

EXHIBITS RE EVIDENCE  
OF THE  
**ROYAL COMMISSION**  
OF  
ENQUIRY IN THE MATTER  
OF THE  
**FARMERS' BANK OF CANADA**

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**EXHIBITS RE EVIDENCE**  
**IN THE MATTER OF**  
**FARMERS BANK OF CANADA**

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**EXHIBIT 1.**

*Extracts from minutes of Banking and Commerce Committee re Farmers Bank:*

**BANKING AND COMMERCE COMMITTEE OF THE HOUSE OF  
COMMONS.**

Extracts from Minutes of said Committee re Farmers Bank of Canada:

Committee Room,  
Tuesday, 21st June, 1904.

Bill No. 131, to incorporate the Farmers Bank of Canada.  
Preamble and sections 1, 2, 3, 4 and 5 read and adopted.  
Ordered, to report the bill without amendment.

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Committee Room,  
Wednesday, 12th April, 1905.

Bill No. 124, respecting the Farmers Bank of Canada.  
Preamble amended by inserting therein the name of the Company.  
Sections 1, 2 and 3 read and adopted.  
Ordered, to report the bill as amended

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Committee Room,  
Friday, 11th May, 1906.

Bill No. 127, respecting the Farmers Bank of Canada.  
Preamble read and adopted, after Mr. Urquhart, of Toronto, had been heard thereon.  
Section 1 amended by substituting "six months" for "one year", on line 5.  
Section 2 read and adopted.  
Ordered to report the bill as amended.

## EXHIBIT 2.

*Documents from Department file (Finance Department).*

## CANADIAN BANKERS' ASSOCIATION.

MONTREAL, Nov. 30th, 1906.

T. C. BOVILLE, Esq.,  
Deputy Minister of Finance,  
Ottawa.

Dear Sir:—

*Farmers Bank of Canada.*

In connection with the application of the Farmers Bank of Canada for the usual certificate from the Treasury Board, I have reason to believe that the money lodged, or to be lodged, at Ottawa as stock subscription, 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 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 so to do, until a thorough investigation has been made into the circumstances stated herein.

Yours faithfully,

(Sd.) E. S. CLOUSTON,  
*President.*

Certified to be a true copy,  
T. C. BOVILLE,  
D. F.

FINANCE DEPARTMENT,

Ottawa, Canada.

December 3rd, 1906.

E. S. CLOUSTON, Esq.,  
President Canadian Bankers' Association,  
Montreal, P.Q.

Dear Mr. Clouston:—

I beg to acknowledge the receipt of your letter of the 30th ultimo, respecting the Farmers Bank of Canada. I note what you state with regard to the money paid in under section 13 of the Bank Act.

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, and sometime 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 should 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 it 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



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calling for any particular comment. From the statutory declaration of the General Manager I quote the following paragraphs:—

"4. On the Twenty-third day of October, 1906, there had been actually *bona fide* subscribed five thousand seven hundred and fifty-seven shares of the Capital Stock of the Farmers Bank of Canada, and I have had personal knowledge of the applications and the subscriptions and each and all of the said subscriptions is and are on the printed form of application—a copy of which is now produced and marked Exhibit 'C' to this my declaration, and that the said subscription appeared on the Stock books of the said Bank, and that a sum beyond \$250,000 thereof in cash has been actually paid in by the subscribers of the same.

"5. Now shown to me and marked Exhibit 'D' to this my declaration is a list of the subscribers to the capital stock of the said Bank correctly setting forth as to each subscription the name of the subscriber, his address, the number of shares subscribed for by him, the amount of such shares and the amount paid in thereon. Each of the said subscriptions is a *bona fide* subscription to the capital stock of the said Bank."

I previously had some conversation with Mr. Fielding, who was very busy in connection with the preparation of the Budget Speech, with regard to this application. But on Friday last, the day after the delivery of the Budget Speech, Mr. Travers, the General Manager, had an interview with him. In the course of this interview that gentleman gave a most positive assurance that "not a dollar" of the amount deposited had been borrowed. 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.

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.

Yours very truly,  
(Sd.) T. C. BOVILLE,  
*Deputy Minister of Finance.*

Certified to be a true copy,  
T. C. BOVILLE,  
D. F.

## MEMORANDUM RESPECTING THE FARMERS BANK OF CANADA.

The undersigned has received an application from the Farmers Bank of Canada for a certificate to commence the business of banking.

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.

In connection with the papers it will be noticed that in the list of Shareholders the information covers the amount paid by each shareholder on his subscription. This information was supplied at the request of the undersigned as a test of the good faith of the subscribers. The number of subscribers exceeds 500 and the Stock is fairly well distributed amongst them.

The undersigned sees no objection to the granting of the Certificate required by the Bank Act.

(Sd.) T. C. BOVILLE,  
*Deputy Minister of Finance.*

Finance Department,  
Ottawa, November 30th, 1906.

Certified to be a true copy,  
T. C. BOVILLE,  
D. F.



3 GEORGE V., A. 1913

OTTAWA, 30th November, 1906.

Present—

HON. W. S. FIELDING,  
Minister of Finance, Chairman;

RT. HON. SIR RICHARD CARTWRIGHT, G.C.M.G.,  
Minister of Trade & Commerce;

HON. L. P. BRODEUR,  
Minister of Marine & Fisheries.

## TREASURY BOARD—

The Board had under consideration an application made by the Farmers Bank of Canada under the provisions of the Bank Act for the issue by the Treasury Board of a certificate permitting the said Bank to issue notes and commence the business of banking.

It having been shown to the satisfaction of the Board that all the requirements of section 15 of the said Act have been complied with the Board authorize the issue of the certificate applied for.

Adjourned.

(Sd.) W. S. FIELDING,  
Chairman.

Certified to be a true copy,  
T. C. BOVILLE,  
D. F.

T. 37983.B.

*EXTRACT from the minutes of a meeting of the Honourable the Treasury Board, held at Ottawa, on the thirtieth day of November, 1906:*

(Sd.) W. S. F.  
(Sd.) R. J. C.  
(Sd.) L. P. B.

## Treasury Board—

The Board had under consideration an application made by the Farmers Bank of Canada under the provisions of the Bank Act for the issue by the Treasury Board of a certificate permitting the said Bank to issue notes and commence the business of Banking.

It having been shown to the satisfaction of the Board that all the requirements of section 15 of the said Act have been complied with the Board authorize the issue of the certificate applied for.

(Sd.) T. C. BOVILLE,  
Secretary.

Certified to be a true copy,  
T. C. BOVILLE,  
D. F.

## SESSIONAL PAPER No. 153a

This action is brought by the plaintiffs on their own behalf and on behalf of all other alleged shareholders of The Farmers Bank of Canada who may desire to be joined as plaintiffs. And the Plaintiffs' Claim is: (1) For the rescission of alleged contracts to take shares of the capital stock of The Farmers Bank of Canada; (2) For an accounting for the money and promissory notes received—or alleged to have been received—in the name and on behalf of the provisional directors of the Bank; (3) For an injunction; (4) For a Receiver.

And the following are particulars of the plaintiffs' claim:

1. The Farmers Bank of Canada was incorporated by Special Act of the Parliament of Canada passed on the 18th day of July, 1904.

2. The defendants, James Gallagher, John Watson, John Ferguson, Alexander Fraser, and Alexander Shepherd Lown, were appointed by the said Act to be the Provisional Directors of the Bank.

3. Amendments of the Act of Incorporation were passed on the 20th day of July, 1905, and on the 26th day of June, 1906.

4. The amendment passed on the 20th day of July, 1905, is alleged to have been passed on the petition of The Farmers Bank of Canada, and the amendment passed on the 26th day of June, 1906, is alleged to have been passed on the petition of the provisional directors of the Bank; and the petition is subscribed as follows:

“The Farmers Bank of Canada”,

By—JOHN FERGUSON,  
ALEXANDER FRASER,  
JAMES GALLAGHER,

*Provisional Directors.*

5. A prospectus of the Bank was issued, and contains, amongst others, the following statements, namely, that the following gentlemen have consented to act as directors if elected—

His Honour A. E. Forget; Major Thomas Beattie; Lieutenant Colonel R. R. McLennan; John D. Ivey; Thomas Charlton; H. W. Anthes; W. S. Calvert; G. Plunkett Magann; D. P. McKinnon; Colonel James Munn; Honourable A. G. McKay; George W. Neely; Thomas Urquhart; D. N. McLeod; John Ferguson; Robert Noble—and the name of the defendant W. R. Travers is printed thereon “General Manager”; the name of the defendant C. H. Smith is printed thereon “The Secretary of the Provisional Board of Directors”, and the name “The Traders Bank of Canada” is printed thereon as “Bankers”.

6. Stock books were opened in pursuance of the prospectus for the purpose of entering subscriptions of persons who might be induced to subscribe for shares of the capital stock of the Bank.

7. The applications for subscriptions for shares and proxies appointing the Secretary of the Provisional Board, and forms for receiving subscriptions for shares, were printed and put in circulation.

8. Forms of bank notes in the name of The Farmers Bank of Canada were also either printed, lithographed or engraved for the purpose of inducing persons to subscribe for shares.

9. The printed prospectus, the applications for stock, the forms for subscriptions, and the said forms of bank notes in the name of The Farmers Bank of Canada, were delivered to agents and solicitors to procure subscriptions for shares.

10. The agents and solicitors produced and used the prospectus, the applications and the forms in their canvass for subscriptions for shares.

11. The plaintiffs and others subscribed for shares, and the plaintiffs allege (1) That the provisional directors who professed to act for and in the name of the Bank, had no lawful power or authority to receive subscriptions for shares or to accept them: and (2) That the subscriptions for shares which were procured

from the plaintiffs and others were procured through fraud and misrepresentation and the plaintiffs allege, amongst others, the following particulars of fraud namely:

- (1) That the agent in procuring the subscriptions for shares falsely represented that persons had subscribed for a larger number of shares than they had in fact subscribed for, and the following are examples of such false representations, namely—(a) That Robert Noble, whose name is entered in the prospectus as one of those who had consented to be a director, had subscribed for shares to the amount of \$10,000, whereas he had in fact only subscribed for shares to the amount of \$3,000; (b) That John Sproat had subscribed for shares to the amount of \$10,000, whereas he had in fact only intended to subscribe for shares to the amount of \$1,000, and that he was induced to sign an application in the belief that it was filled up for \$1,000, and that the General Manager afterwards claimed that it was a subscription for \$10,000, that the said John Sproat then repudiated the entire subscription; (d) That James Murray has subscribed for shares to the amount of \$10,000, whereas he had in fact only subscribed for shares to the amount of \$1,000; (e) That Dr. Stewart was subscribing for shares to the amount of \$10,000, whereas he was not in fact subscribing for any shares; and other false representations of a similar character were made by the solicitors and agents in reference to alleged subscriptions of other persons.
  - (2) That Major Thomas Beattie, represented by the prospectus to have consented to act as a director, had not subscribed for any shares, and refused to be a director, and refused to allow his name to be used in any way in connection with the Bank, and the plaintiffs allege that the names of other persons were represented by the prospectus to have consented to act as directors had not subscribed for any shares or given any authority for any such publication.
  - (3) That the first block of shares to the amount of \$500,000 would be issued at par, and that the next block of shares would be issued at a premium of 25% and that the first block of shares subscribed for at par would therefore soon have a market value of 25% over the amount subscribed for.
  - (4) That the solicitors and agents who were procuring subscriptions for shares would buy the shares from the subscribers at the alleged premium of 25%.
  - (5) That the bank notes, of which a specimen was produced, would soon be in circulation, and that the profits to the subscribers would be very large.
  - (6) And the said prospectus contains other false and fraudulent inducements and representations.
12. And the plaintiffs allege that the acts and proceedings of the provisional directors were illegal and irregular, and that the provisional directors appointed by the Act of Incorporation did not continue to act as directors, and did not receive notices of meetings, and did not attend meetings, and did not consent to the renewal of the charter or to the acts and proceedings of other provisional directors, or other persons who were acting or professing to act for provisional directors, and that there was trading in the charter and proceedings in pursuance thereof.
13. And the plaintiffs further allege that the agents and solicitors who were procuring subscriptions for shares had no lawful power or authority to solicit applications or subscriptions, and there was no lawful authority for the acceptance of any such subscriptions.
14. And the plaintiffs allege that the agents and solicitors professing to act under the name and authority of the provisional directors have procured a large number of subscriptions for shares, and have received the sum of One hundred and Seventy-five thousand dollars more or less on account thereof, and have also pro-

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cured promissory notes to be signed by persons who were subscribing for shares, payable to the provisional directors of the Bank, and the persons acting in the name and under the professed authority of the Act of Incorporation and amendments thereto, are endeavouring to discount or procure a loan by the transfer of the said notes.

15. And the plaintiffs further allege that the persons professing to act as aforesaid under the alleged authority of the provisional directors, have unlawfully deducted large sums of money for alleged services and commissions, and other purposes, out of the money received by them, and the plaintiffs are apprehensive that the money and notes under the control of such persons may be illegally appropriated unless the said persons are restrained by order and injunction of this Honourable Court from drawing upon or using the same without the order of the Court.

16. A very large proportion of the subscriptions for shares, and of the money, and of the promissory notes, have been procured from farmers through the said fraud and misrepresentation in part alleged as aforesaid; and they were not at the time the subscriptions were procured from them, and are not now, able to pay the sums subscribed for, and the solicitors and agents represented to them that they would not be called upon to pay the money, and that the Bank would carry the obligations until they were able to sell their shares at a profit.

17. The plaintiffs deny that any legal liability can be established against a large number of such subscribers, and if such subscribers are in law liable to pay the sums subscribed for the enforcement thereof by legal process would bring great loss and damage to a large number of farmers who can meet their own obligations but cannot pay for subscriptions for shares of a Bank.

18. The Plaintiffs demand the production by the provisional Directors of the Bank, and each of them, and by the Secretary of the Provisional Board, and by the General Manager, and by all other persons who may have possession or control thereof—(1) Of all documents alleged to be signed by subscribers for shares; (2) Of the minutes of the meetings of the Provisional Directors; (3) Of the alleged subscribers' agreements, or alleged subscriptions for shares; (4) Of the Cash Books, Ledgers, Bank Books, Cheque Books, Letter Books, and all other books, documents and papers showing the alleged subscriptions for shares—the payments on account thereof—the application of the money received—the promissory notes and other obligations received; and all acts or proceedings of the Provisional Board of Directors, or any of the members thereof, or of the Secretary, or of the General Manager, and all other persons whomsoever professing to act in the name and on behalf of the Bank or of the Provisional Board of Directors, or any of them, or of the subscribers for shares, or any of them.

19. The plaintiffs hereby formally withdraw all applications for shares which may be signed by them, and they have added the principal persons who were concerned in the alleged irregularity, fraud and misrepresentation, as defendants in this action.

20. The plaintiffs allege that all moneys, promissory notes and other obligations received as aforesaid by all persons acting, or professing to act, in the name and on behalf of The Farmers Bank of Canada, or of the Provisional Directors, or any of them, are impressed with a trust in favour of all the subscribers for shares who may desire to come in and become parties to this action, and the plaintiffs allege that there is no lawful power or authority for the appropriation of any part of the said moneys for any other purpose than the regular procuring of the Act of Incorporation and amendments thereto, and the regular opening of the stock books and giving public notice thereof, and usual clerical work incidental to the incorporation and organization of the Bank under the provisions of the Bank Act; and the plaintiffs claim that the money now on hand, which is believed to be deposited in the Traders Bank of Canada, and the promissory notes or other

obligations, should be protected and preserved as trust money and trust notes and obligations under the order, direction and injunction of this Honourable Court; and that all persons who may have received any payments out of the said moneys, except as aforesaid, shall be ordered to repay the same.

21. The defendants, James Gallagher, John Watson, John Ferguson, Alexander Fraser and Alexander S. Lown, are named as Provisional Directors in the Act of Incorporation; the defendant W. R. Travers is named as General Manager in the prospectus and the defendants W. J. Lindsay and Luxton were canvassing solicitors and agents for subscriptions for shares.

AND THE PLAINTIFFS THEREFORE CLAIM AND PRAY FOR:

- 1.—An account and enquiry into all the matters hereinbefore alleged.
- 2.—An account and enquiry into all acts and proceedings of all the members of the Provisional Board of Directors, and each of them.
- 3.—The rescission of all alleged contracts to take shares which have been entered into without lawful authority.
- 4.—An account of all moneys received and the application thereof.
- 5.—The rescission of all obligations or subscriptions for shares which have been procured by fraud or misrepresentation.
- 6.—A declaration of the rights of the plaintiffs and of the obligations of the defendants, and consequential relief.
- 7.—An injunction to restrain the Bank, the Provisional Directors, the General Manager, the Secretary, and all officers, servants and agents acting for or in the name of the Bank, or of the Provisional Directors, from using, drawing upon, paying or transferring, any of the said money and notes, and from entering into any further dealings and transactions in respect thereof until further order of the Court.
- 8.—The appointment of a Receiver to take possession of all the alleged property of the Bank, and to hold the same under the order and direction of this Honourable Court.
- 9.—The amendments of this action by adding all parties who may desire to come in as plaintiffs, and the adding of all necessary defendants as occasion may arise.
- 10.—All such further and other relief as to this Honourable Court may seem meet, or as the nature or circumstances of the enquiry may require.
- 11.—The costs of this action.

The Plaintiffs propose that this action shall be tried at the Town of Milton.

Amendment to be added to the Special Endorsement.

The prospectus states that the money received from deposits is loaned at a high rate of interest, that the authorized capital of the Bank is \$1,000,000; that if this were fully paid up the Bank could issue \$1,000,000 in bills, thus earning for its stockholders dividends on \$2,000,000, giving the Bank double earning power on its capital.

The prospectus makes no reference whatever to the provisions of the Bank Act, namely (1) That a Bank cannot issue any notes less than \$5.00; (2) The percentage to be held by the Minister of Finance against circulation; (3) The necessity of the Bank establishing agencies everywhere in Canada to redeem its circulation; (4) The obligation of the Bank to hold not less than 40% of its cash reserves in Dominion notes; (5) The obligation to pay for the Dominion notes in



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specie; (6) The obligation to make payments up to given amounts in Dominion notes when requested; (7) The necessity for the maintenance of a reserve to meet deposits when demanded and to redeem circulation, etc.

Certified to be a true copy,  
T. C. BOVILLE,  
D. F.

EXHIBIT 3.

*Sample note to the provisional directors Farmers Bank:*

\$4,500.00. Due June 30, 07.  
Toronto, June 27th, 1906.

Twelve months after date I promise to pay to the order of the Provisional Directors of

THE FARMERS' BANK OF CANADA

.....Forty-five hundred..... Dollars  
at the office of the Farmers' Bank of Canada, Toronto, for value received.

No. 46..... .....FARMER LIMEHOUSE.

*Endorsed.*—Pay to the order of W. R. Travers, John Ferguson, Alex. Fraser, Jas. Gallagher, A. L. Lown, John Watson, without recourse per W. R. Travers' attorney,

W. R. TRAVERS.

EXHIBIT 4.

*Three Orders-in-Council dated respectively—*

July 13th, 1896,  
July 10th, 1905,  
July 20th, 1906.

P.C. 2713.

*Certified copy of a Report of the Committee of the Privy Council, approved by His Excellency the Governor General on the 13th July, 1896.*

PRIVY COUNCIL  
CANADA.

The Committee on the recommendation of the Honourable Wilfrid Laurier, the Prime Minister, advise that the Honourable Sir Richard Cartwright, the Honourables L. H. Davies, J. Israel Tarte, F. W. Borden, and R. W. Scott, members of the Queen's Privy Council for Canada, do, with the Minister of Finance and Receiver General, constitute the "Treasury Board", in terms of Chapter 28 of the Revised Statutes, as amended by Chapter 13 of the Acts of 50-51 Victoria (1887).

The Committee on the same recommendation further advise that the presence of three members of the said Board do constitute a quorum thereof.

RODOLPHE BOUDREAU,  
*Clerk of the Privy Council.*

P.C.1298.

*Certified Copy of a Report of the Committee of the Privy Council,  
approved by His Excellency the Governor General on the 10th July,  
1905:*

PRIVY COUNCIL  
CANADA.

The Committee on the recommendation of the Right Honourable Sir Wilfrid Laurier, the President of the Privy Council, advise that the Right Honourable Sir Richard Cartwright, G.C.M.G., the Honourable Mr. Prefontaine, the Honourable Mr. Paterson, the Honourable Mr. Brodeur, members of the King's Privy Council for Canada, do, with the Minister of Finance and Receiver General as Chairman, constitute the Treasury Board, in terms of Chapter 28 of the Revised Statutes as amended by Chapter 13 of the Acts of 50-51 Victoria (1887).

RODOLPHE BOUDREAU,  
*Clerk of the Privy Council.*

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P.C.1545.

*Certified copy of a Report of the Committee of the Privy Council,  
approved by His Excellency the Governor General on the 20th July,  
1906:*

PRIVY COUNCIL  
CANADA.

The Committee of the Privy Council on the recommendation of the Right Honourable Sir Wilfrid Laurier, and in virtue of the provisions of Chapter 28 of the Revised Statutes, as amended by the Act 50-51 Vic., Chapter 13, advise that the Honourable Sydney Fisher, Minister of Agriculture, be appointed a member of The Treasury Board.

RODOLPHE BOUDREAU,  
*Clerk of the Privy Council.*

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