

The Commission resumed at 2 P.M., May 28th, 1912.

NATHAN DEVEAN, Sworn, Examined by—

MR. HODGINS: You became a subscriber to this stock of this bank? A. Yes, sir.

Q. For how many shares? A. \$20,000 worth of their stock.

Q. That was in March, 1907, I am instructed? A. I am kind of forgetful about the dates, but I should believe it was in 1906, but it was just prior before the organization.

Q. Prior to the organization? A. Yes, sir.

Q. How did you pay for the stock? A. I told him that I had \$19,000 of fully paid up stock in the Canadian Savings that was paying me between 6% and 8% and if I could have \$19,000 worth of their stock in exchange for that, I would take it.

Q. You would have to pay \$19,000 more would not you? A. Then, sir, Mr. Travers said it would look far nicer if you would take the even \$20,000. I said I did not have the money to spare. Well, he said, you are practically paying cash for everything, and he said, that won't matter any, and he says, pay it at your convenience.

Q. You gave a note and \$100,000 cash? A. Pardon me, I have not the slightest recollection of giving a note but it may be so; if you show me that the note that I can see it was my signature it would remind me, but I have not the slightest knowledge.

Q. How did you arrange for the payment of this extra thousand? A. I gave him \$100 cash and the other he said I could pay it when it was convenient for me. I doubt that I ever gave a note.

Q. Did you ever get a receipt or give a receipt for a \$900 note? A. I have not the slightest knowledge.

Q. You do not remember the note, but do you remember signing a receipt when you turned over your stock to Menzie? A. No. Let me tell you, sir, as near as I can remember, I owed the bank some money and I did not want to owe them anything and I want to go perfectly clear and straight with them and I says, "Tell me what I owe you" and I gave them a cheque for what I owed the bank.

Q. How much was that? A. That kind of bothers me to try and remember that, but I should imagine it would be in the neighborhood along of about that amount.

Q. \$900? A. I do not think it was quite that amount. I think it was a little bit less, but it is hard for me to remember.

Q. Whom did you give the money to? A. I gave a cheque to Mr. McKay or else I gave it to Mr. Travers; I paid it right over then. They gave me a book—

Q. Have you looked for the cheque since or looked in your bank account? A. No, sir, I have not. I remember this that I owed the bank some money and I told them I did not want to owe them anything, I did not want to have any more transactions with them. I said whatever the amount is, which I knew at the time, I believe I said to Mr. McKay, "you give him the cheque, and I will pay you, whatever it is", but I think my own cheque was taken and I straightened the whole up so that I would not owe them one cent.

Q. What did you do with the bank stock you had? A. He never gave any. I expected I would get it, but, to explain, it was like this, when I went in there they gave me a book with the Hon. Mr. Forget, Lieutenant Governor of Saskatchewan, Hon. Mr. Beattie, and some of the ablest men in the country.

Q. I do not want to go into all this; you bought stock and you paid for it in this way, by turning over the Canadian Savings Company stock and giving \$100 and ultimately paying the sum of \$900; what did you do with that stock or how did you get rid of it? A. It was sold to a Mr. Menzie.

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Q. Who by? A. Who sold it?

Q. Yes? A. As far as I know, Mr. Travers did, for I told him I did not want to go there; I did not want to have anything to do with them and they must take the stock back or sell it for me and he said he had a party who would buy it from me.

Q. Did you act as director? A. Well, sir, according to my lawyer and according to Mr. Travers I was not a director.

Q. Did you act as a director, attend directors meetings? A. No, as soon as I was elected, sir, I told him I did not make any bargain with them, that I wanted to be let off, and he said "well, you come to the meeting and I will explain to the directors and we will let you off and I sat waiting for them.

Q. Do you remember being elected a director? A. Well, sir, there was a sort—it was not an election to my way of thinking; I did not think that everything was fair and square there; they had a fight there, or they were going to have a fight there, and they frightened the life out of me.

Q. I see you attended the directors meeting—? A. With the understanding he would let me off, that if I was there I could explain it to them and let me off, but I took no part with them.

Q. You finally got rid of your stock in some way? A. I sold it to Mr. Menzie, and I signed my name on the book that it was transferred to that gentleman.

Q. What became of your stock in the Canadian Securities Company? A. They gave up business and I went finally and I sold it.

Q. Did the Farmers Bank give it back to you? A. Yes.

Q. What time was that, how long after you took your stock was that? A. As near as I can remember it was in the neighborhood of a couple of months or so, because the first meeting they said they would let me off if I could come to the meeting, and I went with the understanding that I should take no part in any shape or form, and Mr. Travers said, "If you will come and explain it to the directors, they will let you off".

Q. You were dissatisfied because you found the people connected with the bank were not the class that appealed to you? A. Yes, I made inquiry as to the class of people and I was willing to have worked with them but—

Q. You said you paid off whatever the balance was and they let you off and they gave you back your stock and you finally sold it? A. I sold the stock I had of the Farmers Bank to Mr. Menzie.

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GEOFFREY TEIGNMOUTH CLARKSON, Examination continued.—

Mr. HODGINS: How much was received by the bank altogether on capital account, *bona fide* received from the beginning down to the close? A. (Referring to page 18 of Exhibit 63). I make it \$532,599. I wish to say this further; in that amount I had not included items shown on page 21 amounting to \$13,800 which was shown to have been paid according to the books of the bank, and further I deducted \$20,000 for the deficiency in the Tevis account. If it is held that \$115,000 advanced Tevis on the loan then applied on capital stock is a valid payment and you do not have to take the loss into account, on the realization of the security, the amount would be \$552,000.

Q. What about the item of \$13,000? A. According to the books of the bank, stock held by Bate, Kelly, Kemp, Travers, Witham, Wylie, McEachren and W. Beattie Nesbitt is all shown as paid up. (Page 21 of Exhibit 63).

Q. Why do not you take it in? A. Because it was not paid by cash which came into the bank.

Q. \$532,000 is the lowest calculation of the paid up capital stock of the bank? A. \$532,599 is the lowest calculation of the paid up capital stock.

Q. And that was paid up in cash? A. Yes.

Q. If the Tevis transaction is entitled to stand without being charged with the \$20,000 loss, there was really \$552,000 of paid up capital? A. That is right.

Q. How long was it before that was all paid up? A. This statement is down to the date of the inception of liquidation.

Q. Can you tell me how much was paid up say by the end of 1907? A. No, I cannot tell you that, unless I go into the account, for this reason, that it means making up a statement based on fact and not book entries.

Q. I thought you had that? A. No.

Q. Would the bulk of that be paid up from 1907 in your recollection? A. I do not want to hazard an answer to that.

Q. Would it be too much trouble to find out just what years that capital account came in? A. No, I can prepare that statement for you, it would take some time, it would take three or four days to get that, fully that.

Q. Probably you can put that in later on? A. Then I understand you want a statement showing the actual payments from time to time, that is to say the progress of the account.

Q. Just by years.

MR. COMMISSIONER: You had better refer to this page 21 showing your reasons for treating them as not paid up, because apparently these reasons would in some cases not justify treating them as not paid up? A. My reasons are these—

Q. They are stated on page 21, are they not? A. Yes, of course this Kelly amount, I have largely recovered since the bank has been in liquidation.

Q. So that should go out, \$694.50? A. That would go out.

Q. Kemp, you say is of doubtful value? A. Yes.

Q. Why do you deduct \$6,000 W. R. Travers? A. Because that is taken off down below, that was included in the Tevis transaction.

Q. McEachren? A. That was the Beattie Nesbitt stock which was paid as charges against Keeley Mine and against commissions.

Q. If the commissions were due why do you charge it? A. There was a large amount charged against commissions which is very much in excess of what the agreements call for, according to my understanding and with that issue I do not feel prepared to admit the payment is all *bona fide*, at least it will have to be shown that it is.

Q. \$5,000 by cheque of the Clark Manufacturing Co.? A. What happened there was this, that Nesbitt was indebted to the bank or at least there were firms indebted to the bank to the extent of \$60,000.

Q. What firm? A. One was the Clark Manufacturing Co., the Hubbard Company, F. H. Ross & Co.—there may have been another one—they are all endorsed on the back of a cheque here. Nesbitt had guaranteed those accounts. The bank made a settlement with him whereby they took over his Keeley Mine Stock.

Q. The whole of it? A. Yes, wiped out these accounts and gave him \$5,000; part of the Clark debt to the extent of \$5,000 was caused by the issue of a cheque for \$5,000 in favour of the bank on account of payment of Nesbitt's stock.

MR. HODGINS: Is that the cheque we heard about of Lindsay and Travers? A. I do not know whether you have heard about it or not.

MR. COMMISSIONER: The \$5,000 cheque? A. No, there is another one.

MR. HODGINS: This a cheque of the Clark Manufacturing Company on their account in the Farmers Bank? A. Yes.

Q. McEachren and Nesbitt made a joint subscription? A. No, Nesbitt made the subscription; it was afterwards transferred and now stands in McEachren's name; McEachren was his secretary.

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Q. And that appears as fully paid-up stock? A. Yes.

Q. And that you say was paid, \$5,000 charged to commissions account and \$5,000 by the cheque of the Clark Manufacturing Company? A. That is it, sir. The Clark Manufacturing Company afterwards paid by the transfer of Nesbitt's Keeley stock.

Q. When did that transfer of Keeley stock take place? A. March 23rd, 1910.

MR. COMMISSIONER: We did not hear before of Nesbitt having parted with his interest in the Keeley Mine?

MR. HODGINS: No, I had intended to complete that with Mr. Travers.

Q. You spoke of a question arising as to commissions; the amount charged all told for commissions is something in the neighborhood of \$71,000, is it not? A. Yes.

Q. And taking the capital stock subscribed, what ought it to be at the 10% rate? A. Subscribed capital stock at the time of the failure was \$584,500; I think that is the exact figure; and 10% on that would be \$58,450. But you have to take into account on that Tevis stock the 1,150 shares; the commission went to Chapman by way of a transfer of capital stock of the American Piano Company; if you take \$115,000 off \$584,500 it will come to \$469,500; if it is true that the agreement was that the commission was to be only 10%, and so far as I can see is the case, the commission would be \$46,950 all told. I think the statement shows \$71,000 paid out.

MR. COMMISSIONER: The commission in the early stage was to be only 5%? A. I do not understand that.

Q. That was the arrangement of the provisional board? A. That is the first I have heard of it.

MR. HODGINS: That was with Smith.

MR. COMMISSIONER: I understood up to a certain time it was 5%.

MR. TRAVERS: I think you are wrong; it was 10%.

MR. COMMISSIONER: From Mr. Lown I understood it was 5%, and they raised the commission.

MR. TRAVERS: It was before my time.

MR. COMMISSIONER: Yes, before Travers came in at all I think they were paying 5%.

MR. HODGINS: The total appears on page 48 and is \$71,800; the total commission account from beginning to end? A. That is right. Mr. Travers has made the statement to me that there was an agreement that he should get 15%; I have seen no document carrying out that contention.

Q. At all events, that is the point you are raising with regard to why these should not be treated as paid up by reason of the right to commissions? A. That is the issue I raise.

MR. TRAVERS: Will you ask Mr. Clarkson if that transaction was at the time of the transfer of Nesbitt's Keeley Mine stock or not.

MR. HODGINS: I do not understand you.

MR. TRAVERS: He spoke of the transfer of \$5,000 in reference to the Clark Manufacturing Company? A. No, that was away prior to it.

MR. COMMISSIONER: Yes, I understand that; it was paid earlier, but the final indebtedness of Clark and these other concerns was wiped out by the transfer? A. Yes, that is what I mean.

Q. \$5,000 went to the debit of the Clark account and to the credit of stock account? A. That is what I mean.

MR. HODGINS: Still on the question of commissions, page 47, the commissions are charged up subsequent to December 31st, 1906, at \$15,204? A. A separate commission account was carried then.

Q. I suppose that is included in the \$71,000? A. Yes, it is combined.

Q. There is a payment to Lindsay of \$3,000 in 1907, on October 1st, which I understood was in full; 1909 there is a further payment of \$1,080? A. As I understand it there was a settlement made with Lindsay up to a certain date.

Q. Is the \$1,080 for subsequent commissions he claimed to have earned? A. I could not tell you that; I presume it is, but I do not know; payment was made though.

MR. COMMISSIONER: From what account in the bank's books were these figures taken? A. Taken from organization account and commission account.

Q. And do they appear in one or the other of these accounts under the head of commission? A. They will appear in the bank books under the head of commission.

MR. HODGINS: They sometimes charged the commission account and sometimes organization? A. Yes.

MR. COMMISSIONER: Ultimately were the accounts merged? A. No, I do not think so.

Q. Carried through in the same shape? A. I think the two accounts will cover, the commission account and the organization account.

Q. Were they ever combined? A. No.

Q. Because I understood organization account amounting to one hundred thousand-odd dollars included all commissions? A. The commission account was written off to profit and loss in 1907.

MR. HODGINS: In dealing with the organization accounts I asked some one, I think it was Mr. Travers, how he accounted for the fact that in the report of the provisional directors, as copied in the permanent minute book at page 11, the expenses of organization were represented as \$41,291, instead of \$44,000-odd that appeared in the report itself as a separate document signed by Mr. Lown? A. I can only make a suggestion as to that, I do not know that it is a fact, but the amount of the paid-up capital is stated at \$291,000; the amount deposited with the Government was \$250,000; therefore, it stood to reason that they could not show the expenses at more than \$41,000 without having an error in their accounts; I do not know if that is the reason; that is what I have always attributed it to.

Q. I wish you would look at pages 32 to 36; you have adopted certain dates for certain of the accounts; I do not know whether there is any significance in putting them in? A. The only particular significance of October 23rd, is that is the date upon which the organization meeting was called.

Q. There is a page I wanted to ask you about, page 38? A. These are the cheques I spoke about this morning.

Q. You spoke this morning of some cheques that were carried as cash; page 38 seems to give a statement which includes those; what is that statement on page 38? A. Page 38 is this, it shows the amount as having been actually expended up to November 27th, 1906, on expenses of organization, \$45,105.71; the amount shown in the permanent books of the bank is \$32,127.71; there was a difference of \$12,907. Then the statement shows what was done with the \$100,000; \$75,995 was used to cover the spread payments; \$20,027 to cover those securities and stock which they had on hand and \$12,978 to cover the deficiency in expenditures between what they were entered and what they actually had paid; that left \$109,000, and then there was a deficiency of \$9,000. To clean up that deficiency they carried in their cash three cheques, Groves, Gilchrist and Beattie Nesbitt, amounting to \$9,000, which came from nowhere. That is the explanation as I make it from an accounting standpoint.

Q. Page 39 is the way you make up from the books, I take it, the \$291,310? A. Yes.

Q. That is the way that was made up? A. Yes.

Q. In fact? A. Yes.

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Q. Will you look at page 48 and tell me if that is the expense account from start to finish, analyzed? A. When you say expense account it is not the operating account, it is known as organization expenses and commissions; it is a combination of those accounts.

Q. Does it begin at the inception of the bank? A. Yes.

Q. Right from the provisional directors down? A. Yes, right from the provisional directors to the end.

Q. A good many of the items were charged apparently in a peculiar way? A. Charged off in different ways.

Q. As shown on the statement? A. Yes.

Q. I will just ask you a question or two about that; the commissions and the provisional directors' legal expenses and various other things that includes that balance that you say you cannot account for out of that cheque of \$25,344.80? A. Yes, I think that is where it must have been taken up.

Q. And then the way which that total amounts which represents expenditure was dealt with, it appears, in this way: there is a charge to bank premises, \$15,000? A. Yes.

Q. Is that a proper charge? A. Not unless there are some facts that I know nothing about.

Q. Look at the account? A. No, not unless there are some reasons of which I am unaware.

Q. There is some loss on securities sold on capital account, \$1,027. has that anything to do with that account? A. Do I show it as a loss?

Q. You say it is disposed of? A. I meant that is the difference between that \$19,000 and the \$20,027; I do not think it is a loss; it is an actual realization.

Q. R. E. Menzie, why do you only charge \$20,000? A. The other previous \$20,000 had been paid up by Devean; the books seemed to indicate a new subscription of \$20,000 was credited to organization account; that is what the books appear to indicate.

Q. However Menzie afterwards was worked out in the Tevis matter and paid? A. Yes.

Q. There is a note of \$55,000 from Travers, was that carried as an asset? A. That was discounted by the bank and put to the credit in reduction of those expenses and then afterwards was charged to that Continental transaction into the Keeley Mine and Chapman.

Q. Then follows the commission account \$15,204. the details of which appear on the previous page 47? A. Yes.

Q. MR. COMMISSIONER: I do not understand that; why were those put on the other side of that account? A. That statement below means how those items were gotten rid of on the books, that is to say of that sum total of \$107,000 some was charged to one thing and some to another thing, and that \$15,000 represents the amount standing in commission account.

Q. Is that all that is charged to commissions? A. Under the heading commissions account.

MR. HODGINS: Those are the items, page 47? A. Yes, that commission account was wiped off afterwards in profit and loss.

Q. In properly kept books how would that \$107,000 have appeared? A. There should have been accounts in there for organization expenses, for commissions. I should think there would be those two accounts.

MR. COMMISSIONER: Take this item charged to bank premises, there must have been, according to Mr. Stair and I think Travers' evidence, money spent in putting the bank in order? A. There was a very large amount of money.

Q. To what account did that go originally? A. Bank premises account.

Q. What does that bank premises amount to? A. It is further on.

MR. HODGINS: Page 65.

**MR. COMMISSIONER:** They swelled the branch bank premises account by putting \$15,000 to these payments for commissions or something else? A. That is what I mean.

**MR. HODGINS:** Instead of appearing in the legitimate accounts they went to these various accounts, and in that way are misleading to any one looking at the books of the bank? A. They wrote off the account in that way.

**MR. COMMISSIONER:** Beyond the \$55,000 one, which explains itself, what was the object of doing this, what was to be changed—I can understand the amount paid for commission would appear a great deal less than it was and the amount paid for bank premises a great deal more? A. The amount charged to bank premises would appear in their books \$15,000 more.

Q. He then must have thought it would look better if the bank premises account looked larger than it really was if by doing so they could cut down the amount of commissions? A. Yes.

Q. I do not understand the Menzie case? A. The bank held Menzie's obligation for \$40,000, discounted \$20,000 of it went to take the place of the Devean transaction; the other \$20,000 appears to have gone to the credit of this organization account.

**MR. HODGINS:** Why should that charge be made? A. So as to reduce the apparent expenditure on organization and commissions.

**MR. COMMISSIONER:** They got \$20,000 from Devean which they paid back to him? A. Yes.

Q. And the stock was unpaid in Menzie's hands? A. Yes, except by note.

Q. What possible reason would there be for putting any part of that into this account? A. The only reason would be to write it down, to make it less than the account showed.

Q. Where would they show the dealing with Menzie, how would they show his account with regard to his stock; they must show somewhere, they got in money from Menzie they got so much money from Devean \$20,000? A. Yes.

Q. Is that what they credited. A. (Witness looks up book).

Q. When a shareholder paid so much money on account of his stock what entries were made in the books? A. I will show you in the books; they put a receipt here—capital account stock cash book.

Q. Is that a receipt for stock? A. Yes.

Q. Capital account is credited? A. Yes.

Q. What is the opposite entry? A. \$1,948, you see here. (Shows).

Q. When Devean paid his \$19,000 that went to the credit of capital stock, should have gone? A. Yes, but I do not think it was carried that way; I think the stock was just held there—yes, it was, it was shown there.

Q. And as an investment in the stock? A. Yes, but when they came to write up the permanent books they did not carry that investment into it.

Q. How did they treat it then? A. They did not treat it at all; they showed it in the stock book there.

Q. If capital stock had been credited with the \$19,100—A. Yes, they did, sir—that is right. They held the capital stock in payment, that is the Canadian Savings in payment of that stock.

Q. Then the securities, whatever account that was would represent that? A. Yes.

Q. How did they get that out of capital account? A. Here are the details; they all went into the stock ledger to the credit of these different people, that is it.

Q. I want to take this money that Devean had paid, \$19,100 that had gone to the credit of capital account, how did they ever get that out again; what entry was made to withdraw that?

**MR. HODGINS:** When he got back his stock they ought to have made an entry showing that had gone back to him when the stock was cancelled. A. Here is

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the Menzie transaction; there is where the note was discounted in the Toronto branch for \$40,000.

MR. COMMISSIONER: Would not there be in the ledger an account with somebody for that? A. This is the stock ledger, here is Menzie.

Q. 200 shares? A. Yes, here is the \$3,000; here is \$20,000.

Q. What \$3,000 is that? A. Here are the three items, \$20,000, \$17,000 and \$3,000.

Q. Does that mean there were three different notes or why is it split in that way? A. Those are the three.

Q. Then he must have discounted three notes? A. He only discounted one.

Q. Why did he split it? A. There is \$20,000 which goes to the credit of organization, and there is \$17,000 which goes to the credit of capital stock and there is \$3,000—

Q. When this man discounted his note and paid that why was not capital credited with that? A. Devean's stock had been credited previously with \$20,000.

Q. Why was not the other \$20,000? A. Then they paid it back.

Q. Then Devean got his back again? A. I will have to work that out again. The fact, of course, is \$20,000 was credited to commissions; I will have to work that out for you unless Travers can tell you now.

MR. TRAVERS: I think you are wrong on that.

MR. COMMISSIONER: The three items certainly seem to correspond.

MR. HODGINS: Devean's stock ought to have been credited as paid up.

MR. COMMISSIONER: It was credited as paid up.

MR. HODGINS: There should have been a further credit on that when it was sold to Menzie. A. (Referring to cancelled ledger). That shows \$20,000 paid up in December 31st.

Q. And he is credited on the 25th March with having paid that? A. Yes.

Q. I suppose that is the day the investment in the Securities? A. No, he transferred it on that date to the other man.

Q. They got Menzie's note for \$40,000 to pay for that stock, how are they going to make the thing square on the books if they took the \$20,000 and applied it to organization expenses, how is that possible? A. It will show you the credit to organization account.

Q. Where is the capital account? A. That is in the ledger.

Q. Perhaps if we had that it might throw some light.

MR. TRAVERS: Here is the explanation of that, I think (explaining to Mr. Clarkson); that \$25,605 was that note from the Guarantee Company in which that was included; that whole \$25,000 was charged to organization expenses and then the \$20,000 of Devean's was credited back again.

MR. COMMISSIONER: Does that mean it did duty for a few days? A. Here is the item. (In ledger.)

Q. Where is the capital account? A. (Turns up.) Devean was included in that \$291,000 brought over from the other.

Q. In March, on the other side, it was merged; he personally transferred it or is there any entry about it? A. No, there is none.

MR. HODGINS: Travers says when it came back—he remembers it was pledged for that \$20,000 loan—when it came back from there it was charged to organization; that is his explanation of it? A. When it came back it was charged to organization.

MR. TRAVERS: Yes. A. Yes, \$25,344 was charged to organization.

MR. TRAVERS: Yes and that was the advance from the Trusts & Guarantee in which that stock of \$20,000 was included.

MR. HODGINS: However it was done it does not alter the fact that it should not have been charged in the way it was? A. That \$25,000, no.

Q. No, that \$20,000, Menzie? A. No, the stock transaction should not go into this organization account at all.

Q. The object apparently was to make the organization account look small?

A. Yes, it diminished it by that amount.

Q. Have they to show these in returns to the Government in any way? A. Organization expenses?

Q. Yes? A. No.

Q. What is the object of reducing the organization account? A. That appears in the books of the bank; you have to take the account representing these expenditures; you could diminish these expenditures by charging them to other items, such as bank premises, such as liability of a customer or something like that; it is an entirely different thing.

Q. Do you mean if it is charged to bank premises account that that is returned to the Government as a valuable asset? A. Yes, that is returned to the Government.

MR. COMMISSIONER: There is an item of bank premises? A. Yes.

MR. HODGINS: Taking that \$15,000 charged up to organization and bank premises, would that enable them to show an asset of \$15,000 which could be returned to the Government? A. Yes, it was returned.

Q. As a valuable asset? A. Yes, it was returned as an asset.

Q. Charging part of it in capital account, would that enable them to do the same? A. Not an asset; what is your question exactly?

Q. Whether charging that \$20,000 which you have down there, which apparently should have been in capital account, would that be a benefit to them? A. No.

Q. Can you account for it being done in that way? A. The only way I accounted for it was the desire to reduce the amount of this account by charging it out into various places.

Q. But as Travers knew all about it, who else was to see it? A. If the bank kept a balance some way, sooner or later it had to go out of the way, either out of profits—

MR. TRAVERS: Can I help out on that? A. I do not know what Mr. Travers' explanation is.

MR. COMMISSIONER: Mr. Travers is making a note of these.

MR. HODGINS: Yes, you make a note to show why page 48 was so treated.

Q. Would there be any benefit in having this note of W. R. Travers for \$55,000 instead of \$55,000 in the organization account? A. Yes, it would appear as a loan.

Q. Would that be valuable in making a return to the Government? A. Paper under discount, yes; it would appear as a loan to customers.

MR. COMMISSIONER: It would appear as an asset instead of an outlay.

MR. HODGINS: There is an item of \$9,100 which, so far as I can see from the accounts, was used to purchase some shares, do you know about that item (page 23)? A. What happened there, was, Mr. Travers discounted a call loan in the head office and took over stock purchase, the stock from stockholders who had been paid for their stock to the bank.

Q. That would mean \$9,100 of bank money taken to buy stock? A. The bank held a call loan of Mr. Travers, and if he were good it would be all right; if he was not good it would mean a loss.

Q. Did he make the loan to himself personally? A. The bank made the loan to him, yes; he got the loan.

Q. Gave his own note? A. Yes.

Q. What became of that stock afterwards; did the bank ever dispose of it and get the proceeds? A. No, it is in his name now.

Q. Had he paid his call loan? A. That is a question. I have been collecting assets and applying them generally against obligations; I do not apply it specifically one thing or another.

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MR. COMMISSIONER: Was it paid at the time? A. No, it was not; there was a loan of \$16,800 in the bank at the time of the failure.

MR. COMMISSIONER: Mr. Travers had better take a note of these to explain why these stocks were got out of the way.

MR. HODGINS: There is another item on page 18 of \$1,273.50, C. H. Smith in trust, he was the former secretary? A. Yes.

Q. What is the explanation of that item? A. He is a debtor of the bank for \$1,273, the amount being used in purchase of capital stock, according to my information.

Q. Was that of capital stock before the organization or after? A. No, that stock was purchased, I think, just in the last year of the bank's existence.

Q. By C. H. Smith? A. Yes.

Q. Did he give an obligation to the bank and did they advance him the money or how was it done? A. No, I think it is by way of overdraft.

Q. Was he being used by the bank? A. I do not know; the information given to me is that he was doing this of his own initiative.

Q. He was the former secretary? A. Yes.

Q. And is now in Vancouver; that appears in an overdraft used for the purpose of purchasing stock.

MR. COMMISSIONER: Is not there some mistake about that; Smith went out of the bank before the permanent organization. A. Yes, he was secretary of the provisional directors.

Q. It must have been during that time it was done? A. No, he was in Toronto here in 1910; he borrowed money from the bank in 1910, and the information I have is he used it to purchase stock on the market.

MR. COMMISSIONER: I thought Travers and he were not very friendly? A. Not about November, 1906.

MR. COMMISSIONER: After he got his \$1,800 I do not see how Travers would be much more friendly?

Q. That overdraft arises in the last year.

MR. HODGINS: Is it an ordinary business over-draft? A. To all appearances it is, but the statement is made to me that it was used to purchase stock in the bank.

Q. And there is nothing to represent it except this cheque? A. No.

Q. And it is C. H. Smith in trust? A. Yes.

MR. COMMISSIONER: Did you trace the stock? A. I have no trace of capital stock acquired by Smith.

Q. Why do you make it C. H. Smith in trust? A. That is the designation of the account; there are two accounts; one C. H. Smith in trust and the other C. H. Smith, and on inquiry which he should have an account C. H. Smith in trust I was told that that was money he borrowed with which to purchase capital stock of the bank on the market.

Q. I would like to follow these items up on page 63; I would like Mr. Travers to make a particular note of these; that was McCallum and Tamlin? A. Defalcation.

Q. By whom? A. By a man named McCallum, who was an employee of the bank, and a man called Tamlin, who was acting apparently with him, outside the bank.

Q. That represented a loss to the bank of \$48,402? A. Yes, net.

Q. After the recovery—? A. Of \$5,000 from the Surety Company.

Q. Was that a straight defalcation by a local manager or what? A. That is the information given to me.

Q. What was done with the loss in the books? A. \$40,000 was written off to Keeley Mine and there is at present in the Toronto office two notes of \$10,253 and \$1,011; \$21,038 is charged in the Toronto branch.

Q. Charged in what way, charged as a loss? A. No, it is in the account there as charged against the Toronto branch.

MR. COMMISSIONER: That is between the head office and the Toronto branch?  
A. It is the McCallum account, yes.

MR. HODGINS: This first item of \$40,000 is apparently charged up as an advance made by the Keeley Mines? A. No, it is charged in stocks and bonds, written off in stocks; just in the same way as the expenditures in organization account.

Q. I think you explained about the stocks and bonds account, or was it Mr. Travers? A. Mr. Travers explained it.

Q. That was an account opened about when; what account had been used previous to that? A. The Rabbit Mining had been used to a smaller extent.

Q. What would a man looking at that account assume it meant in the way charged up? A. An investment in stocks, bonds; the account was opened on the 12th August, 1908.

MR. COMMISSIONER: What account? The Keeley-Jowsey-Wood stocks and bonds account.

MR. HODGINS: What is the date of the \$40,000 being charged up to it? A. November 10th, 1908.

Q. It was as early as that; as a matter of fact the whole thing, \$48,403 was a loss? A. Yes.

MR. COMMISSIONER: Before you go from that what connection had McIntyre with the matter? A. I understand, sir, that a note was taken from a man named McIntyre and carried in the Toronto books as a loan to customers. The account looks to me as though it were just simply carried so as to obviate the necessity of showing such a loss.

Q. It was not a friend of Tamlin or McCallum who came in and gave his note? A. The note is no good. I am told it was procured by the solicitor of the bank when he was cleaning this matter up.

Q. As a security to the bank or what? A. Whether it was supposed to be a security or not I do not know, but the statement is made that the solicitor took his note in connection with this defalcation and handed it over to the bank.

Q. And what was Tamlin's note? A. The Tamlin note is just the same.

Q. Is that one of these men McCallum and Tamlin? A. Yes.

Q. What has become of McCallum? A. McCallum is said to have gone to Owen Sound where he is employed in a furniture business up there.

Q. Was this all kept secret, this loss? A. No, McCallum was prosecuted in the Police Court when I think the loss was shown to the extent of \$8,000 or \$9,000 and he went to jail I think for three years. The full extent of the loss was not disclosed by the bank; I think it was made to appear about eight or nine thousand dollars.

Q. What was his position? A. Paying teller.

Q. In Toronto? A. Yes.

Q. How did he get hold of so much money to steal? A. Mr. Travers, I think, will have to explain that to you, sir, I cannot tell you; this is just a record of what appears of that transaction according to the books. All I know is I made inquiries about McCallum and about this McIntyre note and this Tamlin note and I was told they were taken at that time. They are no good. I do not think I ever got any very fair statement as to why they were taken excepting for the purpose of cleaning the matter up.

MR. HODGINS: The next item on that page 63 is the Toronto office overdraft, under the head of W. R. Travers, \$6,129? A. That is a withdrawal; his current account was over-drawn to that extent.

Q. The next four items we have heard of before? A. Yes.

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Q. Those are as I understand it, items withdrawn by Mr. Travers and charged to these various accounts? A. That is what I understand, yes. I think we have spoken about all these things.

MR. COMMISSIONER: Keeley Mine we have not got that, \$125,000? A. I think that was mentioned yesterday, \$90,000, \$20,000 and \$15,000, totalling \$125,000?

MR. COMMISSIONER: What has Travers to do with that?

MR. HODGINS: These were just moneys which according to the evidence yesterday he took; you will find them on page 73. You remember he said he borrowed that \$90,000 against his stock in the mine.

MR. COMMISSIONER: The whole \$125,000 is made up of different items.

MR. HODGINS: Yes; this \$125,000 is made up of the following: Withdrawals: \$90,000, W. R. Travers, charged to Keeley Mine Stocks and Bonds; and two items above \$15,000 and \$20,000.

MR. COMMISSIONER: I do not see; the appropriations here of \$125,000 are made up of five items? A. These items make up the \$90,000.

Q. Drawn at different times? A. Yes, that \$15,000 is represented by Keeley Mine note here and \$20,000 is represented by Keeley Mine note here; and that \$40,000 was represented by a Keeley Mine note until such times as it was charged to stocks and bonds.

MR. HODGINS: As against that, cash recoveries, and what you expect to recover, that is further recoveries expected, \$32,000 has not been received yet? A. No.

Q. Looking at it at the date of failure, I suppose the \$166,733 would be the debit against it; you have recovered \$45,750 and you expect to get more. Is that out of the realizable assets? A. And bonds.

MR. COMMISSIONER: What are those securities for those items or things you got from Travers afterwards? A. I got \$25,000 from one guarantee Co., and I have sold real estate in Toronto and Maitland and realized on some small accounts.

Q. How did you get that property? A. He made an assignment to me and practically the bank is the only creditor. The Guarantee Company would be a creditor for what they paid but we made a settlement and they waived their claim.

Q. What is the next one, dividend account; appropriations not justified \$2,008; left unpaid dividends, \$280—\$1,728? A. That is in regard to dividends and so far as I can see there is about \$1,700 dividends paid out in excess of what the stock outstanding at the time warranted.

Q. Can you trace that? A. No.

Q. Improperly paid dividends according to your view.

MR. COMMISSIONER: How did you arrive at that? A. There is an account further on, page 64.

MR. COMMISSIONER: They paid on a less amount than the ledger showed, according to this; they are all less.

MR. HODGINS: The capital stock payments are all less than the ledger showed.

MR. COMMISSIONER: If they paid a dividend upon smaller sums—? A. The ledger shows capital stock paid up in excess of what it actually was.

Q. And the dividend was paid on what the ledger showed? A. Yes.

Q. That is misleading? A. I see it is there, but what I mean is this, the dividend was paid on the ledger statement.

Q. You had better make that alteration now, "Dividends paid upon basis of capital stock payment as shown in ledger"? A. (Alteration made accordingly on page 64).

MR. HODGINS: Q. The next item will be Beattie Nesbitt charged to Keeley Mine Stocks and Bonds \$5,000; that is the item spoken of yesterday as being paid to him to manage Wishart? A. Yes.

Q. The next item is August 3rd, 1910? A. There is a payment out on the Keeley Mine on August 3rd, 1910. There is no information in the Toronto office to show where that money went.

Q. Is there any cheque? A. It comes this way to the head office by way of a charge against the Toronto office of \$10,000 and I have not been able—these book entries are mere bald entries, you have to have the voucher behind it to find out what the transaction is, and I have not got it.

Q. Can you turn it up in the ledger? A. No.

Q. Will you turn it up? A. I will show it in the Keeley Mine Stocks and bonds accounts \$5,000.

MR. COMMISSIONER: Debited to that account? A. Yes.

MR. HODGINS: It appears in the regular order? A. It will appear in the cash book as—

Q. It does not seem to differ from any of the other items? A. No.

Q. Have you been able to verify all the rest but this? A. Yes.

Q. You do not know what became of that \$5,000; it is simply charged there?

A. I do not know what became of it; I won't say that the voucher was not there, but between the various prosecutions and one thing and another papers—

Q. You cannot account for that? A. No.

Q. As to the Keeley Mine I have here agreements which were made which show the payments which had to be made upon the option; there is the option first and then the agreement whereby Nesbitt, Wishart and Travers and the Farmers Bank took it over. I will put those two in. From that it would appear that Beattie Nesbitt was obtaining an advance from Wishart of \$25,000 and an advance from the Farmers Bank of \$25,000 for the purpose of applying said sums such option on the purchase price of said mining property.

EXHIBIT 65: Option dated the 18th day of May, 1908, from R. J. Jowsey *et al* to W. Beattie Nesbitt, and agreement of the 18th May, 1908, between Nesbitt, George Wishart, W. R. Travers and the Farmers Bank.

Q. You have gone pretty carefully through the Keeley Mine account? A. I have.

Q. And the Keeley Mine Stocks and Bonds account; the result is set out in these pages 72, 73, 74 and 75? A. Yes, that is correct.

Q. How far have you been able to tell that the advances of items charged in that were legitimate charges for mining and mining operations and development?

A. I can only say this that the Keeley Mine books were kept by Mr. Fitzgibbon, the accountant of the bank: there are vouchers apparently for all the payments of all the sums that went through the account, and it is my opinion that in so far as it goes the accounts are substantially correct.

Q. There have been several items mentioned here that were charged to the Keeley Mines account that do not appear to have had anything to do with the Keeley Mine? A. The money that is shown by my account to have gone to the Keeley Mine property I think was substantially expended on the property.

Q. Look at those three pages, and then we can see what you refer to, page 73? A. The first item, \$161,374 was the amount of the advance to the Keeley-Jowsey-Wood mine up to the time of the formation of the Keeley Mine. The next items amounting to \$362,329 are the actual advances made by the bank to the Keeley Mine. Then that item of \$13,883 is the amount which was on hand in the current accounts and in interest charges; showing that the actual advances made by the bank, direct cash advances, \$509,886.95.

Q. In the first item you gave was included the two payments, \$25,000 each, May 29th and May 30th, 1908, by Travers as he told us yesterday? A. Yes, one of these is Wishart's note.

Q. It includes August 15th, 1908, payment of \$50,000? A. Yes.

Q. And the overdrawn account shown as \$61,374.31 up to December 17th, 1908. Does that include payment subsequent to the first two fifty thousand dollars

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paid upon the option? A. There is an item of \$20,000 in there. There was payment made on December 15th, 1908, of \$40,000.

Q. Which would be included in that \$61,374? A. There is a payment in there of \$20,000 previously.

Q. Included in the \$61,374.

MR. COMMISSIONER: Is that what he said? A. Up to December 4th there had been all told \$70,000 according to this property account of the Keeley Mine paid to the vendors. On December 15th, 1908, there was \$40,000 and on January 2nd, 1909, \$40,000.

MR. HODGINS: That does not seem to agree with this; there was \$50,000 paid in May, 1908, and in August there was another \$50,000 paid; you speak of there being \$70,000 paid up to December 4th, 1908? A. According to this record.

Q. According to the books of the bank? A. The books of the bank would show the advances to the Keeley-Jowsey-Wood Mine.

MR. COMMISSIONER: What account are you looking at? A. At the Keeley Mine Ledger Property Account.

MR. HODGINS: Those do not agree? A. That \$30,000 might have been expenditures on mining in the meantime.

Q. Travers has spoken of this \$50,000 on August 15th, as the second payment; that and the other makes \$100,000? A. The Keeley Mine books show only \$70,000 paid up to that time to the vendors; the Keeley Mine property account there accounts for the payment of the \$300,000 to the vendors. Without an examination of the vouchers I am not able to give you the allocation of those payments.

MR. COMMISSIONER: What is the "2" in front? A. That is two million dollars of capital stock that was issued, two million dollars was the capital stock that was issued in purchase of the option.

MR. HODGINS: \$70,000 the cash payment? A. Yes, according to that book, on the property.

MR. COMMISSIONER: This starts with the new concern? A. This starts out of this other book which is the inception of that. This is really a cash journal. There is the item.

MR. HODGINS: Have you the Keeley-Jowsey-Wood books here? A. I think we have one or two of them.

Q. They spent about \$160,000 a year, 1908, 1909 and 1910? A. I never calculated it.

MR. COMMISSIONER: I do not see how they agree? A. This is a statement of advances. Here it is. Bills payable transfers from Keeley Mine, there is \$100,000.

Q. But it was not bills payable? A. Yes, Keeley-Jowsey-Wood Mine had issued bills to the extent of \$100,000 which were discounted in the bank; and they showed according to their books on that date an overdraft of \$59,513—\$159,513. The difference of two thousand is interest I take it. That money was expended this way; buildings \$10,786; freight, these other items in here \$29,000; operating \$52,000; Nesbitt \$77 property account \$70,000—that two millions that five hundred dollars make up this two million five hundred thousand dollars: I think the thing is all accounted for.

Q. Do these payments seem to be regular and properly made? A. There are vouchers for every payment; I cannot say whether they are all correct, but I think they are very little astray.

MR. HODGINS: That makes a total advance voucher for apparently legitimately of \$509,886.95? A. Yes, sir.

Q. Give the amounts charged up to the Keeley Mine which you cannot denominate as legitimate charges? A. Here they are.

Q. Can you give me the total of them? A. They amount to about \$248,391.

MR. COMMISSIONER: That is, these payments are not properly Keeley Mine payments? A. Yes, sir; pardon me, that includes \$118,000 of interest.

MR. HODGINS: I was going to ask you about that. The \$509,000 does not include interest? A. No.

Q. It means actual money paid? A. Actual cash without any interest at all.

Q. Then on page 73 there is an item of \$118,370 of interest? A. Yes.

Q. Is that account in the bank books as charged to this account? A. Yes.

Q. And carried earned interest on an investment? A. Yes, that is \$118,000.

Q. And is so used in the statements? A. Yes, carried to earnings.

Q. Then comes the item that we have already discussed with Travers, amounting to \$125,000, and the payment to Beattie Nesbitt December 14th, 1908, of \$5,000? A. That is right.

Q. Those are the three classes of items over and above what you call legitimate payments of cash on account of the Keeley Mine? A. Yes.

Q. From the Bank's standpoint what do they hold for that? A. They held at the time of the failure call loans at \$300,000.

Q. What are those? A. Loans subject to call. That was apparently issued against the \$500,000 of Treasury stock that apparently had been hypothecated to the bank.

Q. Who was liable for those call loans? A. The Keeley Mine Company.

Q. As a company? A. Yes.

Q. No one else? A. No.

Q. Current loans? A. \$250,978.70, that is in the head office. In the Toronto branch there were \$75,000 of current loans against which there were credits to the company's account of \$7,720.85.

Q. You have spoken of the call loans, current loans, the Toronto branch, \$75,000 in Keeley Mine notes less \$7,720; then there are three other items of \$45,000, \$90,000 and \$5,000 which appear represented upon the books of the bank; what are those; what did represent those at the failure? A. This \$90,000 which has been spoken of by Travers, there was \$150,000 of Keeley Mine stock in the hands of the bank; Mr. Travers had borrowed \$90,000 from the bank and he had handed over to the bank \$150,000 of Keeley Mine stock.

Q. So that—? A. It was shown on the bank's books as an investment to the extent of \$90,000.

Q. \$45,000? A. \$45,000 interest, was charged in such form as to indicate that it was taken credit for as dividend on this stock investment.

Q. As if it had been actually received? A. Yes.

Q. What account was that found in? A. It was charged to the Keeley Mine advance account, at least it was charged to the Stocks and Bonds account, and the bank took credit for it as interest earned.

Q. The next item is \$5,000 item paid Nesbitt? A. That is charged in here into the Keeley Mine Stocks and Bonds account.

Q. Some of those items you have given us, those three items in fact, appear on page 74; what is the explanation of the other items on page 74? A. The bank premises account has been written down \$40,000, and that amount charged up against Keeley Mine stock. McCallum's defalcation was charged into it.

Q. Does that mean an illegitimate charge to the Keeley Mine in addition to those you have told us of? A. What I have told you of previously were straight advances by the bank to the mining company; these charges I am now mentioning are in respect of moneys paid out for different things and charged up against this stock which the bank got in the Keeley Mine, Limited.

Q. From whom? A. In the promotion of it; its one-quarter interest.

Q. What other items are there apart from the three we have gone over? A. There is an item in here of \$60,000, W. B. Nesbitt.

Q. Explain that, that is in connection with the assignment of stock? A. Nesbitt was interested in two or three companies, the Hubbard Company, F. H. Ross Company, the Clark Manufacturing Company, and I think he and his wife also owed the bank money; anyway he was the guarantor on all these accounts; the

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bank took over Nesbitt's interest in the Keeley Mine in liquidation of these accounts, these obligations giving him at the same time \$5,000.

Q. What is the amount that was represented by that? A. \$60,000.

Q. Plus \$5,000? A. No, \$55,000 plus \$5,000.

Q. When was that transfer made? A. March 23rd, 1910.

Q. What is the next item? A. The next item is Rabbit Mountain Mining Company.

Q. What does that mean? A. There is a debit balance to that account of \$10,500. It arises from various charges against it; organization expense and one thing and another at that time; they had charged \$10,500 more than they had given credit for by transfer to other accounts, so that they charged the balance to Keeley Mines Stock and Bonds Account.

Q. Wiped out the Rabbit Mountain account and put it in this? A. Yes.

Q. What is the next item? A. Profit and loss; they took credit for \$92,000 of profit and showed them in their statement of profit and loss, charged them up to investment in Keeley stock.

Q. Then what is the next one? A. The next is suspense account, \$25,000. They carried a suspense account and charged items into it and out of it and this \$25,000 is a clearing up of that. The next item is \$107,500 special account, which arises out of Tevis and the Continental Securities transaction we spoke about. The next item, \$45,000, is interest, general.

Q. You spoke of that? A. Yes, a minute ago. The next item is \$15,000 in purchase of Keeley Mine stock from Crompton and from Whitney. Crompton has paid back since the failure of the bank the \$10,000 that was paid to him, but Whitney has not.

Q. Whitney is a New York man? A. New York theatre manager. The next item that appears there, that payment of August 3rd, 1910, out of Toronto office, \$5,000; that makes a total of \$535,000 charged to the Keeley Mine Stock and Bonds account.

Q. Speaking in round numbers, the legitimate charges of the Keeley Mine are \$505,000, and then there is interest? A. That is advance account.

Q. That is legitimate advances because they went into the mine or spent on account of it? A. Yes.

Q. Then there is \$118,000 of interest? A. Yes.

Q. Apart from those two items, are any of the others which you have given us proper and legitimate to be charged to that account? A. From my standpoint. That comes down to a matter of opinion, I disagree with Mr. Travers. Mr. Travers said he was warranted in doing this, and I say I do not agree with him; I do not agree with this method of charging up these profits and taking care of these losses. I do not think this method was proper under the circumstances which obtained.

Q. What was the method adopted? A. The method adopted was this, if the bank made a loss or the bank wanted to show the earning of a profit it charged the amount up as an investment in the Keeley Mine Stock and Bonds; in other words, if the bank here wanted to show a profit of \$92,000 in its account it took credit for having earned a profit of \$92,000 and showed the expenditure of \$92,000 in this stock. That question simmers down to a difference of opinion.

Q. Does not it simmer down to this, that he was assuming the mine was worth a very large amount of money and consequently could stand all these losses, and from your point of view unless it realized them it would not be fair to charge them? A. That is a risk he ran, and he lost.

MR. COMMISSIONER: I suppose he ought to have waited until he realized the profits and then carried them to profit and loss account? A. If he had realized those profits I don't think anybody could cavil very much at this method of treating this; but he was anticipating.

MR. HODGINS: The Keeley Mine itself appears to be responsible for the \$505,000, and perhaps for the interest charges? A. For a large portion of the interest.

Q. But so far as the other items are concerned, they arise out of different transactions and have only been gathered together in the Keeley Mine account because they thought that account would ultimately make good a profit sufficient to wipe them out? A. That is the idea.

MR. COMMISSIONER: It is treated as an investment in the stocks and bonds of the Keeley Mine to an equivalent amount? A. That is it exactly; it is treated as an investment in this stock.

Q. Stock and bonds? A. It is called stock and bonds account, but it was really stock.

MR. HODGINS: There were no bonds issued except those that the Trusts & Guarantee Company got? A. The bonds were pledged for the obligation owing to the bank; the bonds were pledged against advances, the stock was used to take up these losses.

Q. They might just as well have charged those additional items to John Smith or Tom Brown if they thought he would make good and pay the bank that money? A. Mr. Travers has given you his reason; he had that stock and he charged that to it.

Q. I do not think it would be fair to assume that the bank had put all that money into the Keeley Mine; it lost it in various ways and then put it in the meantime into these accounts, till the Keeley Mine could make good; in which case they would have appropriated the profits in the Keeley Mine to wipe those out; does that appear to be the case? A. The bank made these losses, expended these moneys, charged these expenditures as investments in this stock, stock which it had got for nothing; it anticipated making a profit out of this stock; it did not make the profit and therefore—

Q. The original amounts that are charged there had nothing whatever to do with the Keeley Mine? A. No.

MR. COMMISSIONER: Supposing he had adopted another course and treated this stock as being of the value of half a million and credited that to his profits, would not it have come to the same thing? A. Yes, in the end. Yes, because he would then have had to have written the stock off when it was ultimately realized.

The Commission adjourned at 4 p.m. to 11 a.m. to-morrow.

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Toronto, May 29th, 1912.

The Commission resumed at 11 a.m. at Osgoode Hall.

GEOFFREY TEIGNMOUTH CLARKSON, Examination Continued:—

MR. HODGINS: You were discussing the Devean and Menzie transaction yesterday and you have prepared a little statement dealing with it? A. Yes. I wanted to explain that thoroughly; I was a little bit confused about it yesterday. I have given you a memorandum. I will tell you the exact course of the transaction; if you look at page 39 of the report (of Exhibit 63) you will see securities on hand \$20,027, and added in the total capital stock the total of \$291,310 is the capital paid up on November 26th when it was organized. That means that Devean's capital stock was shown as paid up out of moneys borrowed by Travers

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from the Trusts & Guarantee Company; in other words, he allocated \$20,000 of that money in payment of this Devean stock.

Q. Do you mean giving him the Dominion Permanent stock to the good as well? A. I mean to say he borrowed \$20,000 from the Trusts & Guarantee Company and he allocated that as cash received in payment of the Devean stock.

MR. COMMISSIONER: He gave the Trusts Company as security for that the Canadian Savings stock that he got from Devean? A. Yes. In March, 1912, when he paid the Trusts Company loan off, that was equivalent to the return of this cash which was presumably held by the bank in payment of that stock, but instead of charging it to capital stock he charged it to organization account, then he had the stock to the good, but the Devean capital stock not paid. He credits that \$20,000 to organization account to offset the payment of \$25,344.80 paid to the Trust Company.

MR. COMMISSIONER: Perhaps you would explain at that point what accounts for the difference between \$20,000 and \$25,344? A. There is the \$2,380 of the Laidlaw and there is \$1,400 bonus and interest for the balance. He did not put through that entry, however, crediting the organization account with this \$20,000 of Devean stock until the time of the Menzie transaction. At that time Menzie had given a note for \$40,000, which was discounted in the Toronto branch; he split that, allocating \$20,000 of these proceeds to take the place of the Devean securities which were handed back to Devean, and the other \$20,000 he added to capital account; increasing it. That is the transaction.

MR. HODGINS: What was the object of doing the transaction in that way from his point of view? A. I do not know, excepting this, it was irregular to put it into the organization account, but it only made a difference of \$5,344; \$2,300 of that was the Laidlaw amount, and the balance was interest and bonuses. I suppose the interest and the bonus was the cost of carrying this deal through.

MR. COMMISSIONER: If he had taken it off the capital account, reduced the capital account, that would interfere with his circulation to that extent? A. It would have reduced his circulation.

Q. That probably was the object? A. He would have reduced the circulation, but if he had done that there would have been no reason why he should not have put back the \$20,000 at once; it would have reduced his right to circulation \$5,344.

Q. Only? A. Yes, only.

EXHIBIT 66: Memorandum re Devean and Menzie transaction.

MR. HODGINS: Q. There was a transaction in Syracuse, New York State, in reference to the proposed buying of control of the Mutual Life Insurance Association? A. Yes.

Q. That transaction such as it was fell through? A. The purchase was not completed, no.

Q. What was the loss on that transaction of the bank? A. \$15,000.

Q. And that amount only? A. That is so far as I can ascertain.

Q. I do not want to go into it, but perhaps it would be just as well in a general way to say what it was and how the loss was occasioned? A. As I understand it, the bank had given a deposit receipt for \$150,000, a non-negotiable receipt; the receipt was negotiated and the proceeds of sale were divided as far as I can find out amongst a number of people, amongst whom was John Tevis that we have heard of. The New York Insurance Department stopped the transaction and compelled the re-payment of all the money but \$15,000 which Tevis had secured. This is as I understand it. To get back its deposit receipt and to prevent the transaction being carried further, at least the proceedings by the New York Insurance Department being carried further, the bank loaned Tevis \$15,000 on some mining stock now worthless and issued to a bank in Syracuse two deposit receipts amounting to \$15,000 which were subsequently paid.

Q. Do you remember what mining stock they loaned on? A. Big Vein Copper Co.

Q. Is that worthless now? A. My inquiries indicate it is.

Q. That is the transaction that is detailed in the Return to Parliament as I understand it; there is a good deal of correspondence from Superintendent Hotchkiss and Mr. Charles Hughes with the Finance Department, that is really the same transaction is it not? A. Yes, that is the transaction referred to.

Q. It begins with a letter dated January 11th, 1910, from William H. Hotchkiss, Superintendent of Insurance to the Finance Department, and Charles Hughes was sent by the Insurance Department, and that is all detailed in the printed memorandum and it had a good many ramifications, but the net result to the bank as you find it was this \$15,000? A. A loss of \$15,000.

Q. It was said that Travers took actual circulation with him over to Syracuse, was that returned? A. The evidence given was to the effect that \$150,000 was taken over and returned.

Q. When you say the evidence, do you mean the evidence taken by the Insurance Department of New York State? A. Yes, I think there is a copy of the evidence in one of those books and the information given to me by Mr. Travers and Mr. Fitzgibbon.

Q. It was returned; you do not find any such loss in circulation? A. No.

Q. Which would indicate anything incorrect in that? A. No.

Q. When was that loan made to Tevis; the correspondence begins in January, 1910? A. I will have to get the call loan register.

MR. COMMISSIONER: Is that very important?

MR. HODGINS: I do not think so. A. I can tell you by reference to the call loan record.

Q. There is nothing else that calls for comment in connection with that transaction from your point of view? A. I think not, Mr. Hodgins, that is the ultimate result to the bank; this call loan would have been made at the termination of these proceedings in connection with it; it is not at the initiation.

Q. Does Tevis appear in any other transaction than what you have given us? A. Tevis appeared in that capital stock transaction, the purchase of \$115,000.

Q. Are those the only two transactions? A. Yes. Of course Tevis was mixed up with the Knabes of New York and Baltimore, and the Knabes while it is a different transaction still there was a relationship generally between the bank and that crowd.

Q. Are the Knabe's liable in any way to the bank or alleged to be liable?

A. Yes, they owe the bank between \$80,000 and \$90,000.

Q. How did that arise? A. The bank loaned them money.

Q. On what? A. The bank loaned them money and took as security their direct obligations and some notes of a man called Barnsdale, of Pittsburg, and a concern called the Manhattan Securities Co. of New York, and it was also claimed that this Tevis capital stock in the bank really belonged to the Knabes.

Q. Are they the piano people? A. Yes.

Q. Were they members of the American Piano Co? A. They were, and I understand they were the promoters of it or connected with the promotion of it.

Q. What was the dealing that this bank had with these people in the United States which resulted in the loss of \$80,000 or \$90,000? A. The explanation given to me is that they were regarded as people of responsibility, that they wished to purchase the control of the Federal Life in Hamilton. They approached the bank and the bank made two loans to them aggregating \$100,000 and issued deposit receipts for varying amounts which the bank subsequently was called upon to pay.

Q. I find a letter and the papers from Mr. Hunter to the bank advising that it was illegal to issue deposit receipts for that purpose; that appears among your

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papers; as a matter of fact do you find records of deposit receipts being issued?

A. To the Knabes?

Q. Yes? A. Yes. I do not understand that. Loans were made by the bank to the Knabes.

MR. COMMISSIONER: You do not understand how that could be *ultra vires*?

A. No, it was an ordinary banking transaction; they made the loan and issued the deposit receipts in satisfaction of the proceeds.

Q. He may have got the idea that they were buying the Federal Life? A. I think that refers more to that, the deposit receipts being issued in purchase of Federal Life stock.

MR. HODGINS: What security did these Knabes give for this loan? A. I was instructed when I first went into the bank that the bank was supposed to hold an option on certain Federal Life stock. As a matter of fact it turned out that that option was not held by the bank, it was held by another party in town here who had advanced money to Knabes. The only security therefore the bank held was their own personal responsibility and the responsibility of Barnsdale, of Pittsburg, who I think expended somewhere about \$25,000 and the Manhattan Securities Co. of New York to a similar extent. The Manhattan Securities Co. is worthless, we exhausted its responsibility and collected two or three thousand dollars. I think we have collected from Barnsdale about eight or nine thousand dollars and have an action pending against him in Pittsburg.

MR. COMMISSIONER: Any hope from that? A. I think so, sir, but it won't come up for a year and a half; the lists are congested there and it will take them a year and a half for the case to be brought to trial. We issued the writ over a year ago. Against the Knabes we issued a writ in Baltimore.

Q. That is not worth much? A. No, I got an offer of \$10,000 in satisfaction of their obligation which I would not take.

Q. What was the bank getting for taking that; it would be a pretty big transaction; was it to get simply interest or a big bonus? A. No, interest, simply interest; but I understand what it had in view was it would get substantial deposits if it helped these people in buying this company, it would reap its reward in deposits.

MR. HODGINS: That is if it bought the Federal Life the premium income is large, it would all pass through them? A. The bank would get substantial deposits.

Q. A very good class of business to do? A. It is a high class company.

Q. What was the motive of the effort to get control of the People's? A. I think the same motive; well, this is the explanation I have; this deposit receipt of \$150,000 was to be issued in purchase of the controlling interest in the People's Life which was then to turn around and buy \$150,000 of the capital stock of the bank, returning the deposit receipt in payment. That would mean in the ultimate that the bank would have sold \$150,000 of its own capital stock, having it invested in the People's Life stock.

MR. COMMISSIONER: What was the stock in the People's Life worth? A. I do not know that; I did not follow that deal any further.

Q. You do not know whether it was a solvent concern? A. I do not; I presume Mr. Travers can tell you more about that.

Q. Was the idea to bring that over here or to operate the company in New York State, this People's Life is a New York corporation? A. Yes, a New York-Syracuse corporation; I do not know what the idea was. I understand the idea was to get out \$150,000 of Farmers Bank capital stock.

Q. At par? A. There is a statement in the folder there, but I did not follow up the details.

MR. HODGINS: You have the evidence taken by the State Department. I think I have seen it here? A. Yes, I take it to be a copy of evidence given by Mr. Travers before the State Department.

Q. And others? A. Yes.

Q. They held an investigation into it? A. Yes.

Q. This is a letter from Mr. Hunter dated the 30th June, 1909, to Mr. Travers with regard to the Federal Life. In this matter I have carefully considered the proposition made on behalf of Mr. Knabe, that the Bank should assist him and his associates in purchasing the control of the Federal Life for a sum of \$334,000 by making an advance to Mr. Knabe either in money or by deposit "receipts of the Bank to the amount of \$200 to \$300,000. A bank deposit receipt certifies that the holder has monies to the amount named in the receipt to his credit and the bank is accountable therefor to the holder on a certain length of notice. If the Bank were buying securities or lending monies on securities, it seems to me, the bank could legitimately issue deposit receipts for the amount of the purchase money or the amount of the loan; but where the purpose of the deposit receipt is to assist a third party in borrowing from some other institution, in my opinion the issue of the deposit receipt by the bank would be a grave violation of the law. It is also suggested that the bank might borrow in New York the monies necessary to make the advance to Mr. Knabe. As already explained to you in our interview in the presence of Mr. Knabe, in my opinion, such a course would be unlawful. I understand that Mr. Knabe as a large shareholder of the bank is entitled to every consideration, but in asking the bank to undertake a transaction of this magnitude on the security proposed seems to me to be beyond anything that he has a reasonable right to expect.

"Yours truly,

W. H. Hunter."

"P.S.—The proposition that the Bank lend Mr. Knabe some of the bank securities to assist in this operation is of course completely out of the question.

W. H. H."

Q. What was done according to the records was the issue of a deposit receipt was it? A. The loan made to Knabe of the \$100,000 thereabouts and the issue of a deposit receipt apparently in satisfaction of the proceeds.

MR. COMMISSIONER: Instead of paying him cash? A. They gave the deposit receipts. That did not appeal to me as being improper.

MR. HODGINS: Is Mr. Hunter right in saying Mr. Knabe is a large shareholder of the bank? A. I am told the Tevis stock was really held in trust by him for Knabe; I have seen no actual evidence as to that.

MR. COMMISSIONER: What was this man Knabe doing, getting out of the piano business to become a speculator or a promoter? A. I understand that he and his brother had two or three million dollars on his father's death, and that he speculated it all away until he is insolvent.

Q. This is one of the schemes? A. Yes; he has probably gone into a number of things like that. I do know, he was in a surety company in Baltimore, which had a very bad failure and I have a detailed report somewhere or other.

MR. HODGINS: About the deposits of circulation with the Trusts & Guarantee Company, you have gone over that account pretty carefully in great detail? A. Yes.

Q. Practically from day to day since it began? A. Yes.

Q. I do not know whether you have any short abstract of it which will illustrate the situation? A. I have a statement giving the daily balances.

MR. COMMISSIONER: Does that differ at all from the statement that has been made that they deposited at first \$1,000 a day? A. It does not differ.

MR. COMMISSIONER: What is the use of it?

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MR. HODGINS: I am accepting that, that is just what the facts show in this book; I want to get Mr. Clarkson's view of the result of that in point of view of the bank as a loss to the bank? A. I regard it as an improvident transaction.

MR. COMMISSIONER: I would like Mr. Clarkson to give his reasons for that, because it does not strike me so? A. I will illustrate that. I will give you a date where there is a balance in favor of the Trusts Company to the extent of \$11,000.

Q. That is taking the two accounts? A. Yes, the bank had on deposit with the Trusts Company at that date \$170,000 on which it was drawing no interest; \$25,000 of that \$177,000 had originally been loaned to the Trusts Company at 75% before it was put into the circulation account where it drew nothing. That left the amount arising out of deposit circulation, \$145,000. Mr. Travers gave evidence here the other day to the effect that of the deposit of circulation the amount out from time to time would be about \$25,000 unredeemed; I think that is about right. Deducting that, that would leave the bank as having redeemed the \$120,000 of that circulation; so that for its deposit of \$170,000 with the Trusts Company the bank had paid out legals and gold for the \$25,000 which it had originally loaned to the Trusts Company for the \$120,000 which it had redeemed, circulation which it had redeemed through the Clearing House, that is to say that \$145,000 out of that deposit of \$170,000 was actually legals and gold which the bank could have taken to the Bank of Montreal or any other bank and deposited at 3% and gotten at the rate of \$4,200 a year on.

MR. COMMISSIONER: I do not follow that. A. The deposit on that date was \$170,000; \$25,000 was a loan originally advanced at the inception of the account.

Q. Leave out for the present that—A. That makes \$145,000 arising out of circulation. That circulation was being put out by the Trusts Company and coming back into the bank all the time and the bank was receiving it through the Clearing House in legals, in actual gold or in legals.

MR. HODGINS: The point is how was it doing that? A. It was taking it out of the deposits of other customers, that is how it was getting it.

Q. This deposit that you speak of of \$170,000 was the aggregate of \$1,000 a day roughly speaking? A. Exactly.

Q. They had mounted up to that? A. Yes.

Q. In the meantime the Trusts & Guarantee Company was paying it out over the counter and it was coming back? A. Yes.

Q. But when it came back to the bank Mr. Travers says they re-deposited it? A. They redeemed that circulation through the Clearing House.

Q. I understood him to say that the volume outstanding at any time would not be more than \$25,000, and that would be going around and around in circulation, although in the books it would accumulate? A. Yes, but they had to pay out \$145,000 of circulation.

Q. But the point Mr. Travers made was that that was not all different circulation, that it was \$25,000 so to speak, re-deposited week by week or month by month? A. No, what I understood from Mr. Travers and what was the fact is, that of the circulation deposited with the Trusts Company there would be \$25,000 out with the public and that the remainder would be coming in through the Clearing House and redeemed by the bank.

Q. Why do you say that is the fact, are you speaking from the books? A. No, you cannot speak from the books; I mean as to general experience as to the average length of time that circulation remains out.

Q. Would it not be possible to have made that account up to that amount if Mr. Travers' theory is true that about \$25,000 was circulating around from time to time, first from the bank to the Trusts Company and then to the public and then back through the Clearing House to the bank and then re-deposited to the Trusts Company? A. That would have been all right, but you must remember that every time that money came in from the public through the bank the bank had to pay gold to the public for it, so that I say that out of this deposit of \$145,000 allow-

ing that that was a mere circulation of \$25,000 currency—and that is about correct, because there are about 25 days a month— it still left the bank had paid out in gold to the public \$120,000 in returns of its circulation as it came into the bank from time to time; what I say is that that \$120,000 in gold which the bank had paid to the public in payment of these bills which it got back and then put into the Trusts Company again, it could have taken to any other bank and deposited at 3%

MR. COMMISSIONER: Or lend it to customers at six and seven? A. No, that would hardly be fair to go so far as that, because the bank had to keep a reserve and the reserve had to be with some depository where they could go and get legals.

MR. HODGINS: Are you taking this into consideration that every time they re-deposited this \$25,000 they would get from the Trusts & Guarantee Company legals or a cheque on the Bank of Montreal to produce legals? A. No, Mr. Hodgins, there was no drawing against this account, except by way of reducing balances equally until 1910 when the Clearing House balances began to go against the bank.

Q. That is the fact I wanted to get from Mr. Stockdale the other day. That account began when— there is not a withdrawal in it if I remember for the first year? A. This account began on January 2nd, 1909, with a transfer to the deposit account of the loan of \$25,000 made by the bank to the Trusts Company.

Q. How long did it go simply depositing and the circulation going out to the public and without a withdrawal from the Trusts & Guarantee Company which would produce legals? A. Which would produce legals?

A. Yes, they both described the operation as a deposit on the one hand and then a withdrawal on the other by cheque which would produce the Trusts & Guarantee Company cheque on the Bank of Montreal, and they would go down and get legals for that—the statement furnished by the Trusts & Guarantee Company shows the first deposit was the 12th January, 1909? A. The first deposit of circulation?

Q. Yes? A. That is right.

Q. And the first withdrawal on August 30th, 1909? A. That is not correct; well, that was an equal reduction, the bank reducing its account \$100,000 against the Trusts Company and the Trusts Company reducing its deposits in the bank by \$100,000.

Q. That August 30th cheque was entered for \$100,000, does that mean they sent a cheque down and got \$100,000 in legals? A. No, it is a cross entry.

Q. September 14th is the next, \$50,000? A. That is a cross entry.

Q. The next, December 31st, \$50,000? A. That is a cross entry.

Q. That would mean that during 1909 they got no legal tender from the Trusts & Guarantee Company, if I understand the account? A. Not that my investigation shows.

Q. If they did not do that, how much circulation did they put in up to the 31st December, 1909? A. About \$324,000 all told.

Q. Is that the total of the account on that date? A. No, the total of account was \$124,000, but there had been three cross entries to the extent of \$200,000.

Q. During that year, 1909, had they large balances or about equal balances from time to time?

MR. COMMISSIONER: Have we not got all that?

MR. HODGINS: That account has never gone in, no. You remember, I questioned Mr. Stockdale about it and I got from him the withdrawals, but not the details of the deposits, and I do not think it is necessary beyond giving the times? A. The account ran in varying ways.

Q. Take the 31st December, 1909? A. On the 31st December, 1909, the Trusts Company was owed \$32,000 in the ultimate balance.

Q. That is the difference between the two sides? A. Yes, between the two sides.

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Q. But not subtracting them give me the total deposits? A. The bank had with the Trusts Company \$124,000, and the Trusts Company had with the bank \$155,000.

Q. During that year, do you find that the Trusts Company were getting interest, during 1909, on the balance that it had there, irrespective altogether of the state of the deposit account? A. It was.

Q. Did that continue during 1910? A. Yes.

Q. Perhaps you would look up the earliest withdrawal? A. January 14th, there was \$20,000 there; that was actual withdrawal.

Q. They appear to be so from that on, unless February 11th was a cross entry.

Q. Mr. Stockdale said that that part of the deposit with the bank which represented the Hamilton Estate was a liquidation account and the interest would go to the liquidation and not to themselves personally? A. I presume that would be correct.

Q. If the two accounts were set off against the other and the interest was paid from one side, what rate would it be upon the difference between what the one owed—

MR. COMMISSIONER: We can calculate all that; do not let us encumber the records with that; we know what was being paid— $3\frac{1}{2}\%$ , was it not, on one side, and nothing on the other? A. Four per cent on their own savings balance and three on the chequing account.

Q. MR. HODGINS: We have not the basis to make the calculation on? A. Do you mean on the ultimate balance?

Q. Yes? A. It runs from 40 to 100%.

Q. If Mr. Stockdale is right, that 4% on the Hamilton should not go to them at all, the Trusts Company would not profit to that extent? A. No.

Q. But the bank would be paying at that rate? A. The bank paid at that rate.

Q. It is said by Mr. Travers that this deposit of circulation and its being paid out over the counter by the Trusts & Guarantee Company was an advantage to the bank? A. I differ with him in this way: the issue of circulation by a bank is undoubtedly a benefit; but if the bank issued its circulation without interest or without charge, I fail absolutely to see how it can get any benefit. It is just the same, as, take yourself and Mr. Travers and myself; I owe Travers some money, I come to you and ask you to lend me your promissory note and you do, and I credit you in my books as my creditor for \$1,000, and I give you a promissory note to Travers. Travers comes to you and asks you to give him gold for it; how do you make any money out of the transaction? That is exactly what happened. There is this merit in the transaction that he was able to go and get legals there when he wanted it, but he might just as well have gone to any other bank and got them. That is my opinion and it may differ from Mr. Travers, but I am strongly of that opinion.

Q. I think probably Mr. Travers and you really agree; was there any benefit in 1909 in having this circulation deposited with the Trusts & Guarantee Company, irrespective of its issue altogether, to enable them to show that the Trusts & Guarantee Company owed them that amount? A. It showed in their returns to the Government as a reserve; it showed as "other assets", but it was understood it was a reserve.

Q. There was an advantage from the banker's point of view in doing that? A. There is always an advantage in showing there is a quick reserve there.

Q. I think we have got this far, that admitting that to be so, the advantage would be gained altogether by the deposit with the Trusts & Guarantee Company and that its handing out the circulation would be no benefit at all, because it would

come back immediately and have to be dealt with? A. It would come back; I think on the average they calculate about five weeks.

MR. COMMISSIONER: That is what Travers said? A. Circulation is out for five weeks. If they had put it out at interest it would have been one thing; lending it without interest destroyed the benefit.

MR. HODGINS: To sum it all up, what is your idea as to why this device was adopted? A. I do not know; I can only give you an opinion. The Trusts Company deposited heavily with the bank, and it may be that it deposited in these large sums because it had a heavy deposit from the bank and it was a profitable transaction to it; it was earning a large amount of money on this thing when it was practically being given the wherewithal to make the deposit; that is the way I look at the transaction, and I instructed my solicitor that I deemed myself entitled to receive from the Trusts Company interest on this account; whether I have a legal right to it is another matter.

Q. Just to wind up the Trusts & Guarantee, you paid their entire claim? A. Under an agreement merely; it is to be without prejudice to our rights, and they put up certain securities which are lodged in the Bank of Montreal.

Q. You paid off their entire claim as you found it at the date of the failure, the agreement being it should not prejudice your rights? A. No, it should not prejudice our rights.

MR. COMMISSIONER: To the extent that \$25,000 was always out, surely that was a benefit to the bank; they had that much paying no interest upon it while it was out? A. But the bank were getting nothing for it.

Q. Was it not a benefit to have their bills in circulation advertising the bank? A. From an advertising standpoint, yes; not otherwise that I can see.

Q. They were paying no interest upon it; it was costing them nothing. A. Costing them nothing.

Q. To the extent of the circulation that was out? A. Costing them nothing until they came to the point of redemption.

Q. In other words, practically what you mean, apart from that \$25,000 that was always in circulation they were lending the balance without interest to the Trusts & Guarantee Company? A. Yes, sir.

Q. That is your proposition? A. Yes.

Q. I do not quite understand how you can make this large interest, 40 to 100%? A. I give you how I arrive at it; we will take here as an instance, December, 1909; the balance was \$31,000 in favor of the Trusts Company. The Trusts Company were receiving 4% on \$120,000, that is at the rate of \$4,800 a year; and 3% on \$77,000, that is at the rate of \$2,300 a year; that would represent \$7,100 a year on an ultimate difference of \$31,000.

Q. You are taking one of the worst cases? A. No, not the worst case. I will take the worst case. The bank was owed \$18,000 by the Trusts Company; the Trusts Company owed the bank \$218,000 and the bank owed the Trusts Company \$200,000; the bank was paying interest on \$200,000 and the Trusts Company nothing on \$218,000, and if interest were calculated on that the rate run into a large figure if you take the ultimate balance.

Q. You get at the figure by computing your 3% which you say the bank would pay on these deposits? A. Yes.

Q. You can get exactly what that was? A. You can get exactly the ratio per day.

MR. HODGINS: You have tabulated very carefully there the daily balance so that if it is of any interest to anybody to get the exact figures from time to time you make it up? A. I tabulated this for the purpose of that litigation we had with them.

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Q. I would like to go over some special matters with you; in the first place, you, I suppose, have not been able to make up that statement I asked you for yesterday? A. No, that will take us four or five days.

Q. I am going to ask you to add something to that just at the same period; dealing with the circulation itself you have the amount that was outstanding at the time of the failure? A. Yes.

Q. How much was issued altogether, how much was used altogether and put into circulation? A. During the life of the bank?

Q. Yes? A. I cannot remember that.

Q. You have the amount that was printed? A. The amount that was printed was \$825,000.

Q. And the amount that was on hand at the time of the failure you have \$286,635? A. Yes.

Q. And was what was printed all out, all extent and would have to be redeemed if presented? A. No, that \$825,000 of circulation that was printed, there was I think \$275,000 in the Toronto office and then in each of the branches there was a certain amount of circulation on hand in the teller's boxes.

Q. You are giving them credit for that; I am asking you if the difference is all out and liable to come in? A. Now?

Q. Yes? A. At the time this statement was prepared there was \$405,000 of circulation out in the hands of the bank in the country; at the time of the failure there was \$538,360 of circulation outstanding.

Q. That would be a first charge on the assets then? A. Yes.

Q. And you have redeemed this \$132,000? A. I redeemed more than that, it is down to about \$340,000; I have redeemed about \$200,000.

Q. You are paying from time to time as you---? A. That is the first thing I pay, whenever I get any money it goes out in circulation, because it is interest-bearing.

Q. In the statement I have asked you to prepare could you indicate at the end of each year the amount of circulation outstanding, is there any way of doing that? A. No, the monthly returns to the Government would give you the circulation each month.

Q. You have not those monthly returns? A. Yes.

Q. The monthly return at the end of December of any year would show the amount of circulation then out? A. Yes.

MR. COMMISSIONER: If the return was correct? A. Yes.

Q. Have you verified them? A. No, I have not verified the monthly return but I do not believe it could be out; it was right when I went in here and it was checked over by the Bankers' Association from time to time.

MR. HODGINS: You are getting me a statement of the capital stock paid up at the end of each year and I would like to see the amount of circulation then outstanding at the end of each year? A. You understand the bank is required to make a return to the Canadian Bankers' Association monthly of the circulation outstanding; they would have all those returns for every month.

Q. When you are making up a statement it would be convenient to have that, because that would show the amount they had in paid up capital and the amount they had outstanding in circulation? A. That raises two or three issues; am I to treat this Tevis loss as a loss apart from capital or deduct it from capital?

Q. You are just to use your own judgment as long as you so state that you have either included or excluded that. I think you gave me the total amount of capital stock paid up as \$552,000 and if the Tevis loan was counted in it was only \$532,000? A. I can give you a statement that will be pretty nearly correct, but I cannot vouch for its absolute correctness from time to time.

Q. I only want it as near as you can get it each year? A. I will get that.

MR. COMMISSIONER: Where is this circulation? A. There is an agreement standing between the various banks under which it is in the hands of Mr. Hender-

son of the Bank of Toronto and myself as trustees, and lodged in the Toronto General Trust Company.

Q. How much is there? A. There is about \$340,000, \$320,000.

Q. Surely some of it is lost and will never be presented for redemption?

A. There will be some of it, but we never can tell that.

Q. Have they got bills to the amount of—? A. \$320,000.

Q. What is the difference between that and the amount outstanding? A. There is about \$15,000 to \$20,000 that has not come in yet; it may come in and part of it may never come in; but it was put there on account of an agreement whereby the bank reduced the rate of interest on the bills to 3% instead of 5; that is why that was done.

MR. HODGINS: The amount held by the various banks amounted to \$320,000? A. Yes, about that.

Q. Are there any other holders of circulation? A. Probably \$15,000 to \$20,000 of which I have no record.

Q. That amount then would be \$340,000? A. That is what I say is now outstanding.

Q. At page 50 you give the balance which of course would be—? A. That is October 11th, last year.

MR. COMMISSIONER: Was there any inspector for this bank? A. Fitzgibbon was presumably inspector.

Q. Inspector of what? A. Chief accountant and he made some inspections of the branches.

Q. If there had been even the most superficial inspection of the bank, would not at a very early stage its condition have been discovered? A. There is absolutely no doubt about it.

Q. From the very beginning it was—? A. Its books did not jibe with the facts when they were opened.

Q. And it was beginning to decay as soon as it was born? A. Before it was born.

MR. HODGINS: Q. How long did it take you after you became liquidator to get to the bottom of the transactions in the bank's books? A. When you say that, I do not know, but I knew within half an hour after I went into the office that things were not right,—you mean to get to the bottom of these transactions?

Q. Yes? A. I do not know; it had just come from time to time.

MR. COMMISSIONER: Anybody going in there with any knowledge would at once have known things were wrong? A. They would have found out very quickly.

Q. And the money that has been wasted almost from the beginning? A. Yes, they would have found it out very quickly.

MR. HODGINS: There is I suppose any one who would have the right to call for what he wanted, not simply one who was obliged to be satisfied with anything shown to him? A. You must understand the bank books are, as I said yesterday, mere bald entries, and on the face of them they would not indicate very much, but anybody having an understanding of accounts and calling for the items, which I do not know you intuitively see are not what they should be, and call for the items, they would have found that out very quickly, found out the condition.

Q. Would any one taking the bank return to the Government say on December of any year and going into the bank with that return and simply verifying that return be able to discover anything? A. It depends on how far he would go; if he wanted to take just the face of the books they would agree with the return, but if he wanted to examine into any of the investments like the Keeley Mine or Stocks and Bonds accounts he would have seen at once there was something wrong.

Q. If in other words he took the item of "other assets" or assets not enumerated in the foregoing heads and called for details of that? A. No, the books would seem to indicate—when you speak of other assets you mean that \$80,000?

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Q. Yes? A. No, the books would seem to indicate that was absolutely the same as a deposit in any other bank or Trust Company; but if he began to go behind, take the Stocks and Bonds account and he went to go over the vouchers to see what the payments were made for he would soon meet with information which would show him that they were not there from actual investments in stocks and bonds. That is how the opening would come.

Q. The fact that the voucher would not tally with the entry? A. The voucher would tally, but the voucher would show that the facts disclosed on it did not warrant the payments being held out as investment as they were.

Q. To follow that a little further; supposing the vouchers had all proved to be accurate, as you admit up to the extent of half a million they were accurate in the Keeley Mine, an inspection would not have disclosed anything wrong with the

MR. HODGINS: Speaking of that Stock and Bonds account which you use as bank books, it might still be insolvent, having paid out into a worthless mine, but the vouchers might be entirely correct; it might have actually spent money in that way? A. They might have done so; that would be mismanagement then. When you come to a question of valuing assets, you go into a different field, you come down to a question of opinion then.

Q. You think what would have put any one on the track, would have been the inaccuracy of the entry as compared with the voucher? A. No, taking the affairs of the Farmers Bank, the first thing that struck one in going in there was the large investments in stocks and bonds. One naturally wanted to know what they were. You started into the account and then you found that the amount was arrived at coming from various sources, indicating losses or profits written up from one thing and another, that showed you—

MR. COMMISSIONER: That that was a padded account? A. Yes.

Q. Then you naturally went into the other assets' account and you found them padded. When you go to the branches it was a different thing; go downstairs where they have their main office; there they had a lot of liability of customers; it became a question there of valuing the responsibility of those customers.

MR. HODGINS: Speaking of that stock and bonds account which you use as an illustration, they did not begin to use an account like that until later on in the history of the Bank, A. They did not, but they had a large amount expended in organization and padded in one or two accounts; that stock and bonds accounts did not come until 1908.

Q. It was opened as early as 1908? A. Yes.

MR. COMMISSIONER: I should have thought the fact that \$120,000 out of this small capital had been expended in organization would have startled anybody at the beginning? A. Yes, but the books do not show \$120,000; there are items written into it.

MR. HODGINS: Is not there always a great difficulty in disentangling those items; if any one went into the bank to inspect the organization fund and found it to be \$60,000 or \$70,000 when it really ought to have been \$120,000, it would take some time to disentangle the other entries and show that they had been wrongly entered.

MR. COMMISSIONER: I am not an inspector, but I think I would have found it out if I had seen that account? A. It takes time to disentangle these things, certainly, it takes time, and you have to understand it, but, Mr. Hodgins, you get into a position like that and you find these things somehow or other; the appearance of the accounts is what takes your notice.

MR. HODGINS: On the question of dividends; you prepared a schedule showing the dividends paid page 64 (Exhibit 63); does that show total amount which was expended in dividends? A. Yes.

Q. Just give me the total amount spent in dividends? A. It is \$52,780.

MR. COMMISSIONER: Page 64 shows the total? A. Yes, sir.

MR. HODGINS: \$52,780, is that all they paid out in dividends? A. Yes.

Q. It was a 2% half yearly dividend? A. They paid altogether 10%.

Q. In five payments spreading over three years? A. Yes, spreading over 2½ years.

Q. Were those dividends earned? A. No, they were not.

MR. COMMISSIONER: Upon what was the declaration of the dividend based?  
A. They wrote up profits and charged them to Keeley Mine and other accounts.

Q. Was a statement furnished to the directors at the meeting at which the dividend was declared? A. I cannot tell that except by reference to the minute book, two annual statements were furnished, copies of which I have.

Q. They were half yearly dividends; I suppose those would be provisional, the books would not be balanced? A. The books will balance, yes, a half yearly statement of the books could be taken off very easily, but those accounts were not correct.

Q. Was the stock padding applied to that? A. Yes, writing up of assets and writing up of Keeley Mine.

Q. Just as we have heard before? A. Yes.

Q. MR. HODGINS: They appear to have made no profits at all? A. No, they made steady loss.

Q. And those dividends they paid would be about 10% out of capital stock?  
A. Yes.

Q. Bank premises account appears on pages 55, 56 and 57, that takes in what the branches, as I understand, took to rent and furnish and in some cases to buy?  
A. Yes.

Q. The totals are shown on page 67? A. Yes.

Q. And you have got a loss? A. I make a loss of \$110,825.

Q. Why do you call that a loss? A. I mean there was actually expended according to the books of the bank eliminating all padded items \$148,116.90 and I calculate that those will not produce more than \$37,291.

Q. A large part of the item \$148,000 is made up of padded items? A. No, no parcel of that \$148,000 is padded.

Q. That is actual expenditure? A. Yes.

Q. You think there is going to be a loss on that item of \$110,000? A. I do.

Q. How do you account for such a tremendous loss? A. If you look at these expenditures in these various little branches, take the first one Arkona, \$1,386, I only expect to recover out of that about \$300 or \$400; there is a lot of money gone for the fitting of the premises and with the closing of the bank it has all gone. These bank branches were located in small places where the other banks did not feel obliged to open branches, consequently I could not sell them at a price and it was a mere dead sale at the best price I could get. If you look at the Toronto Head Office you will see nearly \$39,000 was expended there. The terms of the lease were not good; there was an increasing rent and I could not dispose of those premises, in fact the landlord has not been able to rent them yet at the price the Farmers Bank was paying for them; we lose all that money but about \$2,500 or \$3,000. we lose all the money that has been put in those premises. Then Belleville, they have according to their books \$28,000 in that property.

Q. That they own? A. Yes: I think we have all told between \$13,000 and \$14,000 advertising it and holding it for a year nearly to deal with it.

Q. A large amount of that loss would be the result of stoppage of the bank and inability to sell it to any other bank? A. The bulk of the loss will be from stoppage of the bank and inability to sell those branches to other banks, because of the fact there were not deposits available at those points in sufficient quantities to warrant opening branches.

Q. That would be bad management? A. I would not say that.

Q. Bad judgment? A. It is mixed between bad judgment and the necessities of the times, if you want to call it. The Farmers Bank, a small bank, the way it was, would not be able to do very much if it were to open in other places in com-

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petition with a very strong bank and it would have to go to these outside points and there there were not deposits sufficient to carry the branches.

Q. How did you find the operating losses appear from the beginning? A. According to my calculation the bank lost \$242,602 in operating losses.

Q. Explain what those operating losses are? A. That means the absolute cash expenditure in excess of the earnings.

MR. COMMISSIONER: For carrying on the business? A. Yes, irrespective of bad debts or losses.

Q. Does that include the Toronto office and head office? A. Yes, all the offices.

Q. Then you have tabulated the individual losses of the various branches, the head office and so on? A. I have tabulated that year by year there, and that statement on page 59 is only completing a period which was not written up in the bank's books. The accounts were brought in from the various branches.

Q. From pages 53 to 59 you set out the details of the operating losses? A. I do.

Q. That meant for instance in 1907 that the cost was over \$60,000 and the profits were only \$15,000 there would be a loss there of \$46,000.

MR. COMMISSIONER: Is it worth while going into all those details, they are all shown here and he has given us the loss?

MR. HODGINS: To what cause do you attribute that operating loss being so large each year? A. The bank was not meeting with success; it opened these branches and it was not getting the necessary deposits and it was not doing a profitable business.

Q. That would account for nearly half the whole capital? A. Absolutely; that is a risk that they ran in doing business, starting business.

MR. COMMISSIONER: What is the meaning of item here page 60, safes written up in value? A. They were written up; it means they cost so much and they were charged in the bank books at an additional amount. Their safes were bought at a price and then charged to their branches at \$8,288 in excess of their cost price. In the same way stationery was charged to the branches, \$11,200 but not written off in other words stationery cost them \$30,000, when they charged it up to the branches, instead of reducing this \$11,000, to \$19,000 they left the stationery bill on the books of the bank at \$30,000, but the \$11,000 to the credit of profit and loss account.

Q. That is making money rapidly? A. It is all in the same way; they made these losses.

MR. HODGINS: What is page 60 intended to show? A. It is a summary of the account. It shows the actual expenditures and it shows you the various items that were put to the credit and debit of this account, writing it off and getting rid of it.

Q. Which account? A. Profit and loss.

Q. That includes excess expenditures, in operating, commissions, dividends?  
A. Yes, that is the profit and loss account.

Q. That corresponds with your figures year by year at page 53? A. Yes.

Q. Three year periods? A. Yes; this is really an explanation of the books, it is dissecting that account and showing you what are really effective items and what are merely book items.

Q. The column called effective items are real items? A. Real actual expenditures.

Q. The others are what? A. Book items.

Q. Representing no real transaction? A. Representing the transposition of the charges from one account to the other but without actual effect in dollars and cents so far as the bank was concerned.

Q. The question that the Commissioner mentioned a moment ago about the safes, that is written up value, the excess value, that \$2,288? A. Yes, it was written up.

Q. Not the total value? A. No, profit was taken of that.

Q. You, I think, have given here a list of the bad debts? A. No, I had not given you the list of bad debts, but I have the list there.

Q. You mentioned, at all events, some bad debts, page 69. What is the explanation of the Buckingham Graphite bonds; how did they come into the possession of the bank? A. The bank advanced to the Buckingham Graphite Company and took those bonds.

Q. An ordinary business transaction? A. Apparently so.

Q. Then the Ontario Leather Company bonds?

MR. COMMISSIONER: Perhaps you will find out who are behind the Buckingham Graphite Company? A. A man called W. H. P. Bromell and W. H. Hunter and the bank held some stock in it.

MR. COMMISSIONER: Is that the solicitor? A. Yes, sir.

MR. HODGINS: How are the Buckingham Graphite bonds treated in the books of the bank? A. As an investment.

Q. Is there a loan to the Buckingham Graphite Company? A. I would rather not publicly discuss the account.

Q. The Ontario Leather Company bonds? A. I prefer not to deal with that; it is treated as an investment in the books of the bank.

MR. COMMISSIONER: Is there any reason why you should not say who was behind that? A. No, not a bit; the bank is behind it, that is all.

Q. The promoter of the company? A. No, the bank made a bad debt with the Davey Leather Company, and apparently to help itself out it re-organized a new company and took control of it, so that at the present time the bank is practically the only person behind that, nobody else responsible.

Q. The statement is there is a prospect of a loss of \$100,000 on that? A. That is quite true.

Q. Who is this Davey? A. Phillip Davey.

Q. Is he in town? A. He was in town here, but I think he is up near Barrie now; he was a well-known man, character.

Q. How much was lent to that concern? A. \$83,000.

Q. On what? A. On their own obligations secured by their business and undertakings.

Q. What would account for such a transaction as that? A. The explanation given to me is that when Mr. Travers was away in England the local manager of the bank advanced a very large amount of money to Davey or to the company and that the proceeds of it did not go into the business of the company entirely, but it was lost in other directions, and when Travers got back he found this very large loss and knew he was going to meet the loss, and he had to get Davey out of the business, and he turned it over into the Ontario Leather Company and took control of it.

Q. Who was the agent? A. I do not know the name.

MR. TRAVERS: Frame. A. That is correct what I said about that note?

MR. TRAVERS: Yes. A. Anyway, the bank was in for \$83,000 and they were in \$168,000 at the time of the failure.

MR. HODGINS: Look at page 69? A. I have a statement showing the Toronto outstandings as they are.

Q. You give a summary on page 69? A. That is my opinion.

Q. Of the list of outstanding—? A. Outstanding obligations.

Q. To the bank? A. On October 11th last; there is very little difference except to the extent of what collections I have made since.

Q. There is a very large amount outstanding? A. Yes, it is nearly all bad.

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Q. Those represent, however, other obligations or securities of one kind and another that you found in the bank? A. Yes, absolutely; I have a detailed list.

MR. COMMISSIONER: Are these the ordinary accounts or do they include other transactions than ordinary banking? A. They are very largely ordinary banking transactions where the bank holds the obligations of different people which are worthless, who have gone bad. If I go over them with you, I would not care to do so in public, sir; but I can give you the details of any account you want.

MR. HODGINS: It is only to get a bird's eye view; they amount to about \$800,000 and you are not likely to realize more than about a quarter.

MR. COMMISSIONER: He makes the probable loss \$639,407? A. Yes, that is in Toronto alone.

Q. The business extending over the three years, was it a fairly extensive business? A. Yes, there is \$800,284; there is \$32,977 of that are items which we have already dealt with in connection with these defalcations and Continental stock transactions. Then there is that \$55,000 in there of the Clark Manufacturing Company; that is about \$88,000, which would leave \$712,284 of ordinary obligations in the bank. As to them, my opinion is that they are worth about \$182,000, leaving the loss in here I have it of \$639,407. (On page 69 of Exhibit 63.)

Q. That would be money lost on what you call ordinary banking transactions.

MR. COMMISSIONER: Extraordinary.

A. Losses in the banking business.

MR. HODGINS: Subject to any comment one might have to make on the class of business— A. A great deal of it is due to absolute mismanagement, in my opinion, a very large amount of it; the balance is from other reasons.

MR. COMMISSIONER: Perhaps you could get from the witness, are there any accounts in that of fifty or sixty or seventy thousand dollars, or are they small amounts? A. (Produces statement, headed "Farmers Bank of Canada: Position of assets other than fixed assets.")

Q. This is the detail of that \$800,000? A. Yes.

Q. They seem to have dealt in some pretty large transactions? A. Yes. (Witness goes over list with the Commissioner.)

MR. HODGINS: Perhaps it might be as well to say with regard to that list while you do not want to discuss these in public as it may affect your collections on them—you can give the Commissioner any information he may desire in making up his estimate as to the value of the assets? A. I made that list for this purpose and am willing to do anything but not to enter into a public discussion.

Q. I am sure nobody would want you to do anything which would interfere with your collection of the assets? A. That is the only idea.

Q. But as long as information can be given that is wanted by the Commissioner— A. I am willing to give any information that is required of me.

Q. There is something you said makes me think I should ask—I was under the impression we had got the outside amount of Mr. Wishart's liability when we discussed the Keeley Mine? A. No.

Q. Is there more than that? A. We have judgment against him for between \$52,000 and \$55,000; there are notes of his discounted by the bank over and above the Keeley transactions.

Q. And they do not appear to have had connection with the Keeley transaction, do they? A. There is no reference of connection in the books of the bank, it is straight advances.

\*Q. Look at page 51, will you tell us if that gives us the outstanding liabilities which have been proved by you? A. Those are the liabilities as on October 31st last; these liabilities are taken from time to time, set-offs and one thing and another, but that is the correct statement up to that date.

Q. The \$12,438 special account of the bank is that circulation or just balances due to the date of the failure? A. No, balances due to the bank; that is not circulation.

Q. Current accounts would represent what, \$147,000? A. Current deposits.

Q. In head office and branches? A. No, in branches.

Q. Savings account, \$979,894? A. Those are savings accounts in various branches, deposits.

Q. Balance due on drafts issued, \$17,558? A. Yes, those are the amounts of the drafts issued less the set-offs, against the same. You see customers who bought drafts and then would owe on a note they hold the draft and hold the note and set them off; that is the set-offs. Just as a matter of information for you the amount of set-offs against the cash assets of this bank have been well on to \$60,000.

Q. What are? A. The set-offs.

Q. You make the total liability including those items I have gone over \$1,159,353.28? A. Yes, of that date. Outside of that other deposit below there.

MR. COMMISSIONER: Why is that omitted? A. That is taken in specially at the end.

MR. HODGINS: The total amount due to the Ontario Government, you have it here, \$26,533.16, does that include interest? A. Yes.

Q. That is a preferential claim, is it not? A. After the payment of circulation.

Q. When was that deposited? A. The first deposit was in June, 1907, when \$10,000 was deposited; and then in May, 1908, \$25,000 was deposited and later on in the year the original \$10,000 was drawn out.

Q. Was the last \$25,000 in one deposit or in two? A. No, in a number of deposits extending over the period of a couple of weeks, I think, when two deposit receipts were issued in satisfaction, one at \$10,000 and the other at \$15,000.

MR. COMMISSIONER: And the balance is accrued interest? A. Yes.

MR. HODGINS: That would be the \$25,000? A. Yes.

Q. You have it "Ontario Government," is that the form which the account took? A. No, there is a deposit receipt issued to the Treasurer of the Province of Ontario.

MR. COMMISSIONER: Have you the date of that? A. The account is here, if you would like to see it.

MR. HODGINS: Yes, I would like to get the exact date; they would come in next to circulation if you ever get enough to pay that? A. Yes.

MR. COMMISSIONER: The expenses have to come out? A. They come ahead of the circulation. (Witness shows to the Commissioner the account of the Ontario Government in the bank ledger).

Q. According to this down to the 14th June—? A. The Treasurer deposited \$12,019.

Q. On the 14th June he got a deposit receipt of \$10,000, leaving a balance to the credit of the account of \$2,019.56.

Q. There were deposits of varying amounts down to— A. May, 1908.

Q. What is this \$15,000? A. That is deposit.

Q. Then it is until the 13th May, when a deposit receipt issued for \$15,000? A. Yes.

Q. How did that leave the account? A. That left a balance of \$826.63.

Q. And then? A. On the 19th May, they deposited further moneys and got a deposit receipt of \$10,000 leaving a balance of \$1,817. This deposit receipt here was apparently deposited on September 22nd, 1908.

Q. That is the first ten thousand? A. Yes, with interest.

MR. HODGINS: What date was it withdrawn? A. September 22nd, 1908, and then the amount was gradually checked out.

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MR. COMMISSIONER: It was not withdrawn was it? A. No, it was put to the credit of a checking account.

Q. And checked out until—? A. It continues right through, and that is carried forward into that missing ledger. This is the general ledger of the bank and the next one is the one that disappeared in the other proceedings.

Q. How did it stand at the failure? A. There was nothing in the checking account at the failure.

MR. HODGINS: It appears in 1907, to have been deposits in various small amounts? A. Yes.

Q. Consolidated on the 14th June?

MR. COMMISSIONER: That is all down.

MR. HODGINS: Which of the two deposit receipts represent the present? A. Those two.

Q. The ones issued on the 13th May, and the 19th May, 1908? A. Yes.

Q. It appears to have been then as a sort of a current account? A. It was a checking account, outside of those—

Q. You, I think, spoke this morning of some special assets and collections, there is nothing in those that call for comment; you recovered some moneys which did not appear to be outstanding according to the books of the bank? A. I do not think there is anything calls for special comment on that.

Q. You recovered apparently \$23,299 in that way? A. Yes.

Q. Are the assets shown at page 96 taken in at their face value, and are they still realizable? A. No. The first item I have sold at 95; the second and third items are still in hands to be realized. The fourth item I have never been able to find; the fifth item is there I suppose we realized about 60 or 70 per cent on that stock; it had gone down.

MR. COMMISSIONER: The Dominion Radiator Company's stock not worth par? A. The company is in very good standing but they have been putting out a lot of capital the last few years and they have been willing to sell it themselves at par and—

Q. How did the bank come to get that, was the company a customer of the bank? A. There was a man called Messenger who assigned to us about six years ago and he owed the Farmers Bank a good deal of money and they held this Radiator stock from him as security and took it over.

Q. Is that a loss that appears or was it written off before? A. No, it is taken in their books at about 125.

Q. I mean the account of Messenger? A. It is written off; yes; it is not in the accounts now.

Q. What does this Buckingham Graphite Company do? A. They had graphite property down east, near Buckingham, Quebec.

Q. Dead? A. I have got it under option at this time.

Q. It is not operating? A. No, there are some other properties operating near there and it comes down to more the working out of a process than the mere presence of mineral.

Q. The Lake Shore Country Club, \$5,000, what is that? A. That is Lorne Park. The bank advanced the Lake Shore Country Club that owned property, owns the Club house there and a considerable amount of money was advanced them, I think \$30,000 and it was afterwards sold under the first mortgage and I bought it in for the bank at I think \$46,000 and I did so in anticipation of making a profit and getting back part of the bank's account which I expect to do.

Q. There will be a loss on that? A. There will be a substantial loss, there will be a loss of \$20,000.

Q. Who is this E. R. Michie who figures for about \$60,000? A. I do not know how to describe him; he has been a promoter around here; at one time he was thought to be worth a good deal of money, but this arises out of a mining transaction and I have only been able to collect \$5,000 or \$6,000 on it.

Q. Are you anything of a horticulturist? A. I know something about it.

Q. It would look to me as if the insects were gathering around the weak plants to eat them up? A. I do not know how I will turn out on this. There is a mining transaction there and this money was advanced in connection with it, and we hold \$5,000 collateral. The mining property was resold, and the bank at the expense of \$2,000 has now got one quarter interest in it and an option was given I think of \$25,000 or \$30,000 so if that turns out all right I will recover about ten or twelve thousand dollars from the account all told.

Q. What did he get this money for? A. To buy mining stock.

Q. On the security of his note? A. On the security of the mining stock and his note, and the mining company failed.

Q. When did that transaction take place? A. A year or year and a half before the failure of the bank.

Q. Was there any big profit to anybody in it? A. I understand they anticipated the making of a large profit.

Q. They were to get a share in the concern? A. Yes, the profits on that stock were to be divided. That Tevis item down below there is that Syracuse transaction.

The Commission adjourned at 1 P.M. to 2 P.M.

The Commission resumed at 2 P.M., May 29th, 1912.

G. T. CLARKSON Examination continued.—

MR. HODGINS: There was a resolution you probably know about found upon the bank books passed during the absence of Mr. Travers, to which he took exception which resulted in some loans being made? A. You are referring to a resolution of the Executive Committee at which R. E. Menzie and Beattie Nesbitt were present, at which they passed credits to their own people?

Q. Yes? A. I understand that owing to Mr. Travers' objections taken to that, that those credits were not put into effect and that the resolutions were withdrawn.

Q. I thought they were effective and were acted upon till his return? A. He returned at once as I understand it and stopped the credit.

Q. I would like to get the date of it? A. It is in that folder.

Q. Yes, I have it. You think they did not actually go through and result in any loss to the bank? A. No, I won't state as a matter of fact they did not, but that is my belief.

MR. COMMISSIONER: Referring to this report, (Exhibit 63) on this sheet these letters are from the form of the return? A. Yes; on page 77 is the form of the Government return.

MR. HODGINS: I do not know that there is very much more that I want to ask you at the present moment, but I would like to ask you this whether you can say what the causes contributing to the failure of the bank were from your examination of the books and your knowledge of the transaction? A. The causes were these; the bank started with impaired capital from the beginning, and found itself unable to do business profitably owing to competition; then too many advances were made with firms or people having connection with the bank in which these persons or firms were likely to profit in case profits were made, that is to say they were to get advantages if profits were made; then I think too there was mismanagement of the bank. I do not attach that to any person, but I mean to say through general mismanagement loans were made which should have not been made, too many bad debts were incurred and moneys expended.

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MR. COMMISSIONER: Under the most favorable circumstances having regard to the conditions when this bank started what do you think of the prospects of its success? A. The bank's capital was impaired then to the extent of \$70,000 or \$80,000; but that should not have been sufficient to have caused the failure of the bank in view of the large amount of money, \$530,000 or \$540,000 which went into it. If it had gone along certain lines, if it had been managed conservatively, no attempt been made to pay dividend, no attempt made to splurge out too quickly—they did try to go ahead too quick with branches and they lost on them; they loaned their money out in unsatisfactory directions, and these investments were to friends of the bank who were interested, which under ordinary circumstances I do not think any banker would have done.

Q. I judge from what you have already said that you thought it was a mistake to open any of these branches, none of them were profitable? A. It turned out in fact that none of them were profitable. It is all right to say that now, but whether anybody could have foreseen at that time they would have been so unprofitable, it is a different matter.

Q. Would it have been possible to make success of a bank that had no outside agencies with a small capital of this kind; the deposits came, I should judge from something you said, mainly from the outside? A. The deposits came almost entirely from the outside, they were too little from any branch to carry that branch.

Q. With only meagre deposits in the Toronto branch could there be anything but disaster come? A. If the bank had started off with a \$500,000 capital and had been content to just gradually work its way under minimum expenses, I do not see any reason why it should not gradually—

Q. What was roughly the annual expenditures at the start? A. They were under heavy expense as to rental—

Q. What would you say in round figures? A. I cannot give you an estimate as to that; what I mean to say is I do not see any reason why the bank should not have succeeded under ordinary conditions with this capital of \$500,000; but as matters turned out as was proved, its branches were not a success, it had not the confidence of the public, it did not get the necessary deposits; if it had had that confidence I cannot say whether it would have got the necessary deposits from these branches or not. The fact remains it did not, and it lost; but I do not see any reason why it should not have succeeded if it had gone along quietly and more conservatively.

Q. Taking the list of stockholders as you found it and eliminating those you have eliminated, what would you say as to the list, was it a good list, well distributed? A. The stock was certainly distributed, and it was distributed largely amongst farming communities, but that may have been a certain amount of benefit to it in the locality where these stockholders resided, at least one would think so, but I understand it did not have the effect that the bank people thought it would, that it did not get the confidence of the stockholders.

Q. Ordinarily would such a stock list be considered the best kind of stock list to have distributed in comparatively small holdings amongst the farming community? A. Yes, certainly.

Q. Apparently for some reason or other people were tempted to go into reckless speculative transactions? A. The bank started off with its losses and then when it struck the Keeley Mine and as I size it up, Mr. Travers got in for \$50,000, and once in he never got out; it went from bad to worse.

Q. These other speculations? A. They followed along the same strain.

Q. I suppose they were straws that a drowning man grasped at? A. Yes, that is the way I size it up.

MR. HODGINS: There is another point that I thought may as well be mentioned apart altogether from that Keeley Mine or the speculative losses; there seems to be an extremely large loss in the ordinary operation of the bank according to you, nearly half the capital seemed to have gone in paying for running the bank and its

branches? A. The bank had 27 branches and there was not one branch in which it had enough deposits to carry its expenses out, and that arose from lack of confidence as I understand it.

Q. If you take that item operating losses about \$240,000 the defalcations and withdrawals at \$149,000 you have nearly \$400,000 alone? A. That is true.

Q. And dividends \$50,000? A. Yes.

Q. \$450,000 out of a total capital such as you mention? A. Yes.

Q. So that while the Keeley Mine undoubtedly accounts for an equal amount, that is \$442,000 the ordinary operations of the bank seem to have run into about as much if you include in that the money that was taken by the trusted officials? A. Of course all the money that went into the Keeley Mine, it had an effect on the bank, because it did not have the money to loan and not having the money to loan and not looking for loans (as I understand the bank was looking for deposits, not for loans) to that extent it would affect their business. If they only wanted the deposits and would not lend you can see how the local people would look at it; it had an effect on it.

Q. Can you tell at all speaking generally, from the present outlook, if you collect any such assets as you think you can realize upon and collect on the double liability, whether you will be able to pay more than the circulation? A. Not unless the improbable happens—I will not be able to pay more than the circulation unless the improbable happens.

Q. Is it probable you will be able to pay even the circulation? A. If my estimate on double liability turns out to be at all in reason I shall do so; if I am mistaken as to that then I will not pay circulation.

Q. The most optimistic outlook is everything is lost excepting the circulation? A. Yes, unless the Keeley Mine turns out.

Q. Is there anything else except the Keeley Mine that there might be any hope in? A. Not from a common sense standpoint, no.

Q. We do not want a Farmers Bank estimate? A. Not from what I would call a sane estimate, no.

MR. HODGINS: Before the report is made will you make up to that date, just as nearly as you can, the assets and liabilities so that the Commissioner can have that up to the very latest date? A. Yes; this statement on page 111 amending that to merely show the collections since that date, which is little or nothing, gives you as the statement—

Q. I wish you would do that? A. I will do that.

Q. I will notify you when it is wanted so that we may get it as closely as possible to the date of the report? A. Very well.

MR. COMMISSIONER: If there is any hope in this Keeley Mine at all, why would it not pay the depositors to organize a company and take it over? A. If they want to speculate in a mining property as far as the bank is concerned, I have not any possible objection, but I would not advise them one way or the other about the matter.

Q. It would be open to them? A. Yes.

Q. You do not need that to redeem the circulation? A. No, I think I can redeem the circulation without that, and then if they felt advised on their own account, independent advice, to go in and work that mining property, unless I am able to deal on a better basis prior to that time, why certainly; but I do not feel advised to give any advice to these shareholders or depositors about putting their money into that thing.

Q. There is not very much security to the public for the redemption of the circulation outside of the liability of the bank itself? A. There is the fund in Ottawa.

Q. How much is that? A. I do not know what it is; it is 5% of the circulation outstanding.

Q. All the banks? A. Yes.

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Q. That comes back as a claim against the bank before the ordinary creditors?

A. Yes.

Q. With interest at 5%? A. Yes.

Q. Although you say in this case it has been reduced? A. Yes, that is to say if the assets of the bank are insufficient to pay this circulation the redemption fund at Ottawa will take care of it; whatever that redemption fund has to put up it is a prior lien before ordinary depositors.

Q. The circulation will all be redeemed? A. Yes.

Q. There is no doubt about that? A. There is absolutely no doubt about that.

MR. HODGINS: I suppose you would want to get consent to part with any of the assets before it had been redeemed out of the assets, taking that suggestion as to the Keeley Mine? A. I do not think there would be any difficulty about that; I think the holders of circulation would only be too glad to do anything reasonable, but I am negotiating with two or three people now on a bond and lease proposition which would give the depositors pretty nearly the same result if the property turns out to be good.

Q. You have done nothing, I suppose, with the property beyond taking care of it? A. I have had reports made on it and we have advertised it for sale under three or four propositions, bond and lease; but a little prior to the failure of the bank mining properties had gone out of favor, considering the favor they were in before; where before you could sell a property for \$100,000, today you could not sell it for \$5,000; that was the condition obtaining then.

Q. Mr. Wishart thinks he can sell it? A. I would be very glad if he would.

MR. COMMISSIONER: Is it in the Gowganda District? A. No, this is in Lorraine; it is south-west of Cobalt, about 20 or 25 miles, I think.

Q. Has it any name as a mining district? A. It is known as the South Lorraine Mining District.

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W. R. TRAVERS, Recalled:—

WITNESS: First, I want to correct a statement that I made regarding the formation of the Keeley Mine. I stated that nothing was put into the mine by any person but the bank. When the option was first taken and required to be renewed there had to be \$3,000 put up to renew it, of which Dr. Beattie Nesbitt put up his cheque for \$1,500 and I put up mine for \$1,500; I had overlooked that in giving my testimony.

MR. COMMISSIONER: Putting up a cheque, does that mean a form of paying it? A. No, paying it.

Q. Not out of Farmers Bank money? A. No; well I took it out of Farmers Bank money because it was charged up to my account. Dr. Beattie Nesbitt's cheque was on the Crown Bank.

MR. COMMISSIONER: The proportions you mention are not the same as in the agreement? A. I think, sir, if you look at the first issue of the stock.

Q. I was looking at the agreement that was made between the four of you, Wishart, Nesbitt, yourself and the bank; the bank was to get 25,000 shares, Wishart was to get 25,000 shares, and also another 40,000 shares; and you were to get 40,000 shares, and Nesbitt was to get 70,000 shares? A. I looked up the stock list here, and I find the first division of the stock was 40,000 at \$5 to myself; \$65,000 to Wishart; \$25,000 to the bank; and the balance, \$70,000, to Nesbitt, that was the first division.

Q. This agreement was in 1908? A. That first distribution of the stock, as I understand it, was after the joint stock company was formed.

MR. HODGINS: You appear to have held the shares in the Keeley-Jowsey-Wood Mine, Limited, practically equally, Wishart, Nesbitt, Travers and the bank? A. Not the first one; I do not think you will find the first one, but I think you will find the first one \$40,000, \$25,000, \$65,000 and \$70,000. When they came to the second or third payment you will find that Wishart and Dr. Nesbitt transferred an additional amount of stock to the bank; that is where the dispute first started; I was not quite clear on that the other day.

Q. On the 1st December, 1908, when the Keeley Mine, the re-organized company, bought out the Keeley-Jowsey-Wood Mine, the stock was made two millions; that is, 400,000 at \$5 each; it went equally to you, Wishart, Nesbitt and the Farmers Bank? A. Quite so.

Q. Is there anything to be said about the Keeley Mine now? A. The only thing I can say about the Keeley Mine, I differ from Mr. Clarkson; I had given an option for one-half interest in that mine for \$600,000 to one Erick in New York, who was the go-between for Lewison's, down there, very rich people.

Q. When was this given? A. 1910, I think, January or February, 1910, I am not quite sure about that date; but I went to New York and I had an interview with Lewison's manager about it, and while they did not wish to recognize Mr. Erick in the matter they were quite willing to deal. When the time of the option expired I refused to renew it, as I thought to myself if it was good enough for those Jews, as I thought in my own mind, it was good enough for me; that is the way the thing fell down.

MR. COMMISSIONER: You refused to renew what option? A. Renew the option given to Mr. Erick; and while Mr. Erick was not a man of means, still it does not always take a man of means to be the go-between to negotiate a deal of that sort.

MR. HODGINS: You had given these people an option which they did not take up? A. They did not take it for the simple reason that they asked to have it renewed and I would not renew it.

Q. And then they never negotiated with you afterwards? A. I was in negotiation with them from that time on until the bank failed. When I got back from the Lindsay trial, where the judge scored us so severely, I had not a chance, we had a run; if it had not been for that, I would have been in New York on the following Monday morning. I was on the long-distance phone, which the records will show, on Sunday, trying to make an appointment with these people and to have them up in Toronto on that Monday, or been in New York myself and could not get away. I still think the Keeley Mine is good; it does not matter to me what anybody's opinion is of it; I was on the spot every month for over two years. I had the opinion of one of the best engineers and I consider that to-day it is as good as it was when I went into it and I thought it was worth a good deal of money then.

MR. COMMISSIONER: You started by saying that you differed from Mr. Clarkson; what do mean by that? A. Mr. Clarkson does not consider that the mine is worth anything; he must take into consideration that—

MR. HODGINS: I do not think Mr. Clarkson said that; he declined to put a value on it because he did not know; he said he would not advise, either way, the depositors when I made the suggestion? A. In sinking a shaft 140 feet and in the small drifting we did we took out, I think, nearly \$20,000 of silver; it did not rain down, it is there in some place.

Q. Was that on the vein or pockets? A. Both on veins and in pockets; kidneys they call them in the mining term.

Q. Was that credited in the bank's books? A. I think you will find nearly \$20,000 worth of silver was taken out of that mine; we did nothing, we were tied

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up for a whole year through the mistake of the manager in the machinery. You can only get machinery into that country in the winter, and in 1909, when we brought in the machinery and had it all wrong, the parts did not suit, we were tied up till the following year till we could get in some new machinery, so that practically we did nothing for a year. That does not excuse all these other unfortunate affairs, but I was into it, and the question was how to get out of it; I am not excusing myself a bit; I am only trying to help you all I can.

MR. HODGINS: When Mr. Clarkson declines to advise one way or the other, it is because he does not think he has any right to advise or take any responsibility about it? A. I am not blaming him.

Q. You understand, Mr. Clarkson did not intend to say and did not say, as I understood him, that the mine was no good? A. I simply want to put myself on record, because somebody is going to make a fortune out of that mine some day, and you and I will live to see it, and I want to put myself on record; that is all. I believe that to be true. The next thing I noticed in the newspapers that Mr. Clarkson had stated I had removed my papers from the bank, my private papers, and therefore that was the reason I was dismissed.

MR. COMMISSIONER: I noticed what the papers said; that was an incomplete and inaccurate statement of Mr. Clarkson's evidence; he did not say what the report says. There was no suggestion, as I understood it, from Mr. Clarkson that anything improper was done in the removal of the private box.

MR. CLARKSON: No, I was given to understand that you had removed the Keeley papers and papers which you were said to be your private memoranda. I had given instructions that no papers were to go out of the bank, and I told them to tell you that; instead of that, they gave you the message that I had said you were not to come back again. That is D. Miller's mistake. Afterwards I said that box which was said to contain your private papers went to your son. A. Before you were appointed curator.

MR. CLARKSON: I did not understand that. A. I can prove that.

MR. CLARKSON: This is the statement that was made to me, and I communicated that to Inspector Duncan, and he told me he had gotten a box which did not contain the cheques and notes which you had spoken about.

WITNESS: The Crown officers treated me with every consideration, and I opened the doors for them in every way I could, and they got into every box of papers I could send to them; there was nothing kept back.

MR. HODGINS: We got this far; that you told us; there were some notes of Wishart's and Beattie Nesbitt's? A. Those were left in my desk.

Q. That we have never been able to find; I ask you where they were? A. I cannot account for those.

Q. I certainly gained the impression from you that they had been removed in that box and you did not know what had become of them? A. Then you are wrong, because I did not move those notes you speak of, they are in my desk.

Q. What notes are you speaking of? A. In the Keeley box there was an envelope and cheques and memorandum which showed my dealings with the Keeley Mine.

Q. I asked you specifically notes signed by Wishart and Dr. Beattie Nesbitt? A. I did not answer you correctly, not that I wished to answer you wrongly; because the notes in my mind of those two men were left in a drawer of my desk, and they were never touched by me and as I told you in your office you should find them.

Q. You say you did leave notes of these men in a drawer of the Farmers Bank? A. In the desk that I use as general manager.

Q. You know nothing about their removal? A. No.

Q. Tell me what notes they were? A. My recollection is that there was a \$10,000 note there of Dr. Beattie Nesbitt's, and there were some notes of Wishart's; I could not tell you the amount, really.

Q. Any one else? A. That is all I can remember.

Q. Was it a \$6,000 and \$3,000 note? A. No, I do not remember a \$6,000 note.

Q. What was the occasion of these notes being given and retained by you in the drawer? A. They were left there for me to use if I needed them.

Q. How long before the failure of the bank? A. I think they had been there for some time, probably a year.

Q. Were they cheques or notes? A. They were notes and bank cheques attached to them. That is my recollection of them.

MR. CLARKSON: I never saw those cheques, I never heard of them till Mr. Travers mentioned them. The only people who could have taken them were the Crown Officers who went through Mr. Travers' desk. A. The Crown Officers acted in every way that was proper and right and I helped them in every way I could.

MR. HODGINS: Were they given for value? A. No, they were left there blank for me to use if it was necessary to fill up a gap, if you want the truth in regard to the Keeley Mine transactions.

Q. Why did you not give that one back to Beattie Nesbitt after he sold out his interest in the Keeley Mine? A. Which is that?

Q. The one you had signed by him? A. I did not give anything back to him.

Q. Why did you not after he had sold his stock? A. I never thought of those notes in my drawer until after the question came up one day in Mr. Clarkson's office when we were going over the affairs of the bank. You asked Mr. Clarkson a question about cash on hand and cash paid up on capital account which I did not think was answered very well, because if cash is paid in on capital account, actually paid in on it, the payment out of that cash for premises and other matters does not reduce the amount that has been originally paid in on capital account in cash, if you understand my meaning; as I understood you to say in asking him the question you were confusing the cash on hand and cash paid up on capital account.

MR. HODGINS: That was in reference to what item? A. I have not the number of the page.

MR. COMMISSIONER: I do not suppose any one will dispute that proposition.

MR. CLARKSON: I thought I had made myself clear there, that \$64,000. You asked me the amount paid in on capital account and I gave you that including that \$64,000.

MR. HODGINS: Yes.

MR. CLARKSON: The cash on hand was excluding that? A. You spoke of \$5,000 having been paid Beattie Nesbitt for that Clark Manufacturing account; that was only a reversal of the former entry of \$5,000 that was paid to Beattie Nesbitt about the 4th December, 1908, when the re-organization of the company took place.

MR. HODGINS: How do you mean the reversal of the entry? A. When it was first paid it was charged directly to the Keeley Company, and afterwards I reversed that entry and took it out of Keeley Mine account and put it into Stocks and Bonds.

Q. What was the object of that? A. Because it was not properly charged up to the company; that was not a commission the Keeley Mine Company should pay; I took it out of Keeley Mine Company's books and put it into the bank books.

Q. Into the Keeley Mine stock and bonds? A. Yes, that were held by the bank.

Q. What did it represent? A. It represented a loss, practically.

Q. The \$5,000 was not paid to him at the time? A. Yes, it was actually paid to him, but in Mr. Clarkson's evidence he says another \$5,000 was paid.

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Q. Is your evidence that there was nothing paid to Beattie Nesbitt when he gave up his interest in the Keeley Mine? A. Yes, there was nothing paid then.

Q. There is no doubt about that? A. No. You will find if you go up to the head office books of the bank you will find the \$5,000 referred to. Then the \$55,000 note I gave to reduce the organization expenses was for the purpose of not showing the bank's capital impairment; it would show it as a loan. I made inquiries as to some other banks which were organized and I found out something of that kind was done there, and I unfortunately fell into that error. Another thing on page 23 you show the stock purchased by me, that is Farmers Bank stock. The price of the stock was dropping very rapidly and it was affecting the deposits and I bought the stock and put in my own notes to pay for it.

MR. COMMISSIONER: Borrowing the money from the bank? A. Yes, and C. H. Smith who is carrying on a sort of brokerage business here or something of the sort came in and spoke to me and said he thought he could make some money out of the prices that were going, and if I would lend him some money and I lent him some money for the same purpose. I was satisfied for anybody to buy the stock at that time to keep it from going too far down. I suppose you do not want to hear anything more about circulation and profits. I had a memorandum to that effect. I think Mr. Clarkson is wrong there. You have to take each matter on its own basis. The Trust Company have a deposit with us apart from any deposit we may have with them, we are supposed when they put in \$120,000 to loan that money out, and if we pay them 4% on it and we loan out at 6% then we have \$2,400 of a profit in that. If they keep the average circulation of \$25,000 out for us, that would be \$1,250; there is \$3,650. Supposing that we had a deposit with them free at 3% there is \$3,600, one would offset the other, as far as that goes apart from any profit there might be in advertising. Then I do not agree with Mr. Clarkson, I do not suppose it makes very much difference about the branches paying. There were some branches which were paying. You have not made any calculation for the profit in circulation about those branches which did not pay, but there were some that did not pay, there is no doubt about that.

MR. COMMISSIONER: Something did not pay if the operating losses were so great? A. Quite so.

Q. I suppose there is no doubt about that, that Mr. Clarkson's figures are accurate? A. I am not disputing that; I am only saying in some points he is a little off.

Q. I noticed in the list of bad debts A. O. Boemer? A. Yes, sir.

Q. I should have thought you would not lend him any money? A. I had lent him that money with the object of getting back some money I lost through him.

Q. Is that the same man you had the suit with? A. Yes.

Q. I should have thought you would have been shy after that? A. I got my money out of him by making that loan; it unfortunately turned out badly.

Q. You got some of the money? A. Yes.

Q. You lent him more? A. I had Mr. Samuel Merner as the guarantor of that debt.

Q. He was not very strong? A. He turned out badly. He was at one time a very wealthy man and I thought he was at that time. I suppose you do not want any suggestions from me in regard to the revision of the Bank Act.

Q. That is not my function? A. My idea is that the bank circulation should be based upon reserve and that it should not be based upon paid up capital.

Q. You would curtail the circulation? A. No, the banks will guarantee the small bank now—take the Bank of Montreal, the Bank of Nova Scotia, the second best managed bank in the country, it has a reserve of twice the paid up capital; they should be able to circulate twice the amount of bills.

MR. COMMISSIONER: I misunderstood what you meant by reserve.

MR. HODGINS: How do you account for the commissions amounting to \$71,800 against 10% on the subscribed capital? A. The agreement I had with the

Permanent Board was 15% ; the written agreement with me was produced in the Police Court and should be found.

Q. It never was charged up at that rate? A. 15% would be \$75,000.

Q. It never was charged up at that rate? A. The minutes have been altered by somebody since they left my hands ; anybody can see that if they put a magnifying glass upon it.

Q. What minutes? A. The minutes of the percentage ; they were originally entered there at 15%.

MR. COMMISSIONER: The Farmers Bank minutes? A. Yes, they were originally entered at 15% and they are changed to 10.

Q. In the provisional minutes? A. No, sir ; in the permanent minutes.

MR. COMMISSIONER: I do not understand how a ledger could get lost through these proceedings.

MR. HODGINS: I cannot, either.

MR. COMMISSIONER: Why do not some of these detectives get to work and search in all the offices where these books have been?

MR. HODGINS: I have written to Mr. Irwin and told him the direction has been made to have it produced and asked him to have a proper search made.

MR. COMMISSIONER: I would get some of the detectives to have this search made. I do not see why these detectives should not look for all these papers that are missing. They should be in some of the offices.

MR. HODGINS: I expect to have Detective Duncan here and get some information from him. A. (Turning up minute book of directors of the Farmers Bank, Exhibit 10, page 27) There is a written agreement that that ought to be 15%.

Q. Whose handwriting are these minutes in? A. Mr. Shaver's.

Q. The figures seem to be in his handwriting, too? A. I saw that after the bank failed in the Police Court or at some trial and my naked eye shows me there has been a change there. When I said it was 15% I was challenged.

Q. There must have been a written agreement, was there not? A. There was an agreement ; yes, sir.

Q. "The following is a copy of the agreement," and then follows the agreement? A. That is the agreement with me as general manager.

Q. Fifteen per cent on stock subscriptions—"As per his contract with provisional directors, dated the 4th July, 1906"—we have that, and that is 10%? A. No, there was a second agreement, another one made.

Q. The motion you refer to is on page 27. It says: "On motion it was agreed that W. R. Travers should be allowed 10% on the stock subscriptions, as per his contract with the provisional board, dated the 4th July, 1906, and that he be engaged as general manager"? A. I say that should read 15%.

Q. This appears to refer to the July contract? A. Yes, but there was another contract, too ; there is still another one.

Q. This is what you point to in the minutes ; if this minute as altered formed the 4th July contract, there is nothing to complain about? A. The July contract was before these minutes were enacted.

Q. This meeting was passing a resolution to pay you, was it not? A. Yes, sir.

Q. At the rate of 10%? A. No, sir, 15%.

Q. Let me see that 4th July contract? A. Not that contract, that is 10%, but there is still another one.

Q. This says, "Contract with the provisional board"? A. That is not the contract that was written into that book.

Q. There are two contracts of the 4th July? A. I know, but there are three contracts of the 4th July.

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Q. Why did you not say that when we were examining you before them?

A. It just came back to me.

Q. I asked you particularly why there were two on the same day? A. Mr. Clarkson gave his evidence a little while ago about the 10%, and it then came back to my mind.

Q. These two are agreements with provisional directors (Exhibit 12)? A. Yes, there are two; there were three.

Q. None of the provisional directors have said so; you have not said so up to date? A. I have to beg your pardon; if you go back to my evidence in the Police Court you will find I did say so.

Q. What is the provision there as to percentage? A. This provision is 10%.

Q. What do you mean by having another one for 15%? A. Because it was changed.

Q. What was the operative amount, 10 or 15%? A. 15%.

Q. Who was it made with? A. With the same people.

Q. What did they get for changing it? A. They got nothing for changing it; they made this agreement with me first in the early part of the day and I made them make another one on the afternoon.

Q. There was the other one made in the afternoon attached to it? A. No, those were both made at the same time.

Q. When you were examined before you said that one was made earlier in the day and that the second one later on account of the change they wanted made? A. I hardly think I said that; I said these two were made about the same time.

Q. Whom do you suppose changed the minute? A. I could not tell you.

Q. Did you produce that 4th July resolution at the meeting when that 15% one was passed? A. Yes, I think if the agreement was shown to Mr. Shaver he would be able to swear he wrote those minutes up from that document.

Q. Dealing with the Laidlaw subscriptions, there was \$2,380 paid to these various shareholders and that, apparently, left Mr. Laidlaw, as somebody put it, without a client and the suit was dropped? A. Yes.

Q. Did any one else get anything for withdrawing or letting the suit go? A. I do not know what you mean by that.

Q. Was there anything else paid over and above this \$2,380 to anybody in connection with that? A. I have no recollection of anything being paid.

Q. There was a resolution passed by the executive committee—I have the letter here—do you remember the occasion of it—you wrote Dr. Nesbitt a letter on the 13th November, 1907, referring to the resolution of the executive committee, a copy of which has been furnished to me as follows; and then follows the resolution, that the Menzie Wall Paper Company be given a credit of \$35,000; C. L. Nesbitt of \$14,000; Dr. Nesbitt is permitted to issue a cheque for this amount, pending the turning in of Mrs. Nesbitt's note for the amount at four months, and the Hubbard Company getting an additional credit of \$6,000; then you go on to say, "I call your attention to the fact that this resolution was passed by the votes of yourself and Mr. Menzie in contravention of the third by-law", which you quote—you remember that circumstance? A. I do.

Q. Was that passed while you were absent? A. It was.

Q. And had it been acted upon when you came back and remonstrated? A. I do not think it was; certainly not with regard to Menzie; I could not speak absolutely sure about the other, I do not think there was anything done.

Q. That was afterwards withdrawn by letter, was it not, or rescinded; how was it done? A. I had a meeting, if I remember, of the executive, and had the resolution rescinded by the same people that passed it.

Q. Did you get a letter from Dr. Beattie Nesbitt agreeing not to act upon it? A. I got a letter from both of them, both Menzie and Dr. Nesbitt.

Q. Agreeing not to act upon it? A. Yes, not to act upon it and regretting the circumstances.

Q. You cannot say that the bank lost anything through that? A. Not through that transaction, I don't think they did.

Q. The earliest deposit by the Provincial-Treasurer of Ontario was made in 1907? A. I believe it was, looking at the books the other day.

Q. They appear to have been made in comparatively small sums? A. Yes.

Q. And when when they reached a larger total a deposit receipt was issued? A. Yes.

Q. Who made the arrangements for that deposit; did you? A. No, my recollection is, and I would have to refer to the books to confirm it, not expecting this question, or I would have been prepared for it—was that Mr. Greenwood, of the World, arranged that.

Q. That is the earliest one? A. Yes, that is my recollection of it.

Q. What about the later one? A. The later ones were arranged through Dr. Nesbitt, some way, I don't know how.

Q. That is the one amounting to \$25,000? A. Yes, in May, 1908.

Q. May and June, 1908? A. Yes.

Q. How did Greenwood, of the World, come to arrange the deposit? A. Greenwood and myself were old friends and he was hard up for wages occasionally and I used to help him with a small loan and he helped me in return, and the loan gradually crept up.

Q. What about Beattie Nesbitt? A. In what respect?

Q. As to the later deposits? A. At the time that Nesbitt desired to close the Keeley Mine proposition, I remember saying that I could not spare that amount of gold; he said, "I will get a deposit for you from the Government". He did so.

Q. It seems to have come in, not as a deposit of a large sum, but in small deposits? A. That was done, as I understood, at the time so that they would not have to withdraw it from any other bank.

Q. Who made the arrangements as to issuing deposit receipts? A. I think that is the usual custom of Mr. Matheson; it is an old form of banking that used to exist when I was a young man in the bank, that nearly everything was done in that way, and I think he has kept up the old system.

Q. In addition to Mr. Greenwood being hard up for wages and you obliging him now and again, was there any other money advanced to Mr. Greenwood or any one associated with him? A. The advances to the World gradually crept up from time to time till I think they reached about \$16,000.

Q. When did they begin? A. They began soon after the bank started. I said a little while ago I think about the time that the first deposit with the Government was made.

Q. Why should you advance to the World? A. No reason why I should advance to them in the World.

Q. On what did you advance? A. I advanced on a note of the World endorsed by Mr. Maclean and I think Mrs. Maclean as well, I am not quite sure.

Q. Were they weekly advances? A. They crept up from time to time; they gradually crept up; I do not know whether they were weekly or how but they ran up \$500 or \$1,000 occasionally.

Q. Had you much money to spend? A. At that time, I had, yes.

Q. You kept lending to the World all along during the career of the bank didn't you? A. Yes, I certainly lent too much.

Q. And did you get any repayments? A. No, I believe that those loans were there when the bank failed.

Q. You advanced money and never got any re-payments? A. There was a re-organization of the World newspaper on hand in connection with some debts that

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they owed to another bank through a third party, a Trust Company, a third party, which I expected ultimately to get my money out of.

Q. What is that? A. There was a re-organization of the World to consolidate the debt of another bank as well as mine; this re-organization was being carried through by a Trust Company and through that I expected ultimately to get my money.

Q. However you did not? A. The bank failure came too soon.

Q. Under what circumstances did you commence to advance to the World?

A. Under the circumstances of wishing to please Mr. Greenwood.

Q. Then when you commenced to advance on the notes of the World Printing Company what occasion was that? A. The same reason.

Q. You would not be obliging Mr. Greenwood then? A. Mr. Greenwood nearly always approached me for assistance, stating that he was behind to pay his men their wages and was in a hole so to speak and I usually tried to help him out.

Q. Did you see any one else in connection with the loan? A. Occasionally Mr. MacLean came in with Mr. Greenwood.

Q. You never made any bones about advancing money I suppose? A. I cannot say that I advanced it by free will, I rather objected sometimes.

Q. How did they overcome your objection? A. I changed my mind after talking to them.

Q. What had they said to you causing you to change your mind? A. I cannot remember just now exactly just what did happen. I was very friendly with Mr. Greenwood; I did not know much of Mr. Maclean up to that time.

Q. Was any arrangement made that you would advance them a certain amount from time to time? A. No arrangement made for advancing them anything, just what I saw fit to do at the time they asked for it.

Q. Was the condition of the bank discussed at that time or mentioned? A. No, I cannot say that it was mentioned.

Q. Will you say it was not? A. I cannot say it was not, no.

Q. Was any money advanced to the World or any one connected with it other than you have described on these notes? A. If there were any advances made they would be there on record.

Q. Was it all made on note? A. Yes, all on note.

Q. In connection with the assets which the bank may possibly realize something upon I asked you about the Welsh Mine the other day, I do not think you told me very much about that; was there any advance directly to the Welsh Mine? A. Not to the Welsh Mine no.

Q. Was there an advance to you on account of the Welsh Mine? A. The advance on the Welsh Mine was first made to Mr. Wishart, \$5,000, if I remember right; and the second advance was made to his friend and bosom companion Mr. John Costigan, and then they were unable to meet the third payment on their option and so fell down on it and I picked up the option then so as not to lose the \$10,000 originally paid and carried it on till Wishart came back again and took it off my hands, running the advances up to something like \$35,000.

Q. Did he pay back the advances? A. No, sir.

Q. How did he take it off your hands? A. He had a purchaser for it, as he showed me in New York, at a considerable profit—I have forgotten what it was,—and he agreed to assume by giving his notes all the advances that were made up to that date if I would turn the option over to him so that he might sell it in New York which was done.

Q. This left sixty thousand odd dollars he owed? A. That leaves fifty thousand dollars.

Q. You took his unsecured note? A. Yes.

Q. And let him have the property? A. Well, I presumed we had a string on the property.

Q. Did you find you had not? A. Yes, afterwards.

Q. How did you find that out? A. I found that by his transferring the property over to Mr. Whitney, I think.

Q. I suppose you had given it to him—A. I gave it to him on a verbal understanding that was witnessed; he stated he did not wish to enter into any writings about the matter as it would affect the disposal of the property and then after he got the transfer he immediately, if I might use the term, I was going to say hocus pocused it.

Q. At all events he forgot the understanding? A. He forgot everything after he had it in his hands.

Q. Who held the Welsh Mine after that as far as you know? A. I could not tell you at the time that the failure came along. Mr. Bain of Bicknel & Bain was acting for me, and I understood he had it tied up; we certainly entered an injunction against that proceeding.

Q. You claim you were entitled to have a lien on the proceeds of the mine for that \$50,000? A. I claim the bank had a right to one-half the proceeds that were made out of it.

Q. Was that the situation at the failure? A. Yes, I understand it.

Q. What about the Valveless Inner Tube Company; there is some interest in that which Mr. Clarkson says is in litigation? A. I had an interest in that of \$250,000 which I turned over to the bank, and of which I was at one time offered \$50,000 for, and I believe Wishart has or is endeavouring to cut the interest from under their feet.

Q. Do you know in connection with the McCallum and Tamlin matter who McIntyre is? A. The facts of the McCallum matter are these: McCallum was suddenly found a defaulter of \$28,000 and he was arrested and prosecuted and had a term of imprisonment. He pleaded guilty to \$17,000, it was on that that he was sentenced. The balance of the loss was not shown up at the time for the purpose of keeping it out of the newspapers. We recovered from the Guarantee Company a certain sum, I do not remember whether it was five or ten thousand dollars and the balance we charged up against the stock of the Keeley Mine that we had on hand. Tamlin was the cause of that young man's downfall. Up to that time I thought he was a very worthy young man and a splendid bank hand, and this Tamlin as far as I could make out, got him to cash some cheques which were worthless and finally led him into some speculation that ended in McCallum being a defaulter to the extent of \$28,000 and Tamlin's worthless cheques in the bank's hands of \$12,000. I instructed our solicitor to take proceedings against Mr. Tamlin and he made a settlement with him without my knowledge or consent in which he took \$1,000 cash I believe and a thousand dollar note of Tamlin's leaving about \$10,000 if my memory is right worthless on our hands; and then that was taken up by a note of McIntyre, and I could not tell you who McIntyre is myself, I do not know him.

Q. There is no such a man? A. I do not know whether there is or is not.

Q. Just found the note some day in the bank? A. No, the note was put in McIntyre's name to remove it from the default list temporarily.

Q. Who put that McIntyre note there? A. I got that from Mr. Hunter, our solicitor.

Q. Did you inquire from him who McIntyre was or how he came to get it? A. I could not say whether I asked him who McIntyre was or was not, but my opinion was then and is my opinion that it was a clerk in his office.

Q. In connection with that settlement of Dr. Beattie Nesbitt's, what was the occasion of your taking over his stock in the Keeley Mine in the place of the obligation which I understood you had of the Clark Company and the Hubbard Company and his wife? A. I heard that the Crown Bank, to whom Dr. Beattie Nesbitt was indebted a large amount was about to take proceedings against him and seize every property that they could possibly get and I saw no other way of getting the money out of Nesbitt but by exchanging what we had with him to prevent any trouble in the Keeley stock being tied up in case I made a sale of the mine.

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Q. Did you think it was a good move? A. I thought it was the best thing I could do at the time. If action had been taken against Nesbitt and an injunction fled with the bank to prevent my handling his stock in case I made a deal with those New York men, I would have been in a difficult position to carry it out.

Q. You were more anxious to get hold of his stock than to see whether you could realize out of the original securities? A. The securities we had, with one exception of the mortgage on the Ross property, was not of any great value.

Q. You had the obligation of the Hubbard Manufacturing Company? A. Yes.

Q. And the Clark Company? A. They were practically insolvent.

Q. And Mrs. Nesbitt? A. Mrs. Nesbitt had nothing that I could find out but a home which was heavily mortgaged.

Q. At all events they disappeared as bank securities and you got the Keeley Mine stock? A. Yes.

MR. COMMISSIONER: What do you mean by you, you or the bank? A. The bank.

MR. HODGINS: Do you know Frederick Crompton? A. Yes.

Q. He was the president of the Crompton Corset Company? A. I believe.

Q. A brother-in-law of Beattie Nesbitt? A. Yes, I believe so.

Q. You had two transactions with him, had you not, the bank? A. I had two or three transactions.

Q. What was the earliest transaction you had with him? A. The first transaction I had with him he deposited \$150,000, or agreed to do so and he did do so, and for that he was to have a bonus of \$100,000 of the Keeley Mine stock, which was transferred to him, by, I do not remember the proportions, but I think that Dr. Nesbitt gave up \$50,000 of his and I gave up \$50,000 of that which was held in my name personally, but I am not quite sure.

Q. Look at that agreement, that will probably give the date; is that the first transaction; look at the signatures first? A. Yes, offhand I would say that is the agreement. Am I to read this?

Q. If you will just run over it with me; he was to deposit \$50,000 and get a deposit receipt for that, and then \$25,000 later on in the month and \$75,000 in April. This was all in 1909. Then he was to get deposit receipts bearing interest at the rate of 3% upon those? A. Yes.

Q. Was he to deposit real money? A. Yes, he did, actual money.

Q. That was in March, 1909? A. Yes.

Q. Were you in need of it? A. Yes.

Q. Was that just a method of getting circulation, too? A. No, the last payments of the Keeley Mine were coming due then and I had not any means of taking care of them.

Q. You were to give him \$100,000 fully paid-up shares of \$5 each in the Keeley Mine as collateral? A. Not as collateral security, as a bonus.

Q. It says, "To be held by the party of the second part as collateral and continuing security for the said deposits"? A. How many shares?

Q. One hundred thousand fully-paid shares? A. Will you go on a little farther?

Q. "It is agreed as a further consideration for the deposit and upon his living up to the agreement, he is entitled to receive from the Farmers Bank," yourself and Beattie Nesbitt for his own absolute use \$100,000 worth, apparently, of shares—" \$100,000 in the fully paid-up and non-assessable stock of Keeley Mines, Limited," of which the Farmers Bank contributed \$50,000 worth, and you and Beattie Nesbitt \$25,000 each? A. Yes, I remember that.

Q. So this was another arrangement helping you with Keeley Mine? A. Yes, that is what it was intended for; that was the object of it.

Q. Was that carried out? A. Yes.

Q. Money deposited and then afterwards, I suppose, withdrawn? A. Yes, it was withdrawn afterwards.

Q. But he got stock in the Keeley Mine? A. He did, so far as he could get it subject to the pool.

Q. He got it ultimately? A. It has never been outside of the pool; he got the stock, practically got it.

Q. Entitled to it now? A. No, he has parted with it now.

Q. Whom has he parted with it to? A. I bought it back from him.

Q. When? A. Some months before the bank's failure.

Q. How much did you give him for it? A. I gave him \$10,000.

Q. Ten cents a share? A. Yes.

Q. In cash? A. Practically so.

Q. Was it the bank paid him or you? A. The bank paid that.

Q. That, the liquidator tells me, the \$10,000 he got Mr. Crompton has since returned? A. I saw a cheque in the Police Court for it.

Q. There were two other transactions.

MR. COMMISSIONER: How long had the bank this \$150,000 on deposit?

MR. HODGINS: How long did they keep it on deposit? A. I could not tell you exactly, but it was not for any great length of time.

Q. Four months from the issue of the receipts is the agreed time? A. He lived up to that agreement.

Q. What was the later transaction? A. I had some transactions with him with our circulation, but I cannot remember just at the moment whether it was the final payment of that \$150,000 or whether it was a fresh account. Mr. Clarkson might set me right.

MR. CLARKSON: I understand it was a fresh transaction? A. He wanted to withdraw \$50,000 it was, and I was not prepared to pay it and I paid him off in our own circulation, which he agreed to hold, and so to speak, dribble in, send in a little at a time for redemption, \$2,000 at a time.

Q. He would get circulation and make a deposit with you of good money, is that it? A. I am not quite sure whether he really made the deposit with me at that time or not at that time, or whether it was just the final payment on that.

Q. What would he get for the money he was to deposit with you from time to time by way of interest? A. He got 4% on it.

Q. Three per cent in accordance with the agreement? A. Yes, but we paid him 4%.

Q. That must have been a new transaction? A. I do not think there was a writing to that effect; I think that was just a verbal agreement.

Q. How much circulation did you deposit with him and how much did he put into the bank? A. I do not remember exactly, but I think fifty or sixty thousand dollars.

Q. And just before the bank failed, was any payment made to him? A. We made payments to him right up to a few days.

Q. Did he bring back the circulation and you redeem it? A. Yes.

Q. Just before the bank failed? A. Yes.

Q. Who gave him a tip? A. I could not say that; certainly I did not do it.

Q. In connection with Mr. Lindsay's evidence, you wanted to identify on a little plan where you were that day when he says he paid over that money to you?

A. Yes, I did.

Q. Is that a fairly accurate plan of the Farmers Bank on Adelaide street? A. That end of it was not in existence at that time. (Crosses out portion not in existence.) Up to that point I would say yes, that seems to be an accurate plan of the place.

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Q. You have heard Lindsay's evidence and MacCorquodale's evidence since you gave yours? A. Yes.

Q. What do you say? A. I say that I do not like to number these rooms if you are going to examine Mr. MacCorquodale again, but I should like to designate something here—

Q. I do not see why you should not number them? A. We will call this one, and this number two, and this number three and this number four. Number four would be my room and my desk; it would be in that position.

Q. Where you have indicated in pencil? A. Yes, that is the entrance to the bank.

Q. That is, into room one? A. Yes, the entrance from the upper hall.

Q. There is a hall running along there? A. There should be a stairway going downstairs here.

Q. Write "hall" opposite that door? A. (Witness writes "hall"). Now, then, Mr. MacCorquodale, as he came in with Mr. Lindsay that day, would require to pass through this gate and get behind the counter; then my secretary was sitting at a desk there in room 1; the door into my office was locked with a Yale lock; it could only be opened by my secretary; and I was pestered to death with people wanting advertisements and selling maps, etc., and I fixed that door so that you could not get through it. As I say, if he paid me the money in number two room, if he saw the money paid to me in number two room, then Mr. Fitzgibbon and Mr. Shaver must have been present.

Q. That is their room? A. Yes; if in number three room, then Mr. Fitzgibbon's stenographer must have been there. If in my room, then he must have followed Lindsay through the door; the door must have been opened by the stenographer; he must have gone in with him; otherwise he could not possibly see it.

Q. Having gone over the whole thing in your own mind, what do you say as to the correctness of Lindsay's and MacCorquodale's story as far as this conflicts with yourself? A. I say they are not correct—

EXHIBIT 67: Plan of Head office of Farmers Bank identified by Mr. Travers.

MR. COMMISSIONER: I thought the statement was he met the witness on the steps coming out? A. MacCorquodale said in his evidence he went in there and saw it paid in the room there.

MR. COMMISSIONER: Lindsay at page 552 says: "There was a gentleman 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."

Then at page 558 he says, "MacCorquodale went into the room, stood at the desk and 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. Travers was upstairs in the bank when Lindsay got there."

MR. HODGINS: MacCorquodale at page 793 said:

"Q. What room did you and Lindsay get 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. What room would that be he was describing? A. That would be the one with the counter across.

MR. COMMISSIONER: How about this Graphite Company, who got that up? Mr. Hunter got that up; Mr. Hunter was the solicitor for the bank and through Mr. Home Smith of the National Trust who had the late Mr. H. C. Hammond's affairs in his hands, part of which was this Graphite property, and Smith and

Hunter I believe were particular friends, it was suggested to Hunter that if this property was operated for a little while, it could be turned over to a syndicate and floated on the market at a good figure. That was the start of it. Hunter approached me and I lent him a little money to take it up, and it drifted on until it got into the absurd position it is in now.

Mr. COMMISSIONER: Who was the debtor to the bank for the money? A. The joint stock company.

Q. Not Hunter? A. It was the Graphite Company as a private partnership concern at the first and then merged into a joint stock company, and the joint stock company assumed the liabilities and debts of the former partnership company.

Q. Had all the advances been made before the company was formed? A. Not all of them, no, sir.

Q. What interest had the bank in it beyond the loan? A. The bank had a portion of the stock, I do not remember just what it was offhand, but there was a certain big bonus to come out of it if the matter was floated.

Q. \$30,000 is the value of the bonds, how much was loaned them? A. We loaned them thirty or thirty-five thousand dollars at first and when the company was re-organized we took the bonds in place of the debt to the bank; the property seemed to be very valuable down there, I went down and looked it all over, and they seemed to have a good process for making graphite, I thought it was good at that time; McCuaig & Company of Montreal were looking into it and they thought they would be able to float it and get everybody out of it with a good profit.

Q. What happened it? A. It happened that they were unable to make a flotation of the business up to the time of the failure of the bank; there were so many things thrown on the market at the time; Black Lake, and I don't know what all; they hung fire.

Q. What is your view as to the position of the bank if it had been wisely and conservatively managed from the start, what is your view as to what the outcome would have been? A. It would undoubtedly have been a success.

Q. Why do you say so? A. Because there was plenty of room at that time for new banks, particularly for a smaller bank to drop into some of the places where there were no bank facilities at that time.

Q. Were not you starting on a scale of expenditure that was altogether out of proportion to the bank's capital, the business you were likely to do? A. It was rather out of proportion, but I think if you were able to carry your commission into the formation of some other banks you will find that nearly all started that way.

Q. To what do you attribute the disaster that happened? A. The tying up so much money in bad debts.

Q. What do you include as bad debts, do you include the Keeley Mine? A. Certainly, that was the last straw that broke the camel's back.

Q. Was it not one of the first straws that started trouble? A. No, we had these advances in the Toronto office, a good many that you were going over this morning, that you did not wish to speak about publicly—I knew what you were referring to, but a great many of those advances were made in the early history of the bank.

Q. Those that resulted in losses? A. Yes, in tying up the capital.

Q. I thought you said that when the \$25,000 Provincial Government deposit was obtained it was not because you said you could not part with \$25,000 of the bank money? A. As I had promised certain moneys around and I could not assume another liability of \$25,000 at that time.

Q. Unless you got some other? A. Some other assistance.

Q. From what class of people did you get your deposits? A. Farmers.

Q. Mainly at the branches outside of Toronto? A. Yes, we had good deposits at some points. I differ with Mr. Clarkson on that ground, because I think we had \$100,000 at some of these little places, if not more.

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MR. CLARKSON: I think only one at the time of the failure? A. It is easy enough to figure out on the basis of \$100,000 on deposit and on the average circulation there with small expenses—

MR. COMMISSIONER: What led you as managing the bank to lend these very large sums on these highly speculative properties as securities? A. What do you refer to?

Q. Take the Graphite Company, the Keeley Mine and all these things? A. The Graphite was a matter of later doings of mine; had that been in the early history of the bank I would not have taken it up, but as I had got behind and was trying to get some underwriting or some deal by which I could make up some of these losses I was induced to go into some of these things.

Q. You were getting as usually happens deeper down all the time? A. Yes, no question about that. If I could have turned the Keeley Mine over for the large sum of \$600,000 I would not have been in the position I am to-day, I hoped I would have pulled it through.

Q. What class of paper did you discount in the early days? A. In the early days we discounted Farmers notes at the branches.

Q. What business did you do at the Toronto branch? A. At the Toronto branch we made some loans to Dr. Nesbitt and some others that were not first class at first; I thought in making the first loans to Nesbitt I was getting a first mortgage on the large furniture factory at Bracebridge, but I found I was mistaken, I was getting a second mortgage; that was being my own lawyer and a fool client; the Keeley Mine, I went into that knowing we were behind, knowing we had to make up some money somewhere.

Q. At the beginning? A. We were a year and a half in business at that time and we had this \$125,000 of organization expenses and commissions and all that sort of thing behind; I was carrying that on my own note and as Mr. Clarkson explained, I wanted to get that wiped out of the road, and that induced me to go into the Keeley Mine in the first place.

Q. You bought out Dr. Beattie Nesbitt's interest, cancelled his indebtedness and his wife's by the payment of money taking over those stocks at a later date; what was the object of that? A. So that I would be able to sell it to these New York people.

Q. Did the proposition or the suggestion of that transaction come from you or Nesbitt? A. I think it came from me, I think at that time when there was that threatened suit; I had that in my mind at that time.

Q. Take this transaction with Wishart, what possible justification was there for lending him thirty or forty thousand dollars on that Welsh Mine? A. The Welsh Mine was very valuable, I could have turned it over at that time at a profit and had Wishart had a customer for \$200,000 as against \$145,000 that I had, I thought that I would let him have it.

Q. What made you so trusting with a man like that that had deceived you before, had acted badly, forced your hand and then you take his word and hand over all you had in this mine? A. Hoped against hope that he would land one of these propositions, and I would get out of it. I did not think he would do as he did in the Welsh Mine, completely absorbing the whole thing.

Q. Do you think it was a trick on his part, the pretence he was about to sell it? A. Yes.

Q. A trick to get it into his hands? A. That is my opinion now; he did the same thing in the Valveless Company too.

Q. What about the Big Vein Copper Company? A. That was the stock John Tevis borrowed money on in regard to that Syracuse deal, Mr. Clarkson gave you an outline of that.

Q. Do you agree in his view as to what your motive was in trying to make that transaction? A. Not altogether, nearly so, though; I will give you the transaction at Syracuse from my side. After this deal in New York, in which

the stock of the Piano Company was exchanged for the bank stock, the Knabe's got from the Federal Life an option of purchase on which they paid \$100,000 cash.

Q. The Federal Life? A. Paid Mr. Dexter and Mr. Hazlitt and others who controlled these stocks, they paid them \$100,000 in cash; that \$100,000 they transferred from the bank in New York to the Farmers Bank in Toronto, and I paid it over to them; therefore, I knew that the matter was genuine. After that they asked me to meet them in New York, and I met Mr. White, who was the Lieutenant-Governor of the State of New York, with them. He stated that the People's Mutual were in a decline and they would probably go out of existence; that a little bit of money would purchase the company; that they could re-insure all the risks in the Federal Life when they got it, and liquidate this People's Mutual leaving a balance of five or six hundred thousand dollars. Mr. White assured me that he had the sanction of the Insurance Department at Albany; he was the Lieutenant-Governor of the State; I came back to Syracuse with Mr. White and spent an evening in his house and discussed the whole matter, and it looked to me like a good business. The proposition was that we should purchase \$150,000 of Syracuse Waterworks bonds. I agreed to that, to give them money—

MR. COMMISSIONER: Who held the Syracuse bonds? A. The People's Mutual Life. The whole thing was a scheme, as you will see after I get through. I said, "I have not got \$150,000; I cannot spare it". "If you will bring down \$150,000 of your currency we will have the First National Bank of Syracuse hold that currency until such a time as you are willing to redeem it." I sent \$150,000 by express to Mr. White at Albany on the promise over the phone from Mr. White that the bonds would be sent to me by mail to reach me the same time the currency would reach Albany. I was out of town for a day or so just at that time that money was sent. I found out on my return that the securities had not reached here and I wired, or had the Express Company wire, to return the money to me, which came back. After the money was returned to me, through some leaky vessel in the Express Company, it got around that I was sending Farmers Bank money out of the country. That was the reason I took it down the second time. In the meantime, I cannot think of the man's name for a moment, but he came from Syracuse to see me and said there was some mistake made about it; I do not know whether it was Tevis or not. W. G. Hunt—the lawyer in the city—he had been down in Syracuse negotiating this deal; he came up to me and explained to me there was just a slip made and it was all right, to send it down again; and I thought to myself, "I will not send the money through the Express Company, I will take it down". Then Mr. Fitzgibbon and myself we packed \$150,000 in a satchel and we took it down to Albany; we kept it there in the hotel over night. The next day Mr. White called on me and said he had to go to the funeral of Mr. Reins, and he would be home to-night, and that I had better put the \$150,000 in the vault of the First National Bank until he returned that evening; and Mr. Fitzgibbon and myself went over and we put the satchel inside of the safety vault and they locked the door; we took no receipt for it; it was just locked, just set inside the door. The president of the bank was there and said everything would be all right and to come back in the evening and we would complete the transaction. We went in the evening, Mr. White and the president of the First National Bank, I cannot remember his name—it does not matter—and Mr. Tevis and Mr. Hunt, the lawyer, and one or two others were there; they said they had difficulty in getting these securities; they wanted me to leave the money on deposit with the First National Bank on the promise of their sending them on afterwards, which I refused to do. Then, when we were about to leave, they suggested I should give them an informal deposit receipt, and we there and then entered into an agreement that this deposit receipt would not be effective until the 15th of January following—that was in December, 1909—when they were to supply these securities and subscribe for the same amount of stock in the Farmers Bank, one to

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offset the other. I left that behind, brought the agreement with me—I think you have the agreement—and brought home the money. Immediately my back was turned they took this deposit receipt and put it into the till of the Mutual Life and took out the money and distributed it among themselves. The first I heard of the matter was that the Insurance Department was taking action to upset the transaction and they came over here and threatened suit against the bank unless we paid this deposit receipt. Mr. G. H. Watson acted for me and went into the whole details of it and said we were not liable and we refused to pay it, and they never brought any suit against us, but the Insurance Department ordered them to refund that money.

Mr. HODGINS: The Insurance Department over there. A. The Insurance Department at Albany, and they got it all back down to Tevis's.

Mr. COMMISSIONER: \$15,000? A. Yes; then it was a question of our getting our deposit receipt back; and getting out of the affair by loaning Tevis \$15,000.

Q. What do you think the plot was? A. To beat the Farmers Bank out of \$150,000. If I had left that money there we would never have seen a dollar of it.

Mr. HODGINS: Was any commission paid on that transaction to any one? Not to me.

Q. Any one connected with the bank? A. Yes, I believe there was.

Q. To whom? A. Mr. Fitzgibbon, I believe, got \$1,000.

Q. What was that for? A. I could not tell you; he will have to explain that himself; I found it out afterwards.

Q. Paid by whom? A. It was paid by M. G. Hunt, the lawyer.

Q. What was the most profitable period in this bank? A. The most profitable period would be in 1907, I think, we were in the best position.

Q. That was just about a year after it started? A. Yes.

The Commission adjourned at 4 p.m. to 11 a.m. to-morrow.

Toronto, May 30th, 1912.

The Commission resumed at 11 a.m. at Osgoode Hall.

GEOFFREY T. CLARKSON, Examination Continued:—

Mr. HODGINS: There are some matters you want to speak about? A. I want to mention one thing; there are some newspaper reports which seem to indicate that I stated that I regarded it as improbable that the Keeley Mine would turn out to be worth anything. I do not remember ever having made such a statement, as it was apart from my opinion. I have drafted a memorandum, if I may read it, to make the matter clear. It is reported in some of the papers that I expressed a doubt as to the Keeley Mine turning out to have any realizable value whatsoever. I do not remember giving any such evidence, as it does not accord with my opinion; but, if any such suggestion could have been drawn from what I said, it was corrected by the Commissioner, when Mr. Travers was giving evidence. I did say that I was not prepared to make any statement as to what the property would ultimately produce, for the simple reason that neither I nor any other person can do so, and I further said that I do not desire to advise shareholders or depositors who have lost heavily by the failure of the bank, and can ill afford to risk more, as to whether they shall or shall not advance money to develop the property.

The Keeley Mine is well situated at South Lorraine, with silver-bearing properties on different sides of it. A considerable amount of development work was done on the property, and the records of the company indicate that approximately \$20,000 ore was taken out during such development. At the present time, there are no ore bodies in sight, but the opinion is held by experienced engineers and miners that development ought to disclose further ore bodies. It is difficult at this time to sell any undeveloped silver property for a large sum of money, and the only way in which the creditors of the Farmers Bank can expect to recover any reasonable amount of the property is by dealing with it upon such terms as will permit a purchaser to develop it at his own expense, with the right to purchase it at a reasonable figure, if after development, the results obtained warrant him in doing so. In negotiations which are pending along these lines, I have insisted that the Farmers Bank shall have the right to retain an interest in the property, so that in event of it turning out to be as valuable as Mr. Travers believes, the creditors and shareholders of the Farmers Bank may participate in the benefits.

At present time, litigation is pending between myself and the Trusts & Guarantee Company, with regard to certain securities held by them. If they are successful in the suit, the disposition of the Keeley Mine will be under the sole control of the Court, and myself. On the other hand, if the estate is successful in the litigation, the Trusts & Guarantee Company will have to look to the Keeley Mine to recover on securities held against advances made. Under these conditions, if creditors and shareholders feel disposed to advance money for development, they will have to deal with this situation. The Trusts & Guarantee Company has rendered every assistance in dealing with the property as so to conserve as much as possible to creditors and shareholders, and allow a disposition of the property to the best advantage.

There are a couple of other matters I would like to mention. In discussing yesterday as to the causes of the failure of the Bank, I said nothing about the directors, but I regard the directorate which the Farmers Bank had as incapable of looking after the affairs of a Financial Institution.

Q. You mean from start to finish? A. I won't say everybody on the Board, but there were many on the Board from time to time that had no experience in financial matters and were not qualified to look into the affairs of a financial institution. I told them that at the time of the failure. Another thing I want to say is that the liquidation of the Bank will probably be long drawn out from the character of the assets, and the expense of liquidating will be very heavy proportionately.

Q. Why should it be particularly heavy? A. Because I do not think there are two accounts out of five in that Bank that we have not had to litigate over and deal with through the Solicitors. There are very very few securities taken by the Bank that were taken properly.

Q. Whose fault would that be? A. I think probably Mr. Travers was experienced enough to take proper securities, but I do not think his staff was, and they neglected to take securities which an ordinary Banker would have taken, and if taken would have saved the bank many thousands of dollars. Another thing that was said was this, that I had instructed the Solicitors to issue a writ against the Trusts & Guarantee Company for interest upon that circulation deposit. I do not think I said that. I never gave any instructions to issue a writ. I said I had referred the matter to the Solicitors, and we were taking it up with the Trusts & Guarantee Company. That is the condition.

MR. COMMISSIONER: What do you say about the Provisional Board, its capacity to inaugurate a successful Bank? A. Well, Sir.—

Q. What were their occupations? A. One was a promoter, a couple of them were promoters.

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Q. Name them? A. Lown was a lawyer; Smith is a promoter,—and I think it is fair to say we are winding up another financial institution where exactly the same condition has obtained, the Monarch Bank where two-thirds of the money received went away in commissions; it did not get a certificate.

Q. Who was Mr. Lown? A. He was a Solicitor.

Q. Practicing where? A. I never heard of him before this bank matter: I understand Toronto.

Q. He was the President, was he not? A. Lown was the Chairman of the Board.

Q. Who were the others? A. There was Smith; he is a Bank promoter.

Q. Did you mean he was connected with the Monarch too? A. He was connected with the Monarch Bank.

Q. Gallagher? A. He was a merchant I think; I don't know anything about Gallagher, he is dead. Watson was a brewer, and Fraser, the Archaeologist, and Dr. Ferguson was a physician. Dr. Ferguson has had more experience than any of them in financial matters.

MR. HODGINS: You would not expect the Board of Directors to have anything to do with managing a bank? A. Not managing, but directing the policy of the bank and supervising loans. That is all I wanted to say. I just want to correct those points.

Q. I see it stated in one of the morning papers that the "World" indebtedness was paid off, is that so? A. The "World" indebtedness was paid off yesterday.

Q. So that there is no loss in that account at all? A. No, I did not look for a loss.

Q. But that is now disposed of entirely? A. Yes.

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W. R. TRAVERS, Examination continued:—

MR. HODGINS: There is something here to indicate an effort was made by Mr. Greenwood to get a deposit from Mr. Stevenson who I think was Chief Ranger of the Independent Order of Foresters? A. Yes, I think he tried to get a deposit for me at one time.

Q. Was that effort successful? A. Yes, they made a deposit with us, or rather the Union Trust Company who are allied with them made a deposit with us.

Q. He had some connection with that too, what year was that, 1907 or 1908? A. I could not speak positively on that, the books would have to show that.

Q. I asked you the reason for lending the "World" money; had they an account with your bank, an ordinary banking account, before you commenced to lend or discount for them? A. No, I don't think they had.

Q. How about your relations with the "World"; were you friendly with Mr. Greenwood and Mr. Maclean? A. I was friendly with Mr. Greenwood. I did not know Mr. Maclean.

Q. Had you known Mr. Greenwood long? A. I don't remember how long I had known him, it seems to me it was some time.

Q. Before you commenced to deal with him financially? A. Yes, I knew him before that.

Q. What was the character of the dealing, was it an ordinary account on which they overdrew? A. No, I discounted their note, the first I remember. I think all the transactions were on notes.

Q. What connection had the money you lent him with the money he got on deposit? A. Simply in order that my reserve fund was not depleted. He obtained deposits for me.

Q. Did he obtain any other deposits except the two that were mentioned, the Provincial Treasurer and the Union Trust? A. I cannot remember now any others; he was always doing what he could for me.

Q. Was there any improper pressure brought to bear upon you to lend him money? A. No, I cannot say there was.

Q. From beginning to end? A. No, I am quite sure there was no improper pressure brought to bear upon me.

Q. Was the account one of the large accounts in the bank? A. It ran up into large figures.

Q. What do you call large figures? A. I think it was about \$16,000 when the failure came.

Q. Had you securities for that? A. We had the endorsement of Mr. Maclean and Mrs. Maclean, if I remember right.

Q. What do you say as to their sufficiency? A. I thought Mrs. Maclean was quite good for it at the time.

Q. Did you deal wholly with Mr. Greenwood? A. Yes, I should say I did, but adding to that that Mr. Maclean accompanied him very frequently.

Q. I find a copy of a letter addressed to the Provincial Treasurer here which I would like you to tell me if that was sent; it is only a copy? A. Yes, I remember writing that; I should say that letter was sent.

Q. What is the date of that letter? A. June 18th, 1908.

EXHIBIT 68: Copy of letter dated June 18th, 1908, to Hon. A. J. Matheson, Provincial Treasurer, Toronto.

Q. I find that the first deposit in your bank was on May 20th, 1907; just look at those two letters which are undated except that they are both in June; it does not say what year. I want to see if they are the same year (referring to letters subsequently filed as Exhibit 69)? A. I could not swear positively what year, but I am of the impression that it is a year later than that other letter, than June, 1908. If you have the file this was taken off it would probably show.

Q. Those letters are from Mr. Greenwood, and they speak of meeting Colonel Matheson on the 20th and 21st June, and they ask you for a copy of the sections of the Bank Act relating to Government deposits. You see we have not got the conclusion of that account; we have its beginning on May 20th, 1907, and the issue of the first deposit receipt on June 14th, 1907; does that throw any light on the date of those letters? A. No, I cannot connect that letter with the original deposits of the Provincial Treasurer.

Q. Did you get any answer to that letter to the Provincial Treasurer that you wrote? A. My recollection is I did, but no such letter I believe can be found on the files.

Q. I have seen no such letter; I found that copy, but I did not find any letter; what is your recollection about it? A. My recollection is that the Provincial Treasurer wrote me that he had made no promises to anybody about making deposits with the bank, or words to that effect.

Q. Did he, after that letter, make any deposits such as you requested? A. I could not say that positively whether he did or not.

Q. At June 18th, 1908, the \$10,000 deposit receipt had been given on June 14th, 1907, and on May 13th, 1908, the deposit receipt for \$15,000, and May 19th another deposit receipt for \$10,000, were those the only three deposit receipts issued? A. Yes, and since then, according to the books, as far as we have them, down to the 31st December, 1908, it appears there were some deposits and withdrawals, leaving at the end of December, 1908, a credit balance of \$2,165.60. The total claim of the Provincial Government at the date of the failure—

MR. COMMISSIONER: We got that yesterday.

MR. HODGINS: It was based upon those two last deposit receipts? A. I would say so, yes.

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MR. COMMISSIONER: Is the ledger after this missing?

MR. HODGINS: Yes.

MR. COMMISSIONER: Where is the ledger before this?

MR. HODGINS: That is transferred from cash book.

MR. COMMISSIONER: According to this, the account began 20th May, 1907.

MR. HODGINS: Yes.

MR. COMMISSIONER: Is it not probable, looking at this ledger, that this is 1907 (the letters of 20th and 21st June, Exhibit 69)? A. Looking at the liability ledger of the Toronto Branch, it would appear that the first transaction with the World newspaper was in 1908, January, 1908, so that I could hardly connect the two.

MR. HODGINS: That is the first time you commenced to lend to the World?  
A. Yes, that would be the first.

MR. COMMISSIONER: That means that the account of deposits from the Provincial Government had been running for a year before that? A. It would appear that the bank had been in business a year before any advances were made.

Q. And a deposit receipt had issued? A. That the deposit receipt had been issued to the Provincial Treasurer a year before that.

MR. HODGINS: That is the first \$10,000 receipt? A. That is the first transaction.

Q. The first transaction with the "World" Newspaper Company was January 10th, 1908; what is that, a discount? A. A loan of \$200.00. There is another loan in January of \$300.00.

Q. That is December; would that be December 31st, 1907? A. Possibly it may be.

Q. That "World Newspaper Company, F. W. Stair, \$300.00," appears to be out of its place there? A. Yes.

Q. You carry it forward from December to some time in January? A. Yes, but there is some balance carried forward showing this was the starting of the account, unless this was an odd one that was outstanding that they picked up in the account in opening.

Q. It would not be the 31st December, 1908? A. No, it must be 1907.

Q. It appears to have gone on pretty regularly from that on, January, 1908. Is there any other book you can look through to verify what appears by this that that is the beginning of the account? A. No, that is the only book I could put my hand on now that would show that. If that had been carried forward it would appear in the balance. You will find it carried over here; there is the balance; that is carried down from here. There is the account carried forward, balance \$2,351.00; as there is no balance brought forward there, I take for granted that is the commencing of the account.

Q. What is the meaning of this World Newspaper Company, page 384, sundry account? A. That indicates each separate account that went in there.

Q. What was that page you looked at? A. 361 and 362.

Q. That is the one you say is the beginning of it? A. Yes; I would have to modify that now by saying that these odd amounts were brought over.

Q. That is December 31st, 1907? A. Yes.

Q. Look at pages 383 and 384, compare those first; take those first items and look at those four items down to December 31st, and, reading from 361, the first is January 10th, World Newspaper, \$200.00; the next is East & Company, January 13th, and the next the 21st, Davidson Morrison twice, and then December 31st, World Newspaper, F. W. Stair? A. Those are the same ones transferred.

Q. Then 367, that is forward—? A. From 362.

Q. That is still later in date then? A. Yes.

Q. Then from here it goes on in the regular order apparently? A. Yes.

WILLIAM H. GREENWOOD, Sworn, Examined by—

MR. HODGINS: What is your occupation? A. Journalist.

Q. Are you connected with the "World" newspaper? A. Not now.

Q. You were, were you? A. I left about 1st December, last year.

Q. What was your position in 1907 with the "World"? A. I was managing editor, or managing director, of the paper.

Q. When did you commence to deal with the Farmers Bank or Mr. Travers in connection with loans and discounts? A. I think it was early in 1907.

Q. The books Mr. Travers pointed to this morning do not indicate that? A. I think it was before a deposit was asked for from the Ontario Government for the Farmers Bank; we were discounting some papers through the Farmers Bank at that time.

Q. Would it have taken the form that it certainly did in the books that Mr. Travers pointed to, a pretty continuous, active, almost daily account? A. I rather think so, yes.

Q. 1907? A. I had in my mind that we had been doing business with the Farmers Bank before I went to the Ontario Government and solicited a deposit.

Q. I want to get your statement as to when you commenced to deal with the Farmers Bank?

MR. COMMISSIONER: Were there notes given, and if so, if they have a bill book, that would show it.

MR. HODGINS: What was the character of the account? A. It was a discount account, customers' notes; advertising account.

Q. What was your regular bank, who did you do business with? A. The Sterling Bank.

Q. During all this time did you continue to do business with the Sterling Bank as well as the Farmers? A. Yes.

Q. Did the Farmers get all the business or merely your odd business? A. Odd business.

Q. Until when? A. I think until the bank closed.

Q. Did you begin in that way discounting odd customers' notes? A. I think that was the way we began getting advertising accounts.

Q. And later on you got a direct loan? A. Yes.

Q. Do you remember in connection with the account any matter that had to do with Mr. Stair? A. I remember Mr. Stair gave us a note for his advertising account which we had discounted.

Q. Would that be the beginning of the account; do you remember that as the starting point? A. I cannot fix that as the starting point. I fancy the cashier of the World was getting some of those small notes discounted where he could get them discounted.

Q. That was entered up on December 31st, 1907; it is said to be transferred from Stair's account, perhaps that will throw some light on it. On what basis were the notes discounted originally? A. On a business basis.

Q. Any inducement held out to Travers to lend the money? A. I don't think there was.

Q. You would know? A. I would know.

Q. You did practically the entire business? A. Yes.

Q. Were any suggestions made he would get into trouble if he did not? A. No.

Q. Quite sure of that? A. Certain, sir.

Q. Did you interest yourself in getting deposits for the Farmers Bank? A. Yes.

Q. Why? A. We wanted to get a large loan from the Farmers Bank to assist us in our financing of the Toronto World and Mr. Travers said he had just

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enough money to take care of his present customers and he could not add any other customers, and he had not any more money, and deposits were necessary to carry on the business; and I said I would see what I could do to get deposits for the bank. I looked up the monthly Government Statement regarding the Farmers Bank and I saw it was in a good, healthy condition; it was a young bank, it was true, but every month that I looked at the Government Statement it showed the bank was in good shape.

Q. Did you look at the Government Statement every month? A. I had to look at the Government Statement every month in my business as a newspaper man.

Q. Did he refuse to do any business with you till you got a deposit, or did you begin before you got a deposit to do business with them? A. I think we were doing business with him before we got the deposit; I am pretty sure we were.

Q. What was the first deposit you got; who from? A. The first deposit, I saw Colonel Matheson in regard to putting a deposit in the Farmers Bank.

Q. That was the first one? A. That is the only one I remember.

Q. You remember interesting yourself with Mr. Stevenson? A. Yes, I thought you were referring particularly to the Government.

Q. I am referring to any deposits you induced? A. Yes.

Q. Which was the first, the Ontario Government or Stevenson? A. The Ontario Government first.

Q. Can you at all identify the date of these two letters (Exhibit 69), because like every newspaper man, you are as economical of writing as you can be? A. This first one I cannot fix a date on it; it was during my negotiations with Colonel Matheson trying to get him to put a deposit with the Farmers Bank.

Q. Was it in connection with your earliest negotiations with him? A. I think so.

Q. Did you go to Colonel Matheson more than once to get deposits? A. I rather think so.

Q. Having got one did not satisfy you? A. That was not it, it required several times to get the one.

Q. Were your efforts confined merely to getting one deposit? A. Later I tried to get further deposits from the Ontario Government.

Q. With what success? A. I don't think I had any success.

Q. What was the amount of the deposit that you succeeded in persuading? A. \$10,000.

Q. Do you remember when that was? A. I think that was in May, 1907.

Q. Those letters are written in June, clearly? A. It may have been in June then; May or June; I cannot fix a date about when the deposit did come.

Q. It is curious, because the first deposit receipt was issued on the 14th June? A. This (letter of 21st June) looks as if this was during my soliciting campaign with the Colonel to get the deposit placed. I was trying hard to get an argument before him why he might see his way clear to put a deposit in the Farmers Bank.

Q. What was the argument? A. The statement in the Bank Act regarding Government deposits; I think they had a special lien on the assets of the bank; that was one argument. My other argument was the monthly Government statement from Ottawa showing the bank was in good condition.

Q. Did you urge this on Colonel Matheson? A. Yes.

Q. Had you any knowledge of the state of the bank's affairs at that time other than what you had gathered from the monthly return? A. Absolutely none.

Q. Are those dates of June, whatever year they may be, correct on those letters? A. Yes.

Q. Because it is funny that in neither of those years was any deposit receipt issued after June—what is the date of those letters? A. June 20th and 21st.

Q. This may have been in connection with other efforts you made which you described as unsuccessful? A. With the Colonel?

Q. Yes? A. I think this was part of my first campaign as I remember.

Q. The first deposit receipt is dated June 14th, 1907, for \$10,000; you think that was your first effort? A. I think so.

Q. The deposits commenced to reach the bank on the 20th May, 1907, and were cancelled in a deposit receipt on the 14th June, so that if those dates are right and the year is 1907, it would certainly be after that? A. It looks that way.

Q. Supposing those are the next year, 1908, the two deposit receipts were issued on May 13th and May 19th, respectively; so that if that is 1908 that was after those? A. Yes, June comes after May, certainly.

Q. Those are obvious facts; it is only with a view of ascertaining the true year? A. I wish I could remember that.

Q. You cannot throw any further light? A. No, I cannot.

Q. And you never got any more than \$10,000 deposit from Colonel Matheson? A. I think that was all from the Colonel.

Q. Did you disclose to him at all that your object was to get a loan? A. I may have done that, because I was very frank; there was not any argument that I left unsaid, sir, in trying to get the deposit, because we needed the money on the World; we had good paper, our assets were alright, but it was hard for the Toronto World to borrow money.

Q. Did anyone else connected with the World see Colonel Matheson other than yourself in connection with that deposit? A. I think not; I think I was the only one that saw the Colonel.

MR. COMMISSIONER: It is manifest from the date of that letter, and from the dates of these deposits in the book that that letter could not have referred to the \$10,000 deposit, don't you see that? A. Yes, it must be so, because the deposit was put in in May.

Q. What does that lead you to conclude? A. That I was possibly trying to get another loan, another deposit, rather.

Q. And did not succeed? A. Yes.

EXHIBIT 69: Two letters dated June 20th and June 21st, above referred to, from W. H. Greenwood to Mr. Travers.

MR. HODGINS: Perhaps you could ascertain the date when you first commenced to deal with the bank; who was the treasurer then? A. Mr. Remion, the present secretary-treasurer, would know.

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HONORABLE A. J. MATHESON, Sworn, Examined by—

MR. HODGINS: You are Provincial Treasurer of Ontario? A. Yes.

Q. And you were Provincial Treasurer in 1907 and 1908? A. Yes.

Q. There is a deposit account which began with the Farmers Bank on the 20th May, 1907, which in June was transformed into a deposit receipt; how did that come to be made in the Farmers Bank? A. I am speaking entirely from recollection, but my recollection is that Mr. Greenwood is mistaken about asking me at that time; the first time he asked me was the next year, 1908, and my recollection is that Dr. Beattie Nesbitt met me in the corridor one day and complained against our discriminating against the Farmers Bank and asked me to make a deposit—we keep a current account and a special deposit account—on the 16th May, was it?

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Q. May 20th it began, 1907? A. The 16th May, 1907, according to our books.

MR. COMMISSIONER: That may be so, because it is transferred from the cash book? A. And we went on depositing their own cheques and also miscellaneous cheques and cash, post office orders, express orders, and currency, until the 12th June a cheque was made out for \$10,000 to be transferred to special deposit, and it was made on the 13th—I see from the evidence here that the deposit receipt was actually made on the 14th—and it was as a result of Dr. Nesbitt, who was then president of the bank, asking me. Then from that on we continued to deposit their own cheques in the Farmers Bank, cheques on the Farmers Bank in the Farmers Bank.

Q. The account appears to run on, nothing deposited between June and October, and January, 1908, there are some sums deposited? A. At the end of the financial year we always cash all deposit receipts in order to get the interest.

MR. COMMISSIONER: There is no deposit until the 21st April?

MR. HODGINS: Then in May, 1908, there were two other deposit receipts issued to you, May 13th and May 19th, for \$15,000 and \$10,000 respectively? A. Yes.

Q. How were those got? A. I have been trying to recollect about those; I have nothing to go by except my memory; I cannot remember them. I am certain Dr. Beattie Nesbitt did not ask me in 1908, not directly, not personally; that is my memory; he might have asked me through others.

Q. Did anything occur between you and Dr. Beattie Nesbitt other than you have told us in connection with the first account? A. Nothing that I remember; I only remember meeting him one day in the corridor and speaking to him.

Q. Had you any reason to believe the Farmers Bank was not in good condition? A. No, I studied their returns and I thought it was perfectly safe, otherwise I would not have made any deposit.

Q. Did you know anything about the Keeley Mine at that time? A. No, I never heard of the Keeley Mine until the bank failed. I knew Dr. Beattie Nesbitt was in some mining speculation up North, because I met him up there and was talking with him.

Q. Would this statement be correct or incorrect, speaking of certain correspondence which was put in this morning, "These facts gathered together would seem to indicate that the funds that enabled Dr. Beattie Nesbitt to go into the Keeley Mine speculation and bring the bank to its ruin were actually obtained from the Treasurer of Ontario through the influence of the managing director of the World or some other person or persons unknown"? A. I have been trying to recall about who spoke to me about that time; I cannot remember.

Q. You never heard about the Keeley Mine till after the failure? A. No, I never heard of the Keeley Mine till after the bank failed, except that I was told that Dr. Beattie Nesbitt was in some mining speculation up North. Advances were not made with any view of getting a loan made to Dr. Beattie Nesbitt.

Q. Had they any connection, this speculation and this deposit? A. Not that I know of.

Q. Would you just see whether you got that letter which has been put in, dated 18th June, 1908 (Exhibit 68)? A. I never got this letter and never answered it, and in this he asks for \$10,000 further, and instead of giving him \$10,000 further the next change in the deposit was to withdraw \$10,000.

Q. That letter appears on the files of the bank, and was handed to me by the detectives? A. I am satisfied from my memory, I did not get it and I am satisfied from the nature of it if I had got it we would at once have withdrawn all deposits from the Farmers Bank.

Q. Was there any influence by some person, other than the managing director of the World, whose name was not mentioned? A. Several people spoke to

me about advances to the Farmers Bank; in fact, for all the banks with perhaps one or two exceptions, every bank in Toronto—we keep accounts in all the banks in Toronto, and with perhaps one or two exceptions the friends of every bank have asked for deposits in a legitimate way.

Q. Was there anything to differentiate this from those other applications?

A. No; I heard a good deal of gossip about the standing of the Farmers Bank, but I was very much influenced by the "Canada Gazette" return, and if I had not thought it perfectly safe, they would not have had anything.

MR. COMMISSIONER: You said that when Dr. Nesbitt spoke to you he said you were discriminating against the Farmers Bank; perhaps you would elaborate that; what does that mean? A. That the other banks showed provincial deposits and they did not, and it hurt them with other people in getting deposits, and they paid us taxes, collected our cheques, paid our cheques at par; all these banks pay our cheques at par.

Q. They thought that was a discrimination against the bank? A. Yes.

MR. HODGINS: You say at the end of the financial year you always cash deposit receipts; when did the financial year end in 1907? A. That year I think it was the 31st December. It is the 31st October now, and has been for two or three years.

Q. Perhaps I should ask you further in regard to Mr. Greenwood's evidence; do you recall his interview with you? A. He bothered the life out of me, saw me a dozen times, and those letters were not written to me, they were written to the bank, but they are 1908, I believe, because I am satisfied that he had nothing to do with the first deposit made in May, 1908, and he did not get any further advance at that time.

Q. You heard his evidence as to what statement he made to you; how does your recollection accord with that? A. As far as I remember, it is so long ago, it is four of five years ago, I would not like to contradict it, except as to the one point, 1907; I think he is mistaken in that.

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WILLIAM H. GREENWOOD, Recalled:—

MR. HODGINS: Q. You want to make a further statement, I think? A. It has been suggested in the Globe this morning that apparently Dr. Beattie Nesbitt and I were the two people who went up to the Ontario Government for certain deposits; I do not know anything about what Dr. Beattie Nesbitt did with the Ontario Government. I was only working for the Toronto World and I wanted to get a loan from the Farmers Bank in order to assist us in financing the Toronto World on legitimate security. I do not know a solitary thing of what Dr. Beattie Nesbitt may have done in regard to getting deposits.

MR. COMMISSIONER: Did Beattie Nesbitt go with you at any time? A. Never.

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ALFRED GORDON TRAVERS. Sworn, Examined by:—

MR. HODGINS: Q. You are a son of Mr. W. R. Travers? A. Yes.

Q. And the reason I called you was in connection with a box which I wanted to trace up? A. Yes.

Q. That was said to have gone to your father's house at the failure of the bank; there is a box produced here which has been in the custody of the detectives,

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so they tell me, almost ever since; will you just say if that box went up to your house? A. I think that is the box, sir.

Q. Did you ever open it? A. Yes, sir.

Q. Did you take anything out of it? A. To the best of my recollection, I only took one article out of it, which was a letter my father asked me to get for him.

Q. Was that letter to or from anybody whose name has been mentioned in the enquiry? A. I do not just remember whether it has been mentioned or not; I think the letter was given to Inspector Duncan.

Q. By you? A. Yes, he wanted it.

Q. Do you remember whom it was to? A. I think it was a letter to my father.

Q. From whom? A. From Mr. Warren.

Q. I think I have that letter; that was the only thing that was taken out? A. To the best of my recollection that was all I took out.

Q. What else was there in the box, any cheques? A. I am not sure whether there were cheques or not; I think there were some cheques.

Q. Were any of those moved? A. I do not know.

Q. By you? A. No, sir.

Q. The box arrived at your father's house, didn't it? A. Yes, sir.

Q. Before the detectives got it? A. Yes.

Q. And was there for how long? A. I think a couple of months.

Q. Who had the key of it? A. The keys were lost.

Q. Who was living in the house who would have access to the box if they could open it? A. I was.

Q. Any one else? A. The servants; that was all.

Q. You were living alone in the house? A. Yes.

Q. During the whole time? A. My brother was there for a few days, that was all; he was visiting here and he stayed with me a few days at the house.

Q. Where is your brother living? A. In Saskatoon now.

Q. Had any one else in the house access to the box, or did any one come in and take anything out of it to your knowledge? A. No, sir.

Q. Was Mrs. Travers living there? A. She was here for a few days when we moved, when we left the house.

Q. Where was the box kept? A. It was in the den.

Q. You said the keys were lost—when it got there or became lost afterwards? A. They were lost afterwards, I think, because, I am not quite clear on that, but I think Inspector Duncan was unable to open it and asked me where the keys were and I could not find them.

Q. Had the keys come up when the box came originally? A. I cannot say, sir.

Q. Where did the box come from? A. From my office.

Q. Where did it come from to your office? A. It was sent up to my office.

Q. From the bank or from Mr. Owens' office? A. I presume it came from the bank, I do not know.

Q. How long did it remain in your office? A. I think possibly a couple of days.

Q. We are anxious to find certain cheques and particularly cheques that are supposed to have disappeared; do you know anything about them? A. No, sir.

Q. You removed none of them from the box? A. No, sir.

MR. COMMISSIONER: How did you get the letter out of the box if you had not any key? A. I must have had the key at that time.

Q. Then the keys must have been there and must have been lost—how long after the box came there was it you picked the letter out? A. I cannot say

exactly, it may have been two or three weeks or a month; it was little time after I think.

Q. And after that the keys somehow got lost or mislaid? A. Yes.

Q. Was the box in such a way that anybody could have access to it before the keys were lost to it? A. I do not think so.

Q. Who carried the keys? A. I had the keys for some time.

Q. Until they were lost, you had them? A. I think I did.

MR. HODGINS: Q. Did the Inspector get keys made or were they found again?

A. I am not quite sure, I think they broke the box open but I would not be sure.

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W. R. TRAVERS, Examination continued:—

MR. HODGINS: Q. You remember MacCorquodale gave his evidence here in connection with the payment by Lindsay of the \$5,000? A. Yes.

Q. I find a letter here of August 29th, 1906; I want to know if that letter to him was sent? A. I think so.

Q. You see that is dated August, 1906; did he act for the Bank after that or act for you in selling stock after that? A. He was in and out of the bank there all the time; he was connected with the provisional directors before I took hold of it at all.

Q. After this letter of yours in August, 1906, which tells him to keep out of the office, you would not have anything more to do with him—A. Yes, I remember this.

Q. Had he anything to do with the Bank or selling stock? A. Yes, I think he was in and out of there after that.

Q. Notwithstanding that you asked him to cease doing any further business for the Farmers Bank in August, 1906? A. Yes, I had not the say; the Provisional Board—yes, I had the say then—I think he did continue.

Q. Were the relations friendly? A. He was a great friend of Mr. Lown, and Mr. Lown was with me nearly all the time.

EXHIBIT 70: Letter from Mr. Travers to D. S. MacCorquodale, dated August 29th, 1906.

Q. There is a letter on the 19th October, 1906, which I confess I cannot understand. It is to the Manager of the Bank of Montreal, authorizing him to retain \$20,000 out of the money when it comes back from the Government; was that letter ever sent? A. My recollection is that it was. Mr. Braithwaite was the Manager of the Bank of Montreal here, and he was also the Manager of the Bank of Montreal in Hamilton when I was there, and he was speculating in Bucket Shop and got behind and I helped him out of it and I thought he would help me out of it and that is the reason I asked him to lend me \$20,000?

Q. He did not lend it to you? A. No, for some reason or other he backed down.

Q. Was that letter intended to enable his bank, if they lent you the money, to get it back out of the Fund? A. Yes, that is so.

Q. It never became effective? A. No, he backed out of it before the loan was made.

EXHIBIT 71: Letter dated 19th October, 1906, from Mr. Travers to the Manager of the Bank of Montreal, Toronto.

Q. Is this the letter you speak of as having been written to the Finance Department, and was it sent? (Letter dated January 12th, 1907). A. I would say yes. That appears to me to be the letter I wrote that I spoke of in my evidence before.

EXHIBIT 72: Letter, January 12th, 1907, from Mr. Travers to the Minister of Finance.

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WITNESS: That document I spoke about yesterday as having been copied into these minutes, I have since spoken to Mr. Hartley Dewart and he said he had it in his hands in the Police Court.

MR. COMMISSIONER: That is the second agreement about commissions? A. The third, 15%.

Q. There was the first agreement and then a memorandum on the back of it, and then you say one providing for 15%, a third one? A. Yes. I notice Mr. Shaver is to give evidence; he really ought to see that in order to swear to these minutes.

Q. Does Mr. Dewart remember where he saw it? A. Yes, he thinks he can locate it.

Q. Can find it? A. Yes, he thinks so, and he said he would try.

MR. HODGINS: In dealing with Urquhart, Urquhart & MacGregor you wrote them on December 7th, 1906, in reference to their account and you said "You know, of course, as well as I can tell you, that we have been at very great expense, particularly so through the interference of William Laidlaw"; and Mr. Urquhart appears to have replied that the fact that you were put to large expense by other people is no reason why they should not be paid their reasonable charges; what expenses did you refer to when you said you had been put to very great expense? A. We had to pay Mr. Watson, K.C., \$500 for defending that.

Q. The vouchers do not show that? A. I think they do.

Q. It shows \$250? A. Was not \$250 paid later?

Q. No? A. My recollection is we paid him \$500.

Q. Any one else that you referred to? A. No, I do not know—ordinary expenses in connection with it, I could not say any particular.

Q. There is a cheque here of Beattie Nesbitt's in your favor dated May 15th, 1907, which is for \$3,000; what is that for? A. The News newspaper if I remember rightly, had a judgment against him for about that amount and they came in to seize the stock of the bank in his name, and I advanced him the money at that time to pay it off, and he paid it back to me later on; that is my recollection of it.

Q. That is a cheque from Beattie Nesbitt to you, is that just payment back? A. That is the payment back.

Q. Who was your Inspector? A. Mr. Fitzgibbon was practically the Inspector.

Q. I thought Fitzgibbon was the Accountant? A. He was Chief Accountant and Chief Inspector.

Q. How often did he inspect the branches? A. I am sorry to say not very often; he went out whenever I asked him to go.

Q. There was no regular inspection? A. We had a young fellow under him named Spink who went out to the branches around and inspected them pretty regularly.

Q. Who inspected the Head Office? A. Mr. Fitzgibbon was supposed to inspect that. Do you mean the Head Office or the Toronto Branch?

Q. I mean the Head Office in Toronto? A. The Head Office was inspected by the local Manager of the Toronto Branch and the Toronto Branch was inspected by Mr. Fitzgibbon.

Q. Who was the local Manager of the Toronto Branch? A. I do not remember who was at that time; we had so many.

Q. How was it the local Manager of the Toronto Branch did not discover any of these charges that were being made in the bank books improperly? A. I could not answer for him.

Q. Did you show him anything? A. I certainly did not.

Q. Is it possible to mislead an Inspector if the Bank Manager wishes to do so? A. It was not possible to mislead Mr. Fitzgibbon making those entries.

Q. He knew all about them and helped to make them? A. Yes, and helped to make them.

Q. He must have connived with you to do it? A. I heard his evidence; he said he had to obey my order.

Q. His inspection of that would not be worth mentioning? A. Certainly not.

Q. To what extent was the inspection by the local Manager effective? A. He would simply take the vouchers and figures in the book and check them off and compare them; he would not go into the history of any particular entries; oh, it was perfunctory, that was all.

Q. Apart from that there was no real inspection by any officer? A. No, sir.

Q. You had no separate Inspector with nothing else to do? A. No.

MR. COMMISSIONER: What safeguard had the public, those that were creditors of this bank, depositing in it, against what happened? A. None whatever, under the existing conditions of the Bank Act.

Q. What would be the objections, if any, to some means being provided by which the Government could intervene and stop the operations of a bank that was found to be doing as this bank did? A. Undoubtedly they could.

Q. That is the American system, is it not? A. The American system they have a bank Examiner that is appointed by the Government at Washington whose duty is to drop in at irregular times on those various banks and check them up, so to speak.

Q. He has power to close the doors? A. Yes. The same system in a different way could be inaugurated here. My idea was, if you desire me to say so, that there should be a separate department in the Finance Department and a competent banker placed in charge of that whose duty would be to not only check the returns of the bank, but also the circulation. It would be a very easy matter for a competent banker to go into the Head Office of any bank and to form an idea as to the standing of that bank. The whole business of a bank really is conducted in the head office; the branches are merely arteries for bringing in deposits; the loans at branches are always, you might say, good; the losses are seldom made at the branches.

Q. What strikes one in this case is that even if it had been known what had been going on, unless some shareholder or creditor took action to wind-up the bank, apparently there was no provision in the law to stop it? A. None whatever that I could see. As I was saying yesterday, I think the circulation of a bank should be founded upon their reserves; a bank should be able to circulate bills to the extent of their reserve, and that reserve should be in control of the Government, because really the reserve they are earning interest on is like free deposits.

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W. J. LINDSAY, Recalled:—

MR. HODGINS: Q. Have you found out, and are you in a position to tell me now anything about that \$3,000 deposited to your wife's credit; you said you owed her money or something of that kind and I asked you to ascertain a little more definitely; have you done so? A. You have the cheques here, I understand.

Q. I am asking you why the money was paid to her? A. I told you I owed it to her.

Q. You could not tell me very much as to how the debt arose, though; I want you to state that? A. I borrowed it from her some time ago.

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Q. How long before you paid it back? A. I borrow money from her quite frequently.

Q. I am speaking of something that happened in 1906? A. I may have had it a year and may have had it two years.

Q. Have you no recollection of how you came to borrow it? A. No.

Q. What amount had you borrowed? A. I owed her a very much larger sum than that.

Q. Is your wife a wealthy woman? A. I think this is hardly fair to bring my wife into this thing. The money was mine; I admit I got it.

Q. You brought her in. A. You asked me where it went and I told you that. There is much money I have not received yet on account of commissions, which is in Court (hands a letter to the Commissioner).

MR. COMMISSIONER: This letter says there is some litigation going on about this money.

MR. HODGINS: That he borrowed from his wife?

MR. COMMISSIONER: No, about his wife having money.

MR. HODGINS: What litigation is that? A. The Imperial Steel & Wire Company.

MR. HODGINS: On my own personal knowledge, there is no litigation going on in the sense of being active at all. A. There is the suit for the division of stock which my wife has.

Q. It has not been brought to trial since 1907? A. I have been very busy since that time; it is alive yet.

Q. Who are your solicitors? A. At the present time Beattie, Blackstock.

Q. Are they solicitors on the record? A. I do not know.

Q. Have you changed your solicitors? A. I have arranged to change, yes.

Q. When was the last step taken in that litigation? A. It was some time before the bank failure; there was another one very much alive, and you are well aware how it terminated, and it was a matter of one thing at a time.

Q. I am also very well aware that no step has been taken in the litigation which you refer to for the past three years? A. It will be.

Q. That is the reason you do not want now to be asked how you got the money from your wife? A. Yes.

Q. And why you owed her money? A. Yes.

Q. You think you might tell something here that would prejudice you in that case? A. I think it would be unfair.

Q. Why would it be unfair?

MR. COMMISSIONER: I think, Mr. Hodgins, this ought not to be pressed; I do not see the relevancy of it to this inquiry.

MR. HODGINS: Very well, I won't press it any further.

MR. COMMISSIONER: I do not suppose this inquiry is for the purpose of enabling the liquidator to get at anything.

MR. HODGINS: No. My object is to endeavor to trace this \$3,000 which the witness said he paid to his wife? A. I got the money.

Q. Deposited to her credit?

MR. COMMISSIONER: It is plain it was so deposited; that is proved by the document; how are we any further concerned whether he owed it to his wife or not?

MR. HODGINS: What did your wife do with it? A. That is none of my business, and I do not think it is any of yours.

MR. COMMISSIONER: I do not think that is relevant.

MR. HODGINS: I put it this way: this man says, "I got that money, I paid it to my wife, I decline to state what she did with it". If she did it for him it would be just the same as if he did it himself, and he ought not to be unwilling to tell? A. The money is mine and if I have to state what I did with money

that I owned that went to the butcher or the candlestick maker it would take a long time to cover it.

Q. I would rather you would say it did go there?

MR. COMMISSIONER: I do not quite follow your reasoning about that, Mr. Hodgins.

MR. HODGINS: Because I do not believe that so far we have got the proper destination of that money.

MR. COMMISSIONER: It is suggested it went for some improper purpose?

A. I say you have the proper destination of it.

MR. HODGINS: He declines to state how he came to owe it to his wife; how he paid it to her and what she did with it? A. You have her cheques; I don't see why she should be persecuted; you tried to examine her before.

MR. HODGINS: I made no effort to examine her here because you asked me not to? A. Not here; I have come here freely and of my own will, and was here three days without being subpoenaed, and every word I have spoken has been as simple as if you had had a phonographic record of it.

MR. COMMISSIONER: Was this money paid out in any way in connection with the Farmers Bank? A. No, my Lord, I paid out no dollar of money in connection with the Farmers Bank in any shape or form that was not legitimate. I paid Mr. Luxton quite a large sum of money in commissions; he was a field man up there with me, and I worked from 15 to 18 hours a day on this proposition, and I have had an endless amount of trouble; it has cut me out of thirty or forty thousand dollars of business.

MR. HODGINS: The only other question I want to ask you is in connection with the payment of \$5,000; you have been already examined on that? A. Yes, three times.

Q. This will be the fourth time; just pay attention to the question. When you got back from to the Farmers Bank with that money in what shape was it?

A. It was in a roll in my trousers' pocket.

Q. Covered up in any way? A. It may or may not have been; but I remember I rolled it up and I put it in my pocket, and I held my hand on it, held it in my hand all the way up.

Q. Remembering all that, do you remember if you put anything around it?

A. I don't know whether I wrapped it up or put a rubber band around it.

Q. You do not remember? A. No; to carry \$5,000 was rather an unusual thing.

Q. I asked you about one circumstance and that only, you cannot remember that; when you got to the Farmers Bank, what room did you go to? A. I came into the room.

Q. What room? A. I went into the outer room.

Q. Is that the one with the counter in it? A. Yes; stood at the counter, and Mr. Travers came to the door.

Q. To what door? A. To the door to the left of his own room.

Q. Then what? A. And I stepped up to him and I handed the roll of money to him.

Q. The counter, I thought, was between you? A. I opened the door, pushed it open.

Q. And stepped up? A. Yes.

Q. To where? A. Stepped up to the door, handed them to him; he was standing in the door.

Q. Which door? A. I told you it was the door of his own room to the left.

Q. How did he know you were there? A. He heard the door open; he was there waiting; he had his coat and hat on.

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Q. How did he know you were there in order to come to the door of his room? A. He was there waiting ready to go away.

Q. Just at the door of his room? A. Yes.

Q. And you came in? A. Yes.

Q. He did not come forward to the counter and get the money? A. No, I looked to see if he was in; his door was open, and he came to the door and I stepped up and handed him the money and I said, "There you are, old man".

Q. That is all you said? A. He put it in his pocket.

Q. And you walked away with him? A. He said, "Let's go across the road and have a drink".

Q. You told us that before; you went with him? A. Yes.

Q. That is the only remark he made to you? A. Yes. There was not a soul in the bank, but himself that I saw, and I think if you ask the Traders Bank you will find that that transaction, if they can produce their blotter, or whatever they call it, I think you will find that that is pretty nearly the last item on that day's business, and I think you will also find, if they can trace it up, that in the bank that day they did not have any \$100 bills. I asked for the largest bills they had, and if my memory serves me right they said they had not any \$100 signed.

The Commission adjourned to 11 a.m. to-morrow.

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Toronto, May 31st, 1912.

The Commission continued its sittings at 11 a.m., at Osgoode Hall.

## PRESENT:

HONOURABLE SIR WILLIAM MEREDITH, Commissioner;

FRANK E. HODGINS, K.C., and JOHN THOMPSON, K.C., representing the Dominion Government.

MR. H. H. DEWART, K.C., representing Dr. Beattie Nesbitt, was present for a short time.

MR. DEWART: Would Your Lordship allow me to mention a matter before going on with the evidence? My learned friend has had my client, Dr. Nesbitt, subpoenaed for attendance this morning. He was subpoenaed yesterday, and as a matter of fact I have not had sufficient time to consider his position coming here under an Extradition Warrant. I take it for granted that my learned friend will not want to go into any matters that are the subject of charges on which the Doctor is shortly to be tried, but if my learned friend will let the matter stand I shall be glad to confer with him, and perhaps he could give me the heads under which he desires to examine the Doctor, so that I might arrange for his attendance at such date as will suit you to go on.

MR. HODGINS: I have no objection to letting it stand for a few days, and I can arrange with Mr. Dewart. I think there is a good deal of information that can be given that won't conflict in any way with the charges that are pending, but as to that I suppose when I do ask the questions about that, it will be sufficient time to object.

MR. DEWART: Well, I am quite satisfied with that.

MR. COMMISSIONER: Do you acquiesce in the position Mr. Dewart takes that the inquiry ought not to touch any matter that is the subject of a prosecution.

MR. HODGINS: No, I do not, but I think it is quite sufficient time to raise that objection when I come to that branch of the subject.

MR. DEWART: I will confer with Mr. Hodgins.

MR. HODGINS: You will undertake to produce Dr. Nesbitt.

MR. DEWART: Yes.

DR. BEATTIE NESBITT: I will be here.

MR. HODGINS: The reporter from the Globe made an application yesterday to make a copy of one or two of the exhibits, that is the letter said to be sent by Mr. Travers to Colonel Matheson, and which Colonel Matheson said he did not get, and the two Greenwood letters. I did not feel that I was in a position to give them, indeed they were locked up at that time, but I suggested that he should apply to you, Mr. Commissioner.

MR. COMMISSIONER: I suppose this is a public enquiry and the documents are here, and there is no reason why anybody should not take copies of them.

MR. HODGINS: In that case there is no objection to copies being made.

I have been making enquiries about that agreement which Mr. Travers referred to as to his commissions, and Mr. Dewart, to whom I spoke, has recalled that he mentioned it in some address he made on one of the charges, and he has been good enough to look among his papers, and I think he has been able to find it. I asked him if he would attend here.

MR. DEWART: Yes, Mr. Commissioner, I looked up my notes of the remarks I made at the time Mr. Travers pleaded guilty, and I see I referred then to the fact that there was an agreement between the provisional board and Mr. Travers, dated July, 1906, under which he was entitled to a commission of 15% on the first \$500,000 of capital stock sold; so I looked up my files and I found the original document there, and I now produce it. I got it from Mr. Travers at the time I was preparing his defence. Your Lordship will see on one page a correction of the amount in pencil, where something is scored out and \$6,000 is written in in pencil instead of \$5,000. My recollection with regard to that is that Mr. Travers told me that that was a note he had made on the agreement as showing what the final amount that was voted to him by the permanent board of directors, namely \$6,000 a year, instead of \$5,000.

MR. COMMISSIONER: That is simply a memorandum.

MR. DEWART: Yes. (Mr. Dewart hands the agreement referred to to Mr. Hodgins.)

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DR. JOHN FERGUSON, Recalled:—

MR. HODGINS: Q. You have been already sworn? A. Yes.

Q. We have already had the agreement made on the 4th July between yourself and Travers, and now there turns out to be another one; will you just look at it; I want to find out if that agreement is the real one.

MR. COMMISSIONER: While he is looking at that, I observed a statement in the Globe newspaper this morning that the evidence shows that the advances to the World were made in consideration of the World procuring a deposit. The evidence is the exact opposite of that.

MR. HODGINS: Yes, that is as I understood it, and that I think was the impression that Mr. Travers gave originally about it.

MR. COMMISSIONER: As far as the evidence here is concerned that is the position.

MR. HODGINS: If any one can throw any further light on that I shall be only too glad to have any witnesses named to me, and I shall be very glad to call them if they are mentioned by any one who knows about them and will give their

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names. I have subpoenaed everybody that I have thought could throw any light on the subject at all.

WITNESS: (After looking at the agreement): I have no remembrance of that. This is an agreement which has been entered into, but the only thing I can say is this, that this agreement has been made, and those are real signatures of the persons to it; I know my own and the others, but this was never acted on; whatever had become of it or done with it I don't know; so far as we were concerned it was never acted on.

MR. HODGINS: Q. We are interested chiefly in the amount of commission; Mr. Travers said he was to get 15% commission; that would account for the \$71,800 of commissions? A. That says 15%, but so far as we were concerned we never knew of that agreement having gone into substantial effect and being acted upon.

Q. What was the condition, if there was a condition, subject to which it would come into operation? A. None that I know of.

Q. Why was not it acted upon? A. I cannot tell you that; but so far as my connected with it is concerned it never was acted on.

Q. What was acted on with regard to the commission? A. I understood only the 10% agreement of the 4th July.

Q. Can you understand at all why such an agreement as that would be prepared mentioning 15%? A. No, I cannot say why that agreement had been prepared.

Q. If the agreement was prepared and signed apportioning, say, 15%, when you say it was not acted on, what do you mean, did not Travers get subscriptions and did he charge up commissions at 15%. A. Never to my knowledge.

Q. Did he charge them up at 10% to your knowledge? A. I understood 10% was the charge being made.

Q. Who did you understand from? A. The usual working at that time, if my memory serves me, at the time of the organization of the Bank I understood charges were being made at the rate of 10%.

Q. Who would know? A. The one that would really know that fact would be Mr. Smith who had charge of the books.

Q. C. H. Smith? A. Yes.

Q. Would Mr. Lown? A. He might know; he would know more than I would.

Q. Is that all the light you can throw on it? A. Yes, I had clean forgotten that that had ever existed, so much had it been out of use or been made no use of.

MR. COMMISSIONER: I do not understand what you mean by that; here is an agreement signed by all the parties setting out in detail the terms and arrangements between you, I do not understand what you mean by saying it was not acted on; it was not for mere amusement this was drawn? A. No, I do not suppose so, but at the same time I have not the slightest remembrance of that having been acted on.

MR. HODGINS: Q. You were the best financier among the Provisional Directors, you would be the one who would know? A. No, I do not remember, I had clean forgotten of the existence of that, indeed at least so far as I was concerned I never knew of any agreement in operation than the second one of the 4th July. We were working under a 10% arrangement.

EXHIBIT 73: Agreement of the 4th July, 1906, between the Provisional Directors and W. R. Travers, naming 15% commission on the sale of the capital stock.

Q. The meeting of the 10th March, 1906: "The agreement between the Provisional Directors of the Farmers Bank of Canada and W. R. Travers as to his being General Manager, as presented in duplicate, be and is hereby adopted and that the same be executed forthwith. Carried. Watson voting nay". Then: "That

we reserve the sum of \$500,000 stock to be sold by Messrs. Smith and Urquhart, Urquhart & MacGregor in such proportions as we may afterwards determine, and subject to such conditions as we see fit". A. That reservation of that block of stock to Smith and others was changed, you will notice, in the agreement of July 4th.

Q. Was that on the basis of 10% A. Yes, I think all that arrangement all the way through was on the understanding of 10% commission.

Q. On the 4th July there appears to be a meeting at 2 P.M.? A. Yes, one in the forenoon and one in the afternoon.

Q. There is a reference to the letter of Messrs. Urquhart, Urquhart & MacGregor regarding the acceptance of notes; then there is a resolution that the sum of \$10,000, on account of commissions for the sale of capital stock be paid to W. R. Travers; another resolution that the agreement entered into this day between W. R. Travers, C. H. Smith and Messrs Watson and others, be confirmed and signed. Then you authorized him to endorse all notes; and the Executive Committee are to make allotments of stock. There appears to be only one agreement mentioned there, which is not that one (Exhibit 73).

MR. HODGINS: The agreement of the 12th July, Exhibit 12, between the Provisional Directors and Smith and Travers, contains the provision that the Directors agree to allow Travers to sell all the capital stock of the bank now unsold, the first \$500,000 at par and the balance at a premium, and to allow him a commission of 10% thereon for expenses of selling same, payable one-half on the signing of the subscription and payment of deposit, and the balance on allotment.

MR. COMMISSIONER: The difference between these two agreements apparently is the one is made between the five Provisional Directors, Smith of the second part and Travers of the third part (Exhibit 12); the recitals are the same and the provisions are the same down to this, which is in the one to which Smith is a party: "And the said party of the second part who has certain rights under said agreement dated 12th day of March, A.D. 1906, as to the sale of the stock of the said bank agrees to surrender all his rights under the said agreement and releases all his claims against the said Provisional Directors or the said bank." That is not in the other one. This provision is in the one that Smith is a party to that does not appear to be in the others: "That the party of the third part (that is Travers) agrees to accept the legitimate accounts as they now stand upon the books for the expenses of the organization to date, and also agrees to allow the parties of the first and second part the sum \$20,000 as remuneration for their services, surrender of charter, etc., to be paid out of the funds of the bank, provided the same be confirmed at the meeting of the subscribers."

MR. HODGINS: Was not the fact this, that you made that 15% agreement with him, and that Smith objected that he had an outstanding right to control the first \$500,000 and that the agreement to which Smith was a party was the subsequent agreement getting rid of that outstanding claim and making Travers' commission 10% instead of 15%, he to accept the disbursements you had made as being all right, and agreeing to pay you and Smith jointly \$20,000? A. You see I cannot connect that 15% agreement at all in my mind; it had been so apparently, entirely out of use.

MR. HODGINS: You remember anyway that Smith was an objecting party to your dealing with Travers on account of his having an outstanding right to sell the stock, and that you had difficulty in dealing with Smith, and he came in on the same basis as you Directors? A. Yes, but it was more in this connection; the agreement of the forenoon of the 4th July had arranged that the remuneration coming to the Provisional Directors was to come by vote of the shareholders, and the objection, if my memory serves me rightly, and I think I have stated this already here, was that Smith said, "Suppose that the Shareholders do not approve of that sum, I would be entirely out, would get no consideration, and yet I have given up my prospective position in the bank and the remuneration I could make

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from the sale of this block of stock". It was because of that that the agreement of that afternoon was made by which Mr. Travers paid us part of that remuneration himself out of the commissions then earned and put to his credit, and there is where my memory has it, that Smith's objections came in. This other agreement of the 15% why it was prepared and just for what reason it might have been drawn up I do not know.

MR. HODGINS: Was not it prepared first and then owing to Smith—? A. No, I cannot say that.

Q. Wait till you hear my question; owing to Smith not being a party to it that somebody became alive to the fact that unless you had him bound by coming into the agreement you could not give Travers the Commission agreement? A. I do not know why it was prepared or whether it came in before or after, or what was the object of it at all; it has passed entirely out of my mind, and I cannot connect it at all with the matter.

Q. You remember two agreements to which Smith was a party? A. Yes.

Q. One later than the other? A. Yes.

Q. And caused by Smith's objection to what the effect of the first one might be? A. Yes.

Q. That is the final agreement? A. Yes, that is the final one as far as I remember.

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JOHN GILCHRIST, Sworn, Examined by—

MR. HODGINS: Q. What was your position in December, 1907, and January, 1908, what was your business? A. My regular business?

Q. Yes? A. Manufacturing business, the Crompton Corset Company.

Q. Mr. Crompton is the head of it? A. Yes, sir.

Q. Are you a relation of Dr. Beattie Nesbitt's? A. No, I am no relation.

Q. It is Mr. Crompton? A. I think so, yes.

Q. Did you become a Director of the Farmers Bank? A. Yes.

Q. Did you subscribe for stock? A. Yes.

Q. About when did you subscribe? A. It was late in the fall, just previous to the bank opening for regular business.

Q. For how much? A. Thirty shares.

Q. Did you pay those shares up before you acted as a Director? A. Not in full; I paid by cash and gave my note.

Q. How much? A. \$300 I paid first.

Q. And then? A. And then I paid \$300 when that note came due, I think at the end of three months.

Q. What about the balance, had you given a note for the difference? A. Yes, sir.

Q. You subscribed before the list of Shareholders was sent in to the Government, did not you? A. I don't think so, at least it was late in the autumn when I subscribed.

Q. Was it just before the first meeting you organized? A. Yes, the first meeting.

Q. Did you act as Director throughout 1907? A. Yes, I acted about a year I think.

Q. And then you resigned? A. Yes, sir.

Q. You wrote to Mr. Travers to give up your position? A. Yes, sir.

Q. Saying you had never been quite satisfied that you were legally qualified, and you did not own thirty shares of stock fully paid up? A. Yes, sir.

Q. Who induced you to become a Director? A. I think it was Dr. Nesbitt who asked me first and then he and Mr. Travers, I met both of them.

Q. When you left what became of your stock? A. The bank took the unpaid part, they wanted it for some concern.

Q. \$2,300? A. Yes, they wanted it for some concern that was wanting more stock than they had, or something, and they took that from me and I gave them Power of Attorney to transfer it.

Q. And gave up your stock and got back your notes? A. Yes, sir.

Q. Were you financially good for the \$2,300? A. Yes, sir.

Q. You could have been made to pay it? A. I could have paid it, yes, sir.

Q. Do you know what became of that stock? A. I don't know, it was transferred to somebody.

MR. D. I. GRANT: I can give you the particulars.

MR. HODGINS: I think it appears in that Continental Securities Company.

MR. D. I. GRANT: That is the way it was transferred.

MR. HODGINS: That is all you had paid up to the time? A. Yes, the other stock that I had paid, the seven shares, I sold them at the same time.

Q. Did you know anything of the relations of Mr. Crompton with the Bank, his dealings with it? A. No, he had not any relations with it while I was there.

Q. After you left? A. After I left I think he had some relations that way, but I did not know anything about them.

Q. You just knew he was dealing with it? A. I knew when the matter came up with Mr. Travers, when the bank closed.

Q. If the amount shown as paid up on your stock was \$3,000 when the list went into the Government that would not be true to the extent of \$2,300? A. No, I did not pay the full amount in cash.

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FREDERICK CROMPTON, Sworn, Examined by—

MR. HODGINS: Q. What is your business? A. Manufacturer of corsets.

Q. You are the President of the Crompton Corset Company? A. Yes, sir.

Q. I believe you are quite a capitalist? A. I do not know about that; we do quite a large business, have done for 34 years.

Q. When did you first have any dealings with the Farmers Bank? A. It would be about the 2nd March, 1908.

Q. Would you look at that agreement and see whether that agreement was one that was come to? A. Yes, sir, that is a copy of the agreement.

Q. Was that agreement then between the Farmers Bank and Travers and Nesbitt of the first part and yourself of the second part carried out? A. Yes, it was carried out, not exactly as it is mentioned there.

EXHIBIT 74: Agreement, the Farmers Bank *et al* and Frederick Crompton, filed.

Q. What were you to do? A. I was to make a deposit in the bank.

Q. Of \$50,000? A. That was the latter arrangement.

Q. Was that a later one than the one we have spoken of? A. Yes.

Q. The one I have just spoken of, what amount did that deal with? A. \$150,000.

Q. That is in March, 1908; did you know the bank was in any difficulty at that time? A. No.

Q. It is a very unusual transaction? A. It was rather unusual; I had an extra amount of money coming in at the time from an investment and I had the money on hand.

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Q. You were to deposit this money in the bank and they were to give you a deposit receipt, and then you were to take out their circulation from time to time until the deposit receipt was wiped out? A. That was the proposition at first. I was given a deposit receipt and then I returned their deposit receipt and they gave me the bills; they cashed my cheque and gave me the bills.

Q. That is from time to time? A. They gave me the bills and I returned the money from time to time.

Q. They gave you deposit receipts for \$150,000? A. Yes, and then I declined it.

Q. How long did you hold those? A. It may have been a short time, I think I returned it within a few days; I did not think about it, and as soon as I noted it I returned the receipts.

Q. You lent them that amount of money and got a deposit receipt? A. Yes.

Q. And you say you returned them after a few days? A. Yes.

Q. And you got the money for it? A. I got the money for the amount of deposit.

Q. Farmers Bank bills? A. Yes, sir.

Q. Did you retain that money and pay it out gradually through your own business? A. No, I retained the money for the time and returned it to Mr. Travers, returned it to the bank.

Q. That is not what I am instructed; you did not mean to say you had the Farmers Bank bills for a time and handed them all back to Travers? A. I handed them back at various times, from time to time.

Q. You did not circulate them through your own business? A. No.

Q. You held them and handed them back to him? A. Handed them back to Mr. Travers from time to time.

Q. And in the meantime they had the benefit—A. Of my cash.

Q. Who proposed that arrangement to you? A. Dr. Nesbitt proposed first that I make a deposit, and then I arranged with Mr. Travers.

Q. Is Dr. Nesbitt a relation of yours? A. Yes.

Q. What relation? A. Brother-in-law.

Q. From 1908 down did you keep that sort of thing up? A. I paid the amounts in from time to time.

Q. Did you make any other agreement beyond the \$150,000 one? A. No, there was no agreement; I made a further deposit.

Q. How much? A. \$50,000.

Q. Was that shortly before the bank failed? A. No, that was in January if I remember correctly, 1909.

Q. The same plan gone through? A. Yes, the same arrangement made, to return it from time to time.

Q. What interest did you get on your deposits? A. I got 5% on the last.

Q. What did you get on the first? A. I got 3%.

Q. Was that all the benefit you got out of it? A. I had the shares in the Mine.

Q. The Keeley Mine? A. Yes.

Q. What shares? A. There were some shares in making a deposit; there was a consideration given to me in the Keeley Mine stock.

Q. How much? A. 20,000 shares.

Q. 20,000 shares? A. Yes, it was of unknown value at the time.

MR. COMMISSIONER: That appears in the agreement? A. Yes.

MR. HODGINS: Did not the bank buy those shares back from you? A. I never had them in my possession.

Q. Yes, I know, but did they buy them back? A. Yes.

Q. How much did they give you for them? A. \$10,000.

Q. How long was that before the bank failed? A. I think it was in the summer of 1909 or 1910.

Q. That you got the money back? A. Yes.

Q. Anyway you accounted for that? A. To Mr. Travers.

Q. To Mr. Clarkson, you paid him back that \$10,000? A. It was said that I was not entitled to it and it belonged to the people, and in view of that I thought it more honourable to return it and I returned it.

Q. You returned the \$10,000? A. Yes.

Q. Apart from your own 5% and 3%, and the \$10,000, did you get any benefit from the transactions you had with the bank? A. I had the stock.

Q. Which you say the bank bought from you? A. Yes.

Q. Did you return the amount they paid you? A. Yes.

Q. Is that the \$10,000? A. Yes.

MR. COMMISSIONER: By stock you mean Keeley Mine stock? A. Yes.

MR. HODGINS: Outside of that and the interest you got did you get any benefit from the arrangement? A. There was a small amount that I received in addition, I think from Dr. Nesbitt.

Q. How much was that? A. \$350 I think, I don't remember exactly.

Q. What was that paid for? A. I suppose that was in view of my making the deposit with the bank.

Q. When did you first know about the Keeley Mine? A. The first time I heard about the Keeley Mine I think would be somewhere about February, 1908.

Q. That is before the agreement you made? A. It was current throughout the city.

Q. Was this deposit you made for the purpose of putting up funds for the benefit of the Keeley Mine? A. No, this was made as an ordinary deposit; Mr. Travers never mentioned to me with regard to what it was for.

Q. Did Dr. Beattie Nesbitt mention to you that it was to be used in the Keeley Mine? A. No, it was a straight deposit in the bank.

Q. What was the reason for the transaction, what was the explanation they gave you of it? A. They wanted the deposit in the bank the same as the other banks wanted it, and Dr. Beattie Nesbitt asked me to make a deposit, and I was introduced to Mr. Travers and made the deposit. I did not wish to deposit for a length of time because I wished to re-invest the funds which I had at that time.

Q. What was the explanation of your getting Farmers Bank bills? A. I do not know more than it would be more convenient; there was nothing very special about it. I do not recollect there was anything special about it; it was brought before me and I took it.

Q. Where did you keep these Farmers Bank bills? A. I kept the bank bills in the National Trust box and in my own safe.

Q. Did you take them out week by week and hand them over? A. No, whenever the demands were made I left them in the Trust Company box.

Q. I thought you returned them to the bank to Mr. Travers? A. Yes, from time to time.

Q. Did you make those returns regularly, week by week? A. No, the books would show it.

Q. Did he ask for them, or did you volunteer them? A. I asked him if he wished to make an investment or something outside, then I would ask Mr. Travers and take it down.

Q. You, of course, knew there was a penalty under the Bank Act? A. No, I did not know.

Q. Mr. Travers said he showed you the Bank Act and a particular section of it, said to be section 139? A. I have no recollection of that at all.

Q. You would not say? A. I would not do that if I knew there was a penalty, I would not have done it.

MR. COMMISSIONER: When does Travers say he did that?

MR. HODGINS: At the preliminary enquiry.

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Mr. COMMISSIONER: No, but when did he say he did it? It is an extraordinary thing if he was wanting to get the man's money; it would not be very probable? A. No.

Mr. HODGINS: What Mr. Travers says is this:

"Q. You say there was an agreement; was that agreement in writing? A. No.

"Q. Was it made personally with Mr. Crompton? A. Yes.

"And this is the only transaction you have in your mind? A. That is all.

"Q. You were aware of the provisions of the Bank Act? A. I was.

"Q. Did you disclose those penalties to Mr. Crompton? A. I think I showed him the Bank Act; I think so.

"Q. Did you convey to him the information that all these penalties would be incurred by what he was doing? A. No, I showed him the Bank Act.

"Q. Did you show him section 139? A. I showed him one section—"

Then he says you did not know it was an illegal act; you say you do not remember him showing you the Bank Act? A. I have no recollection of it.

Mr. COMMISSIONER: How is that?

Mr. HODGINS: Here is the evidence: "Q. Just refresh your memory on that; did he know it was an illegal act? A. I could not say he did; he did not seem to know much about it.

"Mr. Corler: He wanted the interest, I suppose.

"Mr. Owens: The bills bear it anyway.

"Witness: I think he was guided by Dr. Nesbitt."

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ALEXANDER S. LOWN, Recalled by—

Mr. HODGINS: Q. You have already been sworn; you remember on one of the first occasions you gave evidence there were two agreements between the provisional directors and Travers, the 4th July agreements? A. Yes.

Q. Recently another one has turned up which provides for a 15% commission to Travers, and the one to which Smith is a party on the same day provides only for 10%; what is your explanation of that document I have given you? A. I don't know anything about it; this is something I don't remember anything at all about.

Q. Drawn by you? A. I don't know; this is my signature.

Q. It appears to be done on the same typewriter as the others that day; these are the others, were not they all drawn by the same person? A. These were the agreements that were operative (Exhibit 12); this may have been something that we signed during the negotiations.

Q. You see it is signed? A. Yes, I see it is signed, but it was never operated on, and I had forgotten all about it.

Q. Smith is not a party to it? A. I notice he is not a party to it.

Q. Some one has said that owing to Smith's objections to the first of those two agreements (Exhibit 12) that the second one was come to; had you any difficulty before the agreements that Smith signed with him regarding the right to sell stock? A. There was a good deal of difficulty at the time, and it is so long ago it is difficult to remember all the difficulties.

Q. The situation was this, that you had given Smith an agreement? A. That we had given Smith an agreement.

Q. When you came to deal with Travers, was that the difficulty in the way? A. Yes, that was one difficulty in the way.

Q. Take this 15% agreement as it stands, that does not deal with Smith in any way? A. No.

Q. Were you in a position to make that agreement unless you dealt with Smith—you see the other agreements on the same day deal with Smith and he gives up his rights to Travers? A. I remember there was a good deal of trouble for several days there.

Q. What agreements were finally confirmed? A. The agreements finally confirmed were those two agreements (Exhibit 12). Those are the agreements we always acted on, and this seems to have been some negotiations I was going on with that I have forgotten about.

Q. More than negotiations? A. Yes.

Q. Can you give me any better account? A. No.

Q. Who would know? A. I don't know.

Q. Who among the directors would know anything about it? A. I don't know.

Q. Did you draw all those agreements? A. The agreements were drawn by Travers and myself.

Q. And you drew that agreement now produced with the 15%? A. It is probable I did.

Q. You cannot give any further account? A. No, because it is an agreement that had entirely gone from my memory, and it is an entire surprise to me, producing it now. If I think it over I might possibly think of it, but just on the spur of the moment I cannot recollect.

Q. Do you know at what rate, if there was any rate fixed on which commissions were paid? A. Commissions were always paid Travers at the rate of 10%.

Q. Down to what time? A. I think there were very few commissions paid after the 4th July.

Q. There were some there? A. I could tell better if I saw the ledger. My recollection is that there were very few commissions; I don't think there would be over \$1,000 paid.

Q. Your recollection is that if any were paid they would be at 10%? A. Yes, because that is what was always in our minds.

Q. This is the provisional directors' ledger under the head of Travers, June, July, 1906, that \$10,000 was charged, and \$1,500 there, quite a large amount? A. They were all paid at 10% anyway.

MR. COMMISSIONER: What do you mean by all paid at 10%; was there an account ever made, or did you pay on particular subscriptions; where did you keep your account showing what you owed him for commission? A. I am not familiar with the bookkeeping; the bookkeeping was entirely in charge of Mr. Smith.

Q. How do you know you paid him 10%? A. I remember that all commissions were paid at the rate of 10%.

Q. How do you know that if you did not keep the books; you told me you did not keep the books? A. I signed the cheques.

Q. The cheques did not indicate what the rate was? A. Well, I was always told by Smith that they were calculated on 10% basis.

MR. HODGINS: Mr. Clarkson says he has never found any account of those commissions other than that ledger.

MR. COMMISSIONER: Would there be any idea that after you had got Travers personally bound to pay you the \$20,000, it did not make much difference whether he got 10 or 15%, and you gave him the 15% after that? A. No, I do not know.

Q. You see he bound himself to pay the \$20,000 whether or not the shareholders confirmed the payment; could it be that after he had bound himself to

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do that that you agreed to pay him 15%. A. I have not the slightest recollection of the 15% agreement.

Q. But it is there? A. Yes, but I cannot remember anything about it. It seems to me it was prior; the existence of this agreement seems to have entirely escaped my memory.

Q. You cannot give any more light? A. No.

MR. HODGINS: Q. I suppose looking at the amount you were to pay Travers as salary that would not throw any light on it, would it; in one place I think it is \$5,000? A. It is \$5,000 in both.

MR. COMMISSIONER: That pencil mark is \$6,000, but that is no part of the agreement? A. The pencil mark is not in my handwriting.

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DONALD C. MACCALLUM, Sworn, Examined by—

MR. HODGINS: Q. You live in Owen Sound? A. Yes, sir.

Q. What business are you in? A. I am working in a chair factory there.

MR. COMMISSIONER: Is this the officer whose name has been mentioned?

MR. HODGINS: Yes.

MR. COMMISSIONER: Is there any object in raking over anything?

MR. HODGINS: No; I want to ascertain if I can something about that McIntyre note.

MR. COMMISSIONER: Very well.

MR. HODGINS: There was a note which appears charged in closing up an account of yours with the bank, known as a "McIntyre note" for \$10,000, can you throw any light on who McIntyre was? A. No, sir; I know nothing about it.

MR. COMMISSIONER: Would not it be better to get that from Mr. Hunter; the suggestion was he was a clerk in his office.

MR. HODGINS: Yes.

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WILLIAM AHEARN, Sworn, Examined by—

MR. HODGINS: Q. You are the manager of the Beeton Branch of the Traders Bank now? A. Yes.

Q. And you were paying teller in December, 1906, in the Toronto office of the Traders Bank? A. Yes, sir.

Q. I have asked you to look at your blotter and statement of the 6th December, have you been able to see that? A. Yes, I have it here.

Q. Just sit down and study that cheque for a moment (Exhibit 28); what I want to know is if you can tell me something about the transaction, whether you paid that and if you have any record of how you paid it and what denominations? A. I have no recollection of ever seeing it before.

Q. Do you know W. J. Lindsay? A. I cannot say that I do. When you wrote to me the other day I said I remembered having dealings with Mr. Lindsay, but I believe perhaps I was mistaken. The man I referred to was a short, rather stout man with a sandy moustache; possibly it was Mr. Smith, was it? He was the man who was organizing, who made the deposits when they were organizing the Farmers Bank.

Q. That certainly does not describe Mr. Lindsay? A. I see this is the first receiving teller's stamp and that was not my stamp at the time; I was paying teller; this has apparently been dealt with by the receiving teller.

Q. But Mr. Lindsay says it was paid to him over the counter, cashed? A. Possibly by the receiving teller.

Q. Would you look at your records, just to confirm that? A. This is my blotter; there is an entry here of December 6th for \$10,000, but it does not necessarily say that that is that cheque.

Q. Is the next business day the 7th? A. Yes.

Q. And then the 8th? A. Yes.

MR. COMMISSIONER: I thought somebody said it was a Saturday.

MR. HODGINS: Yes, Mr. Lindsay said it was a Saturday, and it was just before the close of the bank, and he walked up— A. The first was Saturday.

Q. Then was the 8th Saturday? A. Yes.

Q. Is there any \$10,000 on the 8th; what is this? A. That would be another entry, general ledger.

Q. This first column on page 432 are the cheques paid out? A. Yes.

Q. Can you tell me from the look of the book what period of the day it was paid out—do you enter them in sequence as they are paid out? A. No, I used to put them on a file and enter them after dinner usually.

Q. The last would come first, would it not? A. That \$10,000 would be likely to be one of the first.

Q. How would it be that the receiving teller would pay out that money? A. Well, he may have received credit on deposit and paid out the balance in cash from sundry cash he received.

Q. Is that what you think from the look of the cheque? A. I cannot connect that \$10,000 being in my blotter, because if it was in my blotter it would have my paid stamp on it.

Q. If the receiving teller paid it out he would put a slip through to you, would not he? A. Not exactly.

Q. Who was the first receiving teller then? A. I think it was Linton.

Q. Where is he? A. He is manager of the Arthur Branch; he succeeded me as receiving teller.

Q. Whose initials are on that cheque—somebody suggested Graves? A. It might be Graves; Graves was the ledger keeper at that time.

Q. What does the pencilling on the back, \$10,000, mean, and whose handwriting is that? A. I could not say unless it was the receiving teller's; it is not mine.

Q. You say his name was Linton? A. Yes, A. J. Linton, Traders Bank, Arthur.

Q. Have you your statement book here and does that show? A. They destroy them every five years; we have no record of the statement. I think that \$10,000 entered there must be another cheque; I do not remember any transaction with this \$10,000 cheque at all, and those are not my pencil figures on the back.

Q. You think if you had paid that you would be able to see something on it to indicate you had to do with it? A. I think if I paid part of it in cash I would mark on the back what I paid.

Q. Supposing you paid it all in cash? A. I would mark it all on the back what I paid him.

Q. Why is that done? A. In case of a shortage at night you could tell, you could check over all your cash and find out what denominations you are short.

## SESSIONAL PAPER No. 153a

ARTHUR R. SHAVER, Recalled by—

Mr. HODGINS: Q. There is an entry here with regard to commission of 15%, payable to Mr. Travers, which is said to be altered, page 27 of the minute book of the bank; are those minutes in your handwriting? A. Yes.

Q. And do you notice this on page 27, "Appointment of general manager"—just read that through—is that as you wrote it originally? A. Yes.

Q. No change? A. No, sir; no change.

Q. It is said that the 10% is changed? A. Well, now, on closer examination I say it has been altered; I did not observe it at first.

Q. Where did you get the information from that enabled you to put in that memorandum? A. I was given, I suppose, the papers in connection with it.

Q. What did you originally write there as far as you know? A. I could not tell you.

Q. How did you come to change it or did you change it? A. I did not change it.

Q. Do you know anything about the change? A. No, sir; I did not observe it till now, and would not have observed it except on the closest scrutiny.

Q. Look at page 133, under the heading of "Credits granted"; you notice one of those is "George Wishart, and Keeley, J. W. Mine, \$50,000" is that as you wrote it in—I suppose the entry is in your handwriting? A. Yes, sir. These figures are out of alignment; I did not make it that way.

Q. What did you write in opposite George Wishart, and Keeley, J. W. Mine? A. There seems to be another nought put on.

Q. Making it what? A. \$50,000 instead of \$5,000.

Q. Do you know anything about that alteration? A. No.

Q. Do you notice on the same line the word "mine", is that in your handwriting? A. Yes, I think so.

Q. The last three lines: "The General Manager explained the formation and interests in Keeley Mine, which was satisfactory to the Board, and further advances were authorized, if necessary"; whose handwriting is that in? A. In mine.

Q. Was it put in at the same time or later? A. Later.

Q. How much later? A. I could not say; it might be weeks, it might be months, I could not say.

Q. How did you come to make that addition? A. Mr. Travers asked me to write it in.

Q. Do you say weeks or months? A. I cannot say, quite a considerable time, it may not have been months.

Q. After the next meeting of the Board? A. I could not say; there was something written in the book here afterwards, I don't know how much.

Q. This is June 17th, and the next meeting was the 15th July, was it written in and changed before the next meeting, or was it after that? A. Oh, no, the book was written up somewhat when this addition was put in.

Q. You mean there had been further entries in the book? A. Yes.

Q. Then that would be after the 15th July. A. Yes.

Q. The next minutes after that meeting would have been written in? A. Yes.

Q. Why did you put that in if the minutes had been passed? A. Mr. Travers asked me to come down to his office and he dictated to me what went in there.

Q. Why did you put it in? A. I was told to write it in.

Q. You need not have done it? A. No, I see that now.

Q. Why did you do it at all; was it in consequence of his orders? A. Yes.

MR. COMMISSIONER: Was there no explanation made; surely you knew if you did that you were committing forgery? A. I did not realize that at the time.

Q. Did he give you any explanation of why it was to be done? A. No, sir.

Q. None whatever? A. No.

Q. I cannot understand your altering the minutes unless there was something?

A. He said something about going to put through the resolution afterwards, or something of that sort.

Q. Did he say to you that it had been done, what he was asking you, at that meeting? A. I cannot recollect whether he did put it that way or not.

Q. Because his explanation is, as I understand it, that the minute, as you corrected it, is what actually took place at the meeting and that the correction was made so as to make it correspond with the fact? A. Probably he did tell me that.

Q. You do not know, you have no memory about it? A. No, sir.

Q. Had you any banking experience before? A. No, sir.

Q. What had been your business? A. Accountant.

Q. Surely you knew that to put something in that had not occurred and so alter the minute was a forgery, didn't you? A. I did not know it then; I have learned it since.

Q. Do you think you could alter a note? A. No, I think that would be wrong.

Q. What were those minutes written up from, they were not written as the thing was proceeding, what were they written up from? A. Sheets, immediately after the meeting.

Q. In whose handwriting were those? A. They would be typewritten.

Q. Who made them? A. The Secretary, Mr. Travers' Secretary.

Q. At the meeting or after the meeting? A. I could not say as to that, they would be given to me after the meeting.

Q. Who took the original minute? A. I don't know.

Q. Did you ever see any original minute? A. No, these were given to me as the original.

Q. But you quite understood from what you have just said that that was not what was written down in the presence of the Board, that typewriting; I understood you to say that the Secretary typewrote it? A. They were given to me in typewriting; I did not see any others.

Q. You do not suggest that those were typewritten at the meeting? A. I did not see any others.

Q. That is all the light you can give us? A. Yes, sir.

MR. HODGINS: I do not think there is anything else unless Mr. Travers wants to say something.

MR. TRAVERS: If you wish me to speak as to the second agreement I may be able to throw some further light on it.

MR. HODGINS: If you wish to.

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W. R. TRAVERS, Recalled:

WITNESS: My recollection of the matter is I asked for 15%, it was with Mr. Lown, and he said I had to be satisfied with what I have got, and after the first went through the second one went through.

MR. HODGINS: Which do you call the first one? A. The first one was the 10%, and the second one was the subsequent one, that I remember quite plainly.

Q. The 10% one was the agreement which was confirmed at the meeting? A. At the Provisional Board, but I did not see those minutes.

Q. That was the one that was confirmed at the Provisional Board? A. At the Provisional Board, I found it in the minutes afterwards.

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Q. The second agreement of the 4th July which was altered owing to Smith's objections, I think we have been told was made in the afternoon? A. The 10% agreement and the other agreement were made simultaneously, and the other 15% one was afterwards, later in the day.

Q. What was the reason for making a change after you had made two agreements? A. The reason that I am satisfied was that they could not get rid of Smith on a 15% basis, and they had to settle with him on a 10%.

Q. But they settled with you on that? A. That was the first one, and then I made the second one with him.

Q. At what rate were commissions afterwards calculated? A. I cannot say that they were calculated at any particular rate at all.

Q. You just helped yourself? A. Whatever was necessary to pay out I charged part to commissions and part to organization expenses.

Q. You did not go on any percentage basis at all, just paid what you wanted? A. Not after the permanent meeting of the Board—

Q. But from the date of the agreement—A. No, they were just paid on account.

Q. And no one has ever checked over that commission account? A. No, sir.

Q. Did you give any of the Provisional Directors any interest in that 15%? A. No, sir.

MR. COMMISSIONER: What do you propose to do as to further evidence; what further evidence is it you propose to offer?

MR. HODGINS: There is Mr. Fielding's evidence to be taken and Mr. Warren's and Mr. Wilson's; those I have arranged with Mr. Hellmuth, if it suits you, for the 11th or 12th June. Mr. Warren will be able to get back by that time. Then there is the evidence of Dr. Beattie Nesbitt, and if we can get Wishart to come over, there will be his evidence. I think that will conclude the evidence. There is a witness that is to be here at two o'clock this afternoon.

MR. COMMISSIONER: I wish to add to what Mr. Hodgins has said. He has already intimated that upon the question of these deposits he has exhausted all the means of information that were available to him. If anybody has any information upon this subject, any witness to suggest, or any means of enquiry to open, communication should be had with Mr. Hodgins, and if there is any reasonable ground for incurring the expense, the persons named will be examined, and the direction of the enquiry followed out. I want nobody to say that this Commission closed without the fullest opportunity being given to everybody who has made accusations against anybody else to substantiate those accusations.

The Commission adjourned from 1 P.M. to 2 P.M.

The Commission resumed at 2 P.M. May 31st, 1912.

WILLIAM F. MACLEAN, sworn, Examined by—

MR. HODGINS: Q. You are the Managing Editor of the World Newspaper Company, or what is your position? A. No, I am the Vice-President.

Q. Of the World Printing Company? A. Of the World Newspaper Company, Limited.

Q. You have something to do with the other Departments? A. Yes.

Q. In fact you are editor in chief, are you not? A. I think so, yes.

Q. Mr. Greenwood, during 1907 had what position in the office? A. Managing Director, he had full charge.

Q. Had he full charge of the financial end of the business? A. Yes, everything.

Q. Had you any charge of the financial end of it? A. I assisted him, he was the recognized one and was there all the time and did all the work and I helped him along.

Q. Would it be unfair to say that the financial end of it required the assistance of both yourself and Mr. Greenwood? A. Often, yes; I helped him whenever I could.

Q. There was a need of money? A. Yes.

Q. Even money for wages? A. Yes, sir, often.

Q. What was your usual bank account, who did you deal with before 1907? A. Our account has been for several years in the Sterling Bank; before that it was in the Dominion Bank. We have done business with several banks in the city.

Q. When did you first apply to the Farmers Bank? A. I could not say; we discounted notes there on several occasions, quite a number.

Q. It would be a matter of discussion I should imagine between you and Greenwood as to opening up negotiations with a new bank? A. It might be, yes.

Q. Do you remember that it was? A. I know that Greenwood and I discussed that question and we went down to see the bank with some notes to discount.

Q. Why did you select the Farmers Bank? A. Probably we had to go there to get done what we had to do.

Q. You mean to say your own bank—A. Sometimes we could not discount paper in our own bank if our account was overdrawn, and it was often overdrawn.

Q. And you say that was the cause of going to the Farmers Bank? A. Yes, we needed the money and we had to discount the paper we had.

Q. Do you remember that as a matter of memory? A. Yes, I remember we wanted money and went down and got some.

Q. Did you know Travers? A. I made his acquaintance in the Bank through Greenwood.

Q. On this occasion do you mean? A. That is the first time I had met him.

Q. You had never met him before? A. I do not think it.

Q. Was Greenwood a friend of his? A. Yes.

Q. When was it you began dealing? A. About the time the bank opened business.

Q. It started first January, 1907? A. Well, I suppose almost immediately after it started we did some business with them.

Q. Flew at them at the outset? A. Probably.

Q. What sort of notes did you take? A. As far as I recollect customers' notes and some accommodation notes made by the World Newspaper Company and endorsed by myself and Mrs. Maclean, and perhaps by Greenwood, I am not sure as to that; I would think that was it.

Q. What had you people to do with F. W. Stair? A. F. W. Stair is the owner of the Star Theatre, and they had to do a lot of advertising, and in doing business with them we either got a cheque or note from them; we did not collect weekly, but always got \$400 or \$500; we either let their account run and got a note or took a cheque from them.

Q. You know Colonel Matheson? A. Yes.

Q. I see that on the 20th May, 1907, the Treasurer of Ontario began to deposit in the Farmers Bank amounts which ran through May and part of June till finally consolidated by a deposit receipt on the 14th June, 1907, of \$10,000; what do you know about that transaction? A. I know very little about it.

Q. What little do you know? A. I may have heard Mr. Travers say to Greenwood or heard from Greenwood that he had been asked to put in a word with some one in the Provincial Government to get a deposit for the Farmers Bank.

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MR. COMMISSIONER: Who is he; do you mean Greenwood? A. Yes, if I heard it from Greenwood it was that he had been asked by Travers or some one to put in a word to help him to get a deposit, saying that he was entitled to as much consideration as other banks.

Q. You think he began about the beginning of 1907? A. Yes, when the bank was started. What is the date of that Stair note that we put in?

Q. I will speak about that later, was that the beginning of your dealings? A. I would think that would be about then; yes, what is the date?

Q. The books do not tally with that; the books apparently give the Stair note as the 31st December, 1907? A. When did the bank open?

Q. The 2nd January, 1907, and the first deposit was the 20th May, 1907, by the Provincial Government. You see if you are right in fixing that date for the Stair note you could not have been dealing with them till the beginning of 1908? A. Why?

Q. Because that is the date of the note, December 31st, 1907? A. And the bank began when?

Q. The 2nd January, 1907?

MR. COMMISSIONER: Nearly a year before. A. Then we did business before that; we must have done business right after the bank opened.

Q. That is your recollection? A. Yes.

MR. COMMISSIONER: Where is the Bills Receivable book?

MR. CLARKSON: They have a liability ledger which is supposed to show all the discounts.

MR. HODGINS: You said you may have heard from Greenwood that he had been asked by Travers to put in a good word to get deposits? A. Yes.

Q. It would not be a mere casual remark, would it? A. That is all I knew of it.

Q. Did not you connect it in any way with your loan? A. No, sir.

Q. Or discounts? A. No; what we put in any time I was there, anything that I know was put in on its merits, either as customer's notes or our own paper. Any business with Travers I saw in the bank was a note taken down there, would he discount it. Sometimes he would not discount it; he either said if it was a customer's note he wanted a better one, or he had not the money.

Q. What had you to do with inducing the Provincial Treasurer to deposit? A. Nothing that I know of.

Q. Did you ever see him? A. Not that I know of.

Q. I would like to be sure about that? A. I never saw him about it.

Q. Did you know that Greenwood was seeing him about it? A. I cannot say but I have heard since about it, but I do not know that Greenwood went up to see him.

Q. The way it is put is this, that in consideration of your getting the deposit from the Provincial Treasurer and using your political influence for that purpose you got discounts or money from the Farmers Bank? A. We did not; I never did anything of the kind or promised to do anything of the kind.

Q. Did you see any one other than the Provincial Treasurer about it? A. No. Since that administration has been in office I have not seen the Premier more than three times; I do not think I have ever seen Colonel Matheson more than twice or had hardly any communication with any member of the Government.

Q. It is a bit of a puzzle, because this first \$10,000 deposit begins in May and unless we find something earlier in the books your own dealings did not commence till the end of that year? A. Then if there is not anything in the books, you told me we discounted something there when the bank opened.

Q. I asked you how soon you began, and you said you thought soon after the bank opened? A. Yes, I cannot tell the date.

MR. COMMISSIONER: Is there any account of the World Printing Company in the book?

MR. CLARKSON: I have two, but they are of a later date.

MR. TRAVERS: A lot of those were casual discounts.

MR. COMMISSIONER: Where is that book?

MR. CLARKSON: It is in my office; I will send for it.

MR. HODGINS: Did Greenwood report to you the success he had in getting a deposit in accordance with Travers' request? A. No.

Q. He did not report that to you? A. No.

Q. Did you not ask him? A. I don't know that I did.

Q. What did you know about the deposit which resulted in the deposit receipt in June, 1907? A. I don't know anything about it.

Q. What do you know about the subsequent deposit receipt? A. I know nothing about it excepting that I have heard on the records of Parliament and in the newspapers.

Q. I mean what personal connection had you with the obtaining of the deposit for the Farmers Bank which resulted in the two deposit receipts of May, 1908? A. I know nothing except this document was circulated in an election.

Q. What is that? A. It is a query to the electors of North York: "What is your opinion of the Government who deliberately handed out \$35,000 of your money to Dr. Beattie Nesbitt and Bill Maclean? If you disapprove, vote for J. M. Walton." I never got any money with Beattie Nesbitt. The same thing was on the records of Parliament, and nearly every meeting I went to, that is all I know of it.

Q. Will you look at that letter which Mr. Travers said he thinks he sent Colonel Matheson and Colonel Matheson denies having got it; just look at the statement and the date of the letter. (Exhibit 68, letter of June 18th, 1908). A. What about it?

Q. You see the statement made in there, connected with the World Newspaper? A. (Reads) "A few weeks ago I made some advances to the extent of \$35,000 on the promise that \$25,000 would be deposited by you, which was requested by the friends of Dr. Beattie Nesbitt and \$10,000 at the request of the World newspaper". That is he said he made an advance of \$10,000 at the request of the World newspaper.

Q. No, I take it that he made the advance of \$35,000 on the promise that he would get \$25,000 deposit through Dr. Beattie Nesbitt's and \$10,000 through the World Newspaper Company's influence? A. (Continues reading letter): "You were good enough to put in \$25,000 but this leaves my reserves still \$10,000 reduced, and I would be glad if you could see your way clear in the matter to make a further deposit of this amount and greatly oblige".

Q. What do you know about the statement in that letter? A. I don't know anything about it.

Q. The amount as stated in that letter is exactly the same amount that is in this political circular? A. Yes, and it is always turning up.

Q. We have \$25,000 deposit receipts issued in May, 1908; we have no \$10,000 later than the date of this letter, but we have one prior. After the beginning of 1908, which was the second year of the bank's existence, did you make any efforts to get deposits for the Farmers Bank? A. No, sir.

Q. Did Mr. Greenwood? A. Not that I know of.

Q. Mr. Greenwood's letters have been put in, which, so far as we can tell from their dates, indicate that he was trying to get a deposit still (shows letters of Mr. Greenwood to Mr. Travers, Exhibit 69) you see there is no year on those letters, but they are dated June 20th and 21st; they bear dates a few days after that other letter, don't they? A. Yes.

Q. Evidently when Travers wrote that he thought he had some promise that through the influence of the World Newspaper Company he would get a deposit of ten thousand dollars, and if those letters are of 1908, it would show as though Greenwood was striving to get it from Col. Matheson? A. Yes.

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Q. Do you know anything about those efforts of his? A. No.

Q. Nothing at all? A. No.

Q. Never discussed it with him? A. No.

Q. Did he not report that to you? A. I could not recall it.

Q. After that date, May and June, 1908, were not you borrowing from the bank, had not you after about a year's dealing, if your idea is correct, been getting a great deal into their debt? A. Yes.

Q. And you say that no suggestion, that in view of that or if you wanted further advances you must try and find a deposit for them? A. No, sir; any advance that was got we put up good endorsed paper and paid the interest, looked after it when it became due, made reductions, and if they were customer's paper whatever reduction was made was turned over to the bank with the renewal.

Q. Even taken that for granted, well endorsed paper is not money? A. No.

Q. Did you never meet with the difficulty with Travers that he would not advance the money because he had not got it, and you would have to get some one to make a deposit before he would do it? A. No.

Q. No doubt about that? A. No doubt about it.

Q. How often had you seen Travers? A. I could not say, several times. Any issue Travers ever raised was our paper good, and had he the money to discount it.

Q. Look at that letter, that is the only one I can find with any date on it, December 15th—could you say what year that was? A. No.

Q. Why do newspaper men never put the year on their letters? A. I do not know.

Q. That is probably December, 1907, but it looks as if you were getting money from him not upon good paper? A. This is a cheque.

EXHIBIT 75: Letter of witness to Mr. Travers, dated December 15th.

Q. That would not be discounting good paper, would it? A. I do not know—"Send in Thursday", that would mean to let it go into the bank it was drawn on and it would be met.

Q. That is cashing a cheque of the World Newspaper Company on some other bank? A. Yes.

Q. That could hardly be called turning in good paper? A. I have often cashed a cheque like that in the bank.

Q. Mr. Clarkson produces the Casual Loan Book, beginning on the 31st July, 1907; I do not find anything of the World Newspaper Company down to the 31st December, 1907. may I ask you, Mr. Travers, have you looked over this list here and can you say none of those are World discounts?

MR. TRAVERS: I find none has any connection only the one you spoke about, that is the one that starts in the ledger.

MR. HODGINS: What about the other ones before that?

MR. TRAVERS: They are all sundry people; that would be every note that goes through the bank.

MR. HODGINS: Do you find any name there that would indicate the World?

MR. TRAVERS: No. February 8th, 1907, is the first casual loan transaction.

MR. COMMISSIONER: By whom?

MR. TRAVERS: Not by the World Newspaper, and there is nothing in 1907, in the casual loans to the World.

MR. HODGINS: The casual loans in this book, page 389, begin on February 8th, 1907, and run down to July 31st, and in the other book which is before the Commissioner they start on July 31st, and go on down from that.

MR. COMMISSIONER: March 19th, 1908, W. H. Greenwood, there are several under the heading of Greenwood.

MR. HODGINS: Mr. Greenwood said he occasionally put notes of his own in.

MR. COMMISSIONER: Your inquiry seems to lead to the conclusion that there were no transactions until December, 1907.

MR. CLARKSONS: Yes, that is it. The books show December, 1907, as the first transaction.

MR. HODGINS: Was that the first transaction in any body's name?

MR. CLARKSON: So far as I can say? A. That is the Stair note, is it?

MR. HODGINS: Yes? A. This letter is in 1908 (Letter June 18th, 1908, Exhibit 68).

Q. That letter indicates that the ten thousand had been deposited; you cannot throw any light on that earliest deposit in 1907? A. No, sir.

Q. Was there any understanding between Travers and Greenwood or yourself by which either Greenwood or you were to solicit deposits for the Bank in consideration of obtaining a loan? A. Not the slightest.

Q. The fact is that loans were made to you? A. Yes.

Q. This letter, Exhibit 68, makes the definite statement that Travers was promised a deposit of ten thousand dollars at the request of the World Newspaper? A. Yes.

Q. That is in June, 1908? A. Yes.

Q. What can you say to that? A. I made no such request and I do not know of its being made.

Q. Was Greenwood able to run these things by himself without any reference to you, the financial part? A. Oh, yes; I was away most of the time.

Q. I do not think I have got very much information from you about any interviews with the Provincial Treasurer or any member of the government? A. No, sir.

Q. Have you disclosed all you know now about these deposits and the way in which the loans were made? A. So far as I know, yes.

Q. You cannot throw any more light on it? A. No, sir; as I say, I have not written a letter or been up to the government or asked for anything that I know of.

MR. COMMISSIONER: Would the books of the World Company show when you commenced to discount with the Farmers Bank, did you keep a bill book? A. Yes.

Q. Because according to the bank books all these deposit receipts were issued before you commenced to do business with the bank at all? A. Yes, I understand.

MR. HODGINS: That is the ten thousand dollar deposit receipt?

MR. COMMISSIONER: Yes, you are right, the first ten thousand dollars.

Q. Was there at any time any agreement or understanding that in consideration of you being accommodated by the bank you should use influence, direct or indirect, with the government to procure a deposit for the bank? A. There was not.

Q. Was there ever any understanding that in consideration of going easy with your account you should do what you could to get them a deposit? A. No, sir.

Q. If there was any effort made to get a deposit by Mr. Greenwood you say none was made by you? A. None was made by me.

Q. How did he come to do that, Mr. Greenwood, if he did, as apparently he did, use his endeavors to get deposits for the Farmers Bank, do you know why he did? A. He may have done it on account of his acquaintance with Mr. Travers.

Q. Did you ever hear, did you ever understand or suspect that there was any understanding between Greenwood and Travers or the bank that you should be accommodated in consideration—? A. There was no such understanding.

Q. I mean did you ever hear of such an understanding? A. No.

Q. Or suspect any such understanding existed? A. No; anything we did with the bank was on the merits of the proposition as it was suggested.

MR. HODGINS: You knew this was a bank which was just beginning? A. Yes.

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Q. You knew it was not in good odor with the other banks? A. Yes.

Q. Did you ever make use of any pressure upon Travers to get a loan from him? A. Never.

Q. You are quite aware that any remarks or adverse criticism in your paper would affect the standing of a new bank? A. It might.

Q. Did you ever, directly or indirectly, suggest to Mr. Travers that it would be wise in his own interest to accommodate the World? A. No, nor for any other bank. Do you want to see the World books?

MR. HODGINS: I would like to see it owing to the dates.

WITNESS: I will look it up.

MR. HODGINS: Mr. Greenwood is not with you now?

WITNESS: No.

MR. HODGINS: If you would send me a copy of the account I think that would be sufficient.

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GODFREY T. CLARKSON, Recalled:—

MR. HODGINS: In calculating the paid-up capital which the bank actually got you gave us \$532,000, or, if the loss of the American Piano Company's was not counted, \$552,000? A. That is it exactly.

Q. I want to ask you whether that amount actually came from the stockholders, irrespective of those two loans which were originally got from the Trusts & Guarantee Company amounting to one hundred thousand dollars? A. Yes. I put in a detailed statement showing the receipts from each and every stockholder.

MR. COMMISSIONER: Is that the same book? A. No, there is an absolute detailed statement showing dollar for dollar received from every stockholder; but included in the sixty-seven thousand are those items to which I took exception in my report.

MR. COMMISSIONER: It is hardly worth while putting all that in.

MR. HODGINS: You have the actual details showing that? A. Yes, the actual facts.

Q. It is not the case of the bank having \$532,000 less this \$100,000, but having the whole amount paid up in cash from the shareholders? A. Yes, the bank received actually from shareholders five hundred and thirty-two thousand dollars and twenty thousand more if you do not deduct that loss on the Tevis stock.

MR. COMMISSIONER: How would it be, if the World Newspaper Company would not object, to look at their bills payable and report to us what they show about that account?

MR. CLARKSON: I will do that.

MR. COMMISSIONER: If there are any entries there showing anything about this you had better have them here.

The Commission adjourned at 3 p.m. to meet in Ottawa, Monday, June 10th, 1912, at 11 a.m.

Certified correct, volume two.

E. NIELD, C.S.R.,

*Official Reporter.*

Ottawa, June 10th, 1912.

The Commission resumed its sittings in the Railway Committee Room of the Senate at 11 a.m.

**PRESENT:**

HON. SIR WM. MEREDITH, Commissioner.

FRANK E. HODGINS, K.C., and JOHN THOMPSON, K.C., representing the Dominion Government.

HON. W. S. FIELDING, Sworn, Examined by:—

MR. HODGINS: You were the Finance Minister in the late Government in 1906? A. Yes.

Q. And you had to do with issuing the certificate for the Farmers Bank?

A. Yes.

Q. And you had some knowledge of the incorporation or rather the extension of the time within which the bank was to organize? A. Yes.

Q. And if I remember right you opposed the granting of the last renewal? A. Yes.

Q. Would I be right in saying that you succeeded in reducing the renewal to six months? A. I think that is a fair statement of the case, sir. I was myself indisposed to renew at all, but the feeling of the committee was strongly the other way and we finally compromised on a six-months extension.

Q. There was a telegram which I saw from Mr. Lown; did you know Mr. Lown—he was one of the provisional directors? A. No, I have no recollection of any telegram from Mr. Lown.

Q. It was one I have been stating that the committee had, as I recollect it, turned you down in the matter? A. I am afraid that is substantially correct. I do not think there was a division on the question, but the sentiment of the committee was clearly in favor of giving them the extension; in that sense it would not be wrong to say the committee turned me down.

Q. Were you the only one that was opposing? A. I have no doubt there were some others in sympathy with me, but I cannot recall anybody who took any active part in opposing.

Q. Was your objection, do you recollect, based upon the fact that they had taken so long to get the stock taken up, that it was inadvisable to renew it, or had it anything to do with the personnel of the bank? A. It had nothing to do with the personnel. From the beginning I disliked, I do not think the word is too strong, I disliked the movement, because I was afraid a number of farmers were going into a business they did not like and undertaking responsibilities which they did not appreciate, and that was my reason; I did not wish that these people should be denied the privileges that were granted to other people, but when they came again that rather confirmed me in my own unfriendly view, it struck me they were not as strong as they should be.

MR. COMMISSIONER: You said a business they did not like? A. That they did not understand, I mean.

MR. HODGINS: Had you formed any opinion at all as to the probability that these gentlemen who were promoting it would be able to raise the necessary capital within six months? A. Not definitely; I thought perhaps when they wanted a year and only got six months it might make it a little harder for them, they would have to hurry up. I looked upon the application for a further extension as an evidence of weakness.

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Q. The incorporators may have had a few farmers among them, but Mr. Lown was a barrister, and Dr. Ferguson a physician? A. It was generally talked about that they were seeking capital from farmers; that was common talk; and the name implies that.

Q. You said in the House that you always viewed the incorporation with anxiety? A. I did, because I understood it was an effort to get farmers, as the name implied, and I thought it was a line of business that probably they were not the best capable of going into.

Q. Were you aware that Mr. Calvert was in charge of the Bill? A. I remember at some stage that Mr. Calvert was present at the committee meeting, I cannot say whether he was in charge of the Bill or not, but I have some recollection, I think, of Mr. Calvert thinking I was rather hard on them in opposing their views. I have no particular recollection of him being in charge of the Bill.

Q. Had you any knowledge of the matter till the issuing of the certificate came up? A. No.

Q. They had got their extension and it was for them to make good, so to speak, or to come before you again? A. Not exactly come before me again; in the first stage they were coming before the committee; the next stage they would come before me as Minister.

Q. In the interim you had heard some gossip, I understand, in banking circles before the question of the certificate came up at all? A. I do not recollect of hearing anything with regard to this particular bank. For the last year or two before that bankers were saying that these movements for the organization of new banks very often took the form of getting capital through notes; it was a general conversation as to the tendency of the movements for new banks, gossip of that character was current; I do not recollect of hearing anything particular as to the proceedings of this bank in that way. There was something came up later on in correspondence, of which the record speaks.

Q. Was it that general gossip that was in your mind when dealing with the certificate? A. My mind from the beginning was suspicious; my mind was rather unfriendly to the movement from the beginning; that kind of gossip might emphasize it a little, but from the inception of the movement I looked upon it with a little anxiety.

Q. When the matter first came before your attention as Minister with regard to the certificate, had there been any suggestion by way of gossip or otherwise about this particular incorporation? A. I cannot recall any, sir.

Q. The reason I ask you that is that in answer to a question by Mr. Foster in the House, I see in the debate you are quoted by Mr. Henderson as having stated as follows: "There was some gossip in bank circles concerning the Farmers Bank of which we became aware"? A. That would be in line with what I have already said; the bankers generally were unfriendly with the movement, regarding it not as a strong movement. There would be gossip of that character among the principal bankers.

Q. Mr. Henderson thought that your answer indicated that he was one of those who had been retailing gossip, and you said no, you had not that in mind. The answer you made there was, "That there was some gossip in banking circles concerning the Farmers Bank of which we became aware. I do not see how we can take cognizance of that. There is an answer as to any representation that was made in the proper way. There was gossip abroad concerning the Farmers bank; I was well aware of it". Mr. Henderson then went on to say he supposed you included him among those retailing gossip. When did you first become aware that the certificate was being applied for to the Finance Department? A. The record will show that; I think they deposited their money—which, although not a formal application, is an indication they are applying—they deposited their money

a month or so before obtaining the certificate, but they did not at the same time make a formal application; that came later. The records will show that.

Q. The deposit, if my memory serves me right, was on the 23rd October and they had a month? A. Yes, it was some time before.

Q. About the 26th November was the meeting, and the 30th was the day on which the certificate issued? A. I think that is correct.

Q. Would that application come before you personally in the first instance or how? A. Very likely the Deputy would bring it to my notice immediately; these things would be matters of routine in the Department, but any matters of importance the Deputy would usually call my attention to, and he probably did so.

Q. The payment of the money would of course come to him first, a notice of that? A. Yes.

Q. And then any formal application that was made would come to him first? A. Yes.

Q. Would you hear that the money had been deposited or would he bring it to your notice when the application was made? A. It is quite likely he did before, although I have no distinct recollection of that; he would probably mention it, knowing from the beginning I was anxious about the bank; I have no distinct recollection, but I think it is quite altogether likely he did.

Q. At any rate, no action would be taken by you until the formal application for the certificate came in? A. No.

Q. The treasury board consisted in those days of how many? A. I think there were five, if my memory serves me.

Q. My recollection of Mr. Boville's evidence is that it was five and the Finance Minister? A. I would leave that for the records to speak.

Q. Do you remember what the requirement was at that time? A. I think we did business with three; when that was originally established I do not know, but business was frequently done for years in the Treasury Board with three.

Q. Under the Act I think the duty is cast on the Treasury Board itself and not on the Minister of Finance individually? A. That is true, though naturally he would have chief responsibility and his colleagues would look to him largely for advice and guidance.

Q. In section 15 it says: "No certificate shall be given by the Treasury Board until it has been shown to the satisfaction of the Board, by affidavit or otherwise, that all the requirements of this Act and of any special act of incorporation of the bank as to payment required to be made to the Ministers, the election of directors, deposits for security for note issue or any other preliminaries shall have been complied with"? A. Yes, that is correct.

Q. What was the practice of the Department at that time, the duty being cast upon the Treasury Board, as a Board, of bringing it to their notice? A. We would naturally look to their precedents as to the form and method followed in previous cases; the bank established its good faith and we would see whatever was done in previous cases was done in this case; that would be a matter of routine which we would count on the Deputy doing and bringing to our notice.

Q. Would the Deputy, who then was Mr. Boville, have to ascertain that the preliminaries had been all complied with? A. By the examination of the papers, yes.

Q. Which would then come to you? A. Yes.

Q. And from you to the Treasury Board? A. Yes.

Q. Had the practice been to require any evidence of any particular kind? A. I think all the evidence that was ever required in any previous case was required and taken in this, and indeed I am informed and believe, although I could not give you the date, that there have been cases, one case at least, in which on similar evidence, but without any affidavit whatever, the bank certificate was granted; I think it will be found; but that is a matter to which Mr. Boville can

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speaking better than I; but I think every precaution taken in any previous case was taken in the case of the Farmers Bank.

Q. During your continuance of office as Finance Minister, what was the practice that had been followed? A. The same, the Deputy would bring the papers before us; if there was any question of legal procedure, as a matter of safety he would refer to the Department of Justice and obtain the advice of the Department of Justice.

Q. That would all be done before it would come before you? A. I might be away, or the Deputy might tell me what was going on, but that would be his duty and bring the papers before me; probably during the process of that he would bring the matter before me.

Q. When you speak of another case when an affidavit was not required, are you speaking of during your time? A. No, but in looking into the matter I was informed in the Department that there was one case in which the certificate was issued without any sworn statement at all. I do not say that to find any fault, merely as showing that the precedents were, in our case, fully lived up to and more.

Q. During your regime as Minister of Finance another method was adopted? A. I think we required the affidavit, but there again I would have to leave the records and the Deputy to speak of that; I could not speak with positiveness.

Q. You had an interview with Mr. Travers? A. Yes.

Q. Up to that time, what knowledge had you of the preliminaries? A. I do not understand what you mean by the preliminaries.

Q. The matters which the Department required to be done? A. I think the Deputy Minister informed me that Mr. Travers had been in to see him, but I was very much engaged with the Budget and could not see him, and the next day, I think it was, I told the Deputy I would arrange to see Mr. Travers. Up to that time, although Mr. Boville was probably talking to me about the matter, there was no formal action taken by me.

Q. Your Budget speech was delivered on the 29th November, as Mr. Boville, I think, mentioned; I suppose that is a very busy time with the Finance Minister? A. Yes.

Q. And it practically excludes all other business? A. Yes.

Q. The declaration that Mr. Travers sent to the Department with all the other papers was made in Toronto on the 27th November, 1906, and it reached the Department, say, on the 28th; that appears to be the date, the 28th, at which the papers were submitted to Mr. Newcombe, the Deputy Minister of Justice, and his reply is on the same date. Did that precede your knowledge of the matter, you being engaged on the 29th? A. Mr. Boville may have mentioned to me that matter; it would not engage my attention; he may have mentioned the matter was in that shape, but certainly I would not give it any attention at that time.

Q. According to Mr. Travers' evidence, he appears to have seen you three times? A. Will you kindly read where he says that? I have no recollection of ever having seen Mr. Travers three times; I think there must have been a mistake there.

Q. He says once on one day and twice on another, whether it was once the first day or twice the first day he does not remember? A. Well, never mind your statement of the substance is quite sufficient. My recollection is I saw Mr. Travers only once.

Q. That is what I would like to clear up? A. I think no doubt he was to the Department before that and saw some of my officials, but I am pretty clear in my recollection that I saw Mr. Travers only once and that was the 30th November, and that was the date the certificate was issued.

Q. I will find just what Mr. Travers says about that. In one of these interviews he said that you discussed with him quite a number of the subscriptions? A. That is not correct. I think probably Mr. Travers may be confusing conversa-

tions he had with Mr. Boville or some officer in the Department. I assume Mr. Travers meant to be correct, but certainly he is mistaken with regard to such conversations with me.

Q. This is what Mr. Travers says at page 501: "Q. You went down to Ottawa, you say you had three interviews with the Minister—could you tell us about one—you were introduced by Mr. Calvert on the first occasion? A. Yes"—would that be the interview you recollect? A. The only interview to the best of my knowledge that I ever had with Mr. Travers was when he came to the office on that day, the day on which the certificate was issued. I had forgotten that incident until it was referred to in Parliament. I see it states that Mr. Calvert introduced me. I had at first forgotten that and on first blush would have said no; but I remember now that Mr. Calvert did come to the office and said "I would like to introduce Mr. Travers". That was the only interview I had with Mr. Travers.

MR. COMMISSIONER: Then at the bottom of page 438 and page 439.

MR. HODGINS: At all events you saw him you think only once? A. Yes.

Q. Was that on the occasion that Mr. Calvert introduced him? A. Yes, I only saw him once, and as Mr. Calvert did introduce him that must have been the occasion.

Q. Was that the day he got his certificate? A. Yes.

Q. What time of day was it? A. It would be about mid-day, I had written to Mr. Travers, having learned that he was inquiring the day before and wanted to see me, I had dictated a letter to Mr. Travers arranging to meet him that day; I think probably the letter had not been delivered and while the matter was in that state Mr. Travers came into the office; it must have been close up to mid-day, one o'clock.

Q. Had any action been taken by the Treasury Board at that time? A. No.

Q. Any action taken by you towards deciding on the matter? A. No; the matter had been the subject of discussion between the Deputy Minister and myself from time to time; there had been no definite action taken.

Q. But on the assumption that your Budget speech was delivered on the 29th and this certificate was granted on the 30th, you saw Mr. Travers you say on the 30th at about noon? A. Yes.

Q. Could you tell at all what had taken place between the Deputy Minister and yourself prior to that?? A. We had had conversations over the matter and he had brought the papers to my notice. I think Mr. Boville would probably keep me informed from time to time as to what was going on, but I had taken no definite action up to that moment.

Q. You think you had written a letter to Mr. Travers which had not I suppose been delivered? A. I think the records will show the letter was dated that day; I am not sure it had gone out of the office; I know I dictated the letter because I afterwards told Mr. Travers in the conversation that a letter was going to him and I would be glad if he would give me a written reply. I think before that letter had reached him Mr. Travers came to my office and the interview took place.

Q. Did you give him the letter then and there? A. No, I don't think I did, I think the letter was in the hands of the Department and would probably be sent to him. I do not think I delivered it to him, I have no distinct recollection of that, but I told him there was a letter and it had better go to him and I had better have a reply.

Q. Here is the quotation I wanted to give you on page 412 and page 413; he says he had seen Mr. Boville and at that time Mr. Fielding was preparing his Budget:—

Q. When did you finally see the Finance Minister? A. I saw him two or three times.

Q. Notwithstanding the preparation for the budget? A. Later on in the week, not in the early part.

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“Q. On one day or more than one day? A. I think I saw him twice in one day, I am not sure”.

A. Anything further as to why he called twice, any explanation?

Q. I will read what he says: “Q. That is all you saw him, was it not, just a couple of times? A. My recollection is I saw him three times.

“Q. On the same day? A. No, twice on one day and once on another day.

“Q. Once on the following day to the two interviews? A. Yes, I saw him one day once and the second day twice, or the first day twice and the second day once; I cannot remember exactly.

“Q. Would your statement to Mr. Hunter be right that you got your certificate in twenty minutes? A. After I had satisfied Mr. Fielding, the last interview lasted about twenty minutes when he gave orders for my certificate to be issued.

“Q. That was the last interview? A. Yes.

“Q. After you delivered your letter to him in reply to his? A. I followed the letter; I sent it over by messenger.

“Q. After you had delivered your letter to him in response to his? A. Yes.

“Your interview lasted twenty minutes? A. I would say about that.

“Q. And at the end of that time you got your certificate? A. Yes”.

WITNESS: That would not be correct, he could not have got the certificate in that way and in that manner; he could not have got his certificate till later in the afternoon, after the Treasury Board had dealt with the matter. He has been confusing the interviews he had with some of the officials; to the best of my knowledge and belief I had only the one interview with Mr. Travers.

Q. You see from what I read that he is definite? A. The only explanation I can give is confusing interviews he may have had with my officials and not drawing the line sharply as he should between the Minister and others he met. I certainly never had three interviews with Mr. Travers.

Q. Your recollection is that there was an interview about noon on the 30th? Yes, and probably about noon, certainly somewhere along before lunch, because in my letter I said I would see him before lunch or later in the afternoon at the House of Commons.

Q. Your letter had been dictated or written? A. Yes.

Q. Was it one of your own dictation? A. I dictated my own letter.

Q. And your recollection would be that he saw you then and you mentioned the fact of the letter and discussed whatever was discussed with him? A. Yes.

Q. On that interview? A. Yes.

Q. And then did he go away to answer your letter? A. I think so. I said “You will get the letter and you had better send an answer to it”.

Q. When you got his answer, up to that time you had not ordered the issue of the certificate? A. No, I had no right to order the issue of the certificate; the Treasury Board would only have the right to order.

Q. Nothing had been done? A. No, nothing had been done.

Q. Have you any recollection of his coming with the letter? A. I have no recollection; I do not think I ever saw Mr. Travers again on the subject. He may have handed the letter in at the door.

Q. On the receipt of his letter what was done? A. That letter with other papers would be brought in a general way to the notice of the Treasury Board, which occurred that afternoon.

Q. Your letter to Mr. Travers makes mention of the time, it is dated November 30th, perhaps you would like to read it? A. I am familiar with it, but I have no objection.

“Q. Dear Sir: 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 com-

mence business. I shall be glad to see you to-day at my office at any time before 1 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 would be more convenient". A. That is correct.

Q. At page 439 he says: "Mr. Fielding discussed the subscribers' list with me.

"Q. What names did he mention? A. He mentioned those Laidlaw names and he mentioned some others that somebody had been kind enough to call his attention to, and I told him that there was no provision in the Bank Act to take those names off the list until after the bank had organized, but that we had sufficient over and above that.

"Q. What were the others he referred to? A. I cannot say exactly which ones they were; if I remember rightly it was Smith and Davidson of Flint, and Hon. Samuel Merner."

"Q. How much was that? A. \$5,000."

"Q. That would be fifteen thousand more? A. Then Hon. Mr. Forget, that is \$5,000; and then A. H. Hoover's \$5,000 more; and he spoke about Lindsay's \$50,000, but he made no objection to it; that is my recollection of it."

"Q. Was that at one of the interviews with him? A. Yes."

"Q. On the first day? A. I think it was immediately after Mr. Calvert introduced me to him."

"Q. That was the first interview? A. I think that was the first interview we had; I am not sure about that though."

"Q. Then you think somebody had been telling him about the difficulties regarding the list"? A. There was no doubt about it that he had been communicated with or been spoken to by numerous people."

WITNESS: Mr. Travers is entirely mistaken. It is not unlikely that my Deputy, Mr. Boville, in his interviews would raise those questions. I certainly did not have that conversation with Mr. Travers.

Q. You remember, perhaps, you know at all events who the Laidlaw subscriptions referred to? A. I do not remember anything particular about a Laidlaw subscription; I know Mr. Laidlaw's name figured in the matter somewhat later, but I have no distinct recollection of discussing with anybody Mr. Laidlaw's subscription.

Q. It was not Mr. Laidlaw's subscription but I was asking you if you understood what was referred to as the Laidlaw subscriptions? A. Not clearly now.

Q. They were subscriptions taken in the County of Halton from persons who afterwards retained Mr. Laidlaw to get their names off the list, and Mr. Travers settled with Mr. Laidlaw's clients and got his action dismissed, and it is those he referred to as being still on the list and he mentioned to you that there was no provision in the Bank Act to take them off the list? A. Certainly I would not open up any such conversation with Mr. Travers and I have no recollection of doing so. He may have discussed it with Mr. Boville. I certainly did not have any such discussion with him. I did not open up the discussion of these names and I have no recollection of these names in particular.

Q. Hon. Mr. Forget is a name you would recollect? A. Yes, I would remember that, because he is a gentleman well known, and I personally did not mention Mr. Forget's name to Mr. Travers.

Q. What about Hon. Samuel Merner? A. I am quite sure I did not raise any question with Mr. Travers as to any of these gentlemen.

Q. What did take place at the interview at which he was introduced by Mr. Calvert? A. The view I expressed to Mr. Travers at the interview was the same as I had expressed in my letter that there was sometimes gossip as to the method and the manner in which these banks were organized, and I was anxious to see—I was undisguisedly hostile to the organization of the bank from the beginning, and

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I rather think Mr. Travers knew it—and I wanted him to feel we were anxious about the matter and anxious to see that the law was complied with in every respect.

Q. When you said in your letter, "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", were you referring to anything in connection with the Farmers Bank or to the rumors or gossip with regard to other and previous applications? A. It was to the general rumors at that time.

Q. Were you aware at that time of anything concerning the Farmers Bank individually? A. Representations had been made touching matters of that kind from Mr. Leighton McCarthy, and that letter having been withdrawn and the papers returned to him I treated it as out of the case altogether.

Q. You had been made aware of that? A. In a general way, the papers that Mr. McCarthy sent in were brought to my notice, I do not think I ever went through them in detail; they were brought to my notice by the Deputy Minister and I was aware that objections were raised by Mr. McCarthy and that they were withdrawn and as to the details of these objections I did not have them clearly in my mind.

Q. Had you in your mind that that point that you deal with in your letter as having been brought to your notice in previous instances actually existed according to the records of the office in this instance? A. I had not that in mind at the moment; I was wanting to be assured generally that everything was right; I was not having in my mind that particular instance in Mr. McCarthy's letter.

Q. Would it be fair to say you dismissed that from your mind? A. Yes. Mr. McCarthy having raised objections and withdrawn them and having the papers sent back I would largely dismiss that from my mind; I would still be aware of the fact that objections had been filed.

Q. Would they have prompted this letter? A. No, I think not; the letter was prompted from my attitude from the beginning; I was more anxious about it than I had been about any other bank.

Q. Was Mr. Boville aware of your views on the matter? A. Yes.

Q. Was the discussion between you and Mr. Travers confined to this general question or to the particular instance? A. I cannot recollect the details of the discussion, but it would be as to the bona fides and as to the ability of his subscribers to go on, and whether the whole thing was in good faith. My discussion was probably in the nature of a doubt of the whole business and wanting to be re-assured.

Q. Had you the Departmental file, containing his application and declaration and prospectus and so on before you? A. I had them before me.

Q. At that interview? A. I am not sure whether at that moment, very likely I had them on my desk; I do not recall that I had them all before me.

Q. You think you did not discuss then any of the subscribers at all? A. Individually?

Q. Yes? A. No. I have no recollection and I think I can safely say I did not.

Q. The question I suppose of the subscriptions would that be in your mind or would it be rather whether the subscriptions had been paid up in cash or not? A. I had not any particular transaction with the Farmers Bank in my mind; what I had was a general fear that the bank was not strong, and a regret that these people were going into it, and an anxiety to be assured that all was right.

Q. Did you see Mr. McCarthy's letter withdrawing the charges? A. I think likely I did; if I did not I was certainly told of it; I probably saw it.

Q. It of course does not say that the matters set up in the action were incorrect, it simply says that his clients had been settled with? A. He said he withdrew his objections and asked to have the papers sent back.

Q. They might have been withdrawn and yet the fact might have remained that the charges he made were true; that he was dropping out of it because his

clients got their money back? A. He says more than dropping out of it; he said he withdrew the objection and asked to have the papers returned to him.

Q. You ask in this letter, I suppose you asked Mr. Travers verbally as well during the interview, for an assurance that nothing of the kind had taken place in relation to the subscriptions for the Farmers Bank, that is in some cases the subscribers did not actually pay in cash but gave notes to the provisional directors which were used to raise money? A. I have no doubt I did so ask him, although I have no distinct recollection of the conversation, that was its general line.

Q. Was the direction as to the issue of the certificates given in response to his letter which reached you later? A. Nothing was done in response to his letter; the matter was taken to the Treasury Board; no directions were given until after that.

Q. Until after his answer was received? A. No, his answer was received and I think his answer was received quickly.

Q. Mr. Guthrie placed that at about 4 or 4.30 in the afternoon? A. No, I think that must be a mistake.

Q. He says Mr. Travers came in there, and his recollection was that the letter he brought from you, was, as he expressed it, not from the files, indicating it had just been received and been brought over there and he left Mr. Travers dictating it? A. That Mr. Travers had received it about 4 o'clock in the afternoon?

Q. That he brought it into the office at about four o'clock? A. The letter must have been written some time in the morning, because I was making an appointment with Mr. Travers that he would come to me about noon, but I think it had not been delivered; I think Mr. Travers said he had not received it at that particular moment and I think I said he had better forward a reply. I cannot say the time the reply came, I do not know that it would have been vital because I had his declaration, but I thought that I had better have the letter.

Q. Did you bring the matter to the Treasury Board on the receipt of the letter? A. I brought it that afternoon.

Q. You have a recollection of that? A. I would like to say under ordinary circumstances the Treasury Board meets at the office of the Minister of Finance, but in times of pressure which come very often, especially during a Parliamentary session, it is found exceedingly difficult and sometimes impossible to get the members of the Treasury Board together at the desired time, and that leads to meetings being held in a less formal manner, sometimes in the anteroom of the Council Chamber, sometimes in the office of the Minister of Finance at the House of Commons, wherever you can get a quorum to do business. My recollection is this meeting was held in the anteroom of the Council Chamber that afternoon somewhere about three o'clock, just when the Council would be separating to go to the House, at all events in the interim between two and three when we usually collect in Council meetings and very often we would hold a meeting of the Treasury Board. My recollection is that meeting was held in the ante-room of the Council Chamber and it would be somewhere about three o'clock.

Q. In that case would the minutes be sent around to be initialled? A. No, my impression is three Ministers sat down and discussed the matter; I reported to them the history of it and it was agreed that there was no reason why the certificate should not issue.

Q. How do you account then for the minute bearing the initials of yourself, Sir Richard Cartwright and Mr. Brodeur? A. Because the Secretary was not present and we put those initials on to indicate we had dealt with the matter.

Q. Was that done at the time? A. Yes. I was not aware that the initials were on, but that is what would naturally be done; if we held a meeting at which the secretary was not present, that very often has to happen, we would put the initials of the members who were present in order that there might be a record of it.

Q. The minute would be prepared I should think after the meeting, it would not be prepared in advance of the meeting? A. It might be, it is quite probable,

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yes. Measures for the action of the Treasury Board are brought forward in that shape often; it is quite possible.

Q. Do you think that this minute which bears the initials of three Ministers would have been prepared before the Treasury Board met? A. The initials would not be on; it might have been prepared by my direction, but the initials would not be on till the members of the Treasury Board had discussed the matter.

Q. Would it be before them at the meeting, would they then initial it? A. Yes, it would be initialled at the meeting.

Q. I understood from the evidence of Mr. Boville that that was a method adopted when no meeting was held, but when a matter had to be dealt with and it was initialled by you and then sent around to a couple of the others? A. That would also be done in some cases, but my recollection is in this case the three Ministers discussed the subject briefly. I think they were aware from time to time in a very general way of the fact that the Farmers Bank was proceeding to be organized, it was a matter of common knowledge, so it was not a matter which would be entirely new to them, although neither of them had given any special attention to it.

Q. Your recollection differs from Mr. Boville's if I am right in what I think he said, you think there was an actual meeting? A. Yes, I think there was a meeting; I do not like to speak too positively about a matter which took place six years ago, but my impression is that that matter would be taken up, it would be at a meeting probably held in the ante-room and Mr. Boville would not be present and he would not know how it would be done—get a meeting while the Council was waiting or after the meeting had broken up, and that is my impression that that is the way that happened.

Q. Mr. Boville was not present, and you I suppose would communicate to them whatever you knew? A. Yes.

Q. What did you communicate to the Treasury Board? A. I can only speak from general recollection—I would inform them—I did not treat this differently from other matters of business—I would inform them as to the facts of the case and if they wanted further explanation I should give it. I would tell them the objections had been filed and those objections had been withdrawn.

Q. Just in a general way? A. Yes, if they wanted the papers I would probably have had them there, but they would not go through them in detail perhaps.

Q. I suppose it is pretty hard to remember at this length of time, but do you remember that there was any question raised, or what you actually said to the Treasury Board? A. No, there was never any question raised by anybody as to the propriety of issuing the certificate to the Farmers Bank; if you leave aside Mr. McCarthy's letter which was withdrawn, and the letter of Sir Edward Clouston, which arrived the day after the certificate was issued, if you eliminate those, never from beginning to end or at any stage was any objection raised to the issue of the certificate of the Farmers Bank.

Q. Are you speaking now from the records? A. From my knowledge.

Q. From your knowledge of the records? A. No, I am speaking from general recollection, but if there are any records to the contrary I will bow to them, but I do not think there are.

Q. This is an extract which Mr. Boville produced which is signed by him, and which bears the initials upon it? A. What would probably happen is that, as I was advising the issue of the certificate, that that would be prepared and I would take it to the Board and they would initial it and would send it back to Mr. Boville and he would sign it; that is the ordinary way of business.

Q. That would be done all in a short space of time, your interview with Mr. Travers about noon and the meeting of the Treasury Board about three? A. Yes; once we made up our minds that the thing should go through, why of course I would desire to expedite it.

Q. Does Mr. Boville make a written report to you on matters connected with an application of this kind, was that his duty? A. No.

Q. Why not? A. It has never been done as far as my knowledge goes, I have no recollection of it; if in any particular I would want a written report from Mr. Boville he would give it, but as a matter of routine he would not make a written report on that.

Q. Somebody would want to go through the files and take the responsibility of saying what the record really showed before an action like this would be taken? A. That would be the business of the Deputy to bring it before me, not by a written report. I am not aware of any written report usually made by the Deputy.

Q. Do you insist upon the Deputy Minister of Justice reporting upon these matters? A. You cannot insist upon it being done, it is desirable. We always felt whenever any question of law might arise at all it was well to have the Minister of Justice behind us. We usually had a law officer in the Department, but even then we always thought it wise in matters of importance to make reference to the Minister of Justice.

Q. That would indicate there was the practice in your Department it would be done? A. Yes, I should say so.

Q. Would it be fair to say that the Deputy Minister was bound to see that the application was in all respects regular, and that the Department of Justice approved of it before it would come to you for official action? A. Yes, but in the meantime the Deputy would be probably telling me what was going on, probably from day to day I would hear what was going on, and he would tell me, "I have these papers and I am sending them to the Department of Justice". If he did not scan the papers carefully there would be no one in the Department that really would take the responsibility of saying "I have gone through everything, I have investigated everything and I report that the formalities required by the Department have been gone through"? A. That would be his business.

Q. That would be his business? A. Yes, not by a written report, but it would be his business to examine all the papers and report the results to me. Of course the responsibility would be mine, not his; I am not putting any responsibility upon him.

Q. After the Treasury Board had met and that minute had been initialled, did you see Mr. Travers? A. No.

Q. Not at all? A. No.

Q. Who would conduct the subsequent negotiations, or business with him? A. The Deputy Minister.

Q. Who had power to sign the cheque which returned the deposit? A. The Deputy Minister.

Q. The fact appears that the very thing that you dealt with in your letter to him of November 30th, had taken place; you were, of course, not aware of that. Did you notice, or did any one notice that when his letter came back it did not deal with the point that you had raised, namely, that the notes had been used to raise the money, that he limits his answer to the fact that the provisional directors did not do that? A. I do not think I took particular notice of the point; I do not recall it.

Q. Was that letter received by Mr. Boville and by him transmitted to you, or did you get it and personally deal with it? A. I could not say from memory; I am sure it came before me.

Q. You had, of course, a very distinct affidavit from him that the money that had been paid in had been paid in by these individual subscribers; in his declaration he states that? A. Yes.

Q. Was any doubt suggested to you by anybody as to the truth of that? A. No, it was my general anxiety about the whole business that led me to talk to Mr. Travers about it and write him the letter. It was not the result of any particular statement or any particular doubt as to any particular thing.

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Q. Apparently it was the declaration that was submitted to the Department of Justice and that they had acted upon in advising? A. Yes.

Q. And that was sufficient for that; what was the object of getting that letter dealing with the same point if there was no suspicion? A. The affidavit ought to be the stronger document. I can only say as I said before, that my anxiety about the whole business made me anxious to have the assurance doubly sure, even with the affidavit before me, and I said to Mr. Travers as I had written this letter he had better reply to it.

Q. It would seem natural, I should say, that there would be some discussion with regard to the subscriptions which were upon that list as to whether they were or were not *bona fide*? A. Not as to detail with me.

Q. For instance, he refers particularly to the Lindsay subscription, which is a very large one? A. I never discussed it with Mr. Travers. My Deputy may have done so; my discussion with Mr. Travers was very general as to the *bona fides* of the whole thing.

Q. Did Travers resent at all the facts that the affidavit was not accepted as truthful? A. I do not think so; he was coming to me practically to get the certificate, and I suppose he recognized I had the right to question him about it; I do not think he showed any resentment.

Q. You did not, of course, put it to him in the way of indicating that you doubted his declaration? A. No, it would be rather an unpleasant way to put it to him and I would not do it.

Q. I suppose you did doubt it? A. No; it is hardly fair to say I doubted; I was anxious and I felt that if I could get any further assurance which would help to make my mind better satisfied.

Q. It appears from the documents sent down by Mr. McCarthy that the charge was made—a letter written to yourself—that the deposit had been made or will be made of the cash received and the proceeds of these notes, or sufficient amount to make up \$250,000—that statement had been made in a letter to you of October 19th; I suppose you saw that letter, it was addressed to yourself? A. I have no doubt I saw it, or at all events its contents would be communicated to me.

Q. Do you know Mr. McCarthy? A. Yes.

Q. He was a long time a member of the House? A. Yes.

Q. Do you remember getting a telegram from him? A. Yes, I think the records show it.

Q. Asking for an appointment, that he would come down? A. Yes.

Q. Notwithstanding the fact that his clients had been settled with, it might still be the case that these notes might have been used in the way he said they had been used; did that phase of it occur to your mind at all? A. No; when Mr. McCarthy wrote to withdraw his objection and asked to have the papers returned I confess I dismissed the McCarthy incident from my mind. It ceased to make any effect upon me.

Q. He claims that these certain subscribers had been unfairly dealt with and he also goes on to allege the very thing which your mind apparently on the date the certificate was issued was troubled about; looking back on it, don't you think some inquiry ought to have been made on that point, notwithstanding his withdrawal? A. I suppose we can all be wise after the event; looking back over it now, yes; but as I did it at that time, no. Mr. McCarthy having withdrawn his objections and asked for the papers back, and we having the affidavit of Mr. Travers, I think in the face of all that, the evidence was complete, as complete as in any previous case.

Q. Mr. McCarthy did not see you at any time? A. No, I never saw Mr. McCarthy on the subject at any time.

Q. Previous to Mr. McCarthy's letter had you seen and had a discussion with Mr. David Henderson; who was Member of Parliament for Halton? A. With regard to the issue of the certificate, never.

Q. Not with regard to the issue of the certificate? A. Never.

Q. Mr. Henderson says that he saw one of these very notes which had been given for stock in the hands of a lawyer who had got it back from Travers, says he saw it in the train, and Parliament meeting shortly after that in November he came down; that he spoke to you about it? A. If Mr. Henderson implies that he ever said anything to me about raising any objection to the issue of the certificate he is mistaken. I had several conversations which Mr. Henderson from time to time about the Farmers Bank but not along the lines thus referred to.

Q. At page 10 he says, "I was shown several notes made by shareholders, farmers in my County, and I saw on the back of these notes the endorsement of the provisional directors". Then on page 11:

"Q. What communication did you make then and to whom in consequence of what you saw and heard from Mr. Laidlaw? A. I casually met Mr. Fielding and informed him that I had seen notes of shareholders in the possession of Mr. Laidlaw, endorsed by provisional directors, and presumably it was for the purpose of raising money to make the deposits, as the time had nearly expired. Our conversation lasted only for a few minutes and was along that line.

"Q. Can you give us in any more detail what was said by you and by him, or is what you have told us the general tenor of it? A. By Mr. Fielding?

"Q. Yes? A. I mentioned the circumstance which I have detailed to you, and Mr. Fielding I think seemed somewhat surprised, at any rate he answered me by saying that he would hold back the certificate as long as he could"? A. Mr. Henderson is mistaken as to the tenor of my conversations with him from time to time.

Q. As to that particular one, he got down there with his mind full of having seen the notes? A. I am quite satisfied Mr. Henderson is mistaken; not as to having seen the notes, but I am quite satisfied he is mistaken as to the tenor of the conversation with me.

MR. COMMISSIONER: Do you desire to say what the general tenor was? A. Yes, not merely of that conversation, but generally. Mr. Henderson was a very attentive member of the Banking and Commerce Committee, and when there was no party questions up, he and I generally agreed and talked very freely about business that came before the Committee. We met outside in a casual way. Mr. Henderson was aware that I looked upon this Farmers Bank in its later stages of incorporation with doubt and hesitation and that I was opposing it, and occasionally when we met we talked on the matter on several occasions and usually in and about the Parliament Buildings, or meetings, and on one or two occasions we had conversations about the Farmers Bank; it was always on that line that I was expressing my regret that a number of farmers were going into this enterprise for which I thought they were not particularly well qualified, and the responsibility with which they were not familiar, and I thought it was a great pity. I talked with Mr. Henderson from the fact of our having a habit of chatting about different matters; and I learned that some of Mr. Henderson's constituents were taking stock in the bank—there was no question of the *bona fides* of the notes—and I expressed my regret at their doing so. Mr. Henderson, apart from raising any objections, said he quite agreed with me it was a pity they were doing it, but it would never do for him to interfere; he was not going to put himself in the position of obstructing these people in getting their bank organized; that was the line of the conversation between Mr. Henderson and myself.

Q. Would you say the conversation which Mr. Henderson relates, when he came down to Ottawa, having a few days before seen this note, did not occur? A. I think, sir, that my own feelings towards the bank were such that if Mr.

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Henderson or anybody else had given me any tangible information to justify the refusal of that certificate, I would have been anxious to have it, and if that conversation had occurred I think it would have made a deep impression on my mind. I have no recollection of it whatever, and my impression is that Mr. Henderson is mistaken.

Q. You have no recollection of that conversation? A. No, and I do not think it took place; and I think Mr. Henderson makes the statement in all good faith, I do not for a moment question his intentions.

Q. He puts it in this way, Parliament met on the 22nd and the certificate was granted on the 30th? A. After the bank got into trouble and failed there are lots of people quite willing to blame some one else.

Q. This is a circumstantial account he gives? A. I know the circumstantial account that Mr. Henderson gave to me, that he was not going to stand in the way and have the farmers say he was opposing them in the organization of the bank. That was the only precise information he gave me, and I do not blame him for that.

Q. That would have occurred between the meeting of Parliament on the 22nd and the granting of the certificate on the 30th? A. No, it probably occurred before that; I do not remember discussing with him the propriety of granting the certificate at all. My conversation would be bearing on the extension of the charter, the getting of the subscriptions, the whole movement; the conversation I speak of with Mr. Henderson would not have reference to the granting of the certificate particularly. Mr. Henderson never waited on me on the subject in his life; we met around the Parliament grounds and occasionally had conversation; I think the day the certificate was granted, I think I ran across Mr. Henderson, and I said, "Well, I have had to give these people their certificate and am rather sorry for it". Mr. Henderson never gave me at any time any reason why the certificate should not be granted.

Q. In speaking of Mr. Henderson's conversations with you, would you say any such conversation occurred between the meeting of Parliament and the time of the granting of the certificate? A. My impression is that he is wrong about saying he saw the notes, I think that would have made an impression on my mind.

Q. You are speaking of the general tenor of his conversations—? A. That has reference prior to that, arising out of the objections I raised to the forming of the bank, or canvassing for capital, my knowledge they were getting some of his constituents to go into this bank, I was expressing my regret, and he says, "Well, it is a pity, I agree with you, but I am not going to stand in the way".

Q. You think that was after the extension? A. Or probably in connection with it.

Q. If Mr. Henderson is right in saying he saw those notes in the hands of Mr. Laidlaw you are not suggesting that when he came down to Parliament he made such a statement to you as the general tenor of his conversation? A. No, I have no recollection of meeting him and saying "Well, I had to issue that certificate to-day" and I think he felt, as I did, it is a pity, but it had to be done.

Q. When Mr. Henderson says that he had a subsequent conversation with you after the certificate had been granted—? A. That must have been the conversation to which I have just alluded.

Q. What did he say in answer to your remark that you had granted it and were somewhat sorry for it? A. I think Mr. Henderson's attitude was very much the same as my own, it is a pity this thing had to be done, there was no help for it, and he raised no objection. I say if Mr. Henderson knew that that certificate was fraudulently obtained it was his duty instantly to call me to account in Parliament for it; and I believe he would have done so; I think he is mistaken in later years in attributing this conversation to him and to myself at that time, and I am

satisfied if Mr. Henderson had known that that certificate was fraudulently obtained, it would have been his duty in Parliament to call the attention of the public to it and warn them.

Q. He had the information from Mr. Laidlaw which the Department had previously to that? A. If the Department neglected its duty that was no reason why he should neglect his.

Q. Would he be right in connection with the second interview he says he had with you after the certificate was granted: on page 13 he says: "I met Mr. Fielding in the lobby of the House of Commons, he was either going in and I was going out, or I was going in and he was going out, I don't remember which, but I remember very well it was in the lobby of the House of Commons and Mr. Fielding approached me himself and he said to me that Mr. Travers had been down; that was the communication he made to me.

Q. What occurred then, what further was said? A. He stated that Mr. Travers had been down and he had brought his money; that he had asked him, that he had put it up to him—he did not say definitely what he had put up to him; he left me to assume on account of our conversation within a few days before that it was what I had told him—and that Mr. Travers had denied it, and he asked him to give him a letter to that effect and he said he did so; and he says, 'I then gave him the certificate'".

A. No; there is a portion of that which is correct and a certain portion which is not; Mr. Henderson says I put it up to him what he said to me—that is entirely wrong. What happened was that meeting Mr. Henderson that evening, I have no recollection of the part of the House.—It was probably in the House,—that I told Mr. Henderson, "Well, I have given these people the certificate, or the Treasury Board has given these people the certificate, but I am sorry to do it, but there was nothing against it". I no doubt told him that Mr. Travers had been down and no doubt he had filed his affidavit; that part of it is substantially correct; but Mr. Henderson certainly offered no objection to the granting of the certificate, and found no fault with the granting of the certificate. I am not questioning the veracity of Mr. Henderson, he is an old gentleman that I have every respect for, but we can all be a little erroneous on matters six years ago.

Q. What about Sir Edmund Osler's statement, do you remember a conversation with him at all? A. There was a conversation with Mr. Osler.

Q. When was that? A. It must have been very close to the granting of the certificate. I think an inference has been drawn from that too which is unfair, although the substance of the report may be correct.

Q. What he says at page 130 is:

"Q. Had you an interview on the subject of the Farmers Bank at all with Mr. Fielding, the Finance Minister? A. Yes.

"Q. Was that before or after the certificate was granted? A. Before the certificate was granted.

"Q. Was it at Ottawa? A. Yes.

"Q. We are told that the House sat about the 22nd of November in that year? A. I do not recollect.

"Q. We will have to prove that in some other way; was it after the session began in 1906? A. Yes.

"Q. What was your interview with him, what occurred during that interview? A. I told Mr. Fielding that I had knowledge that the money that was deposited there was practically obtained by false pretences, that it was not *bona fide* money obtained by stock subscriptions.

"Q. What money did you refer to? A. The money that was deposited with the Government pending the issue of the certificate.

"Q. Did you go any more into detail? A. No, I told him that I knew, as a matter of personal knowledge that it was not straight—

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“Q. What further was said, did the Finance Minister say anything or discuss it with you? A. He said he was very anxious about it, and it all passed off.

“Q. That is practically all? A. Yes, that was all until after the certificate was issued. I again saw Mr. Fielding and said I was very sorry the certificate had been issued.”

A. I remember an interview with Mr. Osler. Mr. Osler's attitude in the whole matter was precisely the same as my own. He, as a banker, was anxious about the matter and sorry to see this movement going on too; he would have been very glad if there had been any good reason to prevent it going on. I have no distinct recollection of the words of his conversation, but what I would say he told me was that he was afraid they were adopting those methods. I do not think he spoke so emphatically as is therein reported. I have no doubt he did express himself that the subscriptions were being obtained in this way, but he certainly did not give or pretend to give any information to prevent the granting of the certificate. His attitude was one of regret, as my own was, and Mr. Osler never pretended to give me any facts which would justify withholding the certificate; and against any impressions he might have there was the sworn statement of Mr. Travers, who at that time and for years afterwards, was a reputable man. I could not take the doubts and fears of Mr. Osler as better evidence than the sworn statement of Mr. Travers.

Q. If Mr. Osler said it was not *bona fide* money obtained by stock subscriptions, you think that would be no reason for withholding the certificate? A. Against that you have the sworn statement of Mr. Travers that everything was *bona fide* and I must say I do not think I would be justified in taking the doubts and fears of Mr. Osler as of greater value than the sworn statement of Mr. Travers.

Q. That is weighing one against the other? A. I did not mean that; Mr. Osler did not give or pretend to give me any reason for the refusal of the certificate. His attitude was like my own, one of anxiety and regret that this was being organized and no doubt I told him that we could only comply with the law. He knew I was unfriendly to the bank from the beginning and he knew I would welcome any information he could give, and he never gave me or pretended to give me any information I could act on. He may have mentioned about raising money in that way, no doubt he did, but I do not think he spoke of it in such an emphatic way as he there says.

Q. What way, you said, raising money in that way? A. What is that?

Q. You said in your answer he may have said to you, no doubt did, that they were raising money in that way? A. He may have said that they were raising money in the way of notes; I do not distinctly recollect. Mr. Osler's attitude was the same as my own, one of anxiety but he did not give or pretend to give any statement of fact.

Q. If he did state they were obtaining money in that way by the discounting of notes that is what I understood you to say you meant? A. I have no distinct recollection of his words.

Q. If that statement or a similar statement to that was made, would that be any reason why the certificate should not be granted? A. Not against the sworn statement of Mr. Travers, who for years was a man of reputable standing.

Q. That is weighing one against the other? A. Not exactly, but I do not think Mr. Osler pretended to give anything which would prevent the granting of the certificate.

Q. If he did say they were raising money by the discount of notes, or anything that led your mind to the conclusion that that was the method adopted would that in your mind have been a sufficient reason for withholding the certificate? A. I think if Mr. Osler had made the statement or I had understood him to make it in the precise terms you have just read I probably would have examined him—“What evidence have you to go on? Give me some evidence to go

on". I would have done that, but Mr. Osler did not put it as strongly as that. The impression made on my mind was that Mr. Osler was regretting it as I was regretting it, and I told Mr. Osler afterwards "I have given the certificate, but I had to do it".

Q. Who would be the person to investigate if it were true that they were obtaining money in that way? A. What form of investigation could take place?

Q. I want to know? All matters of routine in the Department would pass through the hands of my Deputy, but I am responsible; I am not throwing the responsibility on anybody else.

Q. The Bank Act says, if I recollect right that the Treasury Board shall be satisfied by affidavit or otherwise? A. They were satisfied by affidavit.

Q. We were dealing just with the question of investigation, who would have the power to investigate? A. The Treasury Board would, no doubt—

Q. If either of these gentlemen are right that that was communicated to you it would be in the power of the Finance Department for you to ascertain, would it not? A. If these gentlemen had informed me in any substantial manner, I would have found some way to investigate but I am quite sure that in neither case did they give me reasons against the granting of the certificate, nor did they find fault with the granting of the certificate when I informed them it was granted. If Mr. Osler knew that that bank was fraudulently organized, it is inconceivable he would have allowed it to go on without a public protest. The fact that he said nothing shows he felt the same way as I did. If he knew it was fraudulently organized it was his duty to warn the public.

Q. Would you say that to be your duty? A. Yes, if I knew it to be fraudulently organized, but I did not.

Q. When you got Sir Edward Clouston's letter the following morning did you attach any importance to that? A. That letter arrived after the matter was settled and the certificate delivered and there was nothing much to be investigated. We had the opinion of Sir Edward and he had to get the information from others and against that we had the sworn statement of Mr. Travers. The difficulty is in these days Mr. Travers is a discredited person, but at that time Mr. Travers was a reputable person, and for years afterwards, and I was a perfectly justified in treating him as any other reputable citizen of Canada.

Q. You say Sir Edward's statement is from others; he says: "I have reason to believe that the money lodged or to be lodged at Ottawa as stock subscriptions cannot be regarded as paid up capital, and that a large proportion of the amount necessary to the obtaining of a certificate is a loan made upon the promise of its payment when returned by your Department. Permit me to request that, if only for the protection of the public, the Treasury Board will exercise its right to refuse to issue a certificate if it thinks best to do so, until a further investigation has been made into the circumstances stated herein"—that seems to be a pretty definite statement? A. After the certificate had been issued.

Q. Did you ascertain from the Department of Justice or otherwise that you had no power to recall it or stay it? A. I do not remember; I think at the time I regarded the affidavit and the statements of Mr. Travers as substantially correct and the statements of other gentlemen I looked upon as made in good faith, but made upon information that had reached them. I do not think any of these things would be taken as an answer to the affidavit of Mr. Travers.

Q. There was nothing to prevent what they stated being examined into? A. In the case of Sir Edward Clouston the matter was ended.

Q. I am speaking of prior to? A. My impression is we had no power to recall it. I do not think we took any formal opinion from the Department of Justice; my understanding is we had no power to recall the certificate once issued.

Q. Do you know the bank did not go into operation till the 2nd January, 1907? A. That would have to be a matter of record; I do not know that, no.

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Q. Did you make any efforts—it has been stated efforts were made to recall the certificate? A. No.

Q. You made no effort to recall it? A. No. I understood I had no right to; I do not think I took any formal opinion from the Department of Justice, but I think that is the fact.

Q. It has been said that an effort was made to recover it that night either by your direction or through yourself? A. By whom, sir, did they state?

Q. It has been stated to me and I have questioned Travers about it? A. Nothing of the kind ever occurred. Somebody asked that question in the House of Commons, but it was a mere fishing expedition; nothing of the kind ever occurred.

Q. You dictated an answer to be given to Sir Edward Clouston? A. I presume I did; I see the answer is there.

Q. In that letter Mr. Boville states: "On Friday last, the day after the delivery of the Budget speech, Mr. Travers, the general manager, had an interview with him (Mr. Fielding). In the course of this interview that gentleman gave a most positive assurance that not a dollar of the amount deposited had been borrowed." Would that be right? A. That would be correct.

Q. Is that the recollection of your interview with Mr. Travers? A. My recollection is Mr. Travers gave me absolutely it was all cash, not borrowed money, that was the general effect of the interview.

Q. After that letter had been written in reply to Mr. Clouston's, you got some further information did you not in December owing to a visit that Mr. Knight made in Toronto to the Farmers Bank; Mr. George Burn said that he saw you? A. I had a conversation with Mr. Burn.

Q. Did that relate to the deposit with the Trusts & Guarantee Company? A. I think Mr. Burn and I occasionally talked over bank affairs, and I am sure we talked occasionally over the Farmers Bank affairs, and I think the particular conversation to which he refers occurred after the certificate was issued, and probably Mr. Burn was well aware of my attitude all the way through, and I think he said to me, I am pretty certain now it was that same evening, he says, "Mr. Stratton is in town and he can, I am told, give some information as to how the thing was financed", and I think something along these lines Mr. Burn stated to me; I think it must have been either the same evening or the next day immediately after the certificate was issued.

Q. What did you say to him? A. I did not say to him anything particularly; the thing was settled, there was nothing more to be done.

Q. The money had been borrowed, and borrowed from the Trusts & Guarantee Company, of which Mr. Stratton was the head, and it had been paid back up to the 17th December, and on the 18th December Mr. Knight appeared in Toronto, and in order to allay his suspicions, he went to the Trusts & Guarantee Company and got a certificate that this loan, although paid back, was still existing, and Mr. Knight was not satisfied and he telephoned Mr. Burn that Mr. Stratton ought to be seen about it, and Mr. Burn said he went to you and asked you to see Mr. Stratton; did he communicate Mr. Knight's statements? A. I do not remember much about Mr. Knight. Mr. Knight would telephone Mr. Burn. I do not think Mr. Burn came to me; we often met and chatted about things. If he says he came to me that would be correct. It was after the certificate was issued. I do not remember him coming to me for that purpose; however, I remember him stating Mr. Stratton was in town, and he could give information. I did not think I was bound to go and call on Mr. Stratton. I did not see Mr. Stratton from beginning to end and I did not feel I should go and call on Mr. Stratton.

Q. Was any information given to you by Mr. Burn that the money had been borrowed upon these notes from that company and had been reversed? A. That something of the kind was indicated and Mr. Stratton had knowledge of it.

Q. Did you see Mr. Stratton? A. I never saw Mr. Stratton in the matter at any time.

Q. Was it your view, this being closed—? A. The matter was closed and my impression was, I do not say I took any legal advice, I think I must have got it as the legal view that we could not recall the certificate.

Q. I have spoken to you about the original introduction by Mr. Calvert; were you aware of his previous connection with the Farmers Bank other than he had possibly interested himself in regard to the renewal of the charter? A. No, not in any way. I think the papers show that his name was mentioned in the prospectus; I only get that from the papers themselves; I have no knowledge of Mr. Calvert in connection with the matter whatever.

The Commission adjourned at 12.30 p.m. to 2.15 p.m.

The Commission resumed at 2.15 p.m., June 10th, 1912.

HON. W. S. FIELDING, Examination Continued:—

MR. HODGINS: You did not then at all know of Mr. Calvert canvassing in any way for the stock in the bank? A. No, I never heard of it.

Q. He was the chief whip of the Liberal party? A. Yes, I don't know whether he was at that time or not; he was chief whip, but I do not remember whether at that time, very likely.

Q. Had he any conversation other than when he brought Mr. Travers to you? A. Never.

Q. Speaking about the bank itself? A. About the certificate?

Q. About the bank itself? A. He was present in the Committee at the time of the charter and made some remarks there, either to me or to the Committee, but except what occurred in the Committee Room I never saw Mr. Calvert in any shape or form.

Q. The prospectus filed at the Department contains quite a number of names, I think only one of them was then a member of Parliament, Mr. W. S. Calvert; I see he is the only one that is mentioned as a member of Parliament; was any inquiry made from any of the gentlemen who are mentioned? A. Not to my knowledge; at the time the certificate was granted these gentlemen's names were not in evidence; the names of the directors were given, but the names appearing in the earlier papers did not appear at the time the certificate was granted.

Q. When Mr. Travers made his declaration the prospectus mentioning his names accompanied it as one of the exhibits? A. It would be part of the whole record, yes.

Q. Is it the practice at all to make inquiries from those mentioned in the prospectus? A. I think not; I am not aware of it ever having been done in the previous records of the Department.

Q. You used an expression this morning like this, that at that time Mr. Travers was not a discredited man in any way, that his record was apparently good? A. As far as I knew, yes.

Q. Were any inquiries made as to that? A. No.

Q. Or any into the standing of those mentioned as directors? A. I think they were men of good repute generally; one of them I knew, Colonel McLennan, as a man of high standing, but if you mean whether particular and special inquiry were made, no; I think generally these men were known, not all to me.

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Q. Colonel McLennan, of Cornwall, and Colonel Munro? A. I think I had met Colonel Munro probably.

Q. Was not he a member of Parliament? A. He was never a member of Parliament in my day.

Q. I see that in the declaration that he is mentioned as M.P.? A. No, he was not in Parliament in my day, during the last 15 years.

Q. Allen Eaton? A. I could not speak.

Q. Robert Noble? A. I did not know them personally. I think in a general way they were reported to be gentlemen in good standing, but I made no special inquiries.

Q. That is apart from what you may have known, you made no inquiry? A. If there had been any special inquiry it would have been made a matter of record, and I think there is no such record.

Q. There is one expression you used in a debate which I saw indicating that you thought Travers came to you as the agent of the shareholders represented—well, from Hamilton? A. All the shareholders who had authorized the meeting to be held, he came on behalf of the bank's shareholders as provisional manager.

Q. There has been a question raised as to whether the actual subscriptions came down to Ottawa; Travers says he sent them down or had them sent down and received them here and he took them into Mr. Boville's office; was any mention made to you about them? A. I have no recollection of that, but Mr. Boville could testify of that; I have no particular recollection concerning that.

Q. We did not know when Mr. Boville was being examined? A. He is accessible.

Q. I understand he is away on his holidays? A. I could not speak of that positively; I have no particular recollection of that, that would be a matter of detail which Mr. Boville would deal with.

Q. At first he gave me the impression that he had gone over them with you, but Mr. Travers afterwards made that clear that it was Mr. Boville, he thought, into whose room he had taken them. There was a matter in reference to Mr. Henderson's evidence that I did not speak to you about, I overlooked it; I would like to ask you about it. It refers to a much later date than the conversations we have been discussing. Mr. Henderson had learned that there was a deposit receipt out in New York, and he said he had a conversation with you in the latter part of 1910 before he left to go home after the prorogation, he thinks about two years after the first interview, and he says there at page 14: "On that occasion I went to Mr. Fielding's room in the House of Commons, to his office to see him personally. I had information that there was something of a very peculiar character which seemed to me would materially affect the bank's interest, and its standing, and I felt, as I said before, very naturally worried and anxious about it, and I called on Mr. Fielding and told him what I had learned". I may say this is in reference to that insurance matter in Syracuse? A. Yes.

Q. "He was familiar with the facts himself, as much so as I was, and after chatting a few moments about it he turned to me and said: 'Well, Henderson, I don't know why you should worry over this, you are not responsible for it and besides you did warn the Government'?"

A. That conversation never took place in the terms that Mr. Henderson is there reported.

Q. Have you a recollection of that? A. I have no distinct recollection of the conversation, but as I was in the habit of having conversations with Mr. Henderson I will not say he did not come into my room in the House of Commons, possibly he did; I would not contradict him on that point, and possibly I had information about this deposit receipt and likely I told him about it, quite as likely as he told me, but when he says I made that remark that he had no responsibility that would be a superfluous thing, as, of course he had no responsi-

bility; but after saying that Mr. Henderson warned me he is entirely mistaken; I never made any such remark to him. He has confused it with something else.

Q. Do I understand you did not make the remark that he says you did, that he did warn the Government? A. Most certainly I never said such a thing to Mr. Henderson and he never did warn the Government in any shape or form; on the contrary, he was careful to say he did not want to take any responsibility himself.

Q. If Mr. Henderson and Sir Edmund Osler had put their statements in writing would it have made any difference to you before the granting of the certificate? A. It might; I would have been obliged to take them before the Treasury Board and report, but I cannot say what it would have done, but I think the mere opinion or doubts or fears of Mr. Henderson or Mr. Osler as against the sworn testimony of Mr. Travers would hardly make a case; but one could hardly say what would be done, because my colleagues of the Treasury Board might have thought it more important. I was so anxious that this bank should not have gone on, that if I had got any tangible evidence from any quarter I would have welcomed it, and that is why I am able to say so positively that nothing of the kind occurred.

Q. Do you feel that you had present in your mind everything that appears upon the files of the Department in writing relating to this? A. Regarding the matter which you dwelt on to-day, the letter of Mr. McCarthy as having been withdrawn and his objection being withdrawn, it ceased to have any weight upon my mind; the matter I had before me was the sworn testimony of Mr. Travers, a man of good repute, and while I was sorry the occasion required it, it appeared to me my duty to grant the certificate; he had complied with the law as far as any bank had complied with it, and if I had advised against the certificate it would have been said I was applying different rules in this case from those which I had applied to others.

Q. I fancy in no other case that a communication such as that of Mr. McCarthy had been made to the Department? A. I say Mr. McCarthy's communication having been withdrawn I regarded it as no longer there.

Q. In his letter of October 8th, he says: "I have not time to-night to give you a full statement of the ground of this request to you, but I beg to assure that grave conditions have arisen which will require careful consideration before the Treasury Board would grant any certificate for the organization of this bank." You think the withdrawal of his request would entirely put an end to the matter so far as the Finance Department was concerned? A. No, it was subsequent to that we had the affidavit of Mr. Travers and the withdrawal of the papers did not put an end to it; there were later developments. Mr. Travers' affidavit came in after that. Rightly or wrongly, that was regarded as the vital thing, as it had been in previous cases.

Q. Were you aware that although the papers had been returned to Mr. McCarthy there were copies kept on the file of the Department which could have been laid before the Treasury Board and considered by yourself? A. I am not quite sure, I have the impression that Mr. Boville made some notes of it, I do not think he kept complete copies; I would rather he be examined on that. I do not think he kept complete copies; I think he took some notes.

Q. The copy of the endorsement on the writ which made the charges was kept? A. It is very likely. Mr. Boville would know of that.

Q. In addition to that particular matter it was stated in the writ that the provisional directors had expended very large sums of money improperly; does that matter enter into the consideration of the Finance Department or the Treasury Board when considering the paid-up capital—what I mean is this, they carried as part of their paid-up capital and so returned it, moneys which they alleged had been received from shareholders but had been expended to the extent

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of \$40,000 in what are called preliminary expenses? A. Well that would be part of the whole papers which were withdrawn, that would not leave any impression upon my mind. I would consider that the whole transaction there was that Mr. McCarthy represented a number of shareholders and filed certain objections and wanted to be heard, and we said come along and we will hear you and we will do nothing until we hear from you, and after that Mr. McCarthy writes and says he withdraws the papers, the matter had been settled and wishes to have the papers sent back. That disposed of the matter. The general allegations set out in a writ, I am afraid, do not have the same weight in my mind as it would have in some others; I know that lawyers are very apt to set out a great many things in writs.

Q. What seems to have been Sir Allen Aylesworth's view? A. Yes, but I have had experience, I have had an election petition and I know things are set out in writs.

Q. What Sir Allen said was: "I want to impress upon every one that no one reading the lawyer's allegations upon a written summons or other legal documents is bound to accept those statements as being statements which necessarily will afterwards be established by proof"—you agreed with him; but would you agree with what he says before I do not mean for a moment to say that no one should take otherwise than as serious the charges made in any legal document which may come to his notice? A. I think I would agree with him.

Q. And where he said, "if the writ had been issued making one specific charge I grant it would have been a circumstance to which considerable attention would have been drawn"—that is if it had been confined to the fact that money was being raised upon the notes? A. That is a matter of Sir Allen's opinion and I think probably that is reasonable.

Q. In dealing for a moment, if I may, with the events immediately preceding the granting of the certificate, would the trouble have been averted, had you, for instance, stopped the payment of the cheque or taken some action not quite so drastic as that; supposing you had telegraphed Mr. Travers not to use it, that you wished to make further inquiry, would that have been anything unreasonable or unusual? A. I think it would certainly have been unusual, I would say unreasonable, I might almost say, if a layman may say so, unlawful. My opinion is that once the certificate issued we had no power to deal with it.

Q. You had under the Bank Act a right to ask for special return? A. Yes.

Q. What was the object of that? A. That has been in the Bank Act for many years; it is a little power of investigation which the Government has, it is a little pressure you can bring to bear, because those returns are not very often made public or they might possibly be misleading or do harm, but the asking for a return shows that the Department is keeping an eye on the bank and it has a wholesome effect; it has no legal effect.

Q. Has it any effect in founding action by the Finance Department? A. That is rather too general a question for me to answer.

Q. There is a concrete instance; not very long after the bank started, Mr. VanKoughnet wrote down to say that these shareholders' notes were being discounted in the bank at Milton to the extent of some \$110,000 and the Department wrote for a special return which was made; that special return disclosed there was only \$59,000 all told made up of discounted shareholders' notes and the discrepancies between the two amounts would strike anybody. If that had been noted in the Department was there anything that the Department could do? A. I know the papers show that that correspondence occurred. I have no recollection particularly about it. The papers show there was that correspondence but I have no particular recollection about it. I suppose Mr. Boville mentioned it to me but I cannot recall the facts.

Q. Supposing that was so, and it came in and was noticed by the Finance Department, is there anything they could do, having called for the special return

and got it, but being dissatisfied with it? A. I do not know anything that could be done under the special return except to call the attention of the bank authorities to anything which we deemed worthy of attention; I do not know of any action we could take under the bank return; that would be a matter for legal opinion but I do not know of any, speaking offhand.

Q. Would there be any objection? A. We should not do it without legal advice; taking action of any sort after a bank is a going concern would be a very grave matter. Before the bank is actually organized it is easier but after a bank is a going concern and you take action against it in any public way you make trouble for the bank and in the case of a panic the Department would be blamed and they would be told, "you did not need to go into this thing, there was no need of it".

Q. Would that be the case the day after the certificate was granted? A. No, but the day after that certificate was granted I had no evidence there was anything fraudulent. I say if any gentleman knew that there was anything fraudulent it was their duty to make public disclosure of the matter. If I had believed there was anything fraudulent I should have done so.

Q. They do not appear to have been given any opportunity by the Department to lay their case before it? A. I am not aware of anybody seeking an opportunity.

Q. Sir Edward Clouston's letter suggests inquiry by your Department? A. Exactly, and thereupon the Deputy Minister wrote stating the case to Sir Edward Clouston, and so far as I knew, I never heard a word of it further; and the Bankers Association began to take this bank into their arms and the Clearing House in Toronto; and evidently they did not believe it was fraudulent.

Q. Perhaps as you had granted the certificate they were obliged to do it? A. It would not oblige them to take them into the Toronto Clearing House.

Q. What power would they have to refuse? A. I think the Clearing House is a voluntary association and they can take in whom they like.

Q. I do not recollect seeing that they have any powers of investigation? A. I do not think the Clearing House is a legal organization; I think it is a voluntary association much as a club; the Bank Act will tell you that better.

Q. What could they have done that the Finance Department could not have done? A. If they had known it was a fraudulent organization they need not have recognized it; and Mr. Henderson and Mr. Osler could have called me to account in Parliament, and the bank you say did not commence operations for a month and these gentlemen then knew, according to their evidence, that this was a fraudulent concern.

Q. Is that any different from your position? A. I had no belief there was any fraud; they say they did.

Q. If they had made a charge in Parliament what would have resulted? A. It would have resulted in the bank going ahead, but if any one should call public attention to it no one would put money in the bank. My view is that these gentlemen while they were anxious about the matter they did not have any grounds to make an accusation against the bank and therefore they did not make it.

Q. Of course any investigation made would disclose there were very good grounds? A. I agree to that in the light of past events.

Q. They may have felt that if the Department did not investigate on what they had said, and the Finance Department having granted the certificate it practically said there was nothing in their complaint—A. Yes, and as a member they simply had to call me to account.

Q. That would be for political action? A. They did not hesitate to take political action later; when the trouble arose they did not hesitate to blame the Finance Department.

Q. Would there have been action taken if they had taken it up immediately? A. I take it for granted if there had been public discussion of that nature and

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the facts be as they say, the bank could not have gone on, public opinion would not have permitted it to go on.

Q. You put the boot on the other leg? A. I think these men have sought to put blame on the Minister of Finance, which I think is very unfair; they convey the impression that they had knowledge which they conveyed to me that this thing was fraudulent, and I say without any hesitation that they did not convey any such knowledge, and if they did possess that knowledge it was their duty to disclose the matter in Parliament.

Q. You think that would be better than the Finance Department? A. No, I say the Finance Department with the information before it, the same class of information or better than we had ever before, was satisfied. If they knew that this was wrong and my act was wrong, the proper time to call attention to it was the next day in Parliament, because the next day they could have protected the public.

Q. You think you were right and they were wrong? A. I certainly think if their present position is right, if all this time they had knowledge that this was a fraudulent concern, I say their attitude was wrong; and looking at it in the light of the later events there is very much to be regretted, but in the light of the time, in the light of all the precedents and practice of the Department, the granting of that certificate to the Farmers Bank was exactly right; that is my judgment and I only give it as my judgment.

Q. And having that view you would not make any attempt to recall the certificate once it had been granted? A. Not only because of that view, but my impression is I had no right to recall the certificate; that is a matter of legal opinion. At all events I know of no authority to recall the certificate.

Q. But leaving politics aside altogether, supposing having got this information, you had said to Mr. Travers, "do not act upon that certificate, send me down your minute books, let me investigate this a little further privately", don't you think the whole difficulty would have been avoided without any public exposure? A. Looking back over it now and being wise after the events I think perhaps that would have been the better course to have pursued; but I do not think in the light of the transaction at the time I could have been expected to do it. At that time Mr. Travers was a man of good repute, and therefore I was attaching some importance to his affidavit, so to any other reputable citizen, and that weighed with me. Events showed he was all wrong, and that that affidavit was not reliable but that was disclosed years afterwards.

Q. Of course the situation would have been entirely different if it had been assumed that notwithstanding the fact that Mr. McCarthy's clients had been settled with, the charge still remained that there had been an improper method adopted in raising the deposit with the Finance Department? A. Quite a long time elapsed after that, and nobody ever brought a charge, nobody ever said anything further about it, Mr. McCarthy withdrew the papers, and that was the end of it, and we heard nothing more about it.

Q. That appears to have been the position throughout, that settling with his clients and withdrawing the objection he made on their behalf to the issue of the certificate, but it would not be a matter that Mr. McCarthy's clients would have anything to say as to whether the certificate should be granted or not, that would still remain for the Finance Department? A. Surely.

Q. Then would you say it was any one's duty to present the papers to you again before you finally decided? A. I think anybody who had any interest in the matter whatever, if there was anybody who felt any real interest in the matter and believed there was anything wrong would have brought it to my notice; the fact that nobody brought it to my notice was a reasonable ground for the belief that there was nothing wrong.

Q. Just one more question upon that point; if the statement of Sir Edward Clouston's letter was right, the affidavit of Travers necessarily was incorrect; did that phase of the matter occur to you? A. Yes, the two were in conflict.

Q. You had depended upon Travers' affidavit? A. Chiefly.

Q. If the statement made the day after was correct, Travers' affidavit necessarily must have been perjury? A. It looked like that, and if Sir Edward Clouston and those with whom he was acting had attached importance to it and had pressed the matter further I do not know what we might have done; Sir Edward Clouston apparently acquiesced in what was done and we heard nothing further, and nobody objected.

Q. The letter that Mr. Boville wrote to Sir Edward Clouston on December 3rd, contained quite a long history of the matter, I suppose, from the Department's point of view; he says: "In view of the published reports in the newspapers of some litigation in connection with the subscriptions to the capital of this bank the matter has had the careful attention of the Department,"—would that refer to Mr. Boville or yourself? A. Mr. Boville was conducting the matter at that stage.

Q. I think this morning you indicated it was more the general rumors that you had? A. That alludes to some publishing in the newspapers.

Q. "In view of the published reports"? A. That is Mr. Boville's own letter, and while he may have showed it to me, and I quite accept the responsibility, I do not know what he had in his mind at that moment.

Q. "Had the careful attention of the Department", would that be Mr. Boville's attention? A. It would be the attention of the Deputy in the main, but it would mean the matter was presented to me in all important points; I would have to take the responsibility of it.

Q. Some time ago the general manager of the bank was communicated with to the effect that when applying for the certificate to commence business, in addition to the list of subscriptions to the extent of a half million required by the Bank Act, the statement did contain also the actual amount of cash paid up by each subscriber on his subscription. On the 29th ultimo application in due form was made by the bank for the certificate permitting you to commence the business of banking. The application was accompanied by the usual documents and also by a list of the subscriptions of cash paid in by each subscriber. The list itself covers over 500 names and nothing therein appeared for any particular comment. Was any report made to you by Mr. Boville about the list? A. He may have discussed it with me; if you ask any written report, no.

Q. Do you remember he made any report as to the individual names? A. I do not remember; I think likely Mr. Boville kept me informed from time to time; that was the general practice.

Q. Then he quotes the clauses in the declaration and then what I read you before, the interview in which Mr. Travers said that not a dollar had been borrowed; then he said, "For the purpose of record, Mr. Fielding wrote Mr. Travers a letter, of which I enclose a copy, asking for the assurance that the amounts set forth in the application as having been paid in were in every case *bona fide* cash payments. I enclose a copy of Mr. Travers' reply. Then follows this statement, and I want to ask you if it had your concurrence: "Under these circumstances there did not seem to be any warrant for the withholding of a certificate under section 14 of the Act, and, accordingly, a certificate was issued on the 30th ultimo"? A. I concur in that, yes.

Q. That was the answer of the Department to the request for a thorough investigation? A. The time for that thorough investigation, if it could have taken place, had passed; the certificate had been issued.

Q. Was any telephone message received from Sir Edward Clouston or anybody else on the 30th? A. Not by me.

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Q. Did you ever hear from Mr. Boville as to whether any telephone message had been received stating that this letter was on its way? A. No, never heard it from anybody.

Q. Quite likely if it had been received you would not have heard of it? A. I do not know; if Mr. Boville had received it and attached any importance he would have told me, I think; but I never heard of it in any shape or form; I never heard of Sir Edward Clouston's letter until it came to me the following day. Is there anything in evidence to show Sir Edward Clouston telephoned? It is alleged that Sir Edward Clouston telephoned to the Department? I do not recollect of ever hearing of it before.

Q. It was mentioned in the debate in the House? A. I do not think he telephoned.

Q. I proposed to ask Mr. Boville, but he is not here? A. To the best of my recollection, it did not happen; I would not like to say positively, he may have got a telephone from Sir Edward, although I do not recollect of ever hearing of it.

Q. Would that letter, Exhibit 72, have ever come under your notice, particularly after the last clause? A. I have no recollection of ever seeing this letter before. I would not say I did not, the letter being addressed to the Minister of Finance, this is January, 1907. I have no recollection of ever seeing or hearing of that letter before, but I will not say positively I never did; the records of the Department will show whether that letter was received, and if it was received it may have been shown to me; I would not like to speak too definitely. All the papers bearing on the issue of the certificate were brought down to Parliament; I do not think this is included in them.

MR. COMMISSIONER: That is after the bank was organized? A. Yes; this was not in relation to the certificate itself.

Q. That was an ordinary matter of routine in the Department? A. This was in January, 1907.

Q. That was its first return? A. I have no recollection of seeing it; I would almost think it would have been included in the Return brought down, because the Return to Parliament included papers long after the organization of the bank.

MR. HODGINS: I do not recollect it was published? A. I am sure it would not be.

MR. COMMISSIONER: Travers spoke of having got information from the Department as to that being the correct place in which to enter the deposit with the Trusts Company.

MR. HODGINS: (To Mr. Ross). Can you tell us if that is on the files of the Department? (Letter 12th January, 1907, of which Exhibit 72 is a copy.)

MR. ROSS: I never remember seeing it; it may be here though. I will look and see.

WITNESS: That might not come before me at all; it is a matter of routine.

MR. HODGINS: It was in consequence of a statement of Mr. Travers practically that he had consulted with the Department as to how he should enter the loan of the Trusts & Guarantee Company.

MR. COMMISSIONER: He does not call it a loan, but a deposit, and wants to know under which head it should appear? A. I have no recollection; as a matter of routine, that does not come before me in the ordinary way.

MR. ROSS: Yes, the letter is here.

MR. HODGINS: Is there any reply to it?

MR. ROSS: I do not see any reply.

WITNESS: How was it it did not come down with the Return?

MR. ROSS: These returns go to a different part of the Department, the regular monthly returns, and this letter accompanied it. There is always a formal letter accompanying the monthly Return.

WITNESS: It would be filed in the Bank Department with the Return and not in the general correspondence.

MR. COMMISSIONER: None of those were brought down to Parliament?

MR. ROSS: Apparently not.

MR. HODGINS: Was there any reply to that?

MR. ROSS: I do not know, I am sure; the only way to find out would be to look in the letter books.

MR. COMMISSIONER: It hardly calls for a reply. He says, "I have included it under number 6, which I trust will be satisfactory". A. If they took no exception to the form of the Return they probably would not answer it.

MR. ROSS: There probably was no answer; the letter apparently does not call for an answer.

MR. HODGINS: Where would we go to find out if there was one?

MR. ROSS: I can examine the letter books and see if there was an answer.

MR. HODGINS: Speaking of that first interview with Mr. Travers he said you said to him you had been served with a letter from Mr. Leighton McCarthy explaining the whole matter to you, so that he (Travers) did not have to tell you anything? A. I have no doubt I told him of Mr. McCarthy's objection.

Q. Did you tell him more than there was objection or did you go into what the objection was? A. Not in detail; but Mr. Travers was aware of it; the complaints of Mr. McCarthy had been sent to him; it would be alluded to no doubt in our conversation.

MR. COMMISSIONER: Did I understand you to say that a copy of Mr. McCarthy's letter was sent to Mr. Travers? A. I think the records show Mr. Boville did send to Mr. Travers the statement of Mr. McCarthy's complaint, I do not think he gave him a copy of the writ, because he would presume he was aware of that; I am speaking from recollection of the correspondence.

MR. HODGINS: The letter that was sent was dated October 24th, stating that "Opposition has been filed in this Department to the granting of a certificate"? A. Yes, and I think Mr. Travers asked for a copy.

Q. Mr. Travers asked for a copy on the 29th October and then on the 31st October, Mr. Boville writes to Mr. McCarthy: "Referring to your letter of the 19th inst. addressed to Mr. Fielding on the subject of the Farmers Bank of Canada and the issue of a certificate to the bank to commence business under section 15 of the Bank Act, I noticed recently a reference in the newspapers to a judgment given by Judge Anglin in a suit relating to this matter. In view of the decision rendered I shall be obliged if you will let me know if you still desire the protest contained in your letter to be brought to the Treasury Board upon an application of the Farmers Bank for a certificate to be considered". Mr. McCarthy replies, he will be in Ottawa and see the Minister; and then on November 2nd, a letter is written to Travers in answer to his letter of the 29th: "I beg to enclose herewith copy of a letter addressed to Mr. Fielding by Mr. Leighton McCarthy by way of protest to the granting of a certificate to your bank to commence business. Of the enclosure with Mr. McCarthy's letter I have not sent you a copy, as it is lengthy and I have no doubt you already have a copy of it in your possession". The same day, November 2nd, from Toronto, comes a letter from Mr. McCarthy, stating that the claims made by his clients had been settled by their subscriptions being taken up by some parties interested in the bank and refunding the money paid by the individuals or returning the notes which had been given. "The objections which I made on their behalf to the issue of the certificates are therefore withdrawn. Would you mind therefore returning to me the papers which I forwarded to you"?

MR. COMMISSIONER: When Travers got a copy of Mr. McCarthy's letter did he reply?

MR. HODGINS: No, but there is a further letter to Mr. Travers on November, 7th. Mr. Boville advises him that Mr. McCarthy has withdrawn the objec-

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tions. The only letter from Mr. Travers was one expressing surprise that any opposition had been made and asking for a copy. Mr. Travers seemed to think you were fully advised with regard to these shareholders that had been dealt with not in detail? A. The only information I had was that disclosed by the records.

Q. Did he tell you it had been arranged, these subscriptions of Leighton McCarthy's clients? A. I do not remember of any conversation with Mr. Travers.

Q. He says, "I told him it was arranged"? A. I do not think that happened, although I cannot be positive; he may have told me it was arranged; I knew as a matter of fact Mr. McCarthy had withdrawn it, otherwise I had no knowledge of it.

Q. Did he tell you there was some provision in the Bank Act to remove those subscriptions? A. I do not recollect that that occurred; he may have said so but I do not recollect it. I do not think we discussed in detail; I think our discussion was very general and went to the question of whether the subscriptions were taken in good faith and whether they had resources to go on with their work and make a creditable exhibit. Beyond that general statement I did not go into any analysis of the thing with Mr. Travers.

Q. Was any question raised as to the statement in the declaration that the moneys paid in by the individual subscribers were correctly set out in the list? A. No, my questions would be generally as to the accuracy of all the representations; I did not think any particular question was raised as to that particular section.

Q. Nor as to the question of how they raised the money for the deposits? A. Only in a very general way. My letter to Mr. Travers suggested about a difficulty in my mind on that score and that general difficulty in my mind was referred to briefly but not as to particular subscribers, I am sure.

Q. He said in reference to the first interview that there was nothing settled and speaking of yourself, "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 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—he was too busy. I know I went to the House and listened to it." A. I cannot recall any such conversation. To the best of my knowledge and belief it never happened. I had only the one interview with Mr. Travers that I can recall, and that was on the very day of the certificate. My letter shows that Mr. Travers had been trying to see me and I was unable to see him. There is nothing in that letter that says I had seen him. I expressed my regret I was not able to see him and I said I would see him that day; and that tends to show I had no previous interview with Mr. Travers.

"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". A. He no doubt was around the Department before that and saw Mr. Boville, but did not see me.

Q. "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"—A. Who is he?

Q. He is referring to yourself? A. That I wrote him another letter? Then he had two letters?

Q. No; he was speaking of this first interview before the Budget speech was delivered and this reference is made to the letter: "Q. 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"?  
 A. There is no such letter.

Q. Yes, the letter you wrote on the 30th? A. He speaks of two letters.

MR. COMMISSIONER: He speaks of two letters from Mr. Fielding, the letter making the appointment and the other letter.

MR. HODGINS: Oh yes, it is two letters. A. There were no two letters; that one letter he apparently had not received when he came to see me, although the letter was dictated or written, and he had not received it, because I said to him, "you had better get the letter and send an answer".

MR. COMMISSIONER: Apparently he seems to have thought he got the letter making the appointment and he went over, and you were not there, and that he got a second letter asking for the assurance about the condition of the bank? A. As far as my recollection goes I am quite sure—

MR. HODGINS: Q. The only point I am asking is, that he called on you and you were too busy, and you put him off? A. The only explanation is he called at the Department and was put off; but I did not see Mr. Travers, only on the one occasion. Perhaps he did not draw a distinction between calling on the Department and calling on me.

MR. COMMISSIONER: I think you have said it must have been before noon he called? A. About mid-day, before lunch hour.

Q. He puts there the afternoon? A. In the afternoon he probably called at the Department to see what progress was made, but he did not see me.

MR. HODGINS: At all events he says, "I went 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 4 o'clock and then I got my certificate? A. He got his certificate from the Deputy, and not from me.

"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".

WITNESS: When he got the certificate he may have had a conversation with Mr. Boville but not with me, he did not get the certificate from me. Once the instructions were given to issue the certificate that would be a matter of routine which would be attended to by Mr. Boville and I would see no more of it.

Q. Further on, page 510, he reiterates the fact that he had a 15 minutes interview with you and got the certificate about 4 or 5 o'clock in the afternoon; he did not get the certificate from you, but from Mr. Boville, but he does reiterate that he had an interview with you? A. He would be entirely wrong. I would no doubt then be in the House of Commons, and Mr. Boville would be doing the Departmental work.

Q. Was there any reason other than you have given us for putting this whole matter through in practically one day, that is seeing Mr. Travers, bringing the matter before the Treasury Board, deciding upon issuing the certificate, giving back the cheque; is there any reason at all why that should have been done, in view of your own feeling towards the bank and in view of what has been said to you, whatever it may have been, any reason for putting it through all in one day? A. Once it was decided that the certificate should issue I would expect the Department to expedite it; once a thing is settled the quicker it is disposed of the better. I would consider that was good business. There was no special reason for doing it; it was done in the regular routine way in the Department.

Q. Had any pressure been brought to bear? A. Absolutely none. No human being spoke to me about the issuing of the certificate other than Travers and the officers of my own Department I mean with a view of supporting the certificate. I have already referred to the conversation with Sir Edmund Osler and Mr. Henderson, but I am speaking with reference to the issuing of the certificate.

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Q. When you say no one had spoken to you about it, do you include the time previous to that time? A. At no time was any pressure of any shape or form brought to bear with regard to the issue of that certificate; there was no person exercising any influence or trying to whatever.

Q. And so far as you are concerned you say you think it went through in the regular way in the Department? A. Yes, once decided the quicker it was disposed of the better.

Q. And it was never decided till the 30th November? A. It was never decided till the afternoon of the 30th November. After that it was purely a matter of routine. I suppose Mr. Travers being there and waiting Mr. Boville naturally tried to facilitate it for him; that would be good business.

Q. There is a certificate on file, a memorandum from Mr. Boville on this matter for submission to the Minister, perhaps you would look at that and see if that was received by you (Part of Exhibit No. 2). A. I have no doubt I did, although I have no distinct recollection of it; it would be in line with a discussion between Mr. Boville and myself, and it was put in a memorandum for future reference.

Q. The date of that is what? A. The 30th; I have no doubt I was aware of it.

Q. Were you aware that Mr. Boville had referred the matter to the Department of Justice? A. I think likely, although I could not be certain about that; I think likely Mr. Boville though told me. These things would be dealt with as a matter of routine, but Mr. Boville kept me occasionally informed of what was going on; in that why I would know although I would not have the documents myself.

Q. Looking at that memorandum is there anything in that you personally knew or information that Mr. Boville would give? A. It is a memorandum of Mr. Boville's in line with what we had been discussing. If you had asked me if he had made a formal memorandum I could have recalled it, but I do not know that it was customary for the Deputy to make a written report. I have no doubt that came to my notice, anyway I was aware that Mr. Boville was advising.

Q. This states: "The papers are all in order and have been submitted to the Department of Justice who have advised that the evidence contained therein is such that the Treasury Board may lawfully accept it and issue the necessary certificate". The real statement made by the Deputy Minister of Justice was somewhat different from that? A. Do you think there is a difference? I do not see, because the statement was that the papers were in order and the affidavit if it was accepted was such as would legally entitle them to the certificate.

Q. You would see no difference between the two? A. From the hasty reading of that, I do not see; there may be a shade of difference.

Q. The letter from the Department of Justice says, the statements are sufficient if the Departments accept them? A. Exactly.

MR. COMMISSIONER: Accept what? A. The Department of Justice was purely advising on the law of the case, they were offering no opinion on the merits of it.

MR. HODGINS: "I beg to state that the statements in the statutory declaration of Mr. William R. Travers are sufficient if they are accepted to show compliance with the statutory provisions and that the evidence thus afforded is such that the Treasury Board may lawfully accept under the Act and thereupon issue to the bank a certificate under section 14 of the Act"? A. Is not that substantially what Mr. Boville says in his reference to it? The Department of Justice would advise purely on the law; they would say nothing on the facts of the case.

Q. It is represented to you as saying, "and the evidence is such that the Department may lawfully accept it"? A. Yes, and the Minister of Justice thinks so, the Department may lawfully accept it; it leaves it to their discretion as

to whether they are satisfied with the information. All that Mr. Newcombe says is that this is within the four corners of the Bank Act.

MR. COMMISSIONER: As I understand your view was that if proof were made that the requirements of the Act had been complied with it was the duty of the Treasury Board to issue a certificate? A. Yes, unless we felt we had reasonable evidence to the contrary.

Q. If you had known that the \$100,000 of the money that was represented as paid upon the stock had been borrowed by Travers, not applied to the credit of the Farmers Bank, but borrowed by Travers and applied by him, not directly upon the particular notes that were discounted—putting up the notes as collateral security—would you have refused to have advised the issue of the certificate or are you able to say? A. I may find difficulty in answering that. The borrowing of money to put into a bank is not an improper transaction. If Travers could borrow money or get it anywhere he liked and put it up for and on behalf of these shareholders it would be a perfectly proper and legitimate transaction. If a man subscribe for bank stock and goes out and borrows money from another bank that is perfectly legitimate. The illegitimate part would be if he did it through the provisional directors and afterwards the money was to be returned from the funds of the bank.

Q. If you had known that? A. If I had known there was any understanding whereby these moneys were to be refunded from the bank I certainly would not have advised the issue of the certificate.

Q. Does not what happened in this case suggest that there ought to be an examination by an officer of the Department or some other competent person of the books of a bank starting in order to verify these statements? A. Yes, sir, I think it would be wise. From all these things we learn something from experience.

Q. Because I suppose the most cursory examination of the books would have disclosed how the money was raised? A. There is a point, it does not affect the wisdom or unwisdom of the issue of the certificate, but it does affect the whole thing in the public mind; this bank did not come to grief because of any irregularity with regard to the paid up capital. These notes or a sufficient portion of them, were ultimately paid, the bank had the capital and whatever irregularity occurred at that time was ultimately made good; the bank had the capital required by the Act, and if the bank had been honestly and wisely managed, there would have been no trouble; the failure of the bank was in no degree due to the irregularity which has been referred to in connection with these notes. It was an irregularity and a grave one, but it had nothing to do with the ruin of the bank ultimately.

Q. Do you understand that the Finance Minister or the Treasury Department had anything to do with the list of subscribers; supposing you had found a list of \$500,000 and one man had subscribed \$250,000 of it, would you have had any right to exercise a discretion not to issue the certificate? A. Of course we have absolute power not to issue it.

Q. You think there is that power? A. I think so; I do not know of any machinery whereby you can compel the Treasury Board to issue the certificate if they do not wish to act; it is discretionary, but that discretion must be exercised with reason; and we could never have defended ourselves I think before the public if we had refused to issue the certificate upon the same basis as had been accepted in other cases.

Q. I am thinking about a case of a manufacturing company in Toronto that was seeking to increase its capital, opposed by the minority of the shareholders, and I think our Courts held that a mandamus would go to the head of the Department to issue the proper certificate. Of course I would not suggest at all that they could compel you to exercise a discretion in a particular way, but compel you, where the acts required were proved, to issue the certificate, but you did not take that view? A. That is a legal question, my Lord, as to whether a mandamus could issue against the Crown for that purpose, but I had not that view in my mind. I exercised my best judgment. We all know now, in the light of what has developed,

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it was a misfortune; but in the light we had at the time it seemed the right thing to do. You asked about a particular subscription, one man subscribing for \$250,000; had we a right to object because we did not think he was good for \$250,000. Even that is a very grave question. I remember another case, I do not want to specialize it, where subscribers were people as to whom I had grave doubts as to their ability to pay the amount, and yet under the Bank Act I was not clear that I had any right to refuse it. If they subscribe, and if they pay the amount required under the Bank Act I doubt whether I would have any power to go ahead and say, "I will not give the people this certificate because John Smith is not able when the time comes to pay". I had grave doubts in that particular instance, and it worried me a great deal, but I do not think the Bank Act gives any discretion to refuse on that ground.

Q. What happened in this case, according to the evidence, is the provisional directors endorsed these notes; Travers went to the Trusts & Guarantee Company and borrowed \$80,000, I think it was, hypothecating the notes; then that they used the money, not applying the proceeds to each note, but applying them indiscriminately—perhaps not entirely indiscriminately—but applying some of the money in payment of stock for which no notes had been given at all, and then the money was returned as soon as it was got back from the Department. Travers does not appear to have been confronted with the specific charges that had been made so far as your evidence has gone? A. You say with specific charges; what do you refer to—the Leighton McCarthy letter?

Q. Yes, and perhaps I should not say specific charges, general charges, Sir Edmund Osler? A. They made no charges; that is my position. Sir Edmund Osler's attitude was not one of making charges against the concern at all; his attitude was precisely that of my own, "While I am sorry this thing is going on, Mr. Fielding, you and I agree that it is a misfortune, but there is nothing we can do to prevent it". He did not pretend to give any ground upon which the granting of the certificate could be refused. My attitude from the beginning was I was anxious, not because I had any reason to anticipate any fraudulent proceedings, but simply and solely because I thought a lot of these small farmers were making a mistake, and if I could have stopped the thing at any moment I would have gladly done it. On the other hand, as this thing was largely composed of farmers, if we had refused to give them a certificate, they having given us the same evidence or better than we had received in former cases, there would have been an outcry at once that we were trying to stifle bank competition, and trying to play into the hands of what is called sometimes a dangerous monopoly and refusing to allow competition. I did not want to give a lot of people in Canada the opportunity to say the Farmers Bank put up their money, they provided the same evidence, they made their affidavit, they did everything that ever other bank had done before and yet the Finance Department refused to give them a certificate; I did not want that position to be held.

Q. Is not there a weakness in the Bank Act if it be that a certificate obtained by fraud cannot be recalled, some step taken? A. I think in the light of this experience it would be well that that should be distinctly dealt with. It might be suggested that though the certificate be granted it should not be acted upon for a certain period during which there would be an opportunity for investigating.

Q. The meeting was called, the shareholders had notice of what was going on, it is a wonder how they were so dull to their own interest? A. It appears to have been quite a large meeting.

Q. I fancy it was mainly proxies? A. I think it states there was quite a number present.

MR. HODGINS: Quite a good-sized meeting; they had no voting power as against the proxies? A. There is nothing to show there was any conflict between

those present and the proxies; there was no evidence that came to me that there was any internal trouble.

MR. COMMISSIONER: Do you think it is possible that Mr. Calvert may have introduced Travers to you and you not have had time to talk to him at all, and then Travers came again? A. No, my lord.

Q. I do not think it is very important, except as reconciling the two statements? A. I had quite forgotten that Mr. Calvert did bring Mr. Travers, but I remembered it afterwards that he came to the office and introduced Mr. Travers and I do not think he remained during the interview; I am certain Mr. Calvert never figured in the matter in any shape or form except as to that incident. Whether Mr. Travers had one or two interviews is no earthly matter, although as a matter of fact I am sure he only had one.

MR. HODGINS: It all has a value in determining the weight to be given to the evidence of the various witnesses. There is something you said I did not quite understand; do I understand from you that if these notes had been given and had been pledged and the money raised upon those notes and paid into the bank to the credit of the Finance Minister that there was no objection to that, unless there was the further agreement that it should be returned to the lenders immediately after the certificate was granted? A. That is dividing the thing perhaps into two parts; I was dealing rather with the question his Lordship asked me, and I said there was no reason why a man should not give a note for raising money to put into the bank; the only illegitimate part would be if he had an arrangement whereby he was afterwards going to get that money out of the bank. I think if John Smith had given a note, being a subscriber, and raised that money and then paid in good faith into the Farmers Bank nobody could raise any objection; the fact that he raised money on the note would not be doing anything wrong.

Q. Who raised the money? A. The subscribers.

Q. His own note? A. Yes.

Q. I thought you indicated there was no objection to the provisional directors raising money upon notes? A. No, if you inferred that I was mistaken; that would be quite wrong; but the greater wrong would be if they bargained to afterwards have it turned back out of the bank.

Q. If this minute had been brought to your notice and you knew it had been acted upon, would you have felt that the certificate should be refused: "That the provisional directors execute a power of attorney to W. R. Travers for the purpose of endorsing all notes in their name as provisional directors and of signing their names to a note or notes for the purpose of raising funds to put up the deposit with the Government; and we authorize the secretary to hand over all notes to W. R. Travers for that purpose"? A. What are you reading from?

Q. The provisional directors' minute. A. Certainly if that had been brought before me, I do not think I would have been willing to issue the certificate; I should say not.

Q. You said I think in the House that you cross-examined Travers; you explained that you did not mean that technically, but that you did question him? A. I questioned him, yes.

Q. Did you question him upon the way in which the money had been raised to put into the bank? A. In general terms, yes, not as to individuals or details. I said my discussion with Mr. Travers was exactly along the line of my letters to him, that gossip had said that sometimes these promotions had been made in that way and I wanted to be assured there was nothing of this kind in his case; and he gave me to understand it had not taken place.

Q. The intention of putting it in your letter that it had been represented in some previous instances where the application was regular, there was actually an evasion of the act, was that put so as not to offend his feelings? A. Possibly that entered into my mind, but for the last year or two it was the gossip in bank

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circles that that is the way promotions were being managed; and Mr. Travers, having filed his affidavit, and being a man of good repute, I would not like to reflect upon it and my conversation with him was to make assurance doubly sure; it was not that he could add anything by personal testimony to what he had already sworn, but as he was there I had the discussion with him on the general terms.

Q. Was the reference that the provisional directors had raised money or Travers? A. It was only in a general way, whether subscriptions represented *bona fide* subscriptions or money that had been paid up—there was no reference to Travers or the provisional directors, and as it was only confirming what was in the affidavit it would not go into the details.

Q. The affidavit only says that the shareholders had only paid up so much? A. The list went on to say they had paid up in cash the specified sum.

Q. Looking at section 15 of the Bank Act: "The Treasury Board must be satisfied that all the requirements of this Act and of the special Act of Incorporation of the bank as to the payment required to be made to the Minister, the election of directors, etc., have been complied with". There does not appear to have been the practice of requiring the proof of election of directors to be certified by a production of the minutes? A. I do not think it is mentioned in the Act.

Q. It simply says the requirement of the Act as to the election of directors? A. Yes, there was no question as to the election of directors.

Q. They were to elect such number of directors duly qualified under this act? A. Yes,—do you refer to their qualifications?

Q. Yes? A. I do not think it has been customary to make any special investigation of that character, and the Bank Act does not contemplate it.

MR. COMMISSIONER: What did Travers' declaration say about that? A. He states in section 10 of his affidavit that they are qualified.

MR. HOPKINS: "Duly qualified under the Bank Act to hold office until the annual general meeting"? A. I remember one case in which we found a director was not qualified because the shares were held in the name of the firm, and therefore they were not his individual property, and that had to be made good; but not in this bank.

Q. I think I touched on this this morning; it may be of general interest; there is no machinery apparently for investigating the acts of the provisional directors; what they had done with the money and how much they had spent on it before coming to the Treasury Board for a certificate; in this case they spent about \$40,000 of what they had raised; they had only \$150,000 left out of the \$200,000? A. I think as a result of that in the draft of the new Bank Act which I introduced into the House there is some provision guarding against that. There are several things which we have learned from our experience in this case which will be found in the new Bank Act as laid before Parliament.

MR. COMMISSIONER: This bank started at first with paying 5%, and then paid 10%, and, according to Travers' statement, finally agreed to pay 15% commissions on the subscriptions obtained, and whether it was paid for by cash or by note, these commissions were payable; what do you understand as to whether that is a legitimate expenditure? A. That is one of the difficulties with bank promotions, especially where they are not finding a ready response to the movement; they have to canvass almost like life insurance companies to get subscriptions and they have to pay excessive commissions. That is one of the things in the new Bank Act we are seeking to guard against; it is an evil against which the public should be protected.

MR. COMMISSIONER: There was nearly 10% of the amount subscribed spent in preliminary expenses. Does Parliament pay any attention to the men who are behind an application for a charter for a bank? A. As a rule, people coming and seeking a bank charter always find some members of Parliament to stand up and guarantee their good faith, and eminent respectability. There is no machi-

nery whereby you investigate. During the last two or three years or longer I was beginning to put on the brake a little more and trying to get a little more information; I do not know that we were very successful. Whenever an application is made we find the Member of Parliament in charge of the Bill, or some members of Parliament from the section of the country where the gentlemen live will come and guarantee these are eminent gentlemen; that there is great need of banking accommodation; that the financial needs of the community are not met, and so forth, and it is a difficult matter for the Banking and Commerce Committee.

Q. They may be respectable men and yet no more fitted to manage a bank than run a circus? A. It is quite true.

Q. The good sense of Parliament—? A. Well, the good sense of Parliament would be "If Smith, Brown or Jones want to put up their own money and give it to these men to manage"—you cannot always supply good judgment to the man who has not any. After you have done all you can there will still be much that will be left to the individual judgment and responsibility.

Q. You would not give a charter to men to build a railway that you knew were simply stock jobbers and promoters? A. Do you think it has never been done?

Q. I would not say that? A. It is very difficult for a committee to sit in judgment upon men who come before them representing that they are going to do some good and holy work in the community and stand up and tell those men they are not to be trusted. You insult them, and the members of Parliament and the community in which they live. You cannot do it very well. But if the thing looks all right on the surface you are bound to give them a charter.

The Commission adjourned at 4 p.m. to meet in Toronto, June 12th, 1912, at 11 a.m. at Osgoode Hall.

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Toronto, June 12th, 1912.

The Commission continued its sittings at Osgoode Hall, Toronto, at 11 a.m.

PRESENT:

HON. SIR WILLIAM MEREDITH, Commissioner;  
FRANK E. HODGINS, K.C., and J. THOMPSON, K.C., representing the  
Dominion Government;  
I. F. HELLMUTH, K.C., representing the Trusts & Guarantee Company.

JAMES JOHN WARREN, Sworn, Examined by:

Mr. HODGINS: At the close of 1906, were you connected with the Trusts & Guarantee Company? A. I was.

Q. In what capacity? A. As managing director.

Q. And a seat on the Board? A. Yes, sir.

Q. Were you in full charge of the financial operations of the company? A. Under the Board.

Q. Would any important transaction take place without your knowledge? A. No, not unless I should happen to be away, and I was not during the course of this matter; I was there all the time.

Q. You finally did make an arrangement with Mr. Travers about an \$80,000 loan? A. Yes.

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Q. What course did the matter take, how was it opened up with you? A. Mr. Stratton brought Mr. Travers into my office some time in the fall of 1906, and he said he had met Mr. Travers at the King Edward Hotel; Mr. Travers wanted to get a loan, of, I do not know whether the amount was mentioned in the first instance or not, but a loan in connection with the organization of the Farmers Bank. We had quite an interview, the three of us in my room in the Trusts Company. Mr. Travers, whom I had never met before and never heard of before, told me he had been connected with the Merchants Bank for I think he said 20 years, or something like that, in a managerial capacity. He had a letter from Mr. Fish as to his relations with the bank when he left. He said he had been retained or engaged by the provisional directors of the Farmers Bank quite recently to complete the organization of it. He said the bank had been in process of organization for some time; it is a long time, but my impression is he said a year or more; that his predecessors in the position of, I do not know what you would call him, the manager of the organization, whatever they were, had spent some \$50,000 of the bank's money in connection with the organization of the bank. He said he wanted to obtain a loan of \$80,000 for the purpose of replacing this \$50,000 that had been expended, and the remainder was going to go towards the organization purposes of the bank. He said that he had purchased or agreed to purchase from the provisional board I don't know how much of the notes of the subscribers— I think it was in the neighborhood of \$100,000—and he had bought those at par, and that he wanted to borrow \$80,000 from the Trust with which to partially pay for these notes. I understood that he had provided the difference himself. He looked to me to be a man—

Q. What difference do you mean? A. The difference between the par of the notes, the \$100,000, and the \$80,000, the amount of the loan.

Q. That he was providing that himself? A. Yes, he gave me that, that the difference between the \$80,000 and the \$100,000 he was providing for himself. He seemed to me to be a man of some standing and he impressed me very favorably.

Q. Were these statements made by him in the presence of yourself and Mr. Stratton? A. Yes, we were all there.

Q. Did Mr. Stratton seem at all surprised at the statement or question it in any way? A. There was not anybody surprised.

Q. The statement was that \$50,000 had been expended by the provisional directors? Yes, I would not say \$50,000.

Q. About? A. Yes.

Q. And that \$30,000 was still to be expended in and about organization? A. No, he wanted that in connection with the organization of the bank.

Q. What is the meaning of that? A. He did not tell me how much money the bank had and how much money the bank needed. The transaction, as far as I was concerned, was simply a loan to him to enable him to pay the bank \$80,000 on account of these notes which he had purchased.

Q. But the explanation of the \$30,000? A. There was not any specific explanation about that. The only statement he volunteered was that he had been called in—

Q. Did you get the impression from him that \$50,000 had already been spent, and that \$30,000 more would be spent in the organization of the bank? A. No.

Q. What was your understanding of the matter? A. My understanding was the \$50,000 had been spent by his predecessor in connection with the organization, that he had been called in at the last moment by reason of his experience to put the organization through.

Q. What about the \$30,000? A. Difference he was using to pay up the balance, it was part of the \$80,000 which he had purchased.

Q. What was the \$30,000 for, did you understand it was on account of organization? A. No, I did not say that; I said in connection with the organization of the bank.

Q. Had you any understanding what he meant by that? A. No, I did not give it any serious consideration. The first question with me was we did not have the money to lend him and I told him so; and he said he had offered it to one of the banks and he had offered it to another Trust Company and he had not met with success. He said the banks were unfriendly, did not want any more banks and so on; I mean to say it was not a case of my telling you this or you must not say it or this is a great secret or anything of that sort. He says "I have been to this bank or to this Trust Company and Mr. Stratton has brought me in here to you."

Q. Had Mr. Stratton arranged he would have the loan? A. No, the matter was entirely at large. I do not recollect that Mr. Stratton said very much except of course he was present and he may have said something in connection with the matter, but of course Mr. Travers did most of the talking because he was telling us what he wanted. I told him we had not the money and we could not make the loan.

Q. Did it drop there? A. No; he then said, "Perhaps you could get the money; if you can get the money I will allow you a commission of \$1,000; I am willing to pay 10% interest for the use of the money while I have it."

Q. How long was he going to use the money? A. He said he could pay it back within I think thirty days or forty days; it was a short loan.

Q. Do you remember when the interview was? A. I cannot do that, but I should say it would be a week or ten days before the advance was actually made.

Q. The 11th October is the date of the letter in Mr. Stockdale's handwriting connected with it, setting out what the terms were? A. Have you that letter?

Q. Yes? A. May I see it?

Q. Yes? A. The negotiations lasted over a week. I should say from these two letters which are exhibit 43 that the interview, the first interview with Mr. Travers, would take place either very late in September or very early in October 1906. There was quite an interval between that time and this time, because this letter was written when I got the \$55,000 from the life insurance company. They were expecting interest and I wrote this letter saying he would have to pay interest from this date.

Q. The negotiations lasted about a week? A. I should say so.

Q. At that first interview did you substantially arrange that you would lend the money? A. No, I told him we could not lend the money.

Q. You would not lend it? A. That we could not.

Q. And the matter then went off so to speak? A. He said as I have said, that he would allow us a commission of \$1,000 if we could arrange the loan; and I said I will see if I can get the money for you. That ended the interview.

Q. As a matter of fact how was the money when advanced contributed between you and the insurance company? A. \$55,000 insurance company and \$25,000 from the Trust Company.

Q. Did they get their share of the interest and their share of the \$1,000? A. They got fifty-five eightieths of the \$1,000 and the interest on their money.

Q. I suppose it would be fair to say it was that bonus that attempted the company to arrange the matter? A. I do not know what; I frequently am offered bonuses to arrange loans.

Q. I am asking in this particular instance? A. If Mr. Travers had not offered that bonus, had not offered some inducement, I do not think that as an officer of the Trust Company I would be particularly interested in the matter.

Q. Travers' statement originally to you was that he had purchased notes? A. That he had purchased or agreed to purchase these notes from the provisional directors.

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Q. I suppose that naturally raised a question—you are a lawyer? A. Yes, I still pay my fees and am in good standing so far as I know.

Q. That raised a question in your mind as to the ability of the provisional directors to sell notes given for subscriptions? A. Quite.

Q. Who was asked to advise? A. I raised that question with him. I said, how can provisional directors sell these notes, and how can notes be transferred in this way. Of course I never considered the Bank Act before this matter arose and I thought it better not to do so since; I want to have my mind just as it was when this matter came along; and he said, "Messrs. Urquhart, Urquhart & Company or Mr. Thomas Urquhart had advised on the proceedings which led up to the taking of the notes from the subscribers and the transferring or the purchasing of them by him from the Provisional Board, and that of course Mr. Urquhart is a reputable practitioner, and I thought all right, that is a prima facie case anyway.

Q. Did you during the negotiations at all see the minute book of the provisional directors? A. No.

Q. To ascertain on what facts Mr. Urquhart based his opinion? A. No.

Q. Did you see Mr. Urquhart's opinion? A. I don't think I did; I am quite sure I did not.

Q. Who was called in to advise? A. I called in Mr. W. H. Hunter.

Q. Why was that? A. I thought, and I still think that Mr. Hunter is one of the best corporation lawyers we have in the profession.

Q. Are you giving this as the reason for calling him in? A. Quite.

Q. Was there any other reason? A. Absolutely none. He was not acquainted with Mr. Travers, did not know him from John Smith.

Q. Had he ever advised the Trusts & Guarantee Company before? A. I do not think he had particularly. We had had some business together, but I may say that my policy in the Trust Company is to try and get as many—

Q. I do not want that? A. You want the reason why I retained Mr. Hunter?

Q. Yes? A. The only reason was I thought he was more or less of a specialist, if you adopt a medical term, and I thought that by giving him this work that he would become friendly to the Trust Company and would reciprocate; that was the policy I pursued.

Q. You did not know he had any connection with Travers in any way? A. He did not have.

Q. You did not know he had at that time? A. No, I did not know it.

Q. When you say he had not are you quite sure of that, on what do you base that? A. I introduced them.

Q. Introduced him to Mr. Travers? A. He met Travers in the course of the—

Q. I would like to clear up this point; who explained to Mr. Hunter what the transaction was or was to be? A. As I recollect my instructions to Mr. Hunter, of course, you are getting ahead—

Q. When Hunter came to be consulted, who described to him what the transaction was to be? A. I did.

Q. Then afterwards you introduced him to Travers? A. Yes.

Q. What were your instructions to Mr. Hunter? A. My instructions to Mr. Hunter were to examine the proceedings of the Farmers Bank Provisional Board and to advise me whether if we loaned this \$80,000 to Travers on the security of these notes we could have a security which we could enforce against the makers of the notes.

Q. Who were you lending to? A. We were lending to Travers personally; we had not recourse against the bank.

Q. I suppose you could hardly have recourse against the bank; it was only in the hands of the provisional directors at that time? A. That is all right, but—

Q. Did you realize that you could not have recourse against the bank? A. I did not realize it, because it was so stated by Travers. He said he had taken these notes without recourse to the bank, he was borrowing on them on his own security, on his personal security and the security of the promissors.

Q. Did he show you the notes? A. Yes.

Q. My recollection is they were without recourse, as against the provisional directors? A. Endorsed without recourse?

Q. Yes? A. You have them. They were returned; they were all paid in due course; I suppose they are in the hands of the promissors now.

Q. You were dealing with Travers? A. Personally and exclusively.

Q. And because you did not think that you could get recourse against the bank under the circumstances—A. I did not think anything about it; he said when he came in there was to be no recourse against the bank. He said he had purchased these notes and the bank were not in any way responsible for the transaction.

Q. How did the question of recourse against the bank come up? A. He brought it up.

Q. Volunteered it? A. Yes. I fancy when the endorsement would come up without recourse that there would be probably something said at that stage.

Q. Did he have any of the notes with him? A. Not at first, no; he did not bring in the notes until I had arranged the loan.

Q. Perhaps you could tell us a little more how the loan came to be arranged? A. He went away after he had offered this commission, and the next day or the day after I thought of the insurance company—there is no use mentioning names.

Q. No? A. I am here, and there is no use in spreading it any farther; and I went over to the insurance company and I saw the general manager and I told him everything that Travers had told me, including that we were offered this commission of \$1,000; and he said that he would lend the money.

Q. As a matter of fact, he lent it to you and not to Travers? A. Nominally that way, not really; what happened was, he was going to take the entire loan of \$80,000 and he was going to allow us something out of the commission; that was our sole interest in it; but he telephoned in a day or two later and he found he could not spare more than \$55,000. He said if we would provide \$25,000 his company would provide \$55,000 and we would divide the commission in the proportion of 55 and 25. That would be the transaction; and I called my Board together and submitted the matter to them and they authorized the loan of \$25,000; and that is the transaction.

Q. Your Board had a report from you? A. Yes, it was done on my recommendation.

Q. Was your report in writing? A. No, never is; I am at the meeting.

Q. What did you report to them? A. I asked for authority to make the loan of \$25,000. It seems to me I discussed it with the Executive Committee before; I do not do these things off my own bat.

Q. I ask you what you said? A. I said I thought the security was ample. We had Mr. Hunter's opinion and we had the notes and I investigated the security and I thought it was perfectly safe; and we made the loan.

Q. Are those two documents before you, exhibit 43, the only documents connected with the loan? A. Yes, sir, as far as I know, except the call loan agreement which he signed; he signed a call loan agreement.

Q. Have you a recollection of that? A. Absolutely, yes.

Q. It has not been produced in any of the proceedings in Court, either of the Farmers Bank or on any of the trials, no one has suggested it till Mr. Stockdale was in the box? A. I will tell you why I recollect it so clearly is the original transaction was to be a loan just on the notes and I had some doubt as to whether or not the company could legally loan upon notes, by simple endorsement, and I remember very well Mr. Hunter and Mr. Travers being in my office

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one evening and I brought this matter up to Mr. Hunter, and I said, "Now, while this thing may be all right, don't you think that it would be better if we put this in the form of a call loan agreement?" Of course that made the loan payable on demand. Mr. Travers immediately objected and got angry and said that was not a fair deal; and Mr. Hunter spoke to him and said there is nothing in that; Mr. Warren simply wants to have the security in legal shape; and he said there is no objection that I can see to signing one of their blank form call loan agreements, and I am perfectly clear as to that happening because it was the first time I ever saw Mr. Travers angry, and I think perhaps the last, but I am quite sure that following that a call loan agreement was prepared and signed by Mr. Travers pledging the notes to the Trust Company.

Q. And that is what Stockdale must have meant when he says the hypothecation agreement? A. That is a more elaborate term.

Q. It is the same document? A. There was only the one document.

Q. It was just making the loan of \$80,000 to Travers upon the security of certain notes? A. Yes.

Q. In the ordinary form? A. Yes.

Q. We could get one of those forms in your office? A. You could.

Q. Would it be in the same form as the \$20,000 loan agreement? A. I think so. I know some years after we changed the form of the agreement. We had our call loan agreement revised some years ago, but I think it is the same form that we used at that time.

Q. This is the \$20,000 one, Exhibit 49? A. Yes, that is the form. There is no doubt whatever that Travers executed a call loan agreement with respect of the \$80,000 loan on the same form as that (as Exhibit 49).

Q. It would run the holder of so many promissory notes? A. Yes, the notes would be identified. You notice that is payable on demand under its terms.

Q. Yes? A. I am just trying to show the situation.

Q. What has become of that? A. I should say that, following our usual practice, we would hand it over to Mr. Travers when the loan was paid off. We do not keep the call loan agreements after they are paid off.

Q. That may be so; we have been unable to trace it? A. I would be very glad indeed to help you in any way.

Q. Look at this list of notes which has turned up since Mr. Stockdale was examined and tell me if that is the list that was made out at the time? A. I cannot tell you that; I should think so. Somebody has put in green pencil. "Trusts Company list". This looks as if it were a carbon copy.

Q. Did you use a green pencil in your office at that time; would not that indicate that you had written it on with an office pencil? A. That is not my writing and I don't know whose it is.

Q. This list of notes at all events totals up to \$100,955, which is the amount in that letter, Exhibit 43? A. That is Mr. Stockdale's letter. I have no doubt that that is the list but I cannot identify it.

Q. I would like to know if you can tell me what that \$32,300 is at the end; it says less \$32,300? A. I should say (this is a guess, but it is an honest one) there is a note here February 26th, 1907, "Less list attached", that would indicate that on the 26th February, 1907, we handed over to Mr. Travers or somebody representing him \$32,300 of this paper.

Q. What do you say about this list; there is produced the letter of the 11th October, 1906, stating that you have security upon \$100,955 of notes and there is a list totalling up exactly that amount endorsed as the list of the Trust Company, what do you say about it? A. I say I think that is the list of the notes.

Q. There is no objection to marking it as an exhibit? A. I do not know if there is or not.

MR. COMMISSIONER: Let it be marked. You say you think that is the list but do not prove it.

EXHIBIT 76: List of notes left with Trusts & Guarantee Company, totalling \$100,955.

MR. HODGINS: You do not throw any doubt upon it being the proper list of the notes? A. No.

Q. You told Mr. Hunter to go through the provisional directors' proceedings and he advised you? A. I told Mr. Hunter what I wanted to know.

Q. Am I right in that? A. I do not remember telling him to go through anything in particular; I told him to examine the proceedings and tell me whether Travers had the right to pledge the notes.

Q. Examine the proceedings? A. I do not say I used those words.

Q. Having told him that, did you describe the transaction to him? A. Just as I have told you to-day.

Q. You were lending on the notes? A. Yes.

Q. The whole question of Travers' title to these notes? A. His right to pledge them.

Q. There was nothing else in controversy? A. No.

Q. No other security, nothing else? A. No.

Q. What did Mr. Hunter report to you? A. Mr. Hunter reported to me that Mr. Travers' title was sufficient to enable the Trust Company to proceed against the promissors of these notes in case of Travers' default to repay the loan, and that no successful defence could be raised to an action on these notes by the Trust Company.

Q. Did he give you his reasons for that? A. No.

Q. Did you discuss his views? A. I did not; he was our solicitor and I did not.

Q. I want to know if you discussed his views? A. No.

Q. Of course you explained to him that this was intended to be used to complete the Government deposit? A. I did not.

Q. Why not? A. I do not know why I should, it was not; it was intended to be used to enable Travers to pay for these notes; there was nothing said—

Q. Nothing said about the Government deposit by Travers to you? A. I do not say that; that is not your question.

Q. Was there? A. Yes; Travers must have spoken about his Government deposit.

Q. And that this was intended to make up the balance he had to pay in? A. No.

Q. Tell me what he did say? A. I have told you the \$80,000 was intended to enable him to pay for the notes which he had purchased from the provisional board.

Q. What I am asking is what was said by him about the Government deposit?

A. He simply said he had to make this Government deposit.

Q. I understood this was going to make up the Government deposit. A. No.

Q. That he was going to so apply it? A. No.

Q. What did you suppose he wanted it for? A. It was going to be used in connection with the organization of the bank, but so far as we are concerned it was not going to create any Government deposit.

Q. I am asking whether you were not aware that he was going to use it in connection with completing the Government deposit? A. I have not any doubt he was.

Q. He told you that? A. I do not think he told me in so many words.

Q. At all events, you knew it? A. I do not say I knew it; the transaction was presented in that way.

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Q. He either told you or did not, or you knew it or did not. I do not think there is any matter of difficulty? A. There is no difficulty in my mind.

Q. What did he say to you about it? A. I would like to answer you yes or no, but I am afraid I cannot. When he applied for the loan I thought we would make the cheque out for the \$80,000 and he would take it and pay it to the Provisional Board and then he would become the absolute owner of these notes, and when we came to make the advance at his request the cheque was made payable to the Bank of Montreal in connection with his deposit for the Government.

Q. At that time you must have known that was its destination? A. Yes.

Q. And the money you were lending was being used to complete the Government deposit? A. Yes.

Q. You say that was at his request? A. Yes, it was not at mine.

Q. Did he make the request without giving the reason? A. He said it would save bookkeeping entries, that was all.

Q. Was that the whole explanation? A. Yes. When we came to make the advance I said to him how will I make this cheque out? He says, "you might just as well make it out to the Bank of Montreal. If I take it and give it to the provisional board they will have to issue their cheque".

Q. You were naturally anxious from the Trusts & Guarantee Company's point of view to get a good title to those notes? A. I had Mr. Hunter's opinion and I had the notes.

Q. You wanted a good title to the notes? A. I had a good title to the notes.

Q. Not before you advanced the money? A. When I advanced the money.

Q. You said the original idea was to advance it to the provisional directors? A. No, I did not—

Q. Advanced it to Travers so he could go up and pay it to the provisional directors and thereby acquire an undoubted title to the notes? A. I did not do anything of the kind.

Q. Then what did you say? A. I said the original transaction was that he would pay the \$80,000 to the provisional board as part payment of the notes which he purchased.

Q. So as to what? A. So as to enable him to pledge them to us.

Q. That being the view I take it that you had taken on what the transaction should be, was his suggestion that to save bookkeeping entries it was to be made to the Bank of Montreal, sufficient reason was changed? A. Well, I do not know; there are two ways of looking at it. I thought it was reasonable or I would not have acceded to it.

Q. Did you think it was reasonable or did the question come up? A. Yes; we frequently loan a certain amount of money to a borrower and he comes down and says: "Make that payable to John Smith"; we frequently do it.

Q. I do not want to get into generalities; this is a transaction which was a comparatively large amount, of which you had full knowledge; you were advised that he could make good title to the note, that is what you were anxious to have as against the maker? A. Yes.

Q. You think that his suggestion to make it payable to the Bank of Montreal, in order to save bookkeeping entries was sufficient in view of your anxiety to get a good title? A. I was not anxious about it; and he asked me to do it and I did it, the same as I did many other things for him. I trusted the chap absolutely. He appeared to be a man in good standing; it never struck me to be unreasonable.

Q. Did you see the notes? A. Yes, I went over the notes.

Q. Did Mr. Hunter report to you that the provisional directors had endorsed them to Mr. Travers for the purpose of raising the loan? A. I do not think it was as definite as that.

- Q. Have you got a copy of the minutes of the provisional directors? A. No.
- Q. Did you ever get any written opinion from Hunter? A. No, and I never got a bill of costs.
- Q. Did you ever know as to the resolution of the provisional directors? A. I did not; I never knew anything about the proceedings of the bank until this unfortunate matter went wrong, and then I got a lot of views.
- Q. Were you present during any interview between Mr. Hunter and Travers before the loan was put through? A. Yes, several.
- Q. What discussion took place between them, what explanation was given by Travers? A. I do not think there was any. My impression is that Hunter and Travers and I were in the office together several times before the loan was made. Of course Hunter's investigation or examination took place in the office of the bank and he went down; (that is my recollection of it) he went down and examined everything that was necessary to be able to advise us that Travers had the right to pledge the notes.
- Q. That is you left the legal responsibility to Hunter entirely? A. Yes, to Hunter.
- Q. And he did not disclose to you if he saw it, what the provisional directors had done with regard to the endorsement of these notes? A. No, never did, and I did not ask him; I do not mean to say he was asked anything that he did not— if I had asked you to advise on something—
- Q. Do not please get off into hypothetical cases; you left the legal responsibility to him and he did not tell you if he knew of it anything of the provisional directors' actions. Had Hunter discussed the position of the shareholders, the subscribers, in relation to their shares that they had subscribed for and out of which these notes arose with you? A. No.
- Q. Did that phase of it occur to you, that if you had a good title to these notes as against the shareholders that they would be entitled to claim that their shares were paid up? A. I do not remember that I considered that.
- Q. Did Mr. Hunter ever suggest that to you or discuss it? A. I do not think so.
- Q. You say you did not look at the Bank Act then? A. No.
- Q. Did you discuss the terms of it with Mr. Hunter? A. No; I have no interest in the bank.
- Q. You knew of course that deposits had to be made with the Government before they could call their meeting of subscribers? A. I think I did. I should say so.
- Q. And that when the deposit was made the subscribers would meet and elect their directors? A. I do not think I knew that.
- Q. You understood that the organization—? A. Would proceed.
- Q. Would proceed? A. Probably.
- Q. And the permanent directors be elected? A. I do not know that; if anybody asked me that now as to what the course would be—
- Q. I am asking you, speaking of this transaction, what your knowledge was at the time? A. I did not have any knowledge about the steps that were being taken.
- Q. Did you know anything about what preceded the issue of the certificate? A. No.
- Q. Was the certificate mentioned to you? A. I do not think it was.
- Q. How did you expect Travers to repay this money within the month? A. He said he was going to discount these notes after he got his bank organized.
- Q. Going to get them back from you? A. Yes.
- Q. And part of the arrangement was he was to get them back and discount them and pay you off? A. Yes.
- Q. Did you intend to part with them before your loan was paid off? A. No.

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Q. How would he discount them? A. It would be coincident; he would probably discount part. I did not think he had not any money, you know.

Q. Your money was going on deposit in the Bank of Montreal, and you knew it had to be returned to Travers by the Government? A. Yes.

Q. And that would seem to be the easiest method of getting your money back? A. Well, it looks like that yes, but that is not the way the money came back.

Q. That was the easiest way to get it back, to make an arrangement that he should discount these notes which he had found difficulty in doing with other banks? A. Once his deposit was made and his organization completed he was in a different position; that is what he says; he says he would have no difficulty in discounting them. That sounded reasonable to me.

Q. Did you discuss with him getting it back out of the money that came back from the Government? A. No, we were not going to get it back out of that identical fund.

Q. Did you discuss that with him? A. No.

Q. Did you point out any difficulties? A. No.

Q. And he did not? A. And he did not, and I never knew how much he had, he never told me.

Q. You never found how much he had to put up? A. No, how much cash he had.

Q. How much he had to put up in the Government deposit in all? A. I did; he put up \$250,000, because he told me.

Q. You did not know how much he had of that? A. No.

Q. I thought you understood he was borrowing what he still required? A. No, I did not understand it that way.

Q. You thought he might have to borrow the balance elsewhere? A. No, I did not.

Q. You did not think that? A. No, I do not think that is right to insinuate.

Q. I am not insinuating? A. No, I know you are not, you are suggesting it.

Q. Did you think he had to borrow money elsewhere or that that \$80,000 was all he wanted? A. The \$80,000 was all he asked us for.

Q. That is an answer to the question? A. I do not know what else his needs were.

Q. I wanted you to tell me whether you understood that that was all he wanted or that he was going to borrow money elsewhere? A. I do not think he was borrowing money elsewhere; it was never discussed.

Q. He told you he had been trying to get this from the bank and from another Trust Company and so on? A. Yes.

Q. And were not you aware that if you loaned him this money it would complete his organization? A. Yes, I think I would be aware of that fact.

Q. It was the final step so to speak? A. Yes; he said if he got this \$80,000 he could complete his organization and go ahead with the bank and then he was all right.

Q. Were the notes deposited with you? A. According to that list?

Q. Yes? A. Yes.

Q. Were they deposited before the issue of the cheque? A. Yes, I think so.

Q. Are you sure? A. Yes. Well, I do not know, I have never looked into it, but I assume so.

Q. Is it too long to recollect? A. I have not any recollection about it at all in that respect.

Q. Did you about that time get the notes in fact? A. Why, yes, beyond any question, they were the security.

Q. In view of the arrangement you had made, if I am right in calling it an arrangement, you did after that hand over notes from time to time to Travers? A. I do not think we handed over anything until some time in February.

Q. Were you asked to? A. No.

Q. When your loan came due within a month? A. It was not paid and it was not due in a month; it was a demand loan.

Q. I understand but you took that in that form, but it was quite understood he was to have a month, he was paying \$1,000 and he was to have a month? A. At least, and he had three I think.

Q. To complete his organization; assuming it came due in about a month it would be a little after the 11th? A. It would be, say, the 15th November.

Q. Did he apply either at that time or say in December for his notes back? A. He never asked for the notes not until February.

Q. Did you say to him "Now, you are to discount these notes and pay me off, and I want that done"? A. No, I never asked him for that.

Q. Were you conscious he was paying you back in December? A. He started in to pay back.

Q. Were you conscious of that? A. Absolutely conscious.

Q. You knew he was not discounting the notes to do so? A. He did not say where the money came from, he was not discounting the notes; we had on hand.

Q. Did you know where the money was coming from? A. I did not.

Q. Did you know then? A. It was a cheque of the Farmers Bank.

Q. Did you know it was part of the moneys returned by the Government? A. I did not.

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

Q. Do you know of any other money it could come out of? A. No.

Q. You knew it was not in accordance with what had been arranged as to the discount of the notes, I should think it would have excited your curiosity? A. I do not know, when a man comes in and gives me \$25,000 or whatever it was, I take it.

Q. You might have a feeling of curiosity to know why you were getting it back in a different way than you had arranged? A. I fully expected he would get the notes all at once; I did not know what financial arrangements he had made.

Q. Why was the cheque given in the way it was through Mitchell? A. The explanation is very simple. He came in and said, "I am going to pay you something on that loan" and I said "all right"; he said "I am paying it through the Traders Bank,—some bank—" and he said "I do not want them to think that you are getting any part of their deposit, because they are going to act as the bankers for the Farmers Bank and I propose making the cheque payable to so and so, and he mentioned somebody and having that man endorse it to you". I did not like it, but he had all the time been telling me of the opposition of other banks and of the difficulties he was in, and one thing and another and I said, "I do not suppose we should mind how we get this money, but if you want to do it that way, I would rather have it made payable to our own broker and let him endorse it over to us". I remember very well, he said, "that is better, I would sooner do it that way, because the Traders Bank will think I am buying some stock".

Q. We know just how it did happen and that would quite accord with your evidence? A. There is no doubt how it happened.

Q. I am not going to dwell on it; what was the point that Travers raised about the Traders Bank? A. They were his bankers, and if he withdrew these sums from the account, they would think that part of the deposit was being transferred to us as a savings deposit.

Q. What deposit? A. The bank funds; he was paying it out of the bank funds.

Q. Funds on deposit in the Traders Bank? A. Yes.

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Q. He told you he had got his money back from Ottawa? A. Oh yes; I do not remember his telling me, but there is no doubt he did tell me.

Q. Was the arrangement as to Mitchell repeated on the payment of the second? A. And the third too.

Q. Was that loan paid off in December? A. I will tell you exactly what happened. He paid I think perhaps either twenty-five or thirty thousand dollars first; I never saw any entries in our books in connection with this matter until a year ago last January.

Q. There were three payments? A. He paid that say to-day, and it went through in the way I have said. In two or three days perhaps he paid thirty thousand dollars or twenty-five thousand dollars, in two or three days he paid the remainder.

Q. With interest? A. Yes. When I got the first payment I took it over to the insurance company and paid it to them; I kept the next one, I think it was \$25,000. He made the third payment and I think he made it—I do not remember exactly, but it seems to me he made it in the afternoon. The next morning he came down to me and he said, “now, you have got these moneys and I find that the banks are fighting me very hard; I want to open for business and I want to be as strong as I can; you have got all your security; now I want you to treat those moneys that I have paid you as the property of the Farmers Bank, put them to their credit or its credit, and I want you to extend my loan for a few months for us”. “Well”, I said, “we are not loaning this transaction”—I felt sorry for the chap I was sympathetic, I might have been willing and I was, and I said, “I will have to go over to the Life Company and see them”.

Q. Had you paid the third payment over to them? A. No, we had written out a cheque to them, but it had not gone; that is what the book would indicate. I went over and saw the manager and told him exactly what Mr. Travers had said and he said it was getting on towards the end of the year. I asked him to give us back the \$25,000 or whatever it was we had paid him. They said it was all right, but they had made their arrangements for the close of the year, the 31st December, and they did not want to sell anything or change anything, but that the \$30,000 or \$35,000 the remainder could stand; and I spoke to our executors and told them we would have to assume this deposit, that is the money that the Life Insurance Company had received and let the matter go on, and our people were quite agreeable; the entries were changed; the moneys that had been applied on Travers' loan were converted into the property of the Farmers Bank and I gave him a letter setting out that from the dates these moneys had been received they were the property of the Farmers Bank with interest. The letter is somewhere. He said to me, “now, what I will do is, I will be getting in some moneys myself, and then I have got these notes which will be being paid from time to time and I will deposit in a special account to my credit, my personal credit, funds from time to time and these notes can be applied in reduction of my loan until it is paid off.

Q. His personal account with you? A. He only had the loan account.

Q. Was that deposit with you? A. He was going to open a personal deposit account with us in his own name or money to retire this personal loan.

Q. How long did it take to arrange with the Insurance Company to go over and see them and come back and arrange with your executive? A. I do not suppose I discussed it with anybody except Mr. Stratton; I do not think it would take more than half an hour or an hour.

Q. Was he in town that day? A. I think so.

Q. Do you remember discussing it with him? A. Oh I discussed it with him.

Q. That day? A. Oh I think so, yes.

Q. Then you were going on to say something more? A. When I look at the book I see that he did open the account.

Q. In his own name? A. No.

- Q. In whose name? A. In the name of the Farmers Bank of Canada.
- Q. That was not the arrangement? A. No.
- Q. This loan you said had been a loan to Travers? A. Yes.
- Q. What was said by him about changing it to the Farmers Bank? A. It was not changed.
- Q. Mr. Stockdale says it was? A. I cannot help what Mr. Stockdale says.
- Q. And that he struck out certain words at the top and made it deposit belonging to the Farmers Bank? A. That is not the loan; I think you are confusing the deposit account with the loan account. The loan account was opened in Mr. Travers' own name and continued that way to the end of the chapter.
- Q. When was the end of the chapter? A. I should think some time till about the end of March, 1907.
- Q. The end of the chapter was not on the 18th December, 1906? A. No.
- Q. On the 18th December, 1906, which was the date at which the entries were reversed, was the money put then to the credit of the Farmers Bank? A. Yes.
- Q. Then was Travers' loan paid off? A. No.
- Q. Did you have both a deposit to the credit of the Farmers Bank and the loan outstanding? A. A loan to Travers.
- Q. Outstanding? A. Yes.
- Q. The moneys paid went to the credit of the Farmers Bank and who did the notes belong to? A. Which moneys?
- Q. The moneys which had been paid in those three payments to you? A. Yes, they had been first applied to Travers' loan.
- At Mr. Hodgins' request, the reporter reads the second question above: The moneys paid went to the credit of the Farmers Bank and who did the notes belong to? A. That is a beautiful question.
- Mr. HELLMUTH: That is a double question.
- Mr. HODGINS: All right, split it up.
- Mr. COMMISSIONER: Go on and answer the question? A. The situation was when these three payments came in they were applied on Travers' loan, and Travers came to me subsequently, these credits were taken out of Travers' loan account and were put to the credit of the Farmers Bank of Canada and the moneys represented by those three payments became a deposit of the Farmers Bank of Canada, and then the Travers' loan went back to the condition it was in before the payments were made.
- Mr. HODGINS: Whose were the notes? A. They were Travers' notes.
- Q. In your possession? A. Yes.
- Q. As taken in hypothecation? A. We had not given up our hypothecation.
- Q. You did not take any new one? A. No.
- Q. I suppose you thought it a little peculiar that just the day after he paid the thing off he should want to put it on back in a different form? A. Yes.
- Q. Were you satisfied with his explanation? A. Yes, or I would not have given the letter.
- Q. What did you know about Mr. Knight coming up? A. I do not think I knew anything about Mr. Knight.
- Q. Did he tell you Mr. Knight had been there worrying him? A. I do not think so; his language was general; he said he was going to open the bank and the banks were making trouble for him and he wanted to open strong.
- Q. Did not he hint in any way or suggest that the Canadian Bankers' Association were giving him trouble and he wanted to show them that? A. I do not think he was at all specific. My impression is—it is a long time ago—my impression is he just said he was going to open up and the bankers were making trouble for him or were going to make trouble or were liable to make trouble and he wanted to open strong.

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Q. Is this letter I show you a copy of the letter, your original was dated December 18th (Exhibit 56)? A. I think that is a duplicate of the deposit receipt that I gave him.

Q. He took it away with him? A. Yes.

Q. You got nothing from him in writing? A. I do not think so. You see the transaction reverted to its original form.

Q. Was that a usual sort of thing to do? A. No.

Q. Suppose he afterwards denied and said he paid it and you had no claim on him, no claim on the notes, where would you have been? A. We had the notes.

Q. Suppose he made that claim? A. I never thought of that; I never thought of Travers in any way but as an honorable man; he never made me a promise he did not keep.

Q. Even with honorable men you would take some document of some kind to indicate what the transaction was really? A. I had the notes and the transaction showed.

Q. That is all you can tell us about it? A. Yes.

Q. You won't go any further as to what he said to you about Knight or the Canadian Bankers' Association? A. I cannot say anything more than I have said.

Q. Had he borrowed more money from you than \$80,000 up to that time?

A. He had borrowed \$20,000 some time later in October.

Q. What was that for? A. Between the time of our loan or the first loan of \$80,000 and the second advance the Ontario Bank failed, and that upset everybody's calculations for a time. He came to me, I should say perhaps two weeks after the \$80,000, I don't know exactly, and he said one of his subscribers had promised him \$20,000 in cash, and I think he said his name was Devean, I am not sure, but I think so; he said Devean had subscribed for the stock and he had a lot of securities which he expected to sell and was going to sell, but on account of the failure of the bank he could not market the securities at the present time. Travers said he had arranged with Devean to take the securities over and that he, Travers, would pay up Devean's subscription in full, he borrowing the \$20,000 on the securities himself, and he brought me in, I do not know what they were now, I think they were some Canadian—

Q. It is all set out in that loan agreement? A. Yes; and we loaned \$20,000 on the security of that stock.

Q. Who did you loan it to? A. To Travers.

Q. Both these loans appear to have been specifically to Travers? A. There is no doubt about it.

Q. You had a purpose in that? A. What do you mean?

Q. I mean it was intentionally loaned to him so that it would appear not to be loaned to anybody else? A. I do not know, the loans were applied for by Mr. Travers, the security was provided by Mr. Travers, and I looked upon the loans to Mr. Travers personally and not to anybody else.

Q. How did it come the \$20,000 cheque was payable to the Bank of Montreal? A. At his request, just the same as the \$80,000.

Q. What excuse did he give for that? A. Just the same.

Q. To save bookkeeping entries? A. Yes.

Q. Did you accept that excuse? A. I did.

Q. You got, I think, on that loan some stock and also some notes? A. Yes.

Q. Were any of those notes to the provisional directors, do you remember? A. I do not remember, but I think so; I think they were part of the notes—I do not know—I imagine they were.

Q. Did Mr. Hunter advise on that? A. No.

Q. You took that on your own responsibility? A. I loaned that on the securities other than the notes; I think the security was ample without it.

Q. Some shares in the Dominion Permanent, you knew their value? A. I investigated into the security and I thought it was ample.

Q. That you knew was going to complete the deposit with the Government? A. It was going to make up the deposit; I do not know whether it was going to complete it.

Q. He explained he was unexpectedly short? A. No, he did not say that; he said this man had unexpectedly failed to pay him \$20,000 and this was the way he was going to get it.

Q. You loaned him another sum, \$2,380? A. Yes.

Q. He was at the end of his resources, I should judge, because he pledged you his life insurance payable to his wife? A. I do not know whether he was at the end of his resources, I should not have been surprised that he had been; he had quite a task; I would not have been surprised if he was getting a bit short about then.

Q. Did he apply for the \$2,380 loan? A. I think so.

Q. Did he explain its purpose? A. Yes.

Q. What did he tell you? A. He said Mr. Laidlaw was making trouble for him among some of the shareholders up there in Halton, and he proposed to meet the situation by taking over some of the shares of the people who Mr. Laidlaw had influenced against him and he needed this much money, I think, to take over the shares of the people who were discontented.

Q. Did Mr. Hunter advise in that matter? A. I think he did.

Q. For the Trusts & Guarantee Company? A. Yes.

Q. Why was he called in then? A. I do not know.

Q. He had not been in the \$20,000? A. I do not know, I cannot tell you that.

Q. Was it not for fear of litigation that Laidlaw was bringing, that made you anxious? A. I never was afraid of Mr. Laidlaw.

Q. I asked you if you were afraid of the litigation he was bringing? A. No.

Q. Why was Mr. Hunter retained? A. I do not know except that he drew the assignments of the security, and I do not know why he was not retained in the \$20,000 matter except for the fact that we had these other securities.

Q. I suppose you realized that Mr. Laidlaw's litigation if it went on would prevent the organization of the bank? Did you inquire about it? A. I did not.

Q. Did you see the writ? A. I did not.

Q. Who did you leave that to? A. I did not have anything to do with it; the writ was not against me.

Q. Did you leave that to Hunter? A. No.

Q. What were his instructions? A. He had not any from me.

Q. Was he acting for you? In that action?

Q. Yes? A. No.

Q. In connection with that loan? A. \$2,380? Your question gave me the impression you meant the writ. He had no instructions from the Trust Company or from me in respect of the Laidlaw action.

Q. Not even to look into it from your point of view? A. No, he did not have a watching brief.

Q. I am not speaking of brief at all; it was litigation that was tying up the organization of the bank and you were lending money to get rid of it, and I suppose you instructed him to—? A. We did not lend the money to get rid of the litigation. Mr. Travers said Mr. Laidlaw had made him a proposition, that if he, Laidlaw, was made the solicitor for the bank that his difficulties would disappear. I did not ask Mr. Laidlaw anything about it, but I saw the difficulty. Mr. Travers told me he had refused to make terms with him, and he wanted to

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borrow a few thousand dollars to get rid of the shareholders who had become disgruntled through Laidlaw's interference.

Q. That would have been no interest to anybody if it had not stopped the organization of the bank would it; did you understand that it was standing in the way of the organization of the bank? A. I did not.

Q. Did you understand Travers' anxiety to get the money? A. He did not seem to be very anxious; he wanted to fight Laidlaw, he wanted to kill Laidlaw.

Q. Notwithstanding he pledged his life insurance he did not seem anxious to get the money? A. He wanted the money; I did not see any anxiety about him particularly.

Q. This was an ordinary business transaction as far as you were concerned; he was quite calm and not excited about Laidlaw? A. He was quite calm about the transaction, but he was not calm in regard to Laidlaw.

Q. Did he say to you that Laidlaw was making charges which would prevent him getting that certificate? A. No.

Q. He did not give you any cause of anxiety at all? A. Not the slightest.

Q. You just lent the money? A. Yes.

Q. Did you know that he was so anxious that before you had advanced the money he had actually sent out there to buy them off—the transaction took two or three days to go through? A. I do not remember that. I have no doubt he sent out to these shareholders in some way or another. Mr. Watson was acting for the bank in that matter.

Q. I understand your evidence to be that nothing in his manner or in what he said to you indicated that he was at all afraid of the result of the Laidlaw action? A. He did not give me that impression.

Q. He was mad at Laidlaw himself? A. Yes. I do not want anybody to think that I condemn Mr. Laidlaw for anything; I am just telling you what Mr. Travers said to me, because, so far as Mr. Laidlaw is concerned I have never had anything but satisfactory business relationships with him.

Q. You did not instruct Mr. Hunter to see the action was properly got rid of? A. No, Mr. Hunter did not act for us at all in that.

Q. Just in putting the loan through? A. Except in that respect.

Q. My recollection of Mr. Hunter's evidence is a little different from that, but I am taking your recollection now? A. I am giving it to you to the best of my recollection.

Q. Did you meet Mr. Hunter and Mr. Travers down in Mr. Watson's office at night? A. I think I did; I think I was over there once.

Q. In connection with this suit? A. I think so.

Q. How do you make that agree with what you say, that you were taking no interest in the suit and did not instruct him to see it was got rid of? A. I do not know I am sure; I have a recollection of having been in Mr. Watson's office in connection with it, but I have no recollection of what occurred, and I did not feel I was interested in the matter at all except to still further help Travers in his necessity.

Q. Had you more than one interview at night? A. You mean with Watson?

Q. Yes? A. I do not think I ever had an interview with Watson at night; I think it was in the day time.

Q. Who was with you? A. I think Mr. Hunter, and that is all; I am not sure.

Q. Was the action discussed? A. I think Mr. Laidlaw was more discussed than the action.

Q. Or Mr. Lindsay was? A. I do not think so; my recollection is I never met Lindsay until we both attended Colonel McLennan's funeral at Williamsburg; I did not know him.

Q. Mr. Hunter says his recollection is he met you, and Mr. Travers and Mr. Lindsay, and he discussed the matter; "the question came up who should act and I advised them to go to an independent solicitor and they went"? A. I think I have somewhat of a recollection of Mr. Hunter saying to me that he did not propose to act for the Farmers Bank in connection with this matter. He had been acting for the Farmers Bank; after the loans went through he was retained by Travers and had been acting for the bank in the interval, and my recollection is that he told me that he did not propose to act for them in connection with this matter. He would tell me that I suppose in connection with the loan going through; I know, as a matter of fact, that Mr. Watson's firm acted; the record will show.

Q. Mr. Hunter was asked about this litigation this question (page 278): "That was awkward litigation both for the Trusts & Guarantee Company, who had arranged the loan, and for the Farmers Bank, was it not? A. I could not speak as to the Farmers Bank, but I should not think it would be awkward as far as the Trusts & Guarantee Company are concerned; it was a question of whether they had their security or not.

"Q. Was not your security attacked in that action? A. I do not think so.

"Q. Was it not impeached? A. I do not think so. The Trusts & Guarantee Company were not a party to the litigation." You had only the one interview as I understand it? A. With Travers.

Q. With Travers, Lindsay and yourself? A. I do not recollect Lindsay being present; I do not recollect Travers being there, but my recollection was that Hunter and I had some interview with Mr. Watson.

Q. That, however, you think with Mr. Watson you had in the day time? A. I think so, but I do not want to be too positive.

Q. I think it is Lindsay who gives the account of it, of a meeting at night between himself and you and Travers, and then going down to Mr. Watson's office; I do not think it was at night, I think it probably was the next day; would that occur? A. No, I cannot remember meeting Mr. Lindsay at all; he does not appear in the landscape at all to me until long after.

Q. He did keep in the background more or less? A. I did not put him there.

Q. With the reversal of that entry in December the 18th, the loan to Travers was still left outstanding, according to your contention? A. Yes; it was then it became \$35,000 from the insurance company and \$45,000 the Trusts & Guarantee Company.

Q. You appear to have been paid off, if one may speak of it in that way, some time during the early part of the following year of 1907? A. I think it was some time in March, some time about the end or middle of March; I do not know except from looking at the books.

Q. According to the books, there was a deposit account opened in your books in which the Farmers Bank made deposits? A. Yes.

Q. Were they ordinary deposits or deposits of Farmers Bank circulation? A. They were ordinary deposits, as far as I know, I did not know anything about the deposit of circulation until long after.

Q. Anyway, it appears to have run on till I think April the 8th? A. I do not know.

Q. Mr. Stockdale was examined and he gave us the details of it? A. He is an accountant and I am not.

Q. Were they actual deposits made? A. Oh, yes; that is as far as I know.

Q. Deposits made with you and then were cheques given? A. Yes, you mean cheques drawn against it?

Q. Yes? A. But I think those cheques should have been charged against the deposit account that was made up of those three entries.

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Q. What cheques are you speaking of? A. There was the loan account, and there was the original deposit account of the Farmers Bank made up of those three cheques which you call reversed entries and then some time in January a third account was opened up, Farmers Bank deposit account, and in that account various amounts were deposited, and then cheques were drawn by the Farmers Bank on the Trust Company; those cheques were charged up to that third account; I think they should have been charged to the deposit account because I have said this third account was to have been opened as I understood Travers, in his name, and he was to put moneys in there from time to time and as they accumulated they were to be applied on the loan until it was wiped off.

Q. It would seem to me that in that case the cheques upon that account would have been the proper way of paying off his loan? A. No.

Q. And that was the system adopted? A. No, he withdrew his deposits; I never saw these accounts until—

Q. He did not withdraw his deposit in the sense of withdrawing a cheque against that and getting it out? A. No, I can only tell what I had in my mind.

Q. You think the cheques should have been charged to a different account against deposits? A. It would have left the balance just the same.

Q. The coincidence of course is, it makes up just the exact sum that was required—A. Yes.

Q. Can you throw any light on it at all? A. No.

Q. Who had to do with the chequeing as between the Trusts & Guarantee Company and the bank? A. I do not know.

Q. Were you ever consulted about it? A. No.

Q. Did you know anything about the amount Travers was depositing in that account and the amount of cheques he was giving? A. No.

Q. Or to their application? A. No.

Q. Who knew? A. I do not think anybody knew anything about it till the end of March when they came down and cleaned up the whole transaction.

Q. He was making deposits and then drawing a cheque against it and having it applied in a certain way; who would know about that? A. It was not applied at all.

Q. Then you think nobody would know anything about it? A. If the man has an account with us and deposits moneys and draws cheques against it that is the ordinary course of business.

Q. Who would know that ordinary course of business? A. I do not think anybody would unless somebody wanted an overdraft and then they would not get it.

Q. Nobody but you and Stockdale would know anything about that account? A. We would not know anything about it only when he tried to draw a cheque and we did not have the money; it would only happen in such a case and then the ledger keeper would come to us.

Q. Were any instructions given in the office as to the account? A. Take in deposits and pay out cheques, to that extent; those are general instructions.

Q. Was not the understanding that he was to open a deposit account in his own name and that was to pay off his loan? A. I thought so.

Q. You gave your instructions that money would be received and cheques paid on it? A. Not specifically; those were general instructions.

Q. So that there were no specific instructions which would carry out the arrangement between you and Travers? A. Absolutely none.

Q. Apparently what was done would indicate the way in which the transaction took place between those who dealt with it? A. I do not think there is anybody, to be perfectly fair, I do not think there is anybody in the Trust Company knew anything about these accounts after the time that the special deposit account was opened for the Farmers Bank.

Q. Did you look into the books at any time? A. Never.

Q. Did you know when he paid out of the so-called deposit? A. I think I was in the office in March when he came in and gave a cheque and cleaned up the three accounts or four accounts at once, whatever they were; but I cannot recollect what occurred.

Q. Did he pay them over to you? A. I do not think so; I think he paid them off downstairs.

Q. What arrangements were made by Travers as to deposits to be made by you in the bank; there was a matter of fact deposits made by the Trust Company in the Farmers Bank. A. Yes.

Q. Were they accidental or was there any arrangement made before the deposits were opened? A. I do not remember anything special; there is not a bank in town that does not solicit us for some of our money.

Q. I know? A. I cannot remember anything special except I have no doubt he asked if we could not deposit some of our moneys there.

Q. Was there any arrangement made as to the rate of interest? A. Yes, there was an arrangement made whenever the deposits were made.

Q. Who was that made by? A. Between Mr. Travers and myself.

Q. What was he to allow you? A. I cannot remember; the entries will show for themselves.

Q. Whatever the interest is calculated at? A. Yes.

Q. There was an arrangement anyway that the usual rate of interest, I suppose, should be allowed? A. We are having a little difference; it has not assumed a serious condition as to what interest we should allow on deposits; you are not dealing with that—

Q. I say what interest did you get from the Farmers Bank? A. Whatever the account shows, that is what we got.

Q. Is that according to the arrangements? A. Yes.

Q. You deposited some moneys belonging to the Hamilton Estate? A. No, there was no Hamilton Estate, it was liquidator's money.

Q. The Hamilton liquidation? A. Yes, we have accounts with nearly every bank in town; I want to make it clear we did not make any exception in the case of this bank. We have to put liquidator's money in a chartered bank; we spread our favors around in order to get reciprocity.

Q. What was the interest in that? A. I think we were to get 3%.

Q. Does that belong to the company or to the trust? A. It belongs to the creditors.

Q. What would come to the Trusts Company itself would be the interest—? A. On the open account.

Q. That is the case? A. That it is only on open account?

Q. Yes? A. And possibly some of that would be some trust money on which we would have to allow interest.

Q. Contemporaneously with the opening of those accounts was there any account opened by the bank with you? A. I do not know; I do not think it is contemporaneous.

Q. Just about the same time? A. I do not know.

Q. What arrangement did you make with regard to circulation with Travers? A. That was long after, was it not?

Q. After what? A. After the deposit account was opened; I am not sure; I will tell you what the arrangement was: Mr. Travers said to me frequently that he was having trouble getting his circulation out, keeping his circulation out a normal length of time. He said the other banks were unfriendly and that they were in the habit of instructing their branches to send Farmers Bank currency in to Toronto the minute it was received, and then they would combine and throw a large amount of circulation at him through the Clearing House. I do not think at that time but subsequently he told me they opened the Clearing House especially for him one Saturday, hit him for \$35,000.

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Q. Mr. Fielding said the Bankers' Association took him and welcomed him in their arms? A. I am not responsible for what Mr. Fielding said on any subject. We have no currency of our own, no Trust Company can issue currency, but our customers, people having deposits with us come in and draw funds and we were in the habit of carrying from \$5,000 to \$10,000 in cash in our tills so as to pay any cheques that were drawn on us; and having told me of his difficulties with the other banks, he said "You can help me here without hurting yourself." He said, "You can pay out at least a part of your withdrawals with Farmers Bank notes." I said, "All right, glad to help you."

Q. What help did he indicate that would be? As I understand his trouble was the circulation was coming back too quickly through the Clearing House? A. Yes.

Q. How were you helping him in sending out his circulation? A. When we paid it out it did not go into a bank ordinarily. This was his explanation to me, it would go out to John Smith who was a grocer and he takes it up to his store, and he pays it in change to his customers, and they go down to another store and it stays out for five or six weeks before it gets into the Clearing House, and he has to redeem it then. Do you understand the Clearing House?

Q. Yes, sufficiently for this purpose. What was the difference between the circulation he would pay out over the counter and that which you would pay out over your counter. A. No difference at all, except that the volume would be increased by the amount that he would pay out.

Q. That is more circulation would go out through you? A. Yes, and if he had five or ten thousand dollars on deposit with us he could draw it at any moment, which he did; and then on the other hand being in that position he could lend some of the funds, specie and legals and one thing and another which he had in his own treasury at 6 or 7%, relying on being able to get the five or ten or fifteen thousand dollars if he needed it.

Q. In other words the circulation which was deposited with you was put to the credit of the Farmers Bank in your books. A. It was.

Q. And you made use of it? A. Certainly.

Q. That account would be a credit account to the Farmers Bank? A. Yes.

Q. And they could send down and draw on you? A. Yes, draw on us, and we would give them a cheque on the Bank of Montreal, or we would get legals.

Q. I quite understand the benefit of depositing with you in that way? A. Yes.

Q. Have you explained all he explained to you about the alleged benefit by your admitting circulation? A. I think so; it is generally supposed a bank has a decided benefit in being able to have circulation and circulate it. I think the banks would be very sorry if that privilege were cut off.

Q. They have not got far enough to say there is benefit from circulation when some one else comes in between that they deposit it with? A. I think they have.

Q. However, I do not want to discuss that with you? A. Very well.

Q. What arrangement was made with regard to the interest you would pay on the deposit the Farmers would make with you? A. I think we allowed them  $2\frac{1}{2}$  or 3%; I am not sure, but our books show.

Q. Mr. Stockdale says that lasted only for a short time? A. It lasted for quite a considerable time.

Q. How long? A. I do not know; the books will show.

Q. Just as long as the books show? A. Yes.

Q. He was professing to speak from the books? A. Very well.

Q. My recollection is he said there came a time when the arrangement was done away with? A. I went to Mr. Travers and I said "this account of yours is a little too liquid, it is moving too fast, you come down and want five and ten and fifteen thousand dollars sometimes and we have to be ready to give it to you. If you had your account with any other bank you should not get any interest on

it". He said, "no, I would not". I said "why should we pay you interest"? He said, "I don't think you should"; and the interest had ceased.

Q. What do you mean by the account being too liquid? A. I mean to say the payment of interest on the deposit is really based upon the depository having the use of the money for more or less permanent period. If the money comes in to-day and goes out to-morrow or goes out the next day, or if the balance is not settled or more or less permanent, there is no benefit from acting as a clear storage.

Q. The money did not go back to Travers the next day? A. No, the circulation never went back, but when he would come down and ask for ten or fifteen thousand dollars and we gave it to him in legals, it kept this balance bobbing up and down and what I wanted was ten or fifteen or twenty thousand dollars as a permanent balance or more.

Q. And this conversation could not have occurred until he commenced to draw out considerable sums every few days? A. I do not think that, it would depend on how much he would have.

Q. The state of the account generally is this, that these deposits which ran at \$500 and \$1,000 a day would start in and continue and there were only a couple of cheques during the year drawn against that? A. I do not know; that was the conversation I had with him.

Q. Can you place at all when that was, because the account towards the close of the bank's career commenced to get pretty active? A. I may say I was not in the Trust Company at all scarcely; I was away entirely from about the middle of February to pretty well on to the end of March, 1910, and I was away practically from the 1st June to the end of November, in the same year at some special work in the West.

Q. This circulation deposit account commenced in January, 1909, you were there all during 1909? A. Well, I am not seeking to avoid any responsibility and I think the arrangement was made before February of 1910, under which the rate of interest was taken away.

Q. Would it not be shortly before that? A. Of 1910?

Q. Yes? A. That is my impression; my impression is that account ran with interest from the time it was opened for a matter of seven or eight months, but I am not sure.

Q. Do you remember the occasion of getting the account changed into the form of a deposit receipt? A. Do you mean \$120,000?

Q. Yes? A. Yes, I do.

Q. Would that throw any light on the date at which you have had this conversation with Travers? A. No, I do not think so; I think it was quite considerably later.

Q. When the books show that interest ceased, that would be about the date of the conversation? A. Yes, I think so.

Q. And at that time the reason you gave him was that his account was too active, he was drawing too much out of it in legals? A. Not in legals; he was drawing on it.

Q. What did you give him? A. I gave him a cheque on the Bank of Montreal.

Mr. COMMISSIONER: That is plain; he was not leaving a stable balance enough in the company; what is the use of elaborating it?

Mr. HODGINS: As a matter of fact he was leaving it.

Mr. COMMISSIONER: That is what Mr. Warren's evidence is? A. Yes that is my evidence.

Mr. HODGINS: During 1909, of course, you were using the circulation, paying it out over the counter and getting the benefit of it that way? A. Yes, partly Farmers Bank and partly Bank of Montreal.

Q. Before you went away in February, 1910, did you realize that your deposit account with them and theirs with you were just about equal? A. I

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never realized that; they were never interdependent in that way; I do not think we disturbed our deposit account with them at all, and theirs was bobbing up and down all the time.

Q. Are you speaking of your own knowledge? A. No. I am not; that is just the impression I have got.

Q. If I showed you the entries in the book could you tell me anything about it? A. No, they are accurate and what I am giving you is my impression; I never saw the books or the entries until—

Q. You say they were not interdependent in any way? A. Yes.

Q. There was no understanding that one should be kept about equivalent to the other? A. No.

Q. Is there any explanation for the fact that they were more or less so, and that the entries appear occasionally to be related, one to the other? A. I do not know of any explanation; I do not know that what you say is the fact; if it is it is a mere coincidence.

Q. I am asking you if it is so, whether you can throw any light upon it with regard to their depending one upon the other? A. No, there was no inter-relationship like that.

Q. To whom would I apply to know if there was any relationship between the two? A. Nobody, unless to me or to Mr. Travers.

Q. You and Travers? A. I think so. You see he and Stockdale were never very friendly, and the business was usually done between him and me.

Q. Did you then keep any track by looking at the books from, say, month to month or six months to six months, how the account stood, how much he had with you and how much you had with them? A. No, I never checked him up; I thought he was an honorable man and I trusted him absolutely.

Q. Of course you would not want to deposit too much there? A. We would not deposit any more with the Farmers Bank or any less than with any other institution. I did not look up that bank then in any different position than any other chartered bank.

Q. Would you want to know how much you had with them? A. I would get statements, as I usually did, of the amount of moneys we had deposited with different financial institutions; but I did not differentiate so far as the Farmers Bank is concerned.

Q. Then you did not get any details of how much they deposited with you and how much you deposited with them? A. No, nor with any other account; there was no difference.

Q. Was your attitude all through that this bank was perfectly solvent? A. Absolutely.

Q. Absolutely satisfactory? A. Absolutely.

Q. And nothing that Travers said or did threw any doubt in your mind on it? A. No, on the contrary many things that he said and did confirmed me in that idea.

Q. You were friends, were you not? A. We became financial friends; I had never met him, but when I have business relations with anybody and trust him I am his friend.

Q. Did you go into any dealings with him? A. No, never made five cents out of the Farmers Bank.

Q. Accounts ran on in that way and you finally lent him some \$75,000? A. Yes.

Q. Was that the first or was it \$100,000 first? A. That was the first.

Q. Which? A. \$75,000.

Q. What was his need of that? A. He had a branch at Haileybury; he said the Traders Bank sort of seduced his manager and moved the manager and the deposit accounts practically bodily to the Traders Bank in one day, and he

was called on to meet quite a large sum of money unexpectedly. He said he had plenty of money out on call with brokers and others and he did not want to call it, because he did not want to give anybody the impression that he needed any money at all, especially in view of this; he called it piracy, I think he said something like that; and he said he wanted to arrange the loan of \$75,000 on security of, I do not know how many shares, of American Piano preferred, which was a stock selling at, it had always paid 7% interest and sold at somewhere between 90 and 95. He said he did not want all the money; he could take care of a large part of any turned on him, but he wanted to have it there so as to draw on it if needed. I consulted with our people and they agreed to make him a loan, and we took the security and made him the advance.

Q. Cash advance? A. \$75,000 loan, that was the first loan we made to the Farmers Bank.

Q. That was a cash advance? A. That was an ordinary business transaction, cash advance, and that was the explanation he gave me. I found out it was so. Mr. Stratton was connected with the Traders Bank. I told him that the action of the Traders Bank in doing a thing like that was not—well, there is no use mentioning further.

Q. Mr. Stratton was a director of the Traders Bank? A. Yes; he did not know anything about it. I found out what Travers had said was absolutely true.

Q. Was that before the deposit receipt for \$120,000 was issued? A. I think so; I would not be sure; the dates speak for themselves.

Q. What was the next loan? A. The next loan was a loan of \$100,000, with which I had very little to do.

Q. Who had to do with that? A. I may say from the 1st June, 1910, I had for some time very little to do with the management of the Trust Company. I undertook an agency matter of very considerable importance in the West, which necessitated my being out there a good deal, and I was only in the Trust Company at very short intervals; in fact, that is still the condition.

Q. From the 1st of June till when? A. Till the present time. I left Toronto on the 1st June, 1910, and I returned, I think, on the 7th or 8th July, and I was at a meeting of the company I was interested in on the 8th or 9th or 10th in connection with getting out of some securities, and at some time in July Travers came to me—I was over at Niagara having a game of bowls, and I got back and I went to Muskoka and I took a little bit of a rest—I had not had one for four or five years, and Travers came to me some time I think about the 20th of July. He said that the Home Bank had made a wild and unprovoked attack on him down in Lindsay; they had seduced his manager; the manager had moved out with I do not know, eighty or ninety thousand dollars of deposits, and while he was in his employ he had got cheques signed by all the depositors and the first thing he did after he left was to present those cheques and forced Travers to meet some eighty or ninety thousand dollars of deposits without any notice or without any warning or reason. He said he had plenty of money; he was in good shape, but he said a thing like that did not do the bank any good; that he proposed taking proceedings against these chaps, for I do not know what, conspiracy—conspiracy is a charge you can make pretty nearly against anybody—and he said he wanted to get that loan of \$100,000 so as to feel that no matter what came he was all right. He brought in, I think, \$200,000 or \$250,000 of Farmers notes, and told me he had three-quarters of a million more out in his different branches.

Q. That would be a million altogether? A. Yes. I remember he said he had three-quarters of a million more out among his branches, and he wanted to get this loan, and he said later on he proposed to borrow \$100,000 on the security of the bonds of the Keeley Mine. This must have been pretty well towards the end of the month, because I had a talk with Mr. Stratton about it, and we verified

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his statements as to what had happened down in Lindsay, and we agreed to help him; there was not any absolutely definite arrangement about the amount or anything, at least I do not think there was; at all events, we had the notes.

Q. Did he give you a quarter of a million of Farmers notes? A. Yes. I never examined them; he said they were that in a bundle.

Q. He gave you the bundle as security for that \$100,000? A. Well, no, as security for this loan—wait a minute—we gave him credit; Mr. Bicknell's firm was preparing the bond mortgage on the Keeley Mine.

Q. Do you say he offered you Keeley Mine as well? A. Yes, he said he would give us these bonds as well. Mr. Bicknell was preparing the bond mortgage. Travers had told me that they did not have any money in the Keeley Mine, but they were acting as sort of financial agents for it, and any advances they made were secured by a very large cash deposit and in addition to that the bank had received as a bonus for introducing the business some two or three hundred thousand shares of the stock.

Q. This was all moonshine as it turned out afterwards? A. I do not know that it is fair, to call it even moonshine—it is not fair to the moon. We gave him the credit and then he came long about the Keeley bonds.

Q. You gave them credit? A. We agreed to make the loan on the notes, you see.

Q. Did you put it through? A. I think so, the books will show; the bonds were not quite ready.

Q. Was the loan made upon the notes? A. Yes.

Q. Irrespective of the Keeley Mine? A. Yes, irrespective of the Keeley Mine, because Mr. Bicknell had not the bond mortgage through at that time.

Q. Was it intended that the Keeley Mine bonds should secure that same loan? A. He said so; it was not anything definite at that stage.

Q. Travers needed money urgently? A. No, I do not think so; I do not think the books will show that he drew that \$100,000 for a long time.

Q. I thought he had to meet those eighty or ninety thousand dollar withdrawals? A. He had resources.

Q. You think it was not drawn until a long time after the amount was put to his credit? A. Some of it was, but some of it was not for a long time. Soon after the first of the month, I was going back; he came along and, 'I do not know whether it was before, I am not clear on the date, but I will give you the fact, he came to me then and he said to me, "I would like to borrow this \$100,000 on the Keeley bonds". He said, "We are making some advances now to the property; I have refused an offer—I do not know whether it was six or seven or eight hundred thousand dollars cash for it—and I am going to get a couple of millions and you have the security, you have these notes", and he intended that we should hold the notes. I said to him, I told him my position in the matter, I was out of the active management of the company and "I think you had better go down and see Mr. Stratton about this, I do not care to take the responsibility of initiating this application; I won't oppose it if it is put through, but you had better go down and see Mr. Stratton and ask him about it". He went down one Sunday, and that evening Mr. Stratton telephoned me to my house and he thought the thing was all right and to put the loan through. I had some talk with Mr. Stratton about these notes. I felt that Travers was being handicapped in having these notes outside of his own branches, and I said to Mr. Stratton that I thought if he felt the way he did about the Keeley Mine and I felt the same way (I believed every word the man said), that it would be a mistake to hold these notes we had. He said, "All right, if you think so, all right". So the next day or the day after I called Travers in and I said, "Now, look here, your bank is all right, is it not?" "Oh," he says, "it is all right; we are being hammered by the other banks, but we are strong". His sworn statements were very excellent; I read them

every month and watched them. I said, "Travers, if it is all right, and you tell me it is all right, I do not want your notes, my holding of them will only embarrass you", and I handed them back to him and he took them away—I don't know whether he took them away, but I know he got the notes; and that left us with the security of Keeley bonds, a million dollars of bonds against \$100,000 advance.

Q. In the meantime you had got your bond mortgage? A. Yes, in the meantime Mr. Bicknell had completed the papers and we had the bonds deposited with us, and we had security and that, in addition to the obligation of the bank to pay, became our only security with regard to the \$100,000 loan.

Q. There was a bond mortgage in addition to the deposit of the bonds themselves? A. Yes, we were only trustees on the bond mortgage.

Q. Were the bonds themselves deposited with you? A. Yes.

Q. In whose favor were the bonds? A. They were payable to bearer.

Q. Had they no name in them at all? A. They never have.

Q. Had these bonds no name? A. I do not think so.

Q. Some question arose afterwards? A. It was all investigated in the matter we had with the liquidator.

The Commission adjourned at 1 p.m. to 2 p.m.

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The Commission resumed at 2 p.m., June 12th, 1912.

J. J. WARREN, Examination Continued:

MR. HODGINS: We were speaking about the \$100,000 loan; the loan finally as it went through was secured by the Keeley Mine bonds? A. Entirely.

Q. And the bond mortgage? A. We were trustees of the bond issue, and the bonds were pledged to us in our corporate capacity.

Q. Were you trustees for any other bondholders than yourself? A. We had the entire issue.

Q. Was there anything else handed to the Trust Company at that time to your knowledge? A. I do not think immediately; but either the same day or the day after Mr. Travers was in the office and he had told me, as I have said, what a lot of money the bank was going to make out of the Keeley Mine; and I said to him, "Now, we are lending you a lot of money and we are only getting ordinary rates of interest, I think 6 or 7%, and I said, "I think in view of what you told me that the bank has a large amount of stock which they are not carrying as an asset and which they are going to make a lot of money out of, that you might very well give us a little bonus in connection with this". I said, "We would make more friends by letting this money out in ten thousand and fifteen thousand and twenty thousand dollar lots than in letting you have it in a hundred thousand dollar lot". He admitted it, and said, "Yes, that is quite right". He said, "Supposing I give you a bonus—I mean the Trust Company—of 25,000 shares of Keeley Mine stock?" I said, "If you think that is not too much, I am satisfied. In view of what he said, I thought it was a substantial proposal or bonus, and he said, "I would be very glad to do it". I said, "Well, then, you may transfer 25,000 shares of it to Mr. Stockdale in trust, and I am perfectly satisfied and I think you have done very well by us". He said he was very glad to be able to do it and it was all right. That is the only conversation I had with Mr. Travers in regard to anything but the Keeley Mine bonds.

Q. Did you get the \$25,000 stock? A. No, I do not think so. I think there was a certificate of some kind, I think the stock was pooled in some way or

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another it developed afterwards, I did not know till some time afterwards, I think we got a certificate or acknowledgement by somebody that 25,000 shares were held in the name of E. B. Stockdale in trust.

Q. What did you know of anything of an arrangement with Mr. Stratton in regard to \$50,000 additional of stock in the Keeley Mine at that time? A. I did not have any conversation with Mr. Travers about that.

Q. Did you know of it at the time you were arranging about the \$25,000 bonus? A. Not the slightest.

Q. When did you first hear of it? A. I heard about it much to my surprise about five o'clock in the afternoon, I remember it very well, about five o'clock in the afternoon of the day I was leaving for the West; I was down here just a short time and was returning. Mr. Stratton came into my office.

Q. When would that be? A. It would be about the second or third of August, early in August; it was after the loan had gone through and after the \$25,000 bonus arrangement had been made; and then Mr. Stratton came into the office and said he had arranged with Mr. Travers for a bonus of 50,000 shares of Keeley Mine stock. "Well" I says, "That is most extraordinary; I said I got \$25,000 from him to-day—it was the same day Travers had been in—and I said I think that is quite enough. Well, he said, "This is a little different, this is a personal bonus; half of it is for you and half of it is for me". I said "No, I would not have anything to do with it. I have read Mr. Travers' evidence and he says he gave it to Mr. Stratton as mere security. Mr. Stratton says the same thing. That is what was said to me; but perhaps it was a little bit personal, I never could understand why the offer was made to me; it was the first and also the last of the kind, and Mr. Stratton and I had some very serious differences and I think he would be about the last man, to, at least if I could imagine the positions to be reversed, I would be the last man that would want to give Mr. Stratton anything in the nature of a possible Christmas present to speak, and in view of Mr. Travers' statement and Mr. Stratton's, I do not know what to make of it.

Q. When did you leave for the West? A. I left about the 3rd August I think.

Q. You wrote a letter to Mr. Travers about this same matter, about this same bonus? A. Yes, later on.

Q. The original is among the papers I am expecting up but I have a copy of one of the letters; perhaps if you could look at it it will refresh your memory; it apparently bears out what you say? A. Yes, I wrote that letter.

Q. There is a question I want to ask you about it; you mention Mr. Stratton having spoken to you in reference to some shares in the Keeley Mine that Travers was transferring to him, and he said he proposed giving you one-half. "But since I came out I have a letter from him that you have made the transfer and he has executed a declaration of trust in my favor"; and then you go on to say that your alleged share will be handed back to Travers if you ever get it subject to any subsequent arrangement to benefit the Trust Company? A. Yes.

Q. That bears out your recollection of what Mr. Stratton said to you? A. Yea.

Q. You left for the Coast and communicated with Mr. Travers in that way? A. Yes.

EXHIBIT 77: Copy of letter of James J. Warren to W. R. Travers, September 20th, 1910.

Q. Did you get a reply from Mr. Travers? A. No, I never discussed it with Mr. Travers subsequently at all, because when I got back in November it was just before Mr. Travers went down to Lindsay in connection with the matter that resulted in the failure of the bank, and I did not consider it a very substantial matter at any time.

Q. There is another letter which I cannot recollect very much about except it was giving him some advice as to reorganization? A. Yes.

Q. Have you any objection if I show the letter to Mr. Hellmuth to putting it in if I think it is necessary? A. No.

Q. I cannot tell without seeing it? A. I notice the last paragraph says something to him about being careful; that was in line, that referred to his conversations with me, Mr. Commissioner, in which he said that the other banks were throwing circulation at him and trying to make his life generally miserable, and I was suggesting to him that he should keep himself in thoroughly strong condition. I have sometimes thought—I do not know which horn Mr. Stratton would prefer to take,—but I have sometimes thought he was seeing if he could not more or less compromise me in connection with that. I do not know, but there is either the one or the other.

Q. He is no longer connected with the Trust Company? A. He is a director but he is no longer an executive officer.

Q. Are you still connected with it? A. I am the President of the Trust Company.

Q. In that letter I remember you were advising Mr. Travers to reorganize his Board? A. This is the other letter.

Q. I think it is about the same time? A. I could explain that; I remember the letter very well; before I went away Mr. Travers told me that he had been in touch with Mr. Cawthra Mulock with the idea of getting Mr. Mulock to take the Presidency of the bank and getting a new Board of Directors. Mr. Travers said to me that he recognized that the rest of the bankers were not treating him in the way they should, and he felt that he owed it to the shareholders and the depositors of the bank not to stand in the way of the progress of the bank, and that he wanted to get in a new Board, a strong Board, to get a strong man like Mr. Mulock to take the Presidency and he would give up the general management but would remain on the Board too, because he did not want to be wiped out entirely, because he did not deserve any such fate. I said to him then,—you know the stock was selling I think at about \$50 or \$60 a share—I said to him, “if you feel that way perhaps we could get some people and perhaps we could move the head office to the West and start all over”; and he said “All right, I wish you would see what you can do”. I went out West and went over the situation and came to the conclusion that the West was no place to establish the head office of a bank that did not have a very large amount of money to lend, and it is no place to go with a bank to solicit deposits, because everybody was borrowing and nobody depositing, that is speaking broadly; but I took it up with some of my friends there, and I also took it up with some of my friends of mine in Ohio, a man with a great deal of money, and I wrote this letter to Travers first of all telling him that upon going to the West I found it was no place to move the bank, but I said to him, “Now, I think perhaps this can be done in another way”. I have not seen the letter for some time but I am giving it to you as I recollect. I said “I think if we could get three or four strong men to go on the Board and take up all this weak stock and take it off the curb, wherever it was—I do not think the stock was ever lifted—and put in a new management, that within a year or two the stock would come up to par, and if we could not do anything else we could then amalgamate with one of the larger banks and make some money”. It was not a personal matter so far as I was concerned, because I had not any money to go into it, but I thought I could organize a group to do it.

Q. I remember the only matter of importance in the letter was you made a suggestion that he should have an audit made? A. I said to him, “if you fall in with this suggestion,—I have spoken it up with my two friends and they are ready to go in—if you fall in with the suggestion, you have Edwards, Morgan & Company go into your bank and make an examination and an audit, and if their report be satisfactory as I have no doubt it would be—I remember putting that in because I had every confidence in the institution—I said the business could be done. I had a reply to that in which he said that the matter could stand until I returned,

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because conditions had improved very much and everything was going along very nicely.

Q. Had you anything to do with the last loan taken, the \$295,000 loan? A. Nothing.

Q. It was done while you were away? A. Yes, it was really a consolidation.

Q. You do not know anything personally of the details? A. No, I was not in Toronto at the time and did not get into Toronto till a month later.

Q. I think that is all, except I would just like to recall what Mr. Lindsay said about that interview in August, page 357 and 358. He says he met you at the Dominion Permanent Office and went down to George H. Watson's office with whom there had been an appointment? A. I cannot say anything more than I said this morning that I have no recollection of having met Mr. Lindsay until I was introduced to him at Mr. McLennan's funeral which took place a long time afterwards.

Q. He rather kept himself in the background? A. He kept himself so effectually in the background that so far as I am concerned I did not see him.

Q. Is he right in saying that you and Mr. Hunter and Mr. Travers met in the Dominion Permanent and walked down? A. No, I do not think so; I think he means the Trusts & Guarantee Company in the first place; that is a verbal slip; I have no recollection of having been with Mr. Watson accompanied by Mr. Travers and Mr. Hunter. I remember being there on one occasion with Mr. Hunter, it may be that Mr. Travers was there too.

Q. Was it in his office at night? A. I do not think, but we had a lot of night appointments. This arrangement when the call loan agreement was made it was at night; we did not draw any distinction between night and day; whenever there was anything to be done it was looked after.

MR. COMMISSIONER: Was there ever any suggestion or arrangement that the stock subscriptions as well as notes should be hypothecated with your company? A. No, sir, not to my knowledge.

Q. You knew of course, I understand, that these were notes that had been taken for stock? A. Yes, quite so; they show it on their face.

MR. HODGINS: Would you just give me that memorandum we discussed during the adjournment, showing when interest was credited up on that account, which will settle the date beyond controversy? A. Yes.

Q. And I will attach it to Mr. Stockdale's statement which he gave me? A. Yes. Mr. Stockdale having the books before him will be right, but my impression is that we allowed interest for quite a period, some seven or eight months and whatever that shows is right and if my recollection does not agree, while my recollection is honest, it is inaccurate, and there was some reason why we ceased paying interest.

Q. It will be only a short statement of a few items and that will settle up to what date it was paid? A. Quite so.

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ARTHUR J. LINTON, Sworn, Examined by—

MR. HODGINS: Look at that cheque (Exhibit 28) and study it for a moment and look up your teller's blotter—you were receiving teller, were you not? A. Yes.

Q. The first receiving teller of the Traders Bank on the 6th December, 1906, in Toronto? A. Yes.

Q. That is your stamp on that cheque Exhibit 28? A. Yes.

Q. We want to know something if you can remember it about the way in which that came to be cashed? A. The only thing I can recall is from that deposit slip, Mr. Lindsay made a deposit on the 6th December, 1906, to W. J. Lindsay in trust in our savings bank department of \$5,000.

Q. In what form was the deposit? A. It was evidently—the deposit slip is marked cheque; the cheque has evidently been for \$10,000 as I have not got a \$5,000 cheque on my blotter for the day.

Q. On the face of the deposit slip it looks as if he deposited a cheque for \$5,000? A. Yes.

Q. And is that credited as a receipt through you? A. Yes, it is credited \$5,000.

Q. What makes you say the cheque was evidently \$10,000 because you had not some entry? A. I have not a \$5,000 entry in my blotter.

Q. You have a \$5,000 entry on the debit side? A. I have not a \$5,000 credit entry.

Q. Explain why you would need that to verify the fact a cheque for \$5,000 was deposited; you are the receiving teller? A. Yes.

Q. Money comes in and goes on which of your pages, to the debtor or credit? A. On the credit; the receiving teller does not pay any cheques.

Q. What entry have you got about this \$10,000? A. I have got \$10,000 charged here, \$5,000 deposit.

Q. Charged here, does that mean that you paid it out? A. Not necessarily; it would mean I would either credit an account or pay it out if I so choose, but the receiving teller did not make any payments, particularly for an amount such as that.

Q. The entry of \$10,000 on page 420 would indicate you had paid \$10,000 out? A. Or given credit for it.

Q. You had parted with it in some way? A. Yes.

Q. You would be entitled when the cash was gone over to say "I have paid out \$10,000"? A. Yes.

Q. Was that done early or late in the day, can you tell from the position in your book? A. I could not make any statement as to that.

Q. It is the second entry there? A. Yes.

Q. It is the second entry there? A. Yes, but I might possibly not enter up my blotter till the end of the day's work as far as cheques are concerned, because with the deposits it would keep me busy, although from my savings bank deposits I should judge it would be in the afternoon because it is the second to the last savings bank deposit and the deposits would be put through immediately upon receipt, so that they could be handed to the ledger keeper for entry.

Q. What is that little memorandum in pencil on the back, \$10,000? A. It is not my figures.

Q. Whose handwriting is it? A. I could not say.

Q. Had Lindsay an account in the Traders Bank apart from the savings? A. Not to my knowledge; I was not versed on the ledger.

Q. How would the transaction have been put through if this \$5,000 means that you merely credited it? A. I might possibly have had large legals in my box and paid them, otherwise had I not those legals I would have credited our paying teller with the amount and he would have paid it.

Q. Whose writing is the cheque \$5,000? A. That is not mine, Lindsay's I suppose.

Q. Would that be done in another box altogether from your own—how did you become possessed of it? A. I just secured it this morning from the bank.

Q. In whose custody would it be? A. In the custody of the accountant.

Q. It would not have been one of the papers you had that day, the 6th December? A. Yes, I had that; that is my initial (on the deposit slip).

Q. Explain how you got it? A. Evidently Mr. Lindsay had made that deposit, handed the slip in to me, making out the slip himself, and I initialled it and handed it on to our ledger keeper.

Q. You received the savings bank deposits as well? A. Yes.

Q. Would you think that only \$5,000 was paid out on that cheque, and the other \$5,000 just credited? A. I would judge that.

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- Q. You would judge that from the entries in your book? A. Yes.
- Q. Do you remember anything about the transaction? A. No, I cannot recall the transaction.
- Q. Did you know Lindsay? A. It runs in my mind that I did know Mr. Lindsay, not personally, but having met him I think in the office, in connection with the Farmers Bank account.
- Q. Were you familiar with Travers' signature? A. No, sir, the cheque would have to be marked before being paid.
- Q. It would come to you from? A. From the ledger-keeper, or rather from Lindsay to the ledger-keeper and returned to Lindsay and handed to me.
- Q. Evidently you would have paid out \$5,000 in cash? A. I would have.
- Q. Do you know what bills you paid it in? A. I would have paid it providing I had had large legals, not otherwise.
- Q. If you had not had large legals what would you do? A. I would credit our paying teller with it on a slip between tellers.
- Q. We have had the paying teller, and he said that we would have to look to you, that that went through your box? A. It is very unfortunate that my cash statement has been destroyed and also the slips between tellers.
- Q. That is all you can tell us? A. With the cash statement and the slip between tellers I could give you possibly more information.
- Q. Have you any objection to leaving this deposit slip here? A. No.
- EXHIBIT 78: Deposit slip for \$5,000 to the credit of W. J. Lindsay in trust.
- MR. COMMISSIONER: If this was put on the slip to the paying teller, what does the paying teller pay it out in? A. I could not say that.
- Q. In the ordinary course? A. Providing he had large legals he would pay it in large legals.
- Q. What is the largest bills of your bank? A. One hundred dollar bills.
- Q. Why not in your own bills? A. We could pay them, but it is preferable in paying an amount like this, it is just a case if we pay our own bills for an amount like this, no doubt it would come right back through the Clearing House on the following morning.
- Q. And give you more labor? A. Exactly so.

The Commission adjourned at 3 P.M. to 11 A.M. June 14th, 1912.

Toronto, June 14th, 1912.

The Commission continued its sittings at Osgoode Hall, at 11 a.m.

PRESENT:

HON. SIR WILLIAM MEREDITH, Commissioner.

FRANK E. HODGINS, K.C. and J. THOMPSON, K.C., representing the Dominion Government.

I. F. HELLMUTH, K.C., representing the Trusts & Guarantee Company.

H. H. DEWART, K.C., representing Dr. Beattie Nesbitt.

MR. DEWART: My learned friend informed me that he wanted Dr. Beattie Nesbitt in attendance this morning. The hearing of the criminal charge in the Police Court was fixed for this morning and I have just come from there. The Crown asked for an adjournment till Tuesday next, and Colonel Denison, the Police Magistrate, has given us right of way on Tuesday, and there is no question the case will go on then. I feel, Mr. Commissioner, as these matters have to be gone into in the Police Court, it is only fair to Dr. Nesbitt, that he should not be asked to testify here until that preliminary hearing has been held.

MR. COMMISSIONER: Has he made his election?

MR. DEWART: Well, yes, he has elected to be tried by jury.

MR. COMMISSIONER: So that there will be only the preliminary examination, and that will be very brief.

MR. DEWART: I may say Dr. Nesbitt is anxious to give the Commission every assistance he can by any testimony he can give, and if your Lordship can let the matter stand until after Tuesday, he will be glad to attend at any time your Lordship will hear him.

MR. COMMISSIONER: I will be in Divisional Court the next two weeks. How would Saturday of next week suit?

MR. DEWART: Very well.

MR. COMMISSIONER: Provisionally, then, we will say Saturday of next week, and if I find that there is likely to be some time available in the following week, and that is as convenient to all, perhaps it will be better to take it then than on Saturday.

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MATTHEW WILSON, Sworn, Examined by:—

MR. HODGINS: You are a member of the Board of the Trusts & Guarantee Company? A. Yes.

Q. You had to do with a transaction shortly before the bank failed, I think it was a loan transaction; I think the date was November 2nd, 1910, or thereabouts? A. Yes.

Q. Prior to the inception of that loan transaction, had you anything to do with the Farmers Bank as a director of the Trusts & Guarantee Company? A. Not prior to that transaction. The transaction which culminated on the 2nd November began a week or two before, but nothing prior to that whatever.

Q. You were a director of the Trusts & Guarantee Company? A. Yes.

Q. Do you attend regularly? A. Yes, I think I do, not absolutely every meeting, but nearly every meeting.

Q. Were you as a director at all familiar with the \$80,000 loan or the \$20,000 in December, 1906? A. No, I never heard of those at all until this matter arose; I was not a director at that time.

Q. When did you become a director? A. I think I have been a director two years or nearly two years.

Q. Were you aware that circulation was being deposited with your company by the Farmers Bank? A. Not at that time.

Q. When did you become aware of that? A. I became aware of that in October, prior to the second of November, that you speak of.

Q. 1910, how? A. I was instructed by the Board to look into the matter of the loan which the Farmers Bank had got from the Trust Company, and looking into it I became aware of deposits being made by the Farmers Bank with the Trust Company of their own money.

Q. Then did that arouse your suspicion at all as to the situation? A. No, no suspicion aroused; it led to my having the transaction changed.

Q. Why did it lead to that, what was there in it to require that? A. It led to it in this way: the Board, when the matter of the loan of \$100,000 on the Keesley Mine bonds of a million dollars was reported, members of the Board said it was contrary to their rules to loan upon mining stock, no matter what the security was, and the general manager was then out in British Columbia and the president could not give sufficient information to satisfy the members in regard to this, and they instructed me to take up the whole matter.

Q. Who was the president? A. Mr. Stratton was then.

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Q. Tell us what you did? A. I think it was on the 28th October I came to Toronto and I found in the meantime that the executive officers had told Mr. Travers that the Board had instructed me to look into this matter, and I had some one telephone to Mr. Travers to come to the Trust Company to discuss the matter, and he did so, and Mr. Stratton, Mr. Morden and myself and Mr. Travers discussed the matter then.

Q. At some time or another, one of those discussions, the Bank Act was produced and discussed? A. No, so far as any time I was present the Bank Act was not produced. As a matter of fact, I inquired and I could not find the Bank Act.

Q. You discussed a section of it at all events, didn't you? A. If you mention the section; I do not remember discussing any section.

Q. What is said is this, there is some question as to whether the bank was justified in giving the security, and either you or Mr. Morden, I think you, if my recollection serves me right, said something to the effect that you were pressing for the loan, and the doctrine of pressure would rebut the inference—? A. I remember it was said that Mr. Morden had said that in my presence; that is entirely a mistake. The only time when a discussion took place was when Mr. Stratton, Mr. Morden and myself were present and such a discussion as that did not take place while I was present.

Q. How do you account then for Mr. Morden saying so? A. I never heard that Mr. Morden did say so.

Q. I thought you said so? A. No, Mr. Morden said it never took place and so does Mr. Stratton.

Q. And you agree with that? A. Yes, I agree with that.

Q. What did take place? A. When Mr. Stratton came, Mr. Stratton explained to Mr. Travers that the Board had instructed me to take the matter up and that it was a matter out of the control of the executive officers, and I told Mr. Travers what I found seemed to be the state of the loans; that is, that there was \$75,000 loaned on a call loan agreement with some piano stock, and that there was \$100,000 loaned apparently on a million dollars worth of bonds in the Keeley Mine and there was a deposit in the Trust Company by the bank of something in the neighborhood of \$120,000 on a deposit receipt, and another deposit on a general account, that is a current account of \$5,000-odd, and then Mr. Travers explained that they had a deposit in our Trust Company of, I think it was in the neighborhood of \$70,000 or \$60,000—you want me to give the whole?

Q. No, I do not; I do not really want to go into these details, we have had them before. You discovered there were two accounts, one due to you and the other due the bank? A. Yes.

Q. Will you explain why the transaction took the shape it did if the result of it was that it left about the same amount to the credit of the Farmers Bank with you? A. That is why the transaction of the 2nd November took place?

Q. Yes; in the first place, perhaps you will tell me what was the object of having any transaction at all at that time? A. The object was this, that the Board did not want money standing on a call loan with only stock in a mining company as a security.

Q. What money was standing on call loan? A. There was \$100,000 standing on a call loan with mining stock only as security. The Board did not want that. Then in the next place I think possibly it was my own suggestion that originated the idea, that we were not being treated fairly—I do not mean that in an offensive sense, but we were not getting a fair bargain, their depositing with us and we depositing with them, because if the bank deposited with us (we not having any circulation) the bank got a certain benefit from their deposit of their circulation which we did not get by making a deposit with them.

Q. You were getting interest on your deposit? A. Yes, but we were only getting 4%, I think it was, while if we had that money we would let it out on call loans and we ought to be getting about 7% on it.

Q. You were not paying any interest on their deposit account with you? A. My recollection is we were not.

Q. Then you think you wanted some better arrangement? A. Yes.

Q. And did you get it in this transaction? A. Yes.

Q. To what extent were you benefited in the matter of interest? A. We got 7% instead of 4% on the amount deposited in the bank and we also got 7% instead of 6% on the \$75,000 call loan.

Q. What did the bank get? A. The bank did not get anything.

Q. What was the security taken for the \$295,000? A. Promissory notes to the amount of \$108,000 and stock in a Piano Company which was worth practically enough to make up the balance and then they kept also the mining bonds.

Q. I thought the objection by the directors was to the holding of these bonds, lending money upon bonds? A. They did object to that.

Q. You still kept them? A. Yes, but we got enough other security to cover the loans.

Q. Did you ever see those bonds? A. Yes.

Q. Where were they? A. In the Trust Company's possession.

Q. I am instructed, and it has been so stated that they never left the possession of the bank? A. That is a mistake I think. I examined the bonds and the mortgage.

Q. You examined the bonds? A. Yes.

Q. You say you had the bonds? A. Yes, I think so, my recollection is I examined them in our office.

Q. Possibly I am thinking of the stock which has been mentioned; I will ask you about that later? A. I feel there is no doubt as to what I say as to the bonds.

Q. The result of that was to put to the credit of the bank a certain amount of money, some fifty or sixty thousand dollars? A. No, we put to the credit of the bank the whole amount. Mr. Travers wanted to get \$305,000, and I think we pared that down till it came to \$295,000, and then we gave a cheque to Travers which he deposited to his credit in the Trust Company, and then he chequed against that and paid off these other amounts.

Q. But it did leave \$60,000 odd to the credit of the bank? A. It may have; I could not speak definitely as to that, but it possibly would.

Q. You knew the stipulation was that the amount to their credit should not be cut down if they gave you this additional advantage? A. Oh yes; what I mean by that is they were still to keep their account in the Trust Company, but they had the right of course to cheque that out as they pleased.

Q. And the result of this did not change that, it practically left the same sum there subject to their cheque? A. I would not say the same sum; I think there was a variation of probably between \$5,000 and \$10,000.

Q. Were they to have the right to draw that out as they liked? A. Yes.

Q. Without any qualifications? A. There was no qualification whatever so far as I know, and I think I would have known it if there was any.

Q. Anyway if there was a qualification, it was not any part of the stipulation so far as you know? A. Not as far as I remember.

Q. Did you know anything or hear anything about 50,000 shares in the capital stock of the Keeley Mine when you were investigating the situation in October? A. No, never heard of that.

Q. Did you find any such stock with a memorandum pinned to it as to the way in which it had been received by Mr. Stratton? A. I did afterwards, but not then.

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Q. Who did you get the securities held by the Trust Company from when you commenced investigations? A. They were produced, I think, to me in a large bundle of box of papers that contained the whole transactions of the Farmers Bank, and I went through them myself.

Q. Who from? A. An officer of the company, I think it was Mr. Howard.

Q. You say you heard afterwards of these 50,000 shares of stock? A. Yes, I was not dealing with stock at all, it was bonds I was dealing with; I did not know anything about where the stock was.

Q. When did you hear about it? A. I don't think I heard of that until after the failure of the bank.

Q. Did you ever see them? A. I am not sure, but I think I did see them in the liquidator's office at the time of the examination.

Q. Was there any memorandum attached such as you have spoken of? A. I cannot speak with certainty as to that. My recollection if I were just asked as to that is that the stock was in the name say of some person, trustee, or in trust.

Q. You see there was 25,000 shares in the name of Mr. Stockdale in trust; that was given as a bonus upon the loan? A. Yes, that is what I understood.

Q. But you did not come across that in your looking at the securities? A. No, I think the first time I saw any of the stock whatever was in the liquidator's office.

Q. I am speaking now of another \$50,000 altogether which was in the name of Mr. Stratton in trust? A. Well, my recollection is that that was there at the same time, and that it just said in trust; I do not remember any memorandum pinned to it. There may have been and I have forgotten it.

Q. I thought Mr. Morden was the one who said that about the Bank Act.

MR. HELLMUTH: He denied it? A. I have not seen any of their evidence at all, and I have not been speaking to any of them, so I do not know what evidence you have taken.

MR. HODGINS: I see it was Mr. Stratton who referred to the Bank Act and not Mr. Morden: "Q. What was the occasion of bringing the Bank Act down and reading it to Travers? If it had been the riot act I could have understood it? A. I do not know about that—something about Mr. Morden—I recollect the Bank Act, but I do not remember that". A. I might say the conversation was just in the opposite direction.

Q. In what respect, what is the opposite direction? A. The opposite direction was this, that Mr. Travers urged upon me the bank had its troubles at the time when there was some run on the bank owing to some reports about it out in a country place, but that they had got past that, and everything was going nicely.

Q. Did you make any independent inquiry as to the bank's position? A. Through Mr. Morden, I did. I asked Mr. Morden to get the bank's returns and to see them.

Q. Outside of that did you make any inquiry as to the bank's position? A. I do not think I made any outside inquiries at all except what I could make through officers in the Trust Company.

Q. In speaking of the cheques that were drawn upon that account—I am looking at a letter which you wrote which I will be glad to show you: "Then he chequed out of the Trust Company a former deposit account which the bank had with the Trust Company of \$70,094.55"—was that what we have referred to as the circulation amount? A. That I believe is the amount which I spoke of as between \$60,000 and \$70,000.

Q. What sort of notes were those that were given? A. They were in the first place a note of the bank and then the notes that were transferred were customers' notes payable to the bank and transferred by the bank to the Trust Company.

Q. There was difficulty after that transaction about paying Mr. Travers' cheques? A. Yes.

Q. What was that difficulty? A. I think the first difficulty arose when Mr. Travers wanted to replace the notes. The customers notes would be coming due, and he would need to attend to his branches. Then he would send in order to take them up, other customers' notes to take their place, and the first difficulty arose so far as my recollection goes in the Trust Company in thinking that the notes that they received to supplant the notes that were to be given were equal to the notes that were given up.

Q. That was the difficulty you say? A. That was the first so far as I recollect.

Q. That was used as a reason to prevent him drawing upon the amount which had been put to his credit on the faith of the new loan? A. No, I never knew that, I never heard that suggested till now.

Q. Do you say he would be entitled to cheque out that balance to his credit freely and readily, and he never was obstructed in doing so? A. My understanding was he was entitled to cheque that out and I never knew of his being obstructed in doing that.

Q. What difficulty was there? A. He drew after the 2nd November much more than enough to cheque that out.

Q. Was it after he had chequed it all out that the objection arose? A. I could not say till after he had chequed it all out, but he would need sometimes further money and when he would need further money placed to his credit so that he would draw a larger amount than was standing to his credit he would deposit with the company notes in order to cover that, and also made a new note himself, but that was not part of the transaction of the 2nd of November at all.

Q. That was subsequent? A. Yes, those were transactions that were arising from time to time, so that Mr. Travers would have at his disposal, money which, on the 2nd of November he did not seem to expect that he would require.

Q. I suppose you did not stay down here and keep track of all the financial details; are you giving us this from what you understood afterwards or from your personal knowledge? A. I did not stay here, but I was down I think twice afterwards and discussed the matter with Mr. Travers and with the officers when these difficulties arose.

Q. When the bank closed its doors Travers had drawn out most of the moneys that had been put to his credit? A. I think so; possibly there were \$5,000 or \$10,000 still to his credit.

Q. What did Mr. Stratton say about the position of the bank when you and he and Mr. Morden met? A. When we met and also prior at the Directors' meeting Mr. Stratton said that the loan was perfectly secure; it was the other directors who insisted upon my taking the matter up.

Q. What was said at any time during the negotiations with Travers when he was not there as to the situation of the bank? A. I do not think that it was discussed at all, that is the situation of the bank, except while Mr. Travers was there, and it was Mr. Travers assuring me that there was no security for taking these notes and pressing that on me and apparently not satisfied that I was insisting upon it.

Q. My information whether rightly or wrongly is that you and Mr. Morden were particularly anxious having regard to the condition of the bank as to this loan? A. This is the first I heard of that except anxious to comply with what the directors insisted, and that is that no loan of a Trust Company should stand upon the security of mining stock.

Q. Was any of your anxiety based upon the idea that the bank was in bad financial position or was pressed for money? A. I cannot say that it was, in fact I did not know that the bank was pressed for money and I was assured that it was not pressed for money, that it had got past that stage.

Q. By whom? A. By Mr. Travers at this conversation when Mr. Stratton and Mr. Morden were present.

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Q. And there was no suggestion from you that pressure would make the transaction good? A. Never the slightest suggestion.

Q. You had no suspicions of the bank being in an insolvent condition? A. No, not a suspicion of the bank being in an insolvent condition.

Q. Or even hard up? A. It did seem as if the bank was being pressed for money.

Q. Yes; that is equivalent to being hard up, is it not? A. Perhaps it is; but the question of insolvency is quite a different thing; in fact I was led to believe that the bank could get money at any time.

Q. By whom? A. By Mr. Travers and by Mr. Stratton.

MR. COMMISSIONER: Is this a correct statement of the transaction in this letter that Travers, you say—I suppose it means the bank—should borrow enough to pay off the two loans of \$75,000 and \$100,000 and to pay a deposit of \$120,000 in the current account—is that an accurate statement? A. That is an accurate statement of the form of the transaction.

Q. There was no re-borrowing at all, it was simply a consolidation of the existing indebtedness? A. The existing indebtedness was consolidated in that way.

Q. There was no new advance? A. I do not remember whether there was a new advance or not.

Q. This document does not indicate there was any new advance; we have not the agreement between the Trust Company and the bank as to this \$295,000 loan? A. It is in writing.

Q. Did the \$295,000 loan still remain a call loan? A. My recollection is it did, in fact I feel quite sure it did.

Q. So that the bank was in such a position that at any time it might be called upon for the whole of this amount? A. That is my recollection.

Q. Did Mr. Warren tell you or was he here at the time? A. He was not here at the time.

Q. Did you see him or not? A. No.

Q. Did you ever learn that Mr. Warren had had notes and had given them up because he thought the bonds were ample security? A. Yes.

Q. Did not it strike you as somewhat strange that a bank that was solvent should hypothecate \$108,000 of its paper, one-fifth of its whole capital. How did you suppose it could get on handing those over to the Trust Company in substitution for a security that you were giving a black eye to? A. The only way I could see it could get on with that would be by exchanging the notes from time to time as they became due.

Q. I do not mean that at all. You have had a good deal of business experience with banks, did you ever know a bank that was not hard pressed that took \$108,000 of its customers' notes and pledged them for a call loan, did you ever hear of such a transaction unless the bank was in deep water? A. I never heard of such a transaction at all.

Q. Would not common sense lead a business man to think that a bank was in deep water when they had to do that? A. It would lead a person to think that the bank was pressed more than ordinarily, as I said, for money, but the bank might be perfectly solvent.

Q. You were the only one according to your evidence that was pressing the bank? A. I was pressing the bank for security.

Q. And you were getting these Farmers notes or its customers notes to the extent of \$108,000? A. Yes.

Q. I should have thought that was the plainest indication that the bank was in great stress that it had to put up that \$108,000; it did not so occur to you? A. It occurred to me that the bank was badly in need of money; I do not know that it occurred, in fact I know that I did not think of great stress, but I quite realized that that was not a usual course for a bank to follow.

Q. Did you make any inquiries as to how the bank became possessed of these bonds, how much they had invested in them? A. No; I made an investigation, that is I got the papers, and I found that the papers had been certified and I asked how much had been invested in the bonds.

Q. By whom? A. By the bank. I understood that the bank had not the full amount, but merely the full amount invested in the bonds.

Q. What do you mean by the full amount? A. That is the bonds, as I supposed represented practically the whole mine, and that represented a million dollars.

Q. Well, what was the bank's money investment in that as you understood? A. I do not know, but it was over \$400,000.

Q. Did that give you a glimmer of light as to the bank's situation, the bank with a capital of less than \$600,000, putting \$400,000 into this Keeley Mine and having to meet your demand by putting up customers notes to the extent of \$108,000? A. I would naturally think of course the very fact of it putting so much into the mine would lead to the necessity for raising money outside.

Q. Did it strike you as an extraordinary thing that a bank would be in a good position that had taken \$400,000 of its \$600,000, that is putting it larger than it was, and putting it into a mine? A. If I had been a bank manager I certainly would not have done it.

Q. I am not asking you that; I am asking you if it did not strike you as indicating something wrong in the condition of the bank that would do that, and then in order to secure you take \$108,000 of its customers' notes? A. I would have thought that that indicated that there had been bad management in the bank or something in the bank.

Q. Did not it indicate that the bank was rotten? A. I would not like to say that sir.

Q. The bank that would put \$400,000 in this hole in the ground and could only secure you by giving you customers' notes? A. Of course, remember that that mine at that time I think was supposed by everybody to be not merely a hole in the ground, but was a valuable asset.

Q. It was not valuable enough for the Trust Company apparently? A. It was not a question of value, so much as the nature of security.

Q. But you hung on to the security? A. I know, but we wanted the other security.

Q. You wanted it supplemented by customers' notes, it could not have been the character of the investment, it must have been the uncertainty of that kind of investment? A. A person does not want any institution with its money invested in that kind of thing.

Q. Why did not you give up the Keeley stock? A. That is not the way a creditor usually does.

Q. If you had stock worth \$400,000 as security for \$295,000 what did you want that \$108,000 of customers' notes for? A. Because it was against the rule of the directors to invest in a mine.

Q. Apparently not, they had passed this loan? A. I think not.

Q. I think the evidence of Mr. Warren had made the loan, but when it came before the Board was when they instructed me.

Q. That is not Mr. Warren's evidence; Mr. Warren did not make the loan until he got the consent of his Board or the executive? A. That is something before my time; I had nothing to do with it then.

Q. Does not it look as if somebody smelt disaster and wanted to get under cover? A. I could not say that.

MR. HODGINS: Mr. Hellmuth, I want to put in certain letters by calling Mr. Stockdale or Mr. Morden, or perhaps there would be no objection to putting them in without calling either of them.

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Mr. HELLMUTH: Did you examine him as to them?

Mr. HODGINS: No.

Mr. HELLMUTH: If there is anything that requires explanation with regard to them it will be better to examine them.

Mr. HODGINS: There is the copy of the original security, the \$295,000 and the statement as to how it is made up and the statement of subsequent transactions and the final demand on the bank for the balance.

Mr. COMMISSIONER: Perhaps Mr. Hellmuth will find out how that is, and if there is no objection they can be put in; if not, you will have to call them.

Mr. HODGINS: Mr. Wilson, do you know whether the loan was called a few days or a week after it was made? A. Oh, no, it was not called until I think between the 20th and the 25th November.

Q. One of those letters indicated a call? A. It was called by letter so that there would be no doubt about the date. If I was speaking from recollection I would say it was the 22nd November.

Q. Mr. Morden is not with your company now? A. No, he is in the City though.

Mr. HELLMUTH: I should think these letters are undoubtedly the letters of the company and the hypothecation is that no doubt, I see it is a copy, the hypothecation. Were these put in in the suit of the liquidator against the Trusts & Guarantee Company?

Mr. CLARKSON: Yes.

Mr. HELLMUTH: I do not suppose there can be any question about that. I do not know whether you think any explanation is required, but as you are conducting the inquiry if you put them in without explanation I suppose I cannot very well object. I do not suppose it binds us in any way if there is any explanation in any suit or proceedings.

Mr. HODGINS: I do not think there is anything in those excepting just showing the history of the transaction as it occurred, but I have no objection if you like to let you have them shown to either Mr. Stockdale or Mr. Morden and during the day if there is anything that either of them wish to say about them—

Mr. HELLMUTH: Mr. Stockdale and Mr. Warren are both out of town.

Mr. HODGINS: I do not think there is anything I would ask about those, except are those exactly the history of the transaction?

Mr. HELLMUTH: Mr. Clarkson knows they are copies of the originals.

Mr. CLARKSON: They are copies of the originals. The original call loan is with the Trust Company under an agreement between themselves and myself.

Mr. HELLMUTH: Do I understand there is no examination so far as the Trust & Guarantee Company is concerned?

Mr. HODGINS: That is right.

EXHIBIT 79: Papers connected with the consolidation of the loan at \$295,000.

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W. R. TRAVERS, Recalled:—

Mr. HODGINS: You apparently made a loan, a demand or call loan, of \$295,000 on the 2nd November from the Trusts & Guarantee Company? A. Yes.

Q. With certain specified securities? A. Yes.

Q. After the bank failed there is a statement here with the initials J. J. W. which I wish you would look at; the security appears to differ from the original security given about a month and a half before? A. The Piano Company's stock was sold and applied on the note.

Q. That is credited? A. Yes.

Q. What about the Ontario Leather Company's stock? A. There is a letter from Mr. Wilson to me some place that called upon further security, and I think I answered it, if I remember right, stating that they had those bonds in their hands and they might retain them.

Q. What about the Ontario Leather Company's stock? A. That is the bonds I am speaking of; they might retain them as additional security.

Q. Apparently they did that, and treated that as security? A. Yes.

Q. Were you getting further advances after the \$295,000 loan had been exhausted? A. Yes, we got two or three advances.

Q. You can see them set out in one of those letters on that file? A. Those are the advances, the 11th, 15th, 17th and 18th November.

Q. Those mentioned in,—what is the date of that letter? A. November 22nd, 1910.

Q. And did you put up notes to the amount of \$293,000; is it over and above the \$108,000 that you put up when you got the \$295,000?

MR. COMMISSIONER: No, it includes that, that is the total amount? A. My recollection is we put up over \$300,000 worth of notes all told.

MR. HODGINS: You put up the difference between \$108,000 and whatever the total is subsequent to the loan being made? A. Yes.

Q. And what was the total amount of the subsequent advances you got? A. \$26,575, taking the figures from this letter, which I think is correct.

Q. Was there any further sum for which these notes were security? A. Only the amounts that they put to our credit on those dates.

Q. That is a very large amount in notes to have given them? A. There seemed to be no end to the number of notes Mr. Wilson wanted.

Q. There would be about \$190,000 of notes for these additional payments; and were those customers' notes? A. Yes.

Q. Were the deposits of those notes made conditional on your making a draw out of what was placed to your credit on the 2nd of November, or were you allowed to draw freely on that? A. The new loans were made, if I remember correctly, so that the security of the further note that I was giving them would be legal.

Q. And the additional notes, when they went up, apparently would be security for the \$295,000 loan as well? A. Would be security for all advances we have received.

Q. Was that in accordance with the hypothecation agreement; did you understand that at the time? A. Not at the time; everything ended at the time as was completed at the consolidation.

Q. Did you make this arrangement afterwards that the notes subsequently handed over were to be security for the former loan? A. Yes, I arranged each transaction with Mr. Morden as the circumstances arose.

Q. Was that the understanding? A. Yes.

MR. HELLMUTH: I think the document speaks for itself. The original document makes provision that any further loans and any securities given should enure for the whole.

MR. HODGINS: I asked him whether this hypothecation contained such clause and I understood him to say no? A. I did not understand the question. I remember quite well such clause as that in the hypothecation; what I was saying was that as these new transactions came up the matter was repeated.

MR. COMMISSIONER: Why did you give these large amounts of promissory notes for the comparatively small new advances you were getting? A. I was forced to do it.

Q. Forced, how; would not they make the advance? A. They would not permit me to draw my money that was there.

Q. Which, the money on deposit? A. Yes.

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Q. Who took that position? A. Mr. Morden took the position that he did not approve of the depositing of the bank's circulation and he did not think it should be withdrawn suddenly; that was the commencement of the difficulty.

Q. Was that before or after the consolidation? A. That was prior to the consolidation; he made that objection prior to the consolidation of the loan.

Q. Mr. Wilson told us he understood you were to be free to draw that as you pleased? A. I cannot corroborate Mr. Wilson; I am sorry to say I shall have to contradict him in some matters he says.

Q. Were you to be at liberty to draw freely? A. That was the understanding when the consolidation was completed, that I was able to draw the \$68,000 as I needed it.

Q. Was there any embargo put upon that afterwards? A. There was.

Q. By whom? A. By Mr. Morden. Did not I state that I would send down a cheque and the difficulty would arise and it would be arranged over the telephone or by my making a personal trip?

Q. We heard of that before, but we thought that simply meant he yielded and allowed you to draw the money. Do you say now when you got these additional advances, one of the reasons why you were compelled to give the large amount of notes was because they would not give you the money on your deposit account as you wanted it? A. Yes, that was the first position in the matter, that they objected to my withdrawing the balance and forced that consolidation.

Q. I am talking after the consolidation? A. After the consolidation the first difficulty arose a few days afterwards in which I gave that small note of \$3,575. I think with that there were several thousand dollars' worth of notes.

Q. \$30,000 or \$40,000 worth of notes? A. Yes.

Q. Why was that? A. Objection was taken that day to giving us any funds.

Q. On your deposit account? A. Yes.

Q. Whose proposition was it that you should give more notes? A. I cannot say whether it was Mr. Morden's or Mr. Wilson's, they were in and out.

Q. Somebody on that side? A. Yes. Mr. Wilson was in and out of my office and I was in and out of theirs; I could not say exactly. And when he states about the Bank Act not shown, I swear that it was spoken of and it was shown and I wish to repeat it, because they sent upstairs to get it.

Q. For what purpose? A. For the purpose of seeing whether the \$120,000 on deposit with us, whether it would not cause a criminal charge against me in paying that deposit in that way.

Q. Giving the security you were then giving? A. Yes, giving security for the deposit. There is a section in the Act which says that any preference given to any creditor—

Q. Oh, yes; who suggested that or how did it come about? A. When I asked to consolidate the \$120,000 I mentioned that; I mentioned the fact that I would be liable to criminal proceedings.

Q. For giving a preference? A. Yes.

Q. And what about the Bank Act? A. Then I quoted the section of the Bank Act in the presence of Mr. Morden and Mr. Wilson, and Mr. Morden sent upstairs (that I remember quite well) for the Bank Act, and it was brought down, and it was turned up, and Mr. Morden said to me, or Mr. Wilson, I could not swear which one, "Under pressure you are relieved of that".

## WILLIAM GREENWOOD, Recalled by—

MR. HODGINS: Since you were examined before the missing ledger that got lost somewhere has turned up and continues the account of the Treasury of Ontario. I want to ask you a few questions about that, because I had not it before me when I examined you before. The account I examined you on went down to the end of 1908. It appears the account ran on through January, 1909, and on till the failure of the bank; what had you to do with obtaining the additional deposits which are shown in that account? A. I remember a deposit of \$10,000 that the Government put in.

Q. Can you fix the date for that? A. Well, I listened to Colonel Matheson's evidence and I fancy the Colonel was right when he said 1908.

Q. What is your recollection of it? A. I have nothing to go by, I have no memorandum.

Q. There was one of June 14th, 1907, \$10,000, and one on May 19th, 1908, of \$10,000, and another on August 10th, 1908, of \$10,000? A. I remember some time in May or June of the year 1907 or 1908—when I gave my evidence before I thought it was 1907, but after Colonel Matheson spoke I fancy he is better informed than I am on the date.

Q. There is one of January 8th, 1910, for \$10,000? A. No, I don't know anything of that.

Q. Which is the one outstanding; you say you know nothing at all about that? A. No, I know nothing at all about that.

Q. We have made what investigations we can in the World Office and the bookkeeper is here and there is no trace in the World's books of any transaction earlier than that shown in the bank books of December 31st, 1907? A. Well, I guess that is right.

Q. When you were here before you had the idea that they began much earlier than that by the discounting of add notes? A. Well, the World's business with the bank began before the Government put any deposit in the bank; I think that is the position I took.

Q. No, that is not as a matter of fact; June 14th, 1907, was the first? A. We say the deposit was put in in May or June, 1908—

MR. COMMISSIONER: They commenced to deposit in May, 1907? A. I do not know anything about when the Government deposit began, but what I had to do with the Government deposit I asked Colonel Matheson to put in a deposit in the Farmers Bank; but we had been doing business with the Farmers Bank before the Government had put the deposit in as far as I knew.

MR. HODGINS: If the World's business with the Farmers Bank began on the 31st December, 1907, then it would be some deposit later than that? A. Yes.

Q. There were three of them, May, 1908, August, 1908, and January, 1910, of \$10,000; which was it? A. May or June, 1908.

MR. COMMISSIONER: Those letters do you see, bear date in June, so that if he is right now it must have been later than June—you remember those letters of yours? A. Yes.

Q. They are dated June.

MR. HODGINS: We almost came to the conclusion the last time that it could not have been the May 19th, 1908, deposit, but it must have been a later deposit; that would make it August 10th, 1908? A. I have nothing to fix my recollection of the time when the deposit was made.

Q. Would that recall to you anything to explain those letters in which you were speaking of Colonel Matheson? A. Yes, those letters I was trying to get a deposit from the Government for the Farmers Bank.

Q. Did you succeed to that extent after the date those letters were written? A. I rather think so.

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Q. Then did you ever see or hear of any reply from Colonel Matheson to the letter Mr. Travers said he sent to him? A. No.

Q. Did Travers communicate to you that he was writing or had written? A. No.

Q. Or was going to write? A. No.

Q. Did you ever ask Colonel Matheson if he had received that letter from Travers and answered it? A. No.

Q. There is a copy of a letter produced here dated April 6th, 1909, apparently from Mr. Travers to you, I would like you to read that over and I will ask you a question about it. A. (Witness reads letter).

Q. Did you ever receive that letter? A. Yes, I think I remember that letter.

Q. What was that in connection with? A. In connection with my own cheque of \$400 that was cashed by Mr. Travers. The proceeds of the cheque went to the World and it was cashed for the World and when the due date came perhaps of two or three days we were not able to raise the money to take up the cheque and let it slip by and Mr. Travers rang me up and this letter was the result.

Q. Did Travers take it up, as he says with his own personal cheque? A. I do not know about that; I see he said so here.

Q. Did he—you ought to know if it was your own cheque and somebody took it up? A. I think we paid the cheque the next day; as far as taking it up in his own bank was concerned I do not know.

Q. His expression there, giving the reason why he did that, why should he use that peculiar language? A. That is something I don't know.

Q. He says: "You have not kept your word about the \$400 cheque and I think it is rather a mean way of treating a friend"? A. That means that I had not kept my word in meeting the cheque on the day I said I would.

Q. He says: "Do not think I am doing this because I fear any blackmail. I have given my own personal cheque for it and beg to enclose the cheque herewith which you can do as you please with". That looks as if he was handing you back your cheque, and he had paid it, and if you did not choose to pay you need not? A. We took up the cheque afterwards.

Q. Why should he use that peculiar language about he did not fear any blackmail? A. I do not know why; he had no reason under the sun.

Q. Did you resent it? A. I think he had me there, I had not kept my word.

Q. Did you ask him for an explanation of that expression? A. No.

Q. Did you know anything of the circumstances of obtaining the certificate to enable the bank to go into operation? A. Never.

Q. Did you know anything about the subscribers on the list that went into the Government? A. No. I think I was in London, Ontario, in the newspaper business.

Q. I mean prior to the date of this letter, April 16th, 1909? A. No, I knew something of the organization of the bank.

Q. Had you any lever upon Mr. Travers or the bank which would justify him in using any such language that he was not doing this because he feared blackmail? A. No, I had no lever on Mr. Travers.

Q. Did you have any talk with him about that letter? A. I may have discussed the thing afterwards but that looked like a letter written by a man who was angry.

Q. Possibly so, but it is a peculiar expression? A. Yes, the chances are the matter may have come up afterwards. I went down and paid the money to him; he got the money back.

Q. Did you ever find out what he alluded to? A. I don't know what he alluded to, nothing that emanated from me.

Q. Did you ever ask him? A. I don't remember mentioning that letter to him.

Q. Did it emanate from anybody else? A. I could not say.

Q. You see there is a suspicion that he was being bled from time to time by people who knew something about the way in which the list in Ottawa had been manipulated, and that they were making use of that as a lever to get money? A. I knew nothing about that. The first intimation I had of anything like that was the evidence that had been brought up in the Police Court after the bank failed.

Q. This is evidently the letter of an angry man, but it does not seem to me that this affords us very much explanation of the language? A. It is no action of mine or any word I did that could bring forth a letter like that.

Q. He sent you a cheque, which would mean that you need not pay it if you did not want to? A. Yes.

Q. Did you as a matter of fact pay it afterwards? A. The World must have paid that afterwards.

Q. Do you know? A. I do not know of my own personal knowledge, except that is what we did frequently. I had cheques frequently cashed by the Farmers Bank.

Q. But this seems to be a personal cheque of your own, and one which you got very sore over; are you not in a position to say whether you ever paid it? A. I am in a position to say to the best of my knowledge we paid the cheque.

Q. Why the qualification? A. I say we paid the cheque without any qualification. I remember one occasion we had a cheque for \$350 which was cashed by Mr. Travers and the due date came, it was my own cheque, but the money was turned into the World, the World did not have the money to meet the cheque and I went out and borrowed the money and met that cheque, \$350, and while we might not be able to pay it on the day we said we managed to pay it a day or two afterwards. I do not think the World owes any money that the World has not paid or is not paying.

Q. What does Mr. Travers mean by saying, "Do not think I am doing this"—what was the "this" he was doing; look at the letter and see if you can explain it?

MR. COMMISSIONER: Is it not plain what he means—"I am not sending this back to you because I fear blackmail"?

MR. HODGINS: I should have thought so except that precedes what he says he is doing? A. It looks plain enough on the fact to me, he is not sending it back because he fears anything.

Q. Had you heard anything subsequent to the granting of the certificate with regard to the discount of notes out at Milton in which VanKoughnet's name had come up? A. No, I do not remember the name VanKoughnet. I remember the Laidlaw stock running through the paper but I don't think I was interested in the bank at that time.

Q. Did you make it your business to ascertain about the Laidlaw transaction afterwards and make use of it with Travers? A. Oh, no.

Q. Did you hear anything about the deal in Syracuse? A. Yes, I heard something about that through the newspapers.

Q. Did you find out about that? A. I spoke to Mr. Travers about that, I wrote a news story about it.

Q. Did it appear in the World? A. Yes.

Q. Was that after your conversation with Travers? A. About this particular conversation this letter refers to?

Q. Yes? A. I did not trace the two of them together.

Q. Did you get your information from him that you published? A. Yes.

Q. Was it different from what you had acquired from outside? A. Not greatly; the Associated Press dispatch carried a certain story and Mr. Travers elaborated that; I think it was an elaboration rather than a correction.

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Q. Was that Associated Press dispatch published in the World? A. Yes.

Q. As well as the story that you speak of? A. No, I think the Associated Press dispatch was not published in the World; we waited till we got the information from Mr. Travers before we took in the story.

Q. Do you associate the two at all? A. No.

Q. What was your object in seeing Travers about that Syracuse story? A. To give his side of the story; he was a local man.

Q. Did you ever feel he was under an obligation to you for putting his side in instead of the Associated Press? A. I did not emphasize anything like that except I showed my friendliness towards him in putting his story forward.

Q. I see that Syracuse matter was in January, 1910, so that apparently there would not be any connection between that and this letter of the 16th April, 1909? A. No.

Q. Can you suggest what it refers to? A. It may have been some other forces at work that had made him angry and that was uppermost in his mind and he put it in the letter he wrote to me.

Q. You can make no explanation? A. No.

EXHIBIT 80: Letter April 16th, 1909, Travers to Greenwood.

## WILLIAM F. MACLEAN, Recalled:—

By MR. HODGINS: I want to ask you now, in view of the fact that this account of the Provincial Treasurer's has been produced in the ledger which had gone astray, if you made any effort to get the deposit which is referred to or any subsequent deposits which are shown in this ledger? A. I made no efforts.

Q. That would apply then to the whole of the Treasurer's account? A. Yes.

Q. You made no efforts to get any deposits? A. No.

Q. You have listened to my examination of Mr. Greenwood, can you throw any light upon the language used by Mr. Travers in that letter to him? A. No, I never saw it, I know nothing of it.

Q. It is most peculiar language, you will agree with me? A. Yes, I know of no reason why he should have used that language, and know of no one ever having made any threats to him.

Q. You cannot account for this in any way? A. No.

Q. Was it reported to you by Mr. Greenwood that he got that letter? A. No, not as I know of; I cannot recall it.

Q. Did he ever say Travers was accusing him of holding him up or anything of that kind? A. I never heard of it.

Q. Did you ever know the peculiar circumstances regarding that list that went to Ottawa—the subscribers' notes; did you ever hear of that in any way which would make you think that Travers had done wrong in connection with it? A. Never, until it was published.

Q. When was that? A. It came out in the examination after the failure of the bank.

Q. You never heard it? A. No, never in any shape or form. I always regarded the bank as trying to pull its way through and getting on its feet, and doing fairly well; I saw roughly the returns from month to month, and saw the returns of the bank, and they seemed to me to be making some headway, and any sympathy I had was to see the bank pull through.

## HARRY GOSS, Sworn, Examined by—

MR. HODGINS: What is your position with the World newspaper? A. Secretary-Treasurer.

Q. You and Mr. Clarkson have gone over the books I understand to see when the earliest entry is regarding any business between the Farmers Bank and the World? A. Yes.

Q. And what is that? A. As far as I can find out December 31st, 1907.

Q. There is nothing in the books to disclose? A. No; I cannot tell by that entry that would be the first.

Q. Do you say could not tell by that entry? A. Only Mr. Clarkson said that was the first.

Q. You were not the bookkeeper at the time? A. No.

Q. When did you become bookkeeper? A. About a year ago.

Q. So that you have gone through the books with Mr. Clarkson and according to them there is nothing to show any earlier transactions than December 31st, 1907? A. No.

MR. HODGINS: That is so, is it, Mr. Clarkson?

MR. G. T. CLARKSON: The form of the books is such that you cannot tell.

MR. HODGINS: That is the earliest trace you can find.

MR. G. T. CLARKSON: Yes.

MR. HODGINS: You did go back beyond December 31st, 1907, to see? A. I went back beyond that to see, I could not tell, nothing to trace it to the Farmers Bank at all.

## W. R. TRAVERS, Recalled:—

By MR. HODGINS: Look at this letter, Exhibit 80 and tell me what you alluded to when you wrote that letter? A. I cannot tell you now directly what I alluded to then, but Mr. Greenwood frequently sent me in a clipping or something that was supposed to have been put in the columns of this paper.

Q. Had been put? A. No, they were sent in I should fancy for the purpose of putting in the columns of this paper which he sent me with a memorandum saying, "I have not taken any notice of this" or something to that effect. They were all in my desk after I gave up charge,—I have seen them since my arrest— but never when he was asking a loan did he ever suggest anything of the sort.

Q. He had evidently given you a personal cheque which was dishonored? A. Yes, I remember that.

Q. And you were angry I take it from that letter? A. I was angry because the cheque was returned through the Clearing House and if I remember right there was some reflection cast on it, I don't remember what it was and I was angry at the time.

Q. You took up the cheque with your own personal cheque? A. Yes.

Q. And sent him back the cheque without asking him to pay it? A. Yes.

Q. And then you say, "I am doing this not because I fear any blackmail"—? A. "Do not think I am doing this because I fear any blackmail".

Q. What is the explanation of that? A. The only explanation is that I had in my mind at that time that there were certain people calling upon Mr. Greenwood to publish some matters that would be detrimental to the bank.

Q. What would they be? A. 1909?

Q. Yes, April, 1909? A. I could not say offhand just now. I remember Lord Templetown had threatened to wire to the newspapers he would resign; I cannot say that that is the date.

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Q. That would not bring the bank down if Lord Templetown resigned? A. No, but on top of everything else that was going on I suppose it would have caused a flutter.

Q. You are not suggesting that, are you, as the explanation? A. If that was the date I cannot say offhand, it might have been. I left the items that Mr. Greenwood was kind enough to withhold from publication in my desk, and I cannot recall them at the present moment.

Q. Look at the date of the letter and just reflect a moment, was there anything at that time or just previous to it to give any point to that letter? A. I think there was, but I cannot fix my mind on it for the moment.

Q. It is a peculiar sort of thing to say to a man? A. Oh, I had a reason for it, of course.

Q. To give you a date, you heard from W. R. P. Parker, barrister, letter dated October 28th, 1909, that he had an important communication from Viscount Templetown and would like to see you? A. Then that date does not correspond at all with this. Perhaps Mr. Greenwood knew nothing about that; I am not sure.

Q. Cannot you mention any reason? A. I cannot for the moment; I will have to think it over.

Q. If it was merely with regard to those newspaper clippings, which might be a kindly act on Mr. Greenwood's part, you could hardly allude to publishing them as blackmail? A. I cannot say what was in my mind then, but I might have had perhaps some foolish notion as that in my head.

Q. With regard to that letter to the Provincial Treasurer which Colonel Matheson said he did not get, what have you to say? A. I say that that letter was duly mailed to him, and I think you will find it registered in the letters dispatch book by the party who posted it.

Q. A registered letter? A. No, we have a system in the bank of entering all letters posted, and I got a reply from Mr. Matheson, and I have seen that reply since I have been under examination.

Q. Under examination on this Commission? A. No, before this. Inspector Duncan informed me this morning that he remembered it quite well when I was over there trying to locate it this morning.

Q. In connection with that and other matters you went over yesterday with Mr. Thompson all the papers that are here produced to me by the liquidator or by anybody else? A. Yes.

Q. Were you able to find any such letter or reply from Colonel Matheson among these papers? A. I was not.

Q. Were you able to find that \$3,000 cheque which you said on a previous occasion you remember seeing among the papers? A. No, I was not.

Q. I think those are the only two documents you have mentioned; did you find any other document, if there is any, that you have alluded as not being produced on this investigation? A. No, I could not find anything else.

Q. Did you go down to Inspector Duncan in order to see if by any possibility they were still with him? A. I did.

Q. And were you able to find them? A. I was not.

Q. I may say, as far as I am concerned, I have never seen either of those two? A. Mr. Duncan remembers them quite well, and said so this morning to Mr. Thompson.

Q. Is he going to make further search? A. Yes, but he thinks the last seen of it was on Mr. Baird's desk, the late Crown Attorney.

Q. Probably he would make a search, because before we finally close this if they can be found I would like to have them? A. I remember Colonel Matheson's letter.

Q. What was the purport of it? A. It was a sheet of paper written in his own handwriting, and it said, "I have received yours of such a date and I

have made no promises to anybody about putting any money in your bank. Yours truly, Matheson". That is my recollection.

Q. You seem to have continued getting deposits from time to time from the Government? A. Yes.

Q. After the letter of that date? A. I think the books will show we did.

Q. Did you make any further effort yourself after writing that letter to get any deposits? A. From the Government?

Q. Yes? A. I got friends of my, different people, to speak to him.

Q. Who did you get to speak to him? A. I got Mr. Bain, of Bicknell, Bain & Strathy, for one, and Mr. Arthur Vankoughnet for another.

Q. Pulled the wires as far as you could? A. I got somebody else, I cannot remember now offhand.

Q. In the Government returns of the liability to the Provincial Government I think they were shown separately were they not? A. Yes.

Q. It appears that in two cases, in August and September, 1908, you made the amount of the Government return less than you had actually on deposit? A. I cannot account for that, unless it is a mistake as between the Toronto branch and the chief accountant upstairs.

Q. In August of the following year you doubled the amount, put in double the amount you had on deposit? A. I do not think that is right.

Q. It is undoubtedly right, according to the returns? A. I think the amount shown in the return is correct; I do not think we put any fictitious amount in.

Q. You put in \$74,042, whereas you had only \$35,000 of deposits received and \$4,042 in open account?

MR. COMMISSIONER: \$35,000 more.

MR. HODGINS: Exactly \$35,000 more; in other words, the deposit receipts are doubled according to your returns, whereas, in fact, instead of being \$70,000 they are only \$35,000? A. I do not think those are the facts. My recollection is the Government deposit went up as high as \$77,000.

Q. You cannot account for that? A. No, I cannot realize that any such thing is the case.

MR. COMMISSIONER: Look at that item three; there seems to be no object in it, I do not know why it was done. It was making the bank look worse off.

MR. HODGINS: It would swell the deposits? A. I think Mr. Clarkson is wrong in this; I do not think that is a true state of affairs.

MR. HODGINS: I will have Mr. Clarkson look that up.

MR. CLARKSON produces return of liabilities and assets of the Farmers Bank.

MR. COMMISSIONER: There it is, Mr. Travers? A. I see those figures, but I am still doubtful as to Mr. Clarkson making that \$35,000.

MR. CLARKSON: I think it is a clerical error without any effect? A. I am not satisfied with that statement.

MR. COMMISSIONER: Mr. Clarkson's idea is that by mistake that was made \$35,000 more than it should have been and this \$35,000 less? A. That might have been between the two offices, but I am still doubtful about it. I will look into it further.

The Commissioner and Mr. Travers and Mr. Clarkson examined the book.

MR. COMMISSIONER: They have just put in the \$35,000 twice.

The Commission adjourned at 1 p.m. to 2.15 p.m.