtained on account of payment on capital stock.

MR. HODGINS: You will find that above under payments on capital stock, which is exactly the same amount.

MR. COMMISSIONER: Yes, in securities. A. That was not carried into the permanent books.

MR. HODGINS: There is carried in an item of charges \$1,113.41? A. Yes; I think that that item was put in largely to make up a balance; I may be incorrect in that but I believe it.

Q. The Trusts & Guarantee Company, \$80,605.81? A. Those are those cheques paid to the Trusts Company in repayment of their loan.

Q. That is shown as an asset of the bank, is it not intended to mean that the Trusts & Guarantee Company owe that, have it on deposit for them? A. That is what the books indicate.

Q. That is making use of that as an asset?

MR. COMMISSIONER: That is treating the transaction as cancelled and the amount on deposit as the books show; the loan remained due by cancelling the credits and the Trusts Company had at the credit of the bank this \$80,000, had not it, is not that what this indicates? A. No, that \$80,000 arises from the three cheques given to the Trusts Company in repayment of their loan, but the loan was not carried into the permanent books at all, the moneys received from the loan, the \$75,000, and later on the \$25,000, the \$75,000 is included in the \$300,000 shown paid on stock.

Q. What \$75,000? A. Portion of the loan; I have a memorandum here.

MR. HODGINS: What the Commissioner wants to know is if that \$80,605.81 is treated as an asset of the bank; that means that it was practically on deposit

## SESSIONAL PAPER No. 153a

in the Trusts & Guarantee Company, was so treated—is the debt which in that case still existed to them shown on the other side, because if it was on deposit there and the loan was not paid off— A. No, the debt is not shown at all, but in that item of \$300,000 credit is taken for part of the money received from the Trusts Company.

MR. COMMISSIONER: Is that quite accurate, because this \$80,000 is part of what was spread over as payment on the stock? A. The whole \$80,000 was not spread over.

Q. \$75,000, I think you said? A. I will give you the exact amount, \$75,995 was spread.

Q. That is included in the \$300,000? A. Yes.

Q. So that to that extent there is a cross entry— A. Yes, to the extent of \$75,995; it is shown on page 39.

MR. HODGINS: Cash on hand I suppose was accurate at that moment? A. No, I don't think they had that cash.

Q. At all events the result is as shown on this statement that the provisional directors' books carried down to the 31st December, would have shown \$424,589 of assets, whereas it was carried into the permanent books at only \$301,000 and in the return to the Government it was shown at a much smaller sum? A. Yes. Of course, in the return to the Government they are not required to show the expenditure; they are just required to show the capital paid up and the assets.

MR. COMMISSIONER: Why do you say you do not think that cash was on hand? A. It was not on hand.

Q. What does the cash book show? A. The provisional directors' cash book shows it was not on hand.

Q. MR. HODGINS: Could you check it at all? A. My checking is it was not on hand.

MR. COMMISSIONER: How do you check it? A. On page 44 is an accounting for those differences. It is shown it is paid in on the permanent books at \$300,240. Then I deduct from that these items which I say are not based on facts, Cash on hand, Deposit with the Trusts & Guarantee Company, Excess Union Bank, and there is a difference of \$86,000; take that away from \$300,000, and that leaves \$213,372, a shortage difference of \$14,529. Now, then, the expenditures in there were, according to the provisional books, \$66,000, and according to that statement which we have the permanent books were \$52,000; that makes the exact difference.

Q. Let us see why that was done? A. The only reason for that is this, it was desired to show capital paid up as \$300,230, and it was desired to show a deposit in the Trusts Company of \$80,605; so that they had to make the books balance.

MR. HODGINS: Those are the two substantial items that they desired to show? A. Yes, that is the way they made the balance.

Q. What is the item \$140.78 you deducted? A. Those are sundry items.

Q. The \$1,113.41 you deduct there? A. Instead of organization expenses being included at \$64,000, they put in the item of \$51,000, and then they put in another item of \$1,113.41 to make it jibe. I do not see any bearing in fact for that item.

Q. What about the \$120.26? A. That also is some small item in here.

MR. COMMISSIONER: Here it is, premium on stock and exchange together? A. Yes.

MR. HODGINS: What cash capital did they open their doors with, so far as you have been able to find out, irrespective of their entries in the book? A. Do you mean December 31st, 1906?

Q. Yes; what did they begin business on? A. They had received in cash \$207,007.30, and they had received \$690.56 and \$140.78, totalling \$207,838. Out of that they had paid \$64,373.19. These furniture and Lown I take are assets,



bank premises are assets, Union Bank, Merchants National Bank, stock and bonds—if you take away the \$64,373.19 as the money spent at that time it leaves \$143,465.

MR. COMMISSIONER: You must add to that the money they got from the Trusts & Guarantee Company, because they had that money.

MR. HODGINS: It was borrowed capital.

MR. COMMISSIONER: Suppose it was, it was there at all events? A. On the 31st December, 1906, they had paid back the Trusts & Guarantee Company.

MR. COMMISSIONER: That is treating that item as unreversed; supposing you treat the entry as reversed, what is the indebtedness remaining? A. Then we will have the \$20,894.19, and they owed that to the Trusts Company, and then if they reversed the entry they would also have \$80,605.81.

MR. COMMISSIONER: Yes; that is the way they looked at it or treated it? A. After the reversal?

Q. Yes? A. That will give \$244,965.45.

Q. If that reversal is not to be looked at at all, then it means the other way?

A. If the reversal was effective it was \$244,965.45; if it was not, it was \$143,465.

MR. HODGINS: That they began business on? A. Yes; of course they had securities of \$20,027 in addition.

Q. What were those securities? A. Stocks, the Dominion Permanent and I think the Canadian Savings & Loan.

Q. That was given on account of stock? A. Yes.

Q. Was it kept by the bank or was it afterwards given back to these parties?

A. It was largely received from Devean, \$19,000 of it was received from Devean, and it was afterwards returned to him either in cash or in stock.

MR. COMMISSIONER: Stock of what? A. The original stock of the Canadian Savings and Dominion Permanent.

Q. He got back his stock or money? A. Yes, he got the equivalent.

MR. HODGINS: That gives the starting point of the bank, the financial position it was in at that date according to your researches?

MR. COMMISSIONER: They had these notes? A. Yes.

MR. HODGINS: You have the statement compiled from the books of the provisional directors as on the 31st December, 1906, on page 42, showing the payments on capital stock and so on, the notes and the Trusts & Guarantee Company's loan, and as against that the payments? A. Yes.

Q. I do not know that there is anything in that? A. This is a cash statement and also it shows the receipts and payments.

Q. It shows the amount actually of the organization and other expenses?

MR. COMMISSIONER: When you use the word "now sold", what does that mean? A. Sold at that time; they had received securities and had sold \$5,888.

Q. I would strike that word "now" out, because it would look as if it were when you were compiling this? A. (Witness strikes out the word "now" in statement on page 42.)

Q. MR. HODGINS: I do not know that there is anything in that that calls for comment except one item, the Merchants National Bank, \$25,100? A. That was a New York deposit.

Q. Afterwards brought back? A. It was used in their current business; it was used in the ordinary course of business.

MR. COMMISSIONER: That does not indicate any money on hand? A. No, sir; no money at all; the money was on deposit in the Union Bank of Canada.

Q. There was no cash on hand in that? A. Excepting those legals, \$200,000.

Q. But nothing to represent that \$5,000? A. No, sir.

MR. HODGINS: I ask now for the details of the organization and other expenses which are put in at page 42 as \$64,373.19? A. What I have here, it is

## SESSIONAL PAPER No. 153a

all combined in this memorandum here, it is not combined so as to show the \$64,000; it is a matter of adding together a number of details.

Q. I only wanted to know the general divisions under which they would be charged; I thought I had seen that? A. No; there is the detail up to November 26th on page 45; it is all included in here.

Q. Let us see if we can get along with this; there must be about \$16,000 or \$17,000 additional; is that shown anywhere? A. Yes.

Q. If you have it in another book, or can you make it up— A. I can make it up very simply.

MR. COMMISSIONER: You had better do that separately; I think an item like that, directors' fees and payments, I think those had better be separated; what were the fees for attending meetings and what the payments were? A. I have the whole thing in that form.

Q. This is the distribution of the \$10,000 at the bottom? A. Yes. (Page 28, EXHIBIT 64).

Q. It does not say who got it? A. No, we did not know at that time; it merely shows in their books as \$10,000.

Q. You would be good enough to make a memorandum of that? A. Yes.

Q. Can you tell me at all how much of that \$64,000 odd of organization expenses was paid in commissions? A. I have it in that report, \$42,871. Bottom of page 27 of Exhibit 64).

Q. To whom was that paid; show me where I can tell who got that? A. These are the sundry items \$13,286.

Q. That is not all what I want; this \$42,871 of commissions was paid to about four or five people? A. Lown got \$1,414.50; Fraser \$800; Travers \$22,390; Smith \$4,980.50—

MR. COMMISSIONER: Is that commission or his salary? A. No, these are commissions.

Q. He had salary? A. Yes. There is \$13,286 covering various payments, of which Lindsay figures in here for \$11,000, and the \$2,286 is other various payments according to that list.

EXHIBIT 64: Stock Commissions Account (page 27), as prepared by Mr. Clarkson.

Q. That is up to the 31st December, 1905? A. Yes.

MR. HODGINS: I would like to pass from that to the stock subscriptions; I am speaking of the return which went down to Ottawa; I just want to deal with the return, at page 11 of this book (part of Exhibit 63). I have a memorandum here which I think is in a much more convenient form.

MR. COMMISSIONER: This seems complete.

MR. HODGINS: Yes, but there is one statement I have got which shows the total in the list and then groups about half a dozen of the improper items in it together; I don't know whether you have that done there? A. No, it is not in the book; that is made recently.

MR. COMMISSIONER: This page 11 I think is all right; for instance he shows the Laidlaw ones and what was done with them; that is the history of the Laidlaw shares? A. Yes.

Q. Then it deals with the Devean subscription?

MR. HODGINS: This summary is really what I want. You see the totals, the subscriptions are \$3,500, and then the antedated, the worthless—

MR. COMMISSIONER: What have we to do with worthless?

MR. HODGINS: That is something which you may think should not be properly deducted unless they were known to be worthless; that is the analysis of that list.

MR. COMMISSIONER: Or course as to antedated subscription, that is an hypothesis based upon Mr. Fitzgibbon's statement. All that Mr. Clarkson can state is there were certain subscriptions dated the 22nd October? A. Yes.

Q. And he has some reason to doubt whether those were the dates? A. Yes.

Q. Conditional does that include such ones as those taken in the States? A. Yes.

Q. Subscriptions that could not be pressed, what does that mean? A. Subscriptions which I understand the bank was not in a position to sue for payment of; that is Davidson and Smith of Flint.

Q. Lindsay, original subscription, what does that mean, \$5,000, that is 50 shares? A. There was the subscription.

Q. Subscription subsequently cancelled, and Laidlaw's subscriptions?

MR. HODGINS: What I wish to ask Mr. Clarkson about was to see how far they affected the list in bringing it down under \$500,000?

MR. COMMISSIONER: Supposing you take him over it and get it down on the notes; the return shows \$579,200.

MR. HODGINS: Then there are \$3,500, subscriptions which are on the last page of the printed return and came in admittedly after the 23rd October? A. Yes, so stated in the return.

Q. Antedated subscriptions, what do you include in those? A. Antedated subscriptions are these: you have evidence as to W. J. Lindsay, \$50,000. You have evidence as to Macorquodale.

Q. Give us the name of the shareholder? A. W. J. Lindsay \$50,000; D. S. Macorquodale \$100; B. B. Macorquodale \$100; F. D. Macorquodale \$100; A. G. H. Luxton \$1,000; A. B. Bradley \$1,000; W. B. Nesbitt \$10,000; these are all subscriptions dated October 22nd, 1906.

Q. That does not quite make up the amount? A. A. S. Lown \$100; J. Gilchrist \$3,000; those are all subscriptions amounting to \$65,400 in respect of which question has been raised.

MR. COMMISSIONER: As to whether they were not antedated? A. Yes.

Q. Actually subscribed after—? A. Yes, after the meeting had been called on the 22nd October.

MR. HODGINS: Conditional subscriptions, \$13,500? A. A. J. Witham, \$3,500.

MR. TRAVERS: \$2,500.

MR. HODGINS: Yes. A. Then there is a mistake in my figuring of \$1,000, \$2,500; there is a letter as to that showing it was taken conditionally. A. E. Forget, \$5,000; A. H. Hoover \$5,000; that makes \$12,500.

Q. These you understand to have been conditional? A. That is my information. Hoover's subscription is written across the face of it; Forget I have nothing further than mere information; Witham, there is a letter showing it was conditional.

Q. Subscriptions which could not be pressed, \$10,000, who were those? A. Matthew Davidson, \$5,000, of Flint, and P. Smith, \$5,000; there are letters.

Q. The next is worthless subscriptions? A. These are subscriptions which, according to my information, were worthless.

Q. Were worthless at the time they were taken? A. Yes, that is my information; that is merely information. They were J. E. Bate, \$5,000; he owes part of that now in the shape of a note; Jennie B. Gier, \$5,000; T. Cox, \$5,000.

Q. D. C. Kempt, \$5,000; George Storey, \$5,000; that is \$25,000. The next is a subscription; I have it down here, Original subscription, W. J. Lindsay, \$5,000. The only point about that is it was cancelled subsequently after \$500 had been credited on it as on account of commissions. Subscriptions subsequently cancelled, \$25,100. There is a list here on these pages.

Q. Is not there a list in this book, Exhibit 63? A. Yes, but from that list in that book have been deducted items included in the previous ones.

Q. The total is \$29,100; and this list which Mr. Nield will copy into the evidence contains the list of the shareholders whose shares were cancelled? A. Yes.

SESSIONAL PAPER No. 153a

The list of cancelled subscriptions referred to in the last question is as follows:

Neil Stewart . . . . .	\$2,500
Thomas Aitkin . . . . .	1,500
Robert Bell . . . . .	1,000
W. T. Beatty . . . . .	3,000
G. Daniels . . . . .	500
Ella M. Beatty . . . . .	100
T. Elliott . . . . .	500
T. Hunter . . . . .	2,500
Alice Hamilton . . . . .	500
G. Laird . . . . .	1,000
A. Matthews . . . . .	500
J. Peil . . . . .	900
E. W. Snelgrove . . . . .	1,000
Eliza Weir . . . . .	300
L. Cheyne . . . . .	500
R. W. Fox . . . . .	1,500
H. F. Johnston . . . . .	200
M. Beatty . . . . .	500
T. Casey . . . . .	200
E. Church . . . . .	100
J. Dewar . . . . .	500
J. Fortier . . . . .	300
P. Sayers . . . . .	100
Eliza Wharton . . . . .	300
J. Sunstrom . . . . .	2,500
T. Elliott . . . . .	500
T. Alderson . . . . .	500
J. G. Fitzgibbon . . . . .	100
G. H. Thompson . . . . .	3,500
J. Walker . . . . .	2,000
	\$29,100

MR. HODGINS: You say they were afterwards cancelled, how soon afterwards? A. Commencing April, 1907, May and June.

MR. COMMISSIONER: That is on page 14. (Exhibit 63).

Q. Those you have information that lead you to doubt whether they were worth anything, were there any payments made on them? A. On these cancelled subscriptions?

Q. No, on the subscriptions that you classed as worthless? A. None that I can see, sir. In the Bate case there is a note out in the Milton Branch I think for \$2,000 which is outstanding now; nothing was paid on the subscription.

Q. What was this subscription? A. \$5,000; \$3,000 was cancelled and the note stands against the \$2,000 of stock now.

MR. HODGINS: The last item is Laidlaw subscription? A. Yes, they stand on their own footing, \$21,900.

Q. If you deduct those you have mentioned now from the list as sent in, what is the result?

MR. COMMISSIONER: We can figure that out ourselves; it is all here? A. There is one subscription that ought to come out of that, James Bowley, 10 shares, on page 13.

MR. HODGINS: You have given in this book apparently on pages 15, 16 and 17, (Exhibit 63) what became of these various subscriptions? A. Yes, that is information there according to the books.

Q. What actually became of the Laidlaw subscriptions? A. The Laidlaw subscriptions were transferred under document to Lindsay.

Q. Were they entered up in the books? A. On the books of the Bank they purport to be transferred to other people. There are particulars there; one man is Vise, and another—these people did not accept them; then afterwards they are purported to have been cancelled in the name of the transferees.

MR. COMMISSIONER: What do you mean by cancelled in the name of the transferees—treated as belonging to the transferees? A. Yes, although they did not accept them.

MR. HODGINS: And cancelled by the bank? A. Yes, they were transferred to Lindsay under these documents you had in evidence. Then the transfer book shows them not to Lindsay but to other people who did not accept them, and then cancelled in the name of those last-named people.

Q. Was the W. J. Lindsay \$50,000 cancelled—my recollection is that yesterday it was said in connection with the Continental Securities that 440 out of the 500 were cancelled? A. He had 550 shares all told; he transferred 100 of those to Travers; that left 450, and I think there are two items in there accounting for 10 shares, leaving 440, which were cancelled.

MR. COMMISSIONER: On the 18th March, 1908; all that appears on page 13, two different lots of 50, and 10 transferred to Brown, who paid for them, and Lindsay paid for 5 himself? A. Yes, sir.

MR. HODGINS: We were speaking yesterday in examining Mr. Travers about that Continental Securities Company account? A. Yes.

Q. How do you find that the 5,100 shares were dealt with as to payment? A. They were purported to have been sold to the subscriber by the Continental Securities Company at 130, or \$663,000, and then the Continental Securities Company was allowed an overdraft in the Toronto office books of the bank to the extent of \$663,000; and against this overdraft there was charged to various items which we were speaking about yesterday by way of cheque issue by the Continental Securities Company—you have that memorandum there showing what those items are.

Q. Is it the case that, without the discount of any security or anything else, the \$663,000 was put to their credit in the Farmers Bank? A. No, it was not put to their credit; they were simply allowed an overdraft to that amount; that is to say, they issued their cheque and it was charged up against them in the Toronto Branch.

Q. And they had no funds for those cheques? A. Not that I have been able to find. It is fair to say this, though, \$538,000 which was charged against them was put to the credit of a Suspense Account; that is to say, it was not taken into Capital, but put to the credit of a Suspense Account.

Q. What particular virtue is there in that? A. Only this, that anybody understanding accounts would just simply check one over against the other and know to the extent of \$538,000 it was a book entry, even in view of the fact that cheques were actually issued and cheques were actually marked.

Q. Charging it to Suspense Account would indicate it had not been accepted as payment up of the capital stock; is that what you mean? A. Yes, it was an item in question; it was an item subject to contingencies.

Q. Subject to be dealt with later? A. Yes, as conditions might develop.

Q. As to the rest of the amount, the difference between \$538,000 and the \$663,000, there are various items, how were they treated, as Suspense or Capital? A. It starts on page 25 (of Exhibit 63); these items were charged against it; in the Milton Branch of the bank there were notes held to the amount of \$15,500, covering subscriptions of Kemp, Storey, Emerson, Hunter and Brown. The proceeds of those notes had been credited as payment on capital, capital account had been already credited with that amount; they charged that \$15,000 up against the Continental Securities account by way of a cheque issued to take up the notes; in other words, the Continental were taking over the stock which stood in the name of these people, apparently paid for but with liabilities outstanding against it for notes; \$21,575 is the cheque we spoke of yesterday issued to Travers; \$45,000 was applied on a promissory note for \$55,000 given by Travers to cover moneys expended on organization account; in other words, he had credited \$55,000 against the organization expenses.

## SESSIONAL PAPER No. 153a

MR. COMMISSIONER: Credited? A. The account shows a charge for a large sum of money, \$120,000; he had given his promissory note and the bank had discounted it and put \$55,000 to the credit of the account, reducing the apparent expenditure in organization; \$10,000 of that had been charged up against bank premises, and the remaining \$45,000 was charged up against this account; then the bank held the \$40,000 note of R. E. Menzie; \$20,000 of that represented the original Devean stock, the other \$20,000 was the additional subscription which Menzie took at the time he took over the Devean stock; that \$40,000 had gone to the credit of capital. The next \$2,300 was an amount shown as having been paid by Gilchrist on the original list returned to the Government, when, as a matter of fact, it had not been paid.

MR. COMMISSIONER: Except by spreading? A. That is by the spreading out; Gilchrist's stock to that extent was handed over to the company; that meant that \$124,000 to cover those various items was taken out of the \$663,000 by the issue of cheques; and the Continental Securities Company issued a cheque for \$538,525, the balance to the bank, and it was put to the credit of this suspense account, pending the outcome of the transaction.

MR. HODGINS: I just want to understand what difference that made, these book-keeping entries made, in fact? A. That is set out on page 28 (of Exhibit 63).

Q. It operated, as I understand, to release whatever liability there was on the holders of those items of stock that were mentioned there, and to substitute for it the cheque of the Continental Securities Company? A. Yes; then I am going a little bit too fast. Then when it became apparent that the Continental Securities transaction would not go through, stock was sold to Tevis and Chapman, 1,150 shares all told.

Q. More than that? A. Yes, more was sold, but payment was received on 1,150 shares, the balance being ultimately cancelled; and then the 1,150 shares of the bank, according to its records, received \$120,000 of American Piano Company stock, made a loan on that to the amount of \$120,000 to Tevis; \$115,000 was allocated as in payment of 1,150 shares of the bank stock; the remaining \$5,000 was put to the credit of profit and loss. Against that \$115,000 of stock paid up, these shares, Menzie, Gilchrist, Travers, Hunter, Kemp and Storey, to the extent of \$59,300, which was originally shown to have been paid up by way of notes and obligations, were charged off against it, \$59,300, and the bank took credit for payment on new capital stock to the extent of \$55,700 only.

Q. Let us just work that down, because I want to see how that would affect matters or to what extent it did? A. That is the stock transaction.

Q. The \$124,000 which you have spoken of there, had that been taken in as paid-up capital previous to the Continental Securities Company deal; take Menzie, Gilchrist, and these others, had that been taken in as paid-up capital? A. \$15,500 had, \$40,000 had, \$2,300 had, that is \$57,800 had been taken in there as paid-up capital.

Q. MR. COMMISSIONER: Then by reason of these cheques, whatever obligation there was on the original holder was cancelled and these cheques were practically substituted for it? A. That is right.

Q. Then when they turned over a certain amount of that stock to Tevis, I judge from what you say that they then having received from Tevis \$120,000 allocated about \$59,000 to pay those same items? A. They did, and they made a mistake of \$1,500; at least, they allocated \$1,500 too much.

Q. Roughly speaking, the result of the three transactions would be to leave the bank legitimately in possession of paid-up capital to that extent? A. Yes, it validated the whole transaction.

Q. As to those three items. As to the other items making up the \$124,000, what became of those? A. There is \$21,675 drawn by Travers, and \$45,000 on that note; then what happened to them was this—

MR. HODGINS: On what note? A. The \$55,000 note that Travers had discounted in the Bank and had applied the whole of it to the credit of organization account. Then \$10,000 had been credited on that note and charged as having been expended on Bank premises, leaving \$45,000? The ultimate fate of those items was this, it is set out on page 28, \$21,675 taken by Travers; \$45,000 owing on the note, together with \$40,000 which was charged into an account known as the Rabbit Mountain Mining Company, and \$24,294.27 interest charged against this Continental advance, taken credit for by the bank as earnings. Those amount to \$130,969.27. They were charged \$107,500 against Keeley Mine Stocks and Bonds; \$20,500 as having been advanced to M. B. Chapman; \$1,500 being an excess charged to Tevis. That arises in this way, that those three items of stock that I mentioned to you only amount to \$57,800; they were charged against Tevis' amount \$59,300, or a difference of \$1,500. Then the balance \$1,469.27 was charged to Profit and Loss; that meant in the ultimate these items practically went into Keeley Mine as a charge against Chapman.

Q. You are accounting for a good deal more than the difference between the \$59,000 and the \$124,000? A. Yes.

Q. Can you just account for the difference in those two items? A. No, those two items amount to \$66,000 and they were combined with the other and charged back that way.

Q. Do you say the ultimate result of that dealing was to charge these amounts up against the Keeley Mine Stocks and Bonds account to the extent of \$107,500 and advance to Chapman? A. Yes, \$20,500.

Q. Was that ever recovered? A. No; he is a discharged bankrupt in New York State.

Q. So that that has been a total loss to the bank to that extent? A. Yes; of course the moneys, this \$45,000 of Mr. Travers and \$40,000 charged to Rabbit Mountain Mining Company were moneys spent previously in the organization of the company and not shown, hidden or held over by these notes, and they ultimately filtered in that Keeley Mine Stock.

MR. COMMISSIONER: What warrant was there for charging these to Keeley Mine? A. I can only say that Mr. Travers has told me that he looked to make a profit out of Keeley Mine stock that he got for nothing and used it as he called it to pick up these losses.

MR. HODGINS: A convenient place to charge it. I thought suspense account or something of that kind was always used for those purposes? A. It would not have made any difference if it had gone into suspense account.

MR. COMMISSIONER: What does that Rabbit Mountain Mining Company mean? A. That was a transaction where the bank advanced some money to some people and the bank was to get some capital stock as a bonus for doing so, and they charged the Rabbit Mountain Mining Company with expenditures on organization account and one or two things like that just exactly on the same basis as the talk about the Keeley Mine and then afterwards when the stock did not bring any profit we wrote them back to different avenues.

MR. COMMISSIONER: The Rabbit Mountain, is that about Port Arthur?

MR. TRAVERS: Yes.

MR. COMMISSIONER: Have you got into your head, Mr. Hodgins, why the Continental Securities Company was credited on their purchase of stock with this \$124,000? A. I can understand sir, why they were charged with the \$57,800 on capital stock, that is to say they were buying not only all the unallotted stock that the bank had, but they were also buying other stock which the bank purported to take over from these Milton people, Menzie and Gilchrist.

Q. But they were credited with it.

## SESSIONAL PAPER No. 153a

MR. HODGINS: The bank was supplying them with that stock.

MR. COMMISSIONER: That \$663,000 included paying up again this stock which had already been paid? A. No, the Continental charged with it; probably the way that is set out there is just an accounting, it is a process of elimination.

Q. I do not see you can say they were charged with it when the price of the stock they were to get was \$663,000 and the amount of that was reduced by the sum of these payments? A. Well, put it this way, the amount they were to pay \$663,000; they applied \$15,500 and \$40,000 and \$2,300 on that \$663,000 to take up those obligations which they had in the Milton branch from Menzie and Gilchrist.

MR. HODGINS: So that it would have the stock to hand the Continental? A. They had to take the stock over from these people to hand to the Continental.

MR. COMMISSIONER: To give them the stock they had contracted to sell? A. Yes.

MR. HODGINS: As I understand they sold the stock to Tevis, the money they received from him to the extent of fifty-nine thousand odd dollars was taken to replace these worthless cheques? A. That is it.

Q. The bank ultimately making good on that stock—

MR. COMMISSIONER: What worthless cheques are you speaking of?

MR. HODGINS: Worthless cheques of the Continental Securities Company.

MR. COMMISSIONER: Let me see those please.

MR. HODGINS: As I understand it they sold stock to people who went bad like Menzie and the other man, and this was an effort to get it into good hands, and this effort failing, they finally did sell a certain amount of stock to Tevis and appropriated this stock to the extent of \$59,000 to him.

MR. COMMISSIONER: What is this cheque? A. This is Menzie and Gilchrist, \$40,000 and \$2,300, that is a combination of those two items.

Q. They practically over-drew the account for these sums? A. Yes.

Q. And that repaid these things? A. Yes.

Q. That is the blank in the evidence so far; they issued their cheques upon this account they were allowed to draw against? A. Yes.

Q. For these various amounts but including the \$21,675? A. They issued a cheque for it too; the cheque was here yesterday, with that \$6,000 cheque.

Q. They issued cheques for all these? A. Yes, they issued cheques, \$15,500, \$21,675, \$45,000 and \$42,300, and then another cheque for \$538,000.

Q. So that nominally they paid the whole thing? A. Yes.

Q. That is where the thing was in doubt when we parted last night? A. They paid it.

MR. HODGINS: Just charged as an overdraft? A. Yes, they had to take up those obligations to get that stock.

MR. COMMISSIONER: How do you suppose that \$21,657 was arrived at? A. I do not know that.

Q. Would that be arrived at as the balance left? A. No, I think that sum was an amount stated, and this is the balance, the \$538,000.

Q. Because these were all fixed sums? A. Yes. This is an open amount and this is an open amount.

Q. That is the \$21,675 and the \$538,525 were open amounts? A. Yes, unless Mr. Travers arrived at some commission calculation with reference to that Tevis matter.

Q. The only thing that nominally the bank did not get credit there was that \$21,000? A. That is all. \$21,675 was the loss on the transaction, but the gain on the transaction was the making good of these obligations of doubtful value; and then they used the account as a vehicle for changing over these other expenditures from Keeley Mine from accounts they had been in.

MR. HODGINS: I think when you are making up that item, that you promised to give us, you might attach to it that statement, or a copy of that statement, because



we referred to that in your evidence. (Hands statement to witness). A. Very well.

Q. Perhaps you could prepare this statement without my examining you upon it; I would like to know how far wrong the return to the Government was; in the first place I want to know whether the payments shown as paid up in cash, whether any of those payments were wrong in fact; then I would like to know whether for any of those payments there were notes in the hands of the bank and to what extent, what was the amount of the notes? A. What you mean if I understand you is this, those spread payments on that list to the Government, you want us to take those items and to show whether there were notes existing for those subscriptions and whether ultimately the bank received actual money on those subscriptions to get rid of them.

Q. What I really want is just to see whether there was a note standing at the time the return was sent in.

MR. COMMISSIONER: There is a list of that kind here, is not there?

MR. HODGINS: There is a list here, but it is not complete, Page 40; that is headed "Spread Notes" which is a mistake; it should be spread payments. I want to see which of those had notes outstanding? A. It is marked on the copy the Commissioner has.

MR. COMMISSIONER: In red ink? A. Yes.

Q. They appear to be all notes; the first item there is any difference in is Kennedy; \$250 is the spread item and \$500 was the note. Sinclair, there was a note for \$5,000 and a note for \$1,000; spread was \$500. McClure the spread item is \$200, and there were notes for \$450, and \$500. Witham spread \$200, note \$2,000; Laird, spread \$500, note \$1,000; McCallum, spread \$100, note \$200; Wilkinson, spread \$50, note \$100; Menzie, spread \$50, note \$100; and then you get down to Howden, spread \$50, note \$500; McLaughlin, spread \$100, note \$200; Daniels, spread \$200, note \$500.

Q. The figures in red ink on pages 40 and 41 indicate the amount of the note given by the person to whom the credit was given as shown in this statement? A. Yes.

Q. At the end of page 41, Gilchrist is credited with two cheques, \$2,700 and \$300; and Groves, \$3,000; those are at the foot of the spread payments and they are marked, "Afterwards returned". What does that mean? A. I think on November 26th, 1906, there were three cheques carried—I think when the books of the bank were first opened there were three cheques carried in there for \$3,000 apiece; I think it was Groves and Gilchrist; and I think Nesbitt, \$9,000, and afterwards returned. They came and they were carried into the cash, and that is the reason I say that that \$5,750 of cash was not founded on fact. I think it was at that time they were carried in as cash coming from nowhere, just merely as cash on hand and afterwards going out.

MR. COMMISSIONER: Carried, I suppose, in the teller's till as cash? A. Yes, two of those items are those.

MR. HODGINS: Have you anything to add to the details we have with regard to the Tevis and Chapman transaction that was given yesterday by Mr. Travers? A. Well, there is only this point to take into consideration, and that is the bank made the loan of \$120,000 on that \$120,000 of Piano stock; it was hypothecated to the Trusts & Guarantee Company and afterwards sold by them at \$95,000, so that the bank lost in there actually, \$95,000 from \$115,000, the actual amount of the advance, lost \$20,000; that is to say, I do not mean to attempt to say whether that stock was paid up in full or not. I merely say that the loan of \$115,000 cash was actually made on that stock and applied in full payment on the capital stock and that afterwards the security—

MR. COMMISSIONER: The man that gave the Piano stock was worse off at the end of the business; he got worthless Farmers Bank stock? A. Yes, but the Farmers Bank got \$95,000 in payment of \$115,000 of stock.

## SESSIONAL PAPER No. 153a

Q. If the stock had been good, there would have been a loss of \$20,000? A. Yes.

MR. HODGINS: Gilchrist's name was mentioned; he was afterwards a director of the company; what amount of stock did he subscribe for, was it \$3,000?

A. Yes.

Q. Do you know who he is? A. He is connected with the Crompton Corset Company.

Q. He was elected a director afterwards of the bank in November, 1906; what became of his stock, did he subscribe for stock? A. Yes, he subscribed for \$3,000 of stock and there was \$700 cash actually paid on it; the other \$2,300 he surrendered the 23 shares and they went to the Continental Securities Company and from there to Tevis.

Q. That is a history of that stock? A. Yes.

Q. In that list of spread payments which you have just referred to, page 40 and 41, he is down for \$3,000; that is not represented by notes but by cheque, it was given back? A. That cheque was used at that time apparently for that purpose.

Q. You never found any note from him? A. Yes, I found a note afterwards; I think I have that record here.

MR. COMMISSIONER: That ought to be put in with red ink if you have a note for it; it is not in red ink here, neither that nor Groves? A. My memory is not clear on that point; I shall have to find it out for you.

Q. MR. HODGINS: You are taking a civil action against him at all events; I do not want you to say one way or the other.

MR. COMMISSIONER: What is he suing for? A. I do not know that I am suing him yet; I did question whether I had a right against him to sue him after being elected a director when he is not qualified.

Q. That matter is under consideration? A. Yes, and his stock is in the hands of the people now, so he is not responsible for double liability.

MR. HODGINS: The bank got actual payment for that stock out of Tevis? A. Yes. The only thing he acted as a director when he was not qualified.

Q. Is he a man of substance? A. Yes.

MR. HODGINS: He is vice-president of that company? A. It is a responsible company.

Q. There is some connection between some member of that company and Beattie Nesbitt? A. Beattie Nesbitt is a brother-in-law of Frederick Crompton, who is president of the Crompton Corset Company.

MR. COMMISSIONER: When was Gilchrist elected a director? A. At the first meeting, November 26th.

Q. How long did he remain a director? A. I think for a year. Do you wish now that Government Return showing notes?

MR. HODGINS: No, I did not note you had that in the book here. Mr. Devean is here and I want to ask you about his stock; he held how many shares of stock, 200, was it? A. Yes, \$20,000.

Q. How did he profess to pay that? A. According to the information I have, the bank held about \$19,000 of stock in the Dominion Permanent and the Canadian Savings and Loan; I think a note for \$900, and \$100 in cash; I think that was the transaction.

Q. Do you know anything about him, financially speaking? A. He is perfectly good for the amount, so I understand.

Q. I think that \$19,000 of stock was pledged to the Trusts & Guarantee Company for one of those loans? A. Yes, together with a note of his for \$15,000 as collateral to it.

Q. If those securities were accepted in payment, that would pay him up in full? A. Yes.

Q. What became of those securities afterwards? A. As far as I can ascertain, they were returned to him and R. E. Menzie took over his subscription.

Q. Is that the R. E. Menzie who figures in the \$40,000? A. That is the same man.

Q. Was this \$20,000 of Devean's stock part of that \$40,000? A. Yes.

Q. You do not know how the shuffle was made? I think I know something about it. The Devean stock was transferred to Menzie and Menzie subscribed for another 200 shares; that made 400 shares all told; and he gave his notes for \$40,000, which was discounted in the bank as a call loan, I think, and there was attached to it some scrip and the Menzie Wall Paper Company. I see also there was an endorsement on that note of the Menzie Wall Paper Company. The question rose afterwards as to the right of Menzie to endorse the company's name on his personal paper; however, he himself was of doubtful responsibility, and I do not know, but I should imagine, the bank could not collect from him—I heard something on the outside.

Q. Do you know whether the Menzie Wall Paper Company gave a separate obligation or whether it is a question of endorsement of Menzie's paper? A. I think it was an endorsement.

Mr. TRAVERS: The note was signed by the Menzie Wall Paper Company after they refused to acknowledge the obligation; I know that outside the bank's affairs.

Mr. HODGINS: They were never pressed in consequence? A. No, they were not pressed and the stock was transferred to the Continental and Tevis.

Q. Was that part of the Tevis transaction? A. Yes.

Q. Was that part of what was paid up ultimately? A. It was.

Q. I would like to ask you about the Trusts & Guarantee Company circulation account; in the first place, with regard to that loan of \$80,000, how do you find the bank treated those three payments, made in December, 1906, which appears to have paid it off? A. They appear in the Head Office, there are two accounts relating to it; the first in the head office books of the bank, in which those three cheques are shown to the credit of the account, the account indicating on its face that either the money was paid to the Trusts Company or it was on deposit there with the Trusts Company; anybody taking up the account would take it to be on deposit.

Q. That is in the head office? A. Yes.

Q. Are you referring now to the three separate cheques appearing in that account and having that appearance? A. I am referring to the three separate cheques in December, 1906; it shows anyway that the Trusts Company was indebted to the bank in \$80,605.81.

Q. Either by way of payment? A. Or by way of deposit; it makes no difference.

Q. You could not tell from the entry? A. No, it makes no difference.

Q. You could not tell the entry? A. No, it makes no difference.

Q. What did the other account show? A. There was an account opened in the Toronto branch in January, 1907, a deposit account, and the bank continued to deposit money with the Trusts Company up till, I think, April.

Q. That is subsequent; but there was no other account for these three original payments in December? A. No, there is no other.

Q. Did that account show there had been a loan got from the Trusts & Guarantee Company of \$80,000? O. No, the books of the bank do not show any loan; when I say any loan I qualify that; I mean original loans.

Q. You remember page 43 of this book (Exhibit 63), statement as of December 31st, 1906; there is \$80,605.81 shown among the debits? A. That is the item I referred to shown as owed to the bank.

## SESSIONAL PAPER No. 153a

Q. And I take it that the head office entry is capable of being understood to correspond with that or may indicate that \$80,000 had been paid? A. That is the head office entry.

MR. COMMISSIONER: How could it indicate the payment; it is a debit to the Trusts & Guarantee Company? A. It indicates, according to the books of the bank, that \$80,605.81 was paid to the Trusts & Guarantee Company.

Q. And owed by the Trusts Company to the bank? A. Yes.

Q. That is what the bank book shows? A. Yes.

MR. TRAVERS: Would not it show this, that the Traders Bank balance went down and the Trusts Company went up? A. That follows as a matter of sequence, because the cheque is on the Traders Bank, its balance goes down and the Trusts Company's goes up.

MR. HODGINS: If the head office entries had been intended to show payment of the loans should have been shown in them, and these cheques a credit as against that loan? A. If the books had been opened to show the facts, there would have been an account showing the Trusts & Guarantee Company creditors for that amount of money and these payments on account of that loan.

MR. COMMISSIONER: But the position taken by Travers all through is, and these entries are quite consistent with it, whether it was proper is entirely another question, that the loan was his personally, not the loan of the bank at all, and that the notes were hypothecated and that is the reason why they do not appear in the books of the bank? A. That is the reason why, and that is the reason why that capital account there is extended to \$300,000.

Q. I am saying nothing about the propriety of the thing at all? A. Not at all; if that capital account had been sub-divided into two accounts, W. R. Travers and capital, assuming that he was taking the position that he was lending to the bank, he would have been a creditor for so much, and the capital account so much less.

MR. HODGINS: Is the capital account as shown, \$300,000, consistent with the idea that this money was borrowed personally by Travers.

MR. COMMISSIONER: I do not think that is a proper question for this witness, that is more for me. As Travers' account of the transaction is, rightly or wrongly he took these notes and borrowed so much money and applied that money upon the stock of these people? A. That is it exactly; and the books agree with that attitude on his part.

MR. HODGINS: And that when he paid these three cheques to the Trusts & Guarantee Company while it was in fact in payment of that debt of his the books would make it look, in the absence of any entry of the Trusts & Guarantee Company as a creditor, as if they had that money on deposit? A. The books indicated that.

MR. COMMISSIONER: Is that entry as of the date when the credit was cancelled or is it the date of the original payment? A. That credit appears in three amounts, three cheques.

Q. As we had the facts, the loan was paid off by three cheques of the Farmers Bank? A. Yes.

Q. Then for some reason Travers says it was closed, he wanted that changed, and wanted what was done in the way of payment cancelled and the loan set up again. A. There is no record in the Farmers Bank Books of that re-transfer of items at all.

Q. But of what date are the entries in the Farmers Bank, of the original date? A. Yes.

MR. HODGINS: The three cheques which we have, December 6th 7th and 17th? A. Yes.

Q. You were going on to speak of another account in the book? A. When the Trusts Company gave up the notes which had been hypothecated to them as security for these loans made to Mr. Travers, the Trusts & Guarantee Company were

given credit for the amount of these notes and the notes were sent out to the branches and discounted in the branches.

Q. What do you mean by being given credit? A. You have on one side a charge in the account of the Trusts Company owing \$80,605; they go down to the Trusts Company and get \$30,000 of notes; they put as having received from the Trusts Company \$30,000 crediting it; they take those \$30,000 of notes and send them out to Milton, and have them discounted; the Milton branch discounts them and puts them to the credit of the Head Office of the Bank; that leaves the Trusts Company as owing only \$50,000 according to the bank's books, and that is the way it went till the account was wiped out.

Q. That is the method in the bank's books? A. Yes, that is the method the bank adopted.

Q. This Exhibit which I put in some time ago showing the history of those notes (Exhibit 51) will you just say whether that shows the transaction as it appears in the bank's books? A. I say this: some of it is arrived at from a process of elimination, some of it is from fact. This is fact; notes for \$2,380 loans, that is procured from the company. Loan on \$20,500 that is procured from the Securities. Charged to the Milton branch February 26th, 1907, that is taken from the Milton books.

Q. \$30,300? A. Taken from a letter of the Trusts Company. Charged Milton branch March 6th, 1907, \$770, that is from the Milton records. Charged on April 11th, 1907, that is from the Milton branch, \$2,530. Charged April 16th, the latter part of this is from the Milton records; the former part is from the head office books.

Q. The beginning, "Charged Milton branch" is from the Milton records; and the first items under April 16th, 1907, are from the head office books? A. Yes. The same thing obtains there on April 30th.

Q. Turn back to the first page where you have the notes, you account for the notes dealt with in those three loans? A. Yes.

Q. And you show what was charged to the Milton branch as detailed in the subsequent pages? A. That is right. Then the Denoon note was returned to them, there is a receipt; the DeVean note was given up; the Stair note paid. That reduces it to about \$7,000 in notes, I cannot account for; I know of \$4,750 of those.

Q. The \$30,300 was the first batch of notes they appear to have got back from the Trusts Company? A. Yes.

Q. And they credited that amount to the Trusts & Guarantee Company? A. Yes.

Q. Discounting at Milton and where did the proceeds of the discounts find their way to, the head office? A. They would be put to the credit of the head office in the Milton books, but what would happen in the head office books was that they would charge the Milton branch with those \$30,300 of notes and they would credit the Trusts Company; that is the transaction.

Q. Who would collect on those notes? A. The Milton branch.

MR. TRAVERS: I think you are wrong on that. A. Let me say this; they could have gotten them all at once from the Trusts Company, but need not have put through their charges till any time that suited their purpose. Mr. Travers draws my attention to a certain amount of accounting; the Toronto Office was a clearing house strictly speaking; the head office charged everything to the Toronto office, and the Toronto Office would clear the note; that is what he means.

MR. HODGINS: You had seen the copy in the Trusts Company's book of the account with them beginning with the early part of 1907 and running on till April 8th? A. Yes, I have seen a copy of it.

Q. And made up of deposits according to them of circulation from time to time? A. Yes, well, it agrees with the bank's books. The statement was made to me indefinitely that it was circulation, but the books did not indicate whether it was circulation; I cannot tell from our books whether it was circulation.

## SESSIONAL PAPER No. 153a

Q. Do the entries in the Trusts & Guarantee Company account which we spoke of that day correspond with the entries in the head office as detailed in this Exhibit 51? A. Not at all.

Q. I mean as to the payments, I do not mean as to the deposits they were making? A. The deposit account starting in January, 1907, has no bearing or no connection whatever with these transactions. These are the loans. (Exhibit 51.) The deposit account is absolutely separate. Their record of that deposit account and the bank's records agree absolutely item for item.

MR. COMMISSIONER: It practically appears as an ordinary deposit account as far as you can see? A. Yes.

Q. What it consisted of we have been told? A. Yes.

MR. HODGINS: The payments out of that from the Trusts & Guarantee Company to the bank correspond to these discounts in the Milton branch? A. Not at all, no relevancy at all.

Q. What account in the bank do they correspond with? A. I do not think you will find any account in the Trusts & Guarantee Company relating to the return of those notes. They got payment of these \$80,000 and later on in March, 1907, of the balance, \$25,000 and they were paid up, and the bank was entitled to get those notes back whenever they wanted to or Travers. When it got them back I cannot tell you; they may have gotten them back in April and may be in March.

Q. I have asked for a copy of that account and when it is here I will show you exactly what I mean.

MR. COMMISSIONER: Has not that all been fully explained? Against this deposit account there were cheques drawn on the Farmers Bank? A. Yes, this deposit went on, the Farmers Bank drew cheques.

Q. What I understand Mr. Hodgins wants to get at does that deposit account appear in the same form in the Farmers Bank as it does in the Trusts Company? A. Absolutely, that is the account where the bank drew on the Trusts Company and the Trusts Company issued its cheque on the Bank of Montreal and the Bank of Montreal cheque was deposited in the Union Bank to the credit of the Farmers Bank of Canada; that cleans that transaction.

MR. HODGINS: Take that first item of \$30,300? A. That has no relevancy with that, absolutely nothing to do with it.

Q. I thought they had. I may be wrong? A. Nothing at all?

Q. It is quite an independent transaction? A. Yes.

Q. In the one, as I understand, the Trusts Company treated the bank as its debtor, or somebody as its debtor? A. Yes, in the deposit account the bank was a creditor.

Q. I am talking about the loan account as these payments were made, so much of the debt was discharged; in the Farmers Bank account, so much of the amount that the Trusts Company owed was discharged by the return of the notes; that is the way they treated it? A. Yes, they had to get it off their books that way.

Q. That is all working out the same scheme, treating the notes as something not the property of the bank, hypothecated by Travers; it is all worked out on the same plan is it not? A. Well.

Q. The money that went really to pay the loan was charged up? A. The bank paid the money out to pay the loan.

Q. And charged it up as if they had lent it to the Trusts Company with the notes and wiped out the account.

The Commission adjourned at 1 P.M. to 2 P.M.