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ROYAL COMMISSION

TO ENQUIRE INTO AND REPORT UPON AFFAIRS OF THE

HOME BANK OF CANADA

And in the matter of the Petition of the Depositors
in the said Home Bank of Canada

COMMISSIONER:

The Honourable Chief Justice McKeown

OTTAWA, TUESDAY, MAY 6, 1924

No. 9

OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1924

CANADA

IN THE MATTER OF A COMMISSION appointing the HONOURABLE HARRISON ANDREW McKEOWN, a Commissioner to enquire into and report upon affairs of the HOME BANK OF CANADA.

AND IN THE MATTER OF THE PETITION of the Depositors in the said HOME BANK OF CANADA.

Before the Honourable Chief Justice McKeown, the above named Royal Commissioner, at Ottawa, on Tuesday, the 6th day of May, 1924.

Counsel:

EUGENE LAFLEUR, K.C., AND H. J. SYMINGTON, K.C.,
for the Government of the Dominion of Canada.

R. J. McLAUGHLIN, K.C., A. G. BROWNING, K.C., AND W. T. J. LEE,
for the Depositors.

MCGREGOR YOUNG, K.C.,
for the Attorney-General of Ontario.

R. A. REID,
for certain shareholders; (Opposing the double liability.)

Mr. REID: My lord, before the examination of Mr. Crerar is resumed, I would like to draw your lordship's attention to a newspaper report this morning, an item taken from one of the Toronto papers apparently published in Toronto this morning, which refers to a payment of \$1,500 to Sir Thomas White for alleged professional services in connection with the affairs of the Home Bank.

I understand that this amount was paid to Sir Thomas White three or four days before the bank closed its doors, some pretty quick tailoring evidently, a short time before the failure. My clients, speaking for the shareholders at any rate, are forced to pay 25 per cent on their claims while those apparently on the inside are paid 100 cents on the dollar.

I would suggest to your lordship that Sir Thomas White be recalled at his convenience some time to relate the circumstances of this payment, what it was for, so that we can examine completely into the details connected with the special services, special advice, and so on, which it is said he performed, and which he was paid for two or three days before the bank closed its doors.

His LORDSHIP: I noticed that, Mr. Reid. The Commission, I think, will find it necessary to go to Toronto a little later if what it has in mind matures, and your application will receive consideration.

Thomas A. Crerar, cross-examined by Mr. Lee, resumed:

Q. Mr. Crerar, I think last evening when we adjourned we were discussing the letter from Mr. Haney suggesting to you that a pool be formed for \$200,000, is that your recollection?—A. Yes.

Q. And, in that letter, he referred to the company, and I presume that he was meaning the United Grain Growers' Association. Is that what I got from your evidence last evening?—A. No, I don't quite understand your question, Mr. Lee.

Mr. LAFLEUR: I thought that question was answered yesterday, Mr. Crerar gave his explanation.

Mr. LEE: Mr. Crerar gave his explanation, that it was the United Grain Growers' Association, is that my memory of it?

Mr. SYMINGTON: A polite way of refusing Mr. Haney's suggestion.

Mr. LEE: In his reply to Mr. Haney he used the word "company." I have just forgotten what letter it was in.

Q. Do you mean to say that your reference was to the United Grain Growers' Association?—A. In that letter?

Q. Yes, if you will just turn it up, please.

Mr. LAFLEUR: May I interrupt while you are looking that up. In connection with the question which has just arisen on the application of my friend, Mr. Reid, I am just in receipt of a telegram from Sir Thomas White which I think it my duty to communicate to your lordship. It is addressed to me, Home Bank Commission, Ottawa, and reads as follows:—

"On account of insinuations in *Globe* this morning respecting special counsel work which I did for Home Bank last August and which I mentioned to you I have felt it necessary to make a statement to the press. Please explain to Commissioner that no disrespect is implied to Commissioner in giving this statement to the press instead of making application to give it in evidence. Am applying to liquidator for his consent to testify as to advice which I gave and if Commissioner thinks matter relevant shall be glad to go to Ottawa at once to testify with reference to advice given and circumstances. Understand Commissioner may make interim report upon branch of case so far presented. Desire to appear before him in argument and trust you will give me a few days' notice as I am very busy. Please wire receipt of this message.

"(Sgd.) W. T. WHITE."

His LORDSHIP: That fills your desire, Mr. Reid.

Mr. LAFLEUR: Sir Thomas is only too anxious, evidently, to explain it. I may say, with reference to his statement that he had mentioned the matter to me, that that was mentioned to me after his examination was completed. I did not know the circumstances, but evidently Sir Thomas has not the slightest objection to explaining this, and desires to explain it, so that I think it would be quite fair and proper to give him that opportunity either in Ottawa or Toronto, as your lordship may think convenient.

His LORDSHIP: Sir Thomas White has evidently left the matter with you, Mr. Lafleur, and any time it is opportune to call him, why, I will be pleased to hear what he has to say. I think it is only fair that he should have an opportunity of making an explanation.

Mr. LAFLEUR: He not only wants to explain but wants to submit some considerations as to the part that he has played in this matter, by way of argument, and I suppose it would only be fair, since he is not retaining counsel, to let him argue his own side of the case.

His LORDSHIP: Any time you think the occasion lends itself you can produce Sir Thomas.

Mr. LAFLEUR: Well, then, how would it be to communicate with him to-day by telegram to say that we are sitting here this week and if it is convenient for him to attend this week we could take him on that point? Will that suit your convenience, Mr. Reid?

Mr. REID: Yes, sir.

Mr. LAFLEUR: Or I can tell him that we also intend to sit later on in Toronto and if it suits his convenience better then we can take that matter up with him there. If he is heard on this branch of the case, I suppose that argument will have to take place here in Ottawa.

His LORDSHIP: Yes, indeed.

Mr. LAFLEUR: And will it be too early to present his side of the case this week?

His LORDSHIP: Oh, I would not think so, you know what witnesses you have, Mr. Lafleur.

Mr. LAFLEUR: I do not think we have many more on this branch of the case.

Mr. LEE: I was going to suggest, sir, that, when this argument takes place, the usual rules be not enforced as against the depositors' counsel. I think, if Sir Thomas White makes his argument, he ought to make it before counsel for the depositors is called on.

Mr. LAFLEUR: Oh, of course, in your presence.

Mr. LEE: Yes.

Mr. SYMINGTON: I think you have misunderstood what Mr. Lee said, Mr. Lafleur.

Mr. LAFLEUR: Sir Thomas White's argument will be on this branch of the case only, as I understand. The order of procedure is for your lordship to decide. I do not know that the person who is charged opens, I always understood it was the other way. If anyone had charges to make, as I understand the petitioners do, they should open their case.

Mr. LEE: I do not like the word "charges". These are statements of fact.

Mr. LAFLEUR: They are complaints against the action of the Minister, and I do not think you can read the petition otherwise. What I suggest is, it is for those who have complaints, or charges, or claims, to open their case, and then give those who are charged, or complained against, an opportunity to reply. That would be my idea of the procedure. However, I leave it entirely to your lordship.

His LORDSHIP: That would be the natural way, following the course in other proceedings.

Cross-examination of T. A. Crerar by Mr. Lee resumed:

Q. Mr. Crerar, yesterday, in referring to a letter of April 3rd, the concluding paragraph, in which Haney said to you "I am arranging for a pool to support the Home Bank stock", you told me that, in answer to a further question, the word "company" there meant the United Grain Growers?—A. At that time the company's name was the Grain Growers' Grain Company, Limited. It continued with that name until September 1st, 1917, when it united with the Farmers' Company in the Province of Alberta, and henceforward was known as the United Grain Growers, Limited.

Q. Then the United Grain Growers, Limited, took over the stock of the Home Bank, did they?—A. When they united?

Q. Yes.—A. Oh, yes. All the assets of the 'old Grain Growers' Company went into the amalgamation.

Q. So that when you sold the stock it was the stock of the United Grain Growers, Limited?—A. The United Grain Growers, Limited, had the stock.

Q. Yes. And when did you cease to be the President of that organization, or were you ever President of the United Grain Growers, Limited?—A. I have been President since it was formed.

Q. When the stock was sold were you the President?—A. Yes, sir. But I might explain that I was absent for almost two years, with the consent of the Company's Directors, when I was a member of Union Government, but I still retained the Presidency of the Company.

Q. You still retained the Presidency of the Company and the direction of the Company?—A. No. Our by-laws provide that in the absence of the President the Vice-President performs his duties.

Q. So that in your absence as a member of the Union Government during the years 1919 and 1920—A. 1918 and up until the autumn of 1919.

Q. You took no personal direction in the affairs of the United Grain Growers, Limited?—A. Nothing beyond being consulted, perhaps, on large questions of policy, such, for instance, as the expenditure of considerable sums of money for building elevators.

Q. Yes. And when Mr. Daly came to you to see you, you were in Ottawa a member of the Government?—A. Yes, sir.

Q. And he proposed to you that you grant him the proxies to vote those shares at the Annual Meeting?—A. He asked if he might have the proxies of the Company's stock.

Q. Did he tell you the reason why he wanted the proxies, because you see your Company was the largest single shareholder in Canada?—A. All I can recall on that is that Mr. Daly intimated to me that he had a fear that Mr. Haney was endeavouring to get control of the Annual Meeting which was to be held at the end of June.

Q. What month was this, do you remember, Mr. Crerar?—A. I think it was the month of April.

Q. That would be 1919?—A. 1919. He was afraid that Mr. Haney was endeavouring to get control of the affairs of the bank.

Q. You say he was afraid that Mr. Haney was endeavouring to get control of the affairs of the bank?—A. That was the impression he left on my mind at that time.

Q. And did he tell you anything further as to why he wanted the proxies?—A. No. My recollection is that he made some remark about Haney being a little too speculative.

Q. The impression you got was that Mr. Daly made the remark that Haney was a little too speculative?—A. Yes, he left that impression upon my mind. I cannot recall the exact words.

Q. Did he show you any correspondence that had taken place between he and Haney?—A. No, none. I may say that I do not think I saw Mr. Daly for more than four or five minutes. As I recall it, it was in my office in the Langevin Block, in the Department of Agriculture.

Q. Mr. Daly was a resident of Ottawa at that time, I believe. I mean to say he was down here a great deal?—A. I don't think he was then.

Q. Well, a little later he had a position under your Government?—A. No, that was prior to that; that was prior to the signing of the Armistice in November, 1918. My recollection is that in the early part of 1917, at any rate in 1918, Mr. Daly was in Ottawa a good part of his time working on committees of various kinds. I cannot recall what committees, there were a multitude of them at that time.

Q. Advertising and publicity in reference to the war?—A. If my recollection is right he was on a committee that was considering the question of re-establishing the soldiers when they returned.

Q. It is not very material. Well, then, during this conversation, from what you gleaned, things were not going on very much better among the Eastern Directors, and that Haney was endeavouring to get possession and control of the bank from Daly?—A. No, I did not gather the impression that things were not going well with the bank, in fact, I got the contrary impression.

Q. Anyway, you refused to give Mr. Daly the proxies?—A. I told Mr. Daly that our directors wished to dispose of the stock.

Q. You have not answered my question, Mr. Crerar, probably you misunderstood. Anyway, you refused to give Mr. Daly the proxies?—A. No, I do not think that is correct, Mr. Lee.

Q. Well, did you agree then to give him the proxies?—A. No. What I told Mr. Daly was this, that our company wished to dispose of its stock, and he said, or made the remark, that Mr. Haney might wish to buy it, and he would like the prior chance.

Q. Mr. Daly would?—A. Mr. Daly made the statement to me that possibly Mr. Haney might wish to buy them.

Q. Well, I don't think you mean that, Mr. Crerar.

Mr. SYMINGTON: Of course he does.

Mr. LEE: Just a minute.

Q. Do you mean to say that Daly represented to you that Haney desired to buy the stock?—A. No, he did not, but he stated to me that Mr. Haney might desire to get the stock and that he wished the prior opportunity of getting it, and I said, now, I will write to our office in Winnipeg and they can get in communication with you, and I wrote to our Treasurer in Winnipeg, and gave them Mr. Daly's address in Toronto, and the negotiations were carried on then between the office of the company in Winnipeg and Mr. Daly, and the thing was concluded.

Q. Did he make you any offer for the stock?—A. No.

Q. Did you have any communications then with the office in Winnipeg in reference to it afterwards?—A. My recollection of that is this, that I made communication to the office in Winnipeg and suggested selling a portion of the shares. Later on, I got a communication from our office in Winnipeg stating that my colleagues on the Board of Directors thought it was advisable to sell all the stock. They were more closely in touch with our business than I was at that time, and we had in contemplation then the building of quite a number of elevators in the province of Saskatchewan, which I think were built that year, and I recall answering that I would leave it in the hands of the other members of our Board.

Q. You knew, of course, at that time that you were going to lose \$33,000?—A. Yes. Well, I did not know at that time. I did not know at that moment at what price the stock would be sold.

Q. But you learned that later?—A. I learned that later after the deal was completed.

Q. Who was it communicated with you in reference to the matter?—A. From Winnipeg?

Q. Yes.—A. Well, I do not remember at the moment. It was either our Assistant General Manager, Mr. Murray, or our Treasurer, Mr. Black.

Q. And it was either one of these gentlemen who had full control of the sale of these shares, in conjunction with the Board?—A. Our Treasurer had.

Q. Mr. Black?—A. Yes. Mr. Black is now the Provincial Treasurer in Manitoba.

Q. Then did they sell all the shares to Daly?—A. The shares were all sold to Mr. Daly. In the first part of June Mr. Black came to Toronto and the sale was effected personally with Mr. Daly in Toronto.

Q. Mr. Black sold to Mr. Daly in Toronto in the beginning of June, 1918?—A. Well, the sale was completed then. The negotiations had been going on for several weeks before that.

Q. That was 1918?—A. No, that was 1919.

Q. So that, during all this time, you yourself personally were holding your stock?—A. I had my shares, yes.

Q. Did you sell your shares to Daly?—A. No.

Q. You sold your shares to somebody else?—A. My shares were sold, I do not know who bought them.

Q. At that time?—A. No. Part of my holdings were sold in 1918.

Q. Part were sold in 1918, and you got your dividends up to that time?—

A. I got my dividends up to the time the stock was sold.

Q. That is, you got the 1918 dividend?—A. Well, I presume I got it for the period in which I held the stock.

Q. I believe they paid dividends each half year, is that correct?—A. No, I think the dividends were paid quarterly, that is my recollection.

Q. And then you sold your stock you say about when?—A. My recollection is that the first part I sold was in the summer or early autumn of 1918. I cannot recall just the exact date.

Q. 1918?—A. Yes.

Q. And the balance?—A. The balance was sold, I think, in March, 1923.

Q. And your shares, you say, were not sold to Mr. Daly. I won't ask who they were sold to, but they were not sold to Mr. Daly?—A. As a matter of fact, I cannot say to whom they were transferred.

Q. You sold them through a broker, I suppose?—A. Yes.

Q. Were there any of the shares still outstanding in the United Grain Growers Limited when these shares were sold, did they still retain any?—A. When they were sold to Mr. Daly?

Q. Yes?—A. No, they were all sold.

Q. Did the United Grain Growers cease to do business with the Bank?—A. We had ceased to do business with the Bank before that.

Q. How long before?—A. In September, 1917.

Q. And I suppose your reason for ceasing to do business was the general knowledge you had regarding the Bank's condition, and the fact that money was very tight at that time and they could not advance you sufficient money to finance your operations?—A. To the first part of your question, no sir. To the second part I would answer this; that in August, 1917, when Mr. Haney returned from the coast on the occasion of his trip to the west that year—

Q. Pardon me, is that the trip where you and he went to British Columbia?—A. No, that was in March, 1916, this was the trip following my interview with Mr. Haney in the Fort Garry Hotel which I referred to yesterday. When Mr. Haney returned from the coast I discussed our arrangements for credit for that year with him, I told him what our requirements would be, which as I recall now was some three and a half or four million dollars, I gave him an estimate of what our profits for the year would be. Our financial year closed at the end of August and we could not get our audited statement until early in October. Mr. Haney assured me then; if your statement of profits is approximately correct we will have no difficulty in arranging a line for you. I accepted that. In September we got a notice from the Bank that our credit was cut down to \$1,000,000. At that time, as I recall, we were using about \$600,000 and were right in the midst of the grain movement and our money requirements going up. I took the matter up with the manager in Winnipeg and wired Mr. Haney, exchanged several wires with him and finally we got an increase of credit for a few weeks. I have never been able to understand why that action was taken, because at the very time that our credit was cut down—I might say the reason given was that the Bank required its funds for Government financing but at the very moment that credit was cut down the Bank had arranged with the Assistant Receiver-General in Winnipeg to secure advances up to \$4,000,000 against the lodgment of grain securities, railway bills of lading and warehouse receipts for grain—

Q. That is grain receipts generally, not of your company alone?—A. Of our company; I might say that I think our account was the only grain account the Bank had at that time, it might have had one or two other small accounts of a few thousand dollars. We had in our office as I recall anywhere from \$1,500,000 to \$2,000,000 of grain securities at that time. I wired Mr. Haney, I said: All that the manager in Winnipeg has to do is to take these securities that we hand to him over to the Assistant Receiver-General and get the cash and give it to us; and I said, Why is it not being done? But I got no satisfaction from Mr. Haney. The result was that we were obliged to get another Bank connection.

Now we had had approaches from three different banks that summer for a part of our account, which we desired to leave with the Home Bank because of our connection with it. We went across to another Bank and within ten days or two weeks we had our full line of credit arranged, and the feeling of our executive officers was such we simply wrote a cheque to the Home Bank for the full amount of our indebtedness and carried our account elsewhere ever since.

Q. That ended your business transactions with this bank?—A. Yes sir.

Q. Except that you were still stockholders?—A. We were still stockholders. I want to qualify my last statement: We had a small deposit account in the Home Bank for our staff payments, our staff was paid by cheques on the Home Bank, or rather the money was deposited to the credit of the various members of the staff in their accounts in the Home Bank under a system we had worked out. But that was only a small matter, it was not a credit for doing business.

Q. Your business transactions as far as the United Grain Growers Limited was concerned, ended at that time?—A. Yes, sir.

Q. And naturally you would desire to be rid of your stock after that?—A. Well that was 1917, September or October, and the question of the sale of our stock was first considered by our Directors at a meeting in December, 1918, as I recall.

Q. Then it was sold you say to Mr. Daly at \$100 a share?—A. That was the figure as I recall.

Q. And it was paid for by Mr. Daly?—A. Mr. Daly paid for the stock; I do not wish to be understood that he paid fully in cash, he made a cash payment and gave notes for the balance running for I think three and five months, and those notes were paid at maturity as I recall.

Q. Do you know who paid them?—A. Mr. Daly paid them.

Q. Do you know the number of shares that you sold him?—A. I think probably a few over the thousand, I cannot recall the exact number.

Q. When that transaction took place the United Grain Growers Limited ceased all connection with the Home Bank?—A. Yes.

Q. And have never had any with them since?—A. Not beyond this small account for paying the staff.

Q. I was speaking to you yesterday about this correspondence that you and your fellow Western Directors had with Sir Thomas White, and then the suggestion made by Mr. Haney that your company advance \$50,000 to the \$200,000 pool?—A. I do not take it that Mr. Haney's suggestion was that the company should advance that, Mr. Haney's statement in his letter is as follows:—

“I am arranging for a pool to support Home Bank stock and maintain it at a price not below 80. This will require \$200,000 and we want the co-operation of our Western friends, and I trust you will help me to the extent of \$50,000.”

Q. In your reply you used the word “Company”?—A. I will read it.

“I note what you say in respect to a pool to support the stock. I cannot of course say at the moment what we can do—”

Q. Who did you mean by "we"?—A. Well, I meant the Western friends that he referred to.

Q. Did you mean Mr. Perse and Mr. Kennedy and yourself or did you mean the United Grain Growers Limited?—A. Well it might have embraced the whole, I cannot recall at the moment what I had in mind.

"If this company were to contribute anything towards such pool it would have to be done on the approval of our Directors."

It was simply a polite way of telling Mr. Haney, as I said yesterday, that we did not want to have anything to do with it. And we did not have anything to do with it.

Q. The date of that was April 3rd?—A. Mr. Haney's letter was April 3rd and my reply April 8th, 1916.

Q. And the purpose of Mr. Haney at that time was to hold the stock up to 80, apparently?—A. I do not know.

Q. Apparently so from the correspondence?—A. That could be drawn from his correspondence.

Q. Then the Bank seemed to you at that time in pretty bad condition, didn't it?—A. What time do you refer to?

Q. The letter of April 3rd, 1916, when its stock had to be supported in this way; that is with your previous knowledge and complaints to the Minister of Finance?—A. I do not know that Mr. Haney's letter contributed any to my knowledge of the bank's position or gave me any impression, I do not think it did.

Q. But it did not help to improve the position of the bank in your mind?—A. I do not think it had any effect, Mr. Lee.

Q. Was Mr. Haney's letter communicated to the other Directors of your company, the Grain Growers Grain Company?—A. No, sir, it was not.

Q. I suppose you did not think it was worth bothering them about?—A. No, I did not, I answered Mr. Haney's letter and I do not think I gave a thought to it afterward.

Q. Then what was the position at the beginning of 1918, along through January and February, shortly before your retirement?—A. The position of?

Q. Of the bank, as far as you were aware?—A. I had no direct knowledge.

Q. Except from the General Manager?—A. I had no direct knowledge, as I stated yesterday I cannot recall attending meetings in the East in 1917.

Q. Or 1918, would you put it that far?—A. As I stated in my evidence yesterday I came to Ottawa early in October, was sworn in a Member of the Union Government on the 12th October, 1917, and sent my resignation to the bank on the 3rd of January, shortly after the Federal election.

Q. 1918?—A. Yes.

Q. Therefore you do not know anything either shortly prior to your joining the Union Government or subsequent?—A. No, my mind was very fully employed at that time.

Q. Yes it would be of course. And I see the date of your resignation was January 9, 1918?—A. I wrote it on January 3rd, it was accepted at a meeting on the 9th probably.

Q. And they passed a very nice resolution to you for your kind assistance?—A. To which I did not pay very much attention.

Q. Well they did, didn't they?—A. Yes I believe they did.

Q. And you wrote them a letter thanking them for it?—A. That was a formal expression that probably I thought it was politic as a man in public life to make.

Q. And they also thought it advisable to send you the usual honorarium for your services?—A. I think probably that is correct, I cannot recall that.

Q. Do you recall that letter of which this is a copy?—A. I do not recall it but I probably got that letter.

Q. This letter is dated June 26, 1918. Have you the original letter?—A. No I have looked through my file with Mr. Haney and I have not got that. I might say that might easily happen because my correspondence was then in Ottawa and part was left here and part taken back home. The letter might easily get mislaid, I think it likely I received it.

EXHIBIT No. 167.

Filed by Mr. Lee, May 6, 1924.

Letter, June 6, 1918, from M. J. Haney to T. C. Crerar.

June 26th, 1918.

MY DEAR MR. CRERAR,—I herewith enclose you cheque for \$500, Directors' fees of the Home Bank for the past year. I make this for the full term of the year, as your successor was appointed only shortly prior to our Annual Meeting.

As you will see by our statement, we have made fair progress during the past year, and have every reason to believe it will continue. This I am confident will be gratifying to you were on the Board for so many years.

Hoping you are well, and meeting with success in your Department.

I am, yours sincerely,

Hon. T. A. CRERAR,
Minister of Agriculture,
Ottawa, Can.

Mr. McLAUGHLIN: Who signed the letter?

Mr. LEE: Well it is from Mr. Haney's file.

Mr. SYMINGTON: I want it made clear that although we have no objection to that letter, the letter is not proved.

Mr. LEE: If my friend makes any objection we will withdraw it.

Mr. SYMINGTON: We have no objection to it going in but it must not be taken as a precedent because some other letter might affect someone.

Mr. LEE: Then on June 28th you wrote this letter?—A. That is my letter.

EXHIBIT No. 168.

Filed by Mr. Lee, May 6, 1924.

Letter, June 28, 1918, from T. A. Crerar to M. J. Haney.

DEPARTMENT OF AGRICULTURE, MINISTER'S OFFICE

OTTAWA, 28th June, 1918.

M. J. HANEY, Esq.,
President, The Home Bank of Canada,
Toronto.

Personal.

DEAR MR. HANEY,—I have to thank you for your letter of June 26th and the cheque enclosed.

I have not yet had an opportunity to see the report of the bank for the present year, further than a statement of the profits made—which would

indicate, as you state, that fair progress had been made during the year. I trust your expectations for the present year may be more than realized and that the year you are just entering will be the best in the bank's history.

With kind regards, I am,
Yours truly,

(Sgd.) T. A. CRERAR.

Q. After that you had no further connection with the bank whatever?—A. Not to my recollection.

Q. And you cannot tell me definitely the date of the last dividend that you received on your own stock?—A. No, I cannot.

Q. Probably this is a much harder question: Can you tell me the date on which the United Grain Growers, Limited, received their last dividend upon their stock?—A. That would be in February, 1919, I should think. The dividends were paid quarterly as I recall on the 1st day of March, June, September and December.

Q. And that dividend was 7 per cent, was it?—A. 5 per cent. In 1918 it was 5 per cent, that is my recollection, it was after that it was raised.

Q. Do you recollect being present at a meeting in 1916 at which the Board gave consideration to the passing of their dividend?—A. 1916?

Q. Yes or 1917?—A. No, I do not recall that, as I stated yesterday my recollection is that that was discussed at a meeting in May, 1915.

Q. Then during 1916, 1917 and 1918 while you were on the Board?—A. I was not on the Board in 1918. I resigned on January 3rd.

Q. Then in 1917 you heard no discussion between the Directors as to passing the dividend?—A. No, I have no recollection of such a discussion.

Q. And there was no suggestion made to you or the Western Directors along that line from the General Manager or the Eastern Directors?—A. Not that I can recall, I am very certain there was not.

Q. Did it not occur to you in the terrible condition of this bank in 1915, 1916 and 1917 that it was an unusual thing to go on paying dividends to your shareholders?—A. I cannot say that it did. Let me say this, that in our meeting in March, 1916, we gave consideration particularly to the three large accounts. In respect to the other Toronto accounts which were more or less inactive at that time, the Eastern Directors, and Mr. Haney included, were of the opinion that these accounts were practically all good and there would be very little loss, they knew the people who owed the bank, knew their business and the conditions there better than we did. As far as the large accounts were concerned,—I am speaking now of the New Orleans, the Pellatt and the Frost accounts, we considered that in the light of the information we had, on the New Orleans account a report from Mr. Haney who was himself an engineer and he had secured according to my recollection an engineer in New Orleans to report on the value of that property and that report was favourable, we had Mr. Lash's report on the Pellatt account and his judgment was that the Pellatt account was secured. On top of that we had the cruisers' reports on the timber involved in the Frost account, and the result of Mr. Haney's trip with myself to Vancouver—.

Q. And besides that you had the Lacey report?—A. We had the original cruisers' reports on which the bank got the timber, confirmed by the Lacey report. I am not certain that the Lacey report covered all the timber but it satisfied us as a check on the original reports. Those cruisers showed that there was over one and a half billion feet of standing timber, that half of that timber was Crown granted, that is that the holders had not only the timber but the land and any mineral that might be there, and they paid nothing for the grant until the dues were collected on the timber when manufactured. The remainder was held under license upon which there was a tax of so much a year.

As I stated in evidence yesterday, I felt satisfied that there was an ample margin in that Frost loan at that time, even putting the value of the timber at \$1.50 per M. It gave \$2,250,000 against a loan which in my recollection was then about \$1,750,000. It was in the light of that that we considered this matter in the month of March.

On top of that we had displaced the old management. Mr. Haney had been made Vice-President, General Mason was permitted to continue as President for a few months longer but without any say in the conduct of the Bank's business; Mr. Machaffie was brought from Winnipeg, who was one of the most experienced men in the bank—

Q. The only one, we are informed?—A. Well there was Mr. Bird in Montreal whom I did not know a great deal about but who was a banker, and Mr. Adair, the Supervisor, had formed a very favourable impression of him as I recall.

Those were the circumstances, and we thought: Now we have got the old management out as far as the active conduct of the Bank's business is concerned, Mr. Haney, in whom Mr. Lash had confidence and who as far as we knew was an aggressive man and a man of repute and standing, with Mr. Machaffie, was to take charge of the bank's affairs from that time on. The Western Directors having in mind always that a permanent General Manager must be secured.

Q. But you had not forgotten the letter that Mr. Lash had written to Mr. Fisher and which you had knowledge of on the 29th February, 1916, that was still in your mind, was it not?—A. I think it likely that that letter was shown to me at the time.

Q. And you had also this feature before you, that you had been asking Sir Thomas White for an inspection of this bank in all its affairs and that you had not got it and that instead of getting that a suggestion was made that Mr. Haney and Mr. Machaffie were going to make an inspection and you never saw a report of Mr. Machaffie's at all. Are not those also facts that were weighing in your mind?—A. I think it quite likely that I saw the letter Mr. Lash sent to Mr. Fisher, although it was marked confidential.

Q. It was meant for you I suppose?—A. I expect we saw it. But Mr. Lash at that time did not have the full information on the Pellatt accounts that he had subsequently because at that moment he was examining into them, neither did he have the report of Mr. Haney and myself on what we considered the value of the timber in the Frost account.

Q. That is, Mr. Lash had not full information when he wrote that letter?—A. No, I did not have as full information myself on these accounts as I had later.

Q. But as far as the Bank's general condition was concerned it had not improved in 1916, in your mind?—A. I will not admit that.

Q. Will you tell us what the improvements were that you can point out to us now?—A. The improvements were that the Directors at the meeting in March, 1916, had fuller information on these accounts than they had had at any time previous; the old management had been superseded and Mr. Haney had taken the position of Vice-President and Chief Executive Officer, with Mr. Machaffie, the best-trained banker in the institution, brought to Toronto to help him. It may have been an error in judgment on my part but—

Q. I am not even suggesting that it was an error in judgment on your part; we all err, but we want to get at the facts. Did not this fact weigh in your mind; the Eastern Directors had promised that Mr. Haney and Mr. Machaffie would make an inspection, and that inspection was never made as far as Mr. Machaffie was concerned, and Mr. Haney knew nothing about making inspections himself, you knew that, didn't you?—A. I knew that no written report had been made by Mr. Machaffie.

Q. Did Mr. Machaffie ever make a verbal report to you?—A. Mr. Machaffie attended the Directors' meetings and these accounts were all discussed at those meetings.

Q. And you, having the most absolute confidence in Mr. Machaffie, were satisfied?—A. I felt that with Mr. Haney and Mr. Machaffie there things were going as well as could be expected.

Q. So you put your hands to the plough in 1916 but did not finish the furrow. Is not that a fact?—A. You are speaking rather figuratively.

Q. But you understand perfectly what I mean. You Western Directors started the trouble with Sir Thomas White, and rightly so, it was your duty; but you stopped, although you knew that the Frost account was in no better condition, the New Orleans account was in no better condition, the Pellatt account was in no better condition except possibly by the payment of a few thousand dollars' interest?—A. And an improvement in the security.

Q. A lot of the securities had been sold in the Pellatt account, did you know that at that time?—A. I do not recall anything of that.

Q. Then you did not make a very full investigation, or Mr. Machaffie did not tell you of the sale of those securities?—A. When I stopped ploughing the furrow as you suggest, in March, 1916, let me repeat, we had Mr. Lash's opinion on the Pellatt account, there was the question of seeing that the securities were in proper legal shape to which Mr. Lash had given his attention. There was Mr. Lash's view as I recall it that there would ultimately be no loss in the Pellatt account. We had the additional information on the timber, our judgment may have been wrong but it was an absolutely honest judgment at that time.

Q. Quite so, I am not questioning your honesty or your judgment, but I want to get at this fact, that in 1917 the Frost account had not improved, it was a frozen asset; the New Orleans account had not improved but had gone backward; the Pellatt account had not improved except by way of sale of the securities which you now tell me you never knew of, so that the only thing left was that you must have been satisfied with what Mr. Machaffie and Mr. Lash told you?—A. Yes, we had confidence in Mr. Lash and Mr. Haney and Mr. Machaffie.

Q. I might tell you that these securities of Pellatt's were sold between the months of September and December, 1916, that was not told you, was it?—A. I do not recall that I knew it.

Q. You would recall it if it had been told to you?—A. I cannot say, it is very difficult to throw one's mind back seven or eight years and recall all those details.

Q. I know it is, just as it was with Sir Thomas White, his memory was marvelous, I wonder sometimes how good it was. But the Pellatt account you knew at that time was what would be termed a frozen account?—A. Yes, it was undoubtedly a frozen account at that time.

Q. And as far as you were concerned and as you recollect now neither Mr. Machaffie, Mr. Lash or General Mason told you about the sale of Pellatt's securities whereby the account was made to look better?—A. I cannot recall that.

Q. Therefore did you think that your duty was ended by just looking into these three or four accounts, after you had asked for a full inspection of all the accounts of the bank?—A. You have the impression that our consideration at Directors' meetings was confined to these three accounts. As a matter of fact, the large accounts of the bank were discussed, my recollection is quite clear that in respect to these Toronto accounts particularly the view of the Eastern Directors was that they would work out.

Q. Do you ever remember General Mason laying before you a statement of all the accounts of the bank over \$25,000?—A. That statement was given to us at the November meeting in 1914 as I recall, when we first went down to Toronto.

Q. But I am speaking now of 1916 after Mr. Lash's letter of February 29th. Do you ever remember General Mason laying before you a statement of all the accounts of \$25,000 or over?—A. No I do not recall that. As a matter of fact General Mason then was placing no information before the Board because he had been superseded by Mr. Haney and Mr. Machaffie in March of that year.

Q. You made splendid efforts up to that time, you and the Western Directors, and you were in possession of 1,000 shares of stock and you were not satisfied in 1916 apparently, and the meeting was coming on in May or June. Would it not have been wise to have removed members of that Board at that time by the use of your stock?—A. It might have been if we could have done it, but 1,000 shares of stock would not go very far in an Annual Meeting of the Home Bank at that time.

Q. It would start it pretty well, wouldn't it?—A. No. I cannot recall that that occurred to us.

Q. However, you had made splendid efforts, but the plough got stuck in the furrow, and you never pursued it any further; that is about the situation?—A. Well, the facts are in evidence.

Cross Examined by Mr. Browning:

Q. Referring to Exhibit No. 83, page 173, the letter of Mr. Lash and Mr. Haney to Sir Thomas White. The second paragraph from the bottom.

"I mention the Winnipeg Directors and Mr. Haney specially, on account of their position, and the understanding with the Board that the important affairs of the bank will be under their guidance."

That is on page 173 in Exhibit 83, the letter of March 23rd, 1916, from Mr. Lash to Sir Thomas White.—A. Yes, I have got it before me now.

Q. From that time forward were the sentiments expressed by Mr. Lash ever given effect to and were the important affairs of the bank under your guidance in co-operation with Mr. Haney?—A. No, I would say they were not. The attitude of the Directors was this.

Q. I just want to know if they were as a matter of fact?—A. No, because we were only attending meetings in Toronto very casually.

Q. Were you ever communicated with by the Minister, Sir Thomas White, to know if this was being given effect to?—A. No, I have no recollection of it.

Q. You never heard from Mr. White one way or the other in regard to that?—A. I think I had a letter or two from Sir Thomas White, but not in relation to that. I had no acknowledgement, I recall, from Sir Thomas, of the letter I sent him on March 20th.

Q. But you were never asked whether Mr. Lash's promise or assurance to Sir Thomas White, the Minister of Finance, was being implemented in any way?—A. No.

Q. In 1916, you and Mr. Haney visited the limits in British Columbia?—A. Yes.

Q. You did not see them or examine them in any way, relying on the cruisers' reports as to their contents?—A. Yes.

Q. And taking the then prevailing war prices of timber, you found that the margin of security was about 25 per cent; 2¼ millions and about 1,750,000?—A. As I recall it, Mr. Browning, our estimate of the value of that timber was about 2¼ million dollars or possibly between that and 2½ million dollars.

Q. And the loan was \$1,750,000?—A. That is my recollection.

Q. Mr. White told us in his examination that there was a great divergence of opinion on the part of cruisers as to the contents of limits; he did not seem to place much reliance upon their reports. He was informed of your visit in

your letter which I referred to, of March 23, 1916, or the letter from Mr. Lash to him, paragraph 7, Mr. Lash refers to your report respecting the British Columbia situation?—A. Yes.

Q. And to your knowledge did the Minister of Finance know of the loan and of the valuation placed upon the limit? I suppose he had an opportunity of finding out at any rate? The Minister of Finance had an opportunity of knowing exactly what the loan was, \$1,750,000?—A. I think that was reported to him.

Q. And also as to the amount of the loan, between 2, and 2 $\frac{1}{4}$, and 2 $\frac{1}{2}$ million?—A. I don't know what information may have been conveyed to him.

Q. But he had ample opportunity of knowing all those facts?—A. I should say so.

Q. And I presume you did not inform the Minister or the Board of your opinion as to the stability or instability of the security? You were not out there for that purpose?—A. No.

Q. Did you form an opinion as to the security?—A. On the timber?

Q. Yes, being a good kind of security.—A. I formed the opinion I have already stated.

Q. That there was a margin of about 25 per cent?—A. Let me make that clear.

Q. I am not questioning anything you did.—A. I thought there was a value there of 2 $\frac{1}{4}$ million dollars or probably in excess of that.

Q. The ultimate value at prevailing war prices of timber.—A. Of values at that time.

Mr. SYMINGTON: \$1.50 a thousand; that is not war prices.

Mr. BROWNING: They were the then prices. I am referring to Sir Thomas White, not to you, Mr. Crerar, just now.—A. I might say in respect to that, that as far as my information goes the value of logs increased very considerably after that period, on the Coast.

Q. But you know as a practical business man, much better than I do, that the value of logs goes up and down?—A. Well, depending on the demand for timber.

Q. And the selling value to-day is not what it was.—A. I have no information on Coast timber.

Q. As a matter of fact these limits have been held from before 1916 to 1923 and have never been sold?—A. I have no knowledge of whether they have all been held or not, other than what I have seen in the reports since the bank failed.

Q. Were you ever communicated with by Sir Thomas White, following the letter of Mr. Lash to you, notifying him that you had visited these limits?—A. I cannot recall.

Q. Would you not recall if you had received any request from Sir Thomas White for information?—A. I know I had no letter from Sir Thomas White in respect to these accounts.

Q. Had you no letter from Sir Thomas White respecting your visit to British Columbia, or any conversation with him in regard to the value of the security?—A. No.

Q. No request for further information or for your opinion?—A. To myself personally?

Q. To yourself personally.—A. No, sir.

Q. Or to anyone on your behalf?—A. No, sir.

Q. No communication took place between you and Sir Thomas White from the time Mr. Lash's letter was received by him in March until the present time?—A. That is my recollection.

Cross-examined by Mr. Reid

Q. Mr. Crerar, you admitted yesterday that you were elected a Director of the Home Bank in May, 1910, and you continued to be a Director until you resigned on January 9, 1918.—A. My resignation was accepted January the 9th, that is correct.

Q. I notice that at the annual meeting on the 28th June, 1910, you were elected to fill the vacancy caused by the death of Col. John I. Davidson?—A. My recollection is that I had been elected in April or May previously.

Q. I beg pardon?—A. My recollection is that I had gone on the Board of Directors or been appointed to the Board of Directors in May, 1910.

Q. And you were re-elected each year after that up to the 9th January, 1918, when you sent in your resignation?—A. Yes, I sent in my resignation on the 3rd of January.

Q. But you were re-elected each year between May, 1910, and the 9th of January, 1918, as a Director?—A. Yes.

Q. And you were a Director of the Home Bank during that whole period of time?—A. Yes.

Q. Now I notice that at the annual meeting held on the 25th June, 1918, your resignation was accepted because you had accepted a position as a Minister of the Crown?—A. My resignation had been accepted on the 9th January.

Q. I am speaking now of the official report of the proceedings at the annual meeting of the 25th of June, 1918.—A. I think that was simply an intimation that it had been accepted on the 9th January.

Q. We will come to that later on. The annual report printed and presented to the shareholders by the Directors each year between 1910 and 1918, when you resigned, was the annual report presented to the shareholders by all the Directors of the Home Bank.—A. It was the report submitted to the shareholders, yes.

Q. That is not what I am asking you. I say that the printed annual report, sent through the mails of Canada and delivered by post to every shareholder of the Home Bank, was a printed annual report containing the Directors' report, and the shareholders' report, and the President's address, and other matters, sanctioned and approved by the Directors of the Home Bank. Am I right in that or am I not?—A. Certainly, it was the report submitted to the shareholders at the annual meeting.

Q. And approved and sanctioned and ratified by the Directors?—A. It was the report submitted by the Directors at the meeting, to the shareholders.

Q. And you take full responsibility for everything contained in any of those reports presented to the shareholders during that period of time?—A. I can hardly do that, because I think there were only two occasions on which I was present at an annual meeting.

Q. We will come to that later on. As a business man, when a business man is asked to join a firm or to invest his money in a business, or to become connected with any business enterprise, isn't it ordinary business prudence and commonsense that the first thing any such man does is to make himself thoroughly acquainted with every detail of the business in which he is asked to invest his money, or to become a partner, a shareholder, or a director?—A. I think that would be a matter of opinion.

Q. I am asking you, as an outstanding business man, if that is not what a business man of ordinary prudence and commonsense would do?—A. I don't think I can answer that question. I think individual opinions on that would vary.

Q. I put it to you yourself, personally; asked to become connected with an enterprise with millions of dollars of assets and millions of dollars of money at stake, asked to invest your money either as a Director or shareholder, would you not make reasonable ordinary inquiries which an ordinary business man

should do and would do before he entered upon any such undertaking?—
A. No, I have frequently gone into business ventures on the recommendation of friends in whose judgment I had confidence.

Q. Then when you became a Director of the Home Bank in May, 1910, did you make any inquiries or acquaint yourself in any way with the position or business of the Home Bank of Canada?—A. Nothing beyond what is contained in the bank's printed report.

Q. Did you take the bank's printed reports and go through them?—A. I read the reports and looked at the statement of assets and liabilities, I presume. I cannot recall everything I did in detail fourteen years ago, when I went on this Board.

Q. You were satisfied at that time that the Bank was in a good position and that you were ready to risk your money and give your services and ability to the further progress of the bank?—A. Yes.

Q. Now having been elected a Director of the Home Bank of Canada, I presume that you, as you said yesterday, realized that you had become a Director and assumed the responsibilities of a Director?—A. I said yesterday in my evidence that I was asked to go on the Board and become one of a Committee of three to consider Western business, and that we considered Western business. My recollection is that our Western Committee had meetings weekly, that the applications for credits, from the Western branches, came before the Committee; that our recommendations were made upon those applications and they were forwarded to the head office; and during the period from the time I became a Director in May, 1910, until November, 1914, I had attended, to the best of my recollection, only one meeting of the Board in Toronto.

Q. When you became a Director of the Home Bank of Canada, you understood then that you became a trustee of the property and the money and the assets and of the interests of all the shareholders and depositors of the Home Bank of Canada?—A. I don't know that I gave consideration at that moment to all the points you mention.

Q. I am not asking you that. I say that when you became elected as a Director of the Home Bank of Canada, realizing you say that you were a Director and had the responsibilities of a Director, you became a trustee of the property, of the money, of the assets, and of all the interests of the shareholders and depositors of the Home Bank of Canada.—A. I became a Director of the institution with the responsibility that attached to that.

Q. And a trustee?—A. In the ordinary sense that any Director is a trustee, I suppose.

Q. And you became a guardian of all the financial interests and of all the assets of the shareholders and depositors of the Home Bank of Canada?—A. I don't know just what you mean by the term "guardian."

Q. I say you became a trustee and guardian of the property and money and of the interests and assets of the shareholders and depositors of the Home Bank of Canada, when you were elected a Director?—A. I became a Director in the sense that a person ordinarily does and with the responsibilities that are usual.

Q. Don't hedge, Mr. Crerar; I am asking you if you realized your responsibility as a Director, and by reason of becoming a Director, that you became a trustee and guardian of the assets, property and money of all the shareholders of the Home Bank of Canada?—A. I wish to say this, Mr. Reid.

Q. I ask you if you realized that? And you may give your explanation afterwards.

His LORDSHIP: Just a moment; I wish to ask a question. What were you about to say, Mr. Crerar?—A. I was about to say, my lord, that I realized that I was a Director of the institution with the responsibilities that ordinarily appertain to a Director.

Q. I think Mr. Reid's question is directed to this. You confined, in your reply, your oversight to the Western end of the business. I think Mr. Reid's questions, if I catch the drift of them, are directed to an apprehension on your part that you were not only there to look after the interests of the bank in its Western connection, but that you were responsible to the bank as a whole. Is that the drift of your question, Mr. Reid?

Mr. REID: Yes, my lord.

His LORDSHIP: I think that is the point he is directing your attention to. Mr. Crerar?—A. Well, I realized that I was a Director of the Bank, but it was impossible for a Director in Winnipeg to attend the ordinary meetings of the Board in Toronto.

His LORDSHIP: That is another matter. You have got an affirmative answer to your question, Mr. Reid.

Mr. REID: Yes, you realized your position as a trustee and guardian of the property of the bank, as a Director; and as a corollary to that you would naturally be a trustee and guardian of the matters I referred to?—A. I was aware that I was a Director of the bank.

Q. And you admit that you were a trustee and guardian along the lines I suggest, in the interest of everyone, having property and money in the bank?—A. I had the responsibility ordinarily attaching to a Director.

Q. As a trustee and guardian of the property?—A. I don't know just what you mean by "a trustee and guardian."

Mr. SYMINGTON: That is not a fair question. My friend may be wrong.

Mr. LAFLEUR: Surely that is a question of law. It does not seem to me to advance this inquiry to say that if a Director did realize that, he had all the responsibility that attached to his position.

His LORDSHIP: The law imposes those responsibilities upon him, whatever they were.

Mr. REID: Then I will ask you this: you realized that you held a position of trust and responsibility towards those whose interests were at stake in the Home Bank?—A. Yes.

Q. Now at that time, you were considered in Western Canada, and no doubt in other parts of Canada now, as a man in whom the public in the West at least, and in other parts of Canada now, had great confidence?—A. Not at that time; I held a very modest position then.

Q. In Western Canada, in your own immediate neighbourhood, you were looked up to as a man of outstanding ability, and as a man in whom the public had great confidence and in whose opinion the farmers and grain growers, at any rate in Western Canada, placed a great deal of faith in anything you would say or do.—A. No. I cannot admit all that. My position was this: I became 'associated with the Grain Growers' in 1907, entirely unknown, and I don't think that my reputation, or the general knowledge possessed by my fellow citizens of myself, at that time, was very great.

Q. But between the time you were elected a Director of the Home Bank in 1910, and 1918, the confidence and faith of the people in Western Canada, held by you, increased considerably?—A. I hope it had made some progress.

Q. And they would put a great deal of reliance and faith in any public undertaking or any public enterprise or industry or financial institution with which you became connected?—A. Well you can scarcely expect me to give an opinion on that point. I would prefer that you would ask someone else that question.

Q. But I say it would lead you to think that that would be the case?—A. I believe that a good many people had confidence in my judgment and in

my integrity. I am very modest, Mr. Reid, and I don't wish to say anything that would be otherwise.

Q. I am coming to something in a moment that will lead up to showing the position you occupied in the West. Being in this position of trust and responsibility as a Director and as a guardian of the people's interests in the Home Bank, as a trustee, you could keep the shareholders and depositors of the Home Bank thoroughly informed and posted at any time you desired to do so as to the financial position of the Home Bank from time to time.—
A. I don't quite understand your question.

Q. I say that being in the position of a Director and guardian and trustee of the Home Bank, you were in a position to give the shareholders and depositors of the Home Bank all the information that was possible to get from time to time in regard to the financial position and standing of the Home Bank of Canada.—
A. Do you mean that I could have published that information.

Q. No, I say that being in the position you were, you could at any time you so desired have taken the shareholders or the depositors into your confidence and given them information which they could not otherwise obtain.—
A. I could have told them everything I knew about the bank's business, I suppose.

Q. Which would have given them inside information as to the financial position of the bank during the period that you were a Director?—
A. I presume it would.

Q. You could have done that?—
A. That could have been done, yes. Any Director could have done that.

Q. Now to sum up what I have said, in short your position was this, that the interests and safety of the shareholders and depositors of the Home Bank of Canada was to be your first and should have been your chief consideration as a Director of the Home Bank of Canada?

Mr. LAFLEUR: Surely that is not relevant to this inquiry. Is the learned Counsel trying to make out a wre against the old Directors or against the Government? We are now investigating a claim by the depositors against the Government. I do not think this is germane to the inquiry. I do not want to object, because ultimately the doors will be thrown open to all kinds of questions, but it seems to me that while we are on this branch of the case, we are not advancing it by that sort of question.

Mr. REID: I want to lead to a certain point and then I will come to the details that we have been discussing this morning for the last half hour. I do not intend to labour this very long; I want merely to lead up to a certain point to see what the position of Mr. Crerar was and is with relation to the shareholders and depositors.

HIS LORDSHIP: I will not stop Mr. Reid now.

Mr. REID: As a Director of course you were supposed to direct the business of the Home Bank?—
A. Yes, and we did. We discharged our duties on the understanding on which the Western Committee went upon the Board. I want to make it clear that it was not expected by the Directors in the East, or as far as I knew by anyone else, that the Western Directors, Mr. Kennedy, Mr. Perse and myself would be present at Directors' meetings in Toronto and scrutinize the business that came before the Board. That was a physical impossibility.

Q. That is a matter of law as to whether you were bound to do that or not.—
A. But we did have our weekly meetings in the city of Winnipeg and we passed upon the applications for Western business. The conditions surrounding business in that territory were more familiar to us than they were to the Eastern Directors, and we passed our recommendations on the applications.

Q. Now did you sign the minutes of the meetings that were held between May 1910 and January 1918 when you resigned? Did you sign all the minutes

of the meetings of the Directors of the Home Bank for that complete period?—
A. Did I sign them?

Q. Yes.—A. No, I signed no minutes.

Q. You were a Director of the Home Bank of Canada but you did not sign the minutes of the Home Bank?—A. The minutes of meetings, no, as far as I know the President and Secretary or the General Manager signed them.

Mr. LAFLEUR: The Secretary would sign them.

Mr. SYMINGTON: I do not know of any bank where the Directors sign the minutes of meetings.

Mr. REID: Did you give your approval and sanction to everything that was done at the meetings of the Directors of the Home Bank during that period?—A. No, I did not.

Q. Up to the time that you started to protest in 1916?—A. I thought your question, Mr. Reid, referred to matters between the commencement of 1916 and 1918.

Q. 1910 to 1916, during that period of time did you give your consent and approval to everything contained in the minutes of meetings of the Directors of the Home Bank of Canada?—A. In Toronto.

Q. Of the Home Bank. I am not speaking of Toronto; I am speaking of the minutes of the meetings of Directors of the Home Bank of Canada.—A. Pardon me, I was going to say that it might be my stupidity in not understanding the question.

Q. No, we were at cross purposes. Let me explain this: I am not assuming that there were two sets of minutes kept at all; I am speaking of the minutes of meetings of Directors of the Home Bank, held, I don't care whether in Vancouver or Toronto or anywhere else; I am speaking of the minutes of the Directors' meetings of the Home Bank of Canada and I want to know what knowledge you had of them.—A. If you will give me a moment I will answer.

Q. That is the idea.—A. May I proceed?

Q. Certainly.—A. The minutes of the Western section of the Board were approved by the Western Directors weekly. The minutes of the Eastern section of the Board, held in the city of Toronto, were not approved or considered by the Western Directors, because they were not present at the meetings either at which the minutes were first made or at which they were approved. Do I make myself clear?

Q. Then the Directors of the Home Bank of Canada, or the Board was sort of divided into compartments for the purpose of carrying on the business of the bank?—A. Well that may be a fair assumption to put on it. I have already explained that the Western Directors were a committee to consider and pass upon and approve Western business.

Q. Did you pass upon and approve of all applications for loans made to the Home Bank of Canada?

HIS LORDSHIP: That includes both Toronto and your own Western territory?—A. No.

Mr. REID: You did not?—A. No. If you are referring to Eastern business, no.

HIS LORDSHIP: He is referring to Eastern business because he says to all.

Mr. REID: Perhaps my view of the entity of a corporation and the acts of Directors and shareholders do not meet with the same understanding by you, that I have of your idea of it. What I am trying to get at is this: that a Board of Directors of any financial institution acts as a body, an entity; I never heard of it before as you have mentioned it now, being divided into compartments with responsibilities for certain business, say Vancouver and another two or three in Halifax and two or three more in

Montreal and a couple in Toronto. I am speaking of the Board of Directors of the Home Bank of Canada as a Board and I want you to keep that in mind when you answer.

Mr. LAFLEUR: The witness has given the facts. I do not know that it is useful to discuss now the propriety of this arrangement. That is a matter of argument.

Mr. REID: Did you investigate as a Director of the Home Bank the securities and assets of the Home Bank, during the time you were a Director?—A. I stated in my evidence yesterday, Mr. Reid, that the Western Directors came to Toronto in November, 1914, and set on foot certain inquiries and asked for information respecting certain accounts of the Bank. Now let me make it clear again, and I think I have stated it half a dozen times in my evidence already, that from May, 1910, when I went on the Board of the Home Bank, until November, 1914, in my recollection I attended only one meeting in Toronto.

Q. In the annual printed report of the Home Bank of Canada for the year 1910, in which you appear as a Director, there is a report by the Directors to the shareholders containing a lot of information about the West and so on, and one paragraph in the Directors' Report says that the usual examination by the Directors of the treasury and securities was made. Did you make that examination of the treasury and securities of the Home Bank of Canada in 1910?—A. Do you mean personally?

Q. Yes.—A. No sir.

Q. Then that is not a correct report of the Directors of the Home Bank of Canada to the shareholders in that year?

His LORDSHIP: That is a matter of argument. He did not do it at any rate.—A. I cannot pass any opinion on that.

Mr. REID: What I say is that this is a report of the Directors of the Home Bank of Canada to the shareholders for 1910 and there is a statement in it that the usual examination by the Directors of the treasury and securities was made.—A. Well, I don't know that the Directors personally made that examination.

Q. You did not do it?—A. I have already told you I did not.

Q. Then in the annual report of the Home Bank for the year 1911 there is a report of the Directors at the annual meeting of the shareholders held on the 27th June, 1911, at Toronto and you were at that date one of the Directors of the Home Bank.—A. I think that was the only occasion on which I was present in Toronto between May 1910 and November 1914.

Q. And Mr. Thomas A. Crerar, the President of the Grain Growers', Limited, addressed the shareholders to the following effect?—A. I can recall that.

Q. You said that it gave you great pleasure to be present at the annual meeting, the first time you had had the privilege of attending. The management and shareholders were to be congratulated upon the excellent showing for the past year. The progress had been satisfactory and augured well for the future. Then you said that you would like to see the capital of the bank increased, and it was moved by Mr. Crerar that the thanks of the shareholders be tendered to the General Manager and other officers of the bank for the efficient manner in which they had respectively discharged their duties in the past year.

His LORDSHIP: Is that 1911?

Mr. REID: Yes.

Mr. LAFLEUR: That is not within the period complained of by the present depositors. Again I make that observation not with a view of formally objecting, because ultimately we will have to go into that question, but at present it is a little premature and not germane to the present inquiry.

His LORDSHIP: No, not immediately. However, we have not held the reins very tightly during the progress of the inquiry and I understand you are not objecting.

Mr. LAFLEUR: I am suggesting to the learned Counsel that his time will come to present that, and we are not going to neglect it.

Mr. REID: I will not take much time.

His LORDSHIP: You have not taken much time in the inquiry.

Mr. REID: I want to connect up Mr. Crerar's directorate, from the time he became a Director until he retired, to see exactly what he did. It is recorded in the printed literature.

Mr. SYMINGTON: I can say to my learned friend that the next witness will put in all these annual reports, so that they will speak for themselves.

Mr. REID: I want to find out what Mr. Crerar's view was, of the financial position of the bank from the time he became a Director until he resigned, and I will refer him to the report of the curator made to the Supreme Court of Ontario, referring to the particular period when he passed a vote of thanks to and approved of the management of the Home Bank, and we will see what the liquidator, Mr. Clarkson, says about that same period, just briefly.

Q. Now at that time a dividend was declared and you gave your seal of approval to what had been done and you hoped for the prosperity of the bank and thanked them for the good showing made. Mr. Clarkson, the liquidator of the Home Bank of Canada, in his report to the Supreme Court referring to the same period, says at page 220, that in the financial year which commenced on June 1st, 1910 and ended May 31st, 1911, the paid-up capital of the bank increased to \$1,264,000; while the rest fund showed \$124,000. The profits of the bank were shown at \$121,942, but included in this amount were \$42,000 which are worthy of mention. Then he goes on and describes that and he says the other item of \$24,000 represented interest on advances to Frost & Co., which commenced to be made in this year; and he goes on then and shows that in this period, the period referred to in this annual report, that you sanctioned and approved of, the bank advanced \$720,000 to A. C. Frost and Co. against a security of timber limits in British Columbia, and the bank took part of that money back and handed over securities of the Chicago and Milwaukee Railway, which had gone into a receiver's hands, and the interest was capitalized. How do you account for declaring a dividend during that period when it was not earned?—A. I knew nothing of these circumstances. I repeat, Mr. Reid, that I knew nothing of the bank's business in Eastern Canada at that time.

Q. But I say it was your duty to know as a Director, that is what I am trying to make plain to you.

His LORDSHIP: You have got him to that point, Mr. Reid, that he says he did not know. I think that is sufficient for your purpose. Whether he ought to have known will be a matter for argument.

Mr. REID: Now speaking of the agitation and negotiations which were going on between you and Sir Thomas White and others, to obtain an outside audit of the bank, to make a long story short it was finally called off and there was no audit from the outside, but the arrangements were that there should be an investigation from the inside and the reasons they gave to you were that if an audit were made from the outside, information might leak out and would probably cause damage to the bank, or it may be cause a run on it; that was the chief argument used against an outside audit.—A. That was the view held by the Eastern Directors, that such a step would mean the closing of the bank's doors, with heavy loss probably to depositors as well as shareholders.

Q. Now at that time, if that argument prevailed, as it did, and was to be continued into the future, Government inspection of banks of course would be tabooed and barred for all time to come?—A. No, I don't agree with that.

Q. You are aware of the fact that at the time the Merchants' Bank was taken over by the Bank of Montreal, there had been an outside examination going on by the officials of the Bank of Montreal for six months prior to it being taken over and no one knew a word about it.—A. I did not know of that.

Q. But you know now?—A. I have heard it stated. I believe I read it in the newspapers in a report of the proceedings before this Commission.

Q. I did not know they had mentioned that.—A. I read it in the newspapers anyway.

Mr. LAFLEUR: That was made a subject of my examination of Sir Thomas White. I asked him about it.—A. Probably that was it.

Mr. REID: I am coming to other banks as well. At the time the Merchants' Bank investigation was going on, effected by outside officials, you were a member of the Union Government.—A. At the time of the Merchants' Bank? When was that?

Q. In 1921.—A. No, I ceased to be a member of the Union Government early in June, 1919.

Q. Then I beg pardon. Well, quite recently the Bank of Hamilton has been taken over, by the Canadian Bank of Commerce I think, and they conducted an outside audit and investigation for some months before taking it over. Do you think they did wrong in doing that?—A. I have no opinion to pass on it. I presume they did perfectly right. I do not know.

Q. And the Banque Nationale which was recently absorbed by the Bank of Hochelaga had an outside audit conducted for over a year, and was under supervision and the Canadian Government loaned nearly 8 million dollars to the bank and it was finally taken over a few months ago as a result of this outside investigation. No one knew anything about that. Did you think that was wrong?—A. I have no opinion on it. I was not aware of the facts and I have no occasion to hold any opinion upon it.

Q. What I want to point out to you is this, that had you done your duty as a Director and persisted in your efforts to get an-outside audit and it had been carried through as requested by the Finance Department, the outside audit might not have affected the Home Bank at all.—A. I cannot say as to that. I cannot say what the result of such an audit would have been on the bank.

Q. You can see the results in other cases of much more importance—A. I can only say that at that time I acted according to the best judgment I had, and I may add, Mr. Reid, that I do not pretend to be infallible on this or anything else.

Q. Now, Mr. Crerar, speaking of the Prudential Trust account which you investigated to some extent, up to the time you resigned in January, 1918, did you ever find out what the reason was why the Home Bank was not repaid the \$500,000 which they had loaned to the Prudential Trust?—A. Yes, my recollection is that Mr. Anglin, I think early in 1915, expressed the opinion that the securities held on this railway, or property, in New Orleans would have to be realized upon before action could be taken against the Prudential Trust. I have a recollection that there was something of that kind, but let me repeat again that it is very difficult to go back eight years and remember details of conversations.

Q. Do you not know as a fact that finally when a claim was made against the Prudential Trust, that they pleaded the Statute of Limitations and refused to pay it at all, whether they were liable or not?—A. I was not aware of that.

Q. Don't you know now, as a Director of the bank up to 1918, that they refused to pay that amount because the Statute of Limitations had run against the claim?—A. When was that refusal made?

Q. That is a matter of evidence in other cases. Did you know that as a fact up to the time you resigned?—A. No.

Q. And you did not know up to this moment?—A. No. I believe I saw something in the evidence somewhere but I am not certain of that. I think there was some reference to it.

Mr. LAFLEUR: In evidence in this inquiry?—A. In the evidence; in a newspaper report of it.

Mr. SYMINGTON: The Statute had not run when you were there.

His LORDSHIP: It was running fast then, but it had not got to the goal.

Mr. REID: Now it appears from the list of shareholders that you at one time had quite a large number of shares in the Home Bank of Canada.—A. I think I had 66 shares at one time, Mr. Reid.

Q. 40 shares according to the annual report of the Home Bank of 1910, and in another report it has gone up to 66. Was that the largest number of shares that you ever held in the Home Bank?—A. Yes.

Q. How much did you pay for them?—A. My recollection is that I bought those shares in 1909 or 1910 at \$124 or \$125 a share. I cannot recall the precise amount but it was over \$120.

Q. I notice that you are not on the list of contributories. I do not see your name on the list of contributories.

Mr. SYMINGTON: The evidence is in that he sold those shares.

Mr. REID: Oh yes, he sold those shares. Now you sold that stock in 1918 or a part of your own stock.—A. I sold a part of my holdings in 1918.

Q. And the balance in 1923?—A. Yes.

Q. When you had full knowledge of the financial extremity the bank was in?—A. In 1923?

Q. In 1918 when you sold part of your stock, and again in 1923 when you had full knowledge of the ruin and financial degradation and utter loss of the Home Bank you unloaded your stock to the public?—A. No.

Q. You can make an explanation afterwards if you wish; I am not trying to shut you off, don't think that, but I say in 1918 and in March 1923, you did some pretty quick dealing with your knowledge of the position of the Home Bank financially?—A. No, that is wholly incorrect.

Q. Well you sold your stock in 1918.—A. I sold a portion of my holdings in 1918.

Q. And when you sold them in 1918 you knew then the financial position of the Home Bank?—A. I had my general knowledge of the bank's affairs.

Q. Inside information?—A. I had no more inside information than any of the other Directors had. I had been off the Board for over six months, and I want to say now Mr. Reid and I want to make it perfectly clear to you and to the Court, that at that time I thought the bank was getting into a good position, and I did not sell my shares, if your question implies that, because I had a doubt as to what might happen the bank.

Q. I certainly wish to make it clear that with your knowledge of the financial position of the Home Bank, from inside information and inside sources, which the ordinary shareholders and depositors did not have, you unloaded your stock, which at that time had no value whatever.—A. No, that is a wholly wrong inference.

Q. Did the stock at that time have any value?—A. I am not prepared to say. I thought it had a value.

Q. But your statements in evidence before the Commission, even this morning, showed that you then realized the utter loss that the bank was in, such a bad position that you suggested a merger.—A. I don't think I made that suggestion. The only suggestion there was, was in my letter to Mr. Haney of April the 8th, 1916. That letter was referred to yesterday by both Mr. McLaughlin and I think by Mr. Lee.

Q. If you had such great faith in the Home Bank, as to its future and as to its continuance in business, why did you sell your stock?—A. Because I needed the money.

Q. Was that the first time that you felt you needed the money?—A. Well, I needed it then anyway.

Q. But when you needed money at other times, you borrowed from the Home Bank?—A. Yes, and I believe I was owing the Home Bank some money at this time. Probably I did not want to borrow any more. I do not recall the particulars.

Q. What I wish to make plain is this, that you did not tell the persons to whom you sold that stock, the financial position of the Home Bank of Canada.—A. No, I thought the position of the Home Bank was all right at that time, and I sold my stock and I don't know who bought the stock.

Q. What reason had you to think the Home Bank of Canada was all right at that time?—A. Because I had confidence in the management of the Bank at that time, and I thought its position was improved.

Q. With three times the amount of its capital out on three loans, as suggested in that letter of Mr. Lash, the capital of the bank gone, its reserves impaired, the values of everything decreasing, no market for the stock, the stock down to 75 and in one instance to 60, you then at that minute unloaded your stock on the public with that knowledge?—A. I sold my shares some time in the summer or autumn of 1918, according to my recollection.

Q. Did you tell the persons to whom you sold your stock the position of the Home Bank?—A. I think I have already told you three times, Mr. Lee, that I don't know to whom the stock was sold.

Q. Now in 1913, on your suggestion that you thought the capital stock of the Home Bank should be increased, do you remember putting through a bylaw increasing the capital stock of the bank to \$5,000,000?—A. At what meeting was that put through?

Mr. SYMINGTON: You mean \$500,000, don't you, Mr. Reid?

Mr. REID: No, I don't; I mean \$5,000,000. In the annual report of May 31st, 1913, there is a bylaw moved by M. J. Haney, bylaw No. 10, providing for the increase of the capital stock to \$5,000,000.—A. That is passed by the shareholders.

Q. That is passed by the shareholders, and the report of the Directors goes out to the public sanctioning and approving everything. That was done, and I wish you would not try to hedge, Mr. Crerar. This is the printed annual statement sent through the mail with the sanction and approval of the Directors of the bank and in that there is an authorization of an increase of the capital stock to \$5,000,000, which you sanctioned and approved; you don't deny that surely?—A. I wish to make one observation, Mr. Reid, that I am not hedging; and in the second place, I was not present at this meeting.

Q. Did you know that the capital stock had been increased to \$5,000,000? A. I presumed I learned it when I read the report afterwards.

Q. In 1913?—A. When the report came out.

Q. And in the annual report for the year 1915 the capital stock is shown on the front page and on two or three other pages, as: "Capital authorized \$5,000,000. Capital subscribed \$2,000,000." Now did you know as a fact that the authorization to increase the capital stock to \$5,000,000 had never been granted or approved by the Department of Finance?—A. No.

Q. You know of course that any increase of capital stock of a bank has to be authorized and approved by the Department of Finance?—A. No, I cannot say that I was aware of that.

Q. Do you mean to tell me that being a Minister of the Crown at one time, you have no knowledge of the fact that to increase the capital stock of a bank you must have a certificate of approval from the Department?—A. No, a Minister of the Crown is not expected to know the details of all the laws that may be passed.

Q. I am not speaking of all the laws that may be passed, this is a law that has been in force for years. You say you had no knowledge of that?—A. No, I had not.

Q. And down to the year 1923 a false and I say fraudulent statement has gone out to the public that this bank had an authorized capital of \$5,000,000 when it never had any such authorized capital?—A. I cannot say as to that.

Q. The tendency of that would be to induce the public to buy shares in the Home Bank of Canada?—A. I cannot pass an opinion on that either.

Q. But if they did buy shares in the Home Bank of Canada under those conditions and it failed, you can see what the logical or legal result would be.

Mr. SYMINGTON: Can you?

Mr. LAFLEUR: Well, I cannot.

A. I am not a lawyer, Mr. Reid, and I must admit that I cannot.

Mr. REID: So in 1913 and in 1918 when you resigned, these statements were going to the public, an unauthorized issue of the capital stock printed on the literature inducing the public to buy stock in the bank, illegally.

Mr. LAFLEUR: We have not any evidence that that statement was unauthorized. The learned Counsel says so. The witness does not know and I do not know.

His LORDSHIP: That is as far as it has gone.

Mr. LAFLEUR: We have no evidence of that and I am instructed that there was never a share sold over, and above the two millions.

His LORDSHIP: This is the first time it has been raised.

Mr. LAFLEUR: It does not seem to me that we are getting anywhere with that, and I do not know as a fact that the issue of \$5,000,000 was not properly authorized. I do not know at all. We have no evidence on that point in the case, and it is not by asking the witness who does not know that we are going to lay the foundation for the observations that have been super-added.

Mr. REID: But what I say is that being a Director of the bank it was his duty to know.

Mr. SYMINGTON: He was not a Director then.

Mr. LAFLEUR: And if he does not know.

Mr. REID: I am accepting that.

Mr. LAFLEUR: That fact is not proved yet, and there ought to be no comment made upon statements of fact which up to this time are not proved. I am not prepared to allow comments of that kind to be made. I do not think it is fair.

Mr. REID: Well, at any rate, Mr. Crerar, you did at no time take the shareholders or depositors into your confidence in regard to the financial position of the Home Bank of Canada?—A. No, and the reason for that of course I think was obvious. The position of the bank was a matter of very much concern to the Western Directors when we discovered the condition of affairs in 1914, and to the best of our judgment our whole effort and attention was given to saving the shareholders and the depositors. Now if as soon as we had discovered the condition of affairs, we had gone out and given an inter-

view to the newspapers that we found a rotten state of affairs in the Home Bank and there was a lot of money locked up, what would have happened?

Q. I am not suggesting that at all. You know very well what I am suggesting, and what other banks have done. I am not going to argue it or get disagreeable about it. What I am suggesting to you is that you could have taken the shareholders into your confidence, without any publicity whatever, as to the condition of the Home Bank and have had arrangements made by which the bank could have been taken over.—A. I don't think that could have been done.

Q. You don't think so?—A. No, I don't.

Q. I thought you would say that. Are you aware of the fact that in 1922 the Standard Bank of Canada had an outside audit of their securities and had all their securities revalued and the management came before the shareholders' meeting in Toronto and made a frank statement to them that they had to write off \$4,000,000 of losses?—A. This is the first time I have heard of it.

Q. It was published in the press all over Canada.—A. I did not see it.

Q. And the bank is in a prosperous condition today?—A. I was aware that the Standard Bank had written down their statement but I was not aware of the particulars you give now.

Mr. LAFLEUR: I am instructed that there was no outside audit made at all. I am informed that it was an audit made by the bank's own auditor. It was an inside audit. That is my information. I do not think it is fair for the learned Counsel to assume as facts statements which he has not proved, and put them to the witness and ask him to corroborate them. It is not fair to the Court nor to the witness.

HIS LORDSHIP: It is difficult to restrain Counsel from the manner in which he puts his question, of course.

Mr. LAFLEUR: He assumes so many facts for which we have no evidence as yet.

HIS LORDSHIP: The witness has denied it anyway.

Mr. REID: And the reason that you gave to the shareholders of the Home Bank, and to the public, for resigning as a Director was the fact that you did not think it consistent, as a Minister of the Crown, to be a Director of the bank?—A. Yes, sir.

Q. You really honestly and sincerely believed that to be the proper position for a Minister of the Crown to take?—A. I did, sir.

Q. I suppose you were aware at the time you made that statement that other Ministers of the Crown were Directors of large banks in Canada?

HIS LORDSHIP: The question is not whether you were, but were you aware?—A. I cannot recall that I was, I don't think I was.

Mr. REID: The reason that you gave for resigning as a Director was not an excuse merely to get from under the Home Bank but a really sincere and honest reason?—A. The reason I gave for my resignation as a Director?

Q. Yes.—A. Yes, sir.

Q. But you can give us no reason why you sold your stock when you were fully acquainted with the ruinous financial condition of the bank except that you needed the money?—A. I needed the money.

Mr. SYMINGTON: That is not a fair question.

Mr. LAFLEUR: The witness has said that, at that time, he did not believe the bank to be in a dangerous position.

HIS LORDSHIP: Do you want to ask any further questions, Mr. Lafleur?

Mr. LAFLEUR: I have only one question to ask, unless your lordship wishes to ask him a question.

HIS LORDSHIP: Oh, no, I do not want to.

Re-examined by Mr. Lafleur:

Q. Mr. Crerar, you were referring to some correspondence you had with Mr. Haney in the spring of 1916, in the course of which he is suggesting that the shares of the Home Bank should be supported by a pool that he was desirous of arranging for. Was that about the time that you stated the Directors had considered the reduction of the rest of the bank?—A. The rest had been reduced in 1915.

Q. Already in 1915, at that time it had been reduced by \$266,000?—A. In 1915.

Q. Bringing it to a total of \$300,000?—A. \$400,000.

Q. \$400,000 I mean. Then in the spring of 1916 did not the Directors again discuss the advisability of reducing the rest by \$100,000?—A. I think that was done at the meeting in May.

Q. But it had been the subject of discussion before May?—A. I cannot recall that it had, Mr. Lafleur.

Q. What would be the effect of a reduction of the rest on the market value of the stock?

Mr. LEE: I suppose that is only his opinion.

Mr. LAFLEUR: Yes.

WITNESS: Ordinarily, it would have the effect of reducing the value of the stock.

Q. I am just trying to see whether there was any connection between this desire of Mr. Haney to support the stock and the reduction of the rest which had taken place in 1915, and the intention of the Directors about the time of his correspondence to make a further reduction on the rest account?—A. Oh, I cannot say as to that.

Q. I thought perhaps there might be some connection.—A. I have no recollection.

Q. Mr. Haney did not make any observation to that effect in any correspondence or conversation with you?—A. No, sir.

Q. There was a prospect of the removal of Mr. Mason at that time, was there not, 1916?—A. Of General Mason?

Q. Yes.—A. Yes, that had been under consideration for a year and was effected in August, I think, following.

Q. His leaving the bank, would that have had any effect upon the stock?—A. It might have. He had been associated with it for a very long time.

Q. I am just trying to think what was the reason of Mr. Haney's desire to support that stock at that time?—A. I do not know, Mr. Lafleur, beyond what I have said.

Mr. LEE: I think the documents speak for themselves.

Mr. LAFLEUR: No, the correspondence does not explain the reason for the desire of Mr. Haney to support the stock, and I am trying to see if there is any reason that Mr. Crerar knows of.

Q. You do not know of any?—A. No, I know of none.

Mr. LAFLEUR: I think that is all, thank you.

HIS LORDSHIP: I think that will do, Mr. Crerar.

WITNESS: I thank you, my lord.

GEORGE EDWARDS, SWORN.

Examined by Mr. Symington:

Q. Mr. Edwards, what is your occupation?—A. I am a chartered accountant.

Q. And you have conducted an investigation into the affairs of the Home Bank?—A. Yes.

Q. You have had experience conducting investigations in other banks too, I understand?—A. In one other bank previously.

Q. Now, have you taken up, first, the origin of the Home Bank?—A. Yes.

Q. Will you tell the Commission, as shortly as you can, the origin of the Home Bank of Canada?—A. The Home Bank was incorporated in 1903 for the purpose of taking over the banking position of the Home Savings and Loan Company, a company that had been authorized to lend on mortgage securities but which largely conducted its business on collateral of a sort which a bank would take, and had a large block of deposits, and it had been considered advisable that they should have a bank charter to overcome some difficulties that had presented themselves in connection with the conduct of the Savings and Loan Company.

Q. Then the Home Savings, I understand had some connection with the Toronto Savings Company?—A. The Toronto Savings Bank was the original name of the Home Savings and Loan.

Q. And that was established in 1854?—A. 1854.

Q. And proceeded in its operation until 1905?—A. Under one name or the other.

Q. Then the Toronto Savings Bank was an institution, I understand, to which one of the Bishops, the head of the Roman Catholic Diocese, had been in the habit of trusting funds to for safe-keeping?—A. Yes.

Q. And out of that grew the business which developed into the Home Savings?—A. The Toronto Savings Bank.

Q. The Toronto Savings Bank, and from that into the Home?—A. Yes.

Q. And from the Home Savings into the Home Bank?—A. Yes.

Q. Now, the Home Bank made an application for the charter of the Home Bank?—A. Yes.

Q. That was made when?—A. In 1903, at least it was granted in 1903.

Q. And the certificate of the Treasury Department was issued when?—A. In the latter part of June, 1904.

Q. 1904 or 1905?—A. Pardon me, 1905.

Q. And the bank opened for business when?—A. On the 1st of January, 1906.

Q. Were the Directors of that bank the same as the Directors of the old Company?—A. Substantially.

Q. Have you gone into the question of what was paid to the Home Savings in the taking over by the Home Bank?—A. I have.

Q. What was paid to the Home Savings shareholders by the Home Bank?—A. There was an agreement whereby the shares held by the shareholders of the Home Savings and Loan were exchanged for shares of the Home Bank. The shareholders of the Home Savings and Loan Company entered into an agreement for converting their shares into Home Bank shares.

Q. That is the Home Savings shareholders sold the assets to the Home Bank in consideration of shares in the Home Bank being issued to them, I understand, at a price of \$133.33?—A. That is right.

Q. There were twenty thousand Home Savings shares?—A. Yes.

Q. On which ten per cent had been paid?—A. That is correct.

Q. Or, in other words, \$200,000?—A. Yes.

Q. And the Home Savings had a reserve represented by cash of \$200,000?—A. Yes.

Q. Making assets of \$400,000?—A. That is right.

Q. And they received 3,000 shares of Home Bank stock at 133 1/3, making the \$400,000?—A. Yes, that is correct.

Q. What was the position of the bank then at the commencement of business in 1906, was it a solvent, properly constituted organization?—A. The

position of the bank at the commencement of the business was that they had these 3,000 shares already referred to, and also other shares that had been subscribed to the stock of the bank, in accordance with the requirements of the Statute. When the bank opened for business they had a subscription well in excess of the 5,000 shares required by the Act.

Q. And their financial position at that time, Mr. Edwards?—A. Their financial position at that time was sound, so far as an examination of the transactions that entered into it at the time would show.

Q. You have made an examination, you told me, of the assets consisting of cash, bonds, and debenture loans, and mortgages, etc., amounting to \$3,789,000 odd?—A. Yes.

Q. And their liabilities were, including deposits, \$3,389,000?—A. That would be the situation arising out of the old Home Savings. In addition to that they had these further shares subscribed.

Q. Can you, as an expert who has investigated, say that when it started the Home Bank was sound?—A. Yes.

Q. Have you copies of the Annual Reports of the various years, Mr. Edwards?—A. I have a set of Annual Reports, printed, here.

Mr. LEE: I think they were proved at Toronto.

Mr. SYMINGTON: Oh, well, if there was a set proved at Toronto it is all right.

Mr. BROWNING: They were not actually exhibits.

The SECRETARY: They are not marked as exhibits.

Mr. SYMINGTON: Have you one yourself, or are you willing to have them marked, Mr. Edwards?—A. That is all right.

Q. You produce, and we will have them marked as Exhibit 169, the Annual Statements issued to the shareholders of the Home Bank from 1906 to 1923, inclusive.—A. Yes.

EXHIBIT No. 169.

Filed by Mr. Symington, May 6, 1924.

Annual Reports, Home Bank of Canada, 1906 to 1923, inclusive.

Q. Now, referring to Exhibit 169, the first stock change, Mr. Edwards, seems to have been the placing of \$500,000 new stock on the market in 1908?—A. You have the reports.

Q. I have that memo from your report.—A. Yes. For the year ending May 31st there is \$500,000 new stock.

Q. That is the first stock change since the inception of the bank?—A. Yes.

Q. Running hastily over your memo with respect to these annual meetings, Mr. Edwards, 1907, branches were opened in Winnipeg and Fernie, and in three places in Ontario?—A. Yes.

Q. And the same Board were re-elected?—A. Yes.

Q. In 1908 the \$500,000 new stock that we have just mentioned was authorized to be issued?—A. Yes.

Q. Messrs. Persse and Kennedy of Winnipeg were elected to the Board, and Mr. Haney dropped out?—A. That is correct.

Q. Then 1909, three new branches in the West, and no change in the Directorate?—A. Correct.

Q. Mr. Reid has just handed me, Mr. Edwards, some report he has as to the meeting in 1907, in which he calls attention to By-law No. 9 increasing the capital stock of the bank from one million to two million dollars. Have you a record of that?—A. Yes, that is so. I have not got it here.

Q. That is, it was an increase of the authorized capital of the bank?—A. The authorized capital.

Q. Then in 1910, the note I have from your report, four new branches in the West, and Mr. Crerar replaced Colonel Davidson?—A. Yes.

Q. In 1911, Moose Jaw branch was opened, and three Ontario branches, and the Directors were all re-elected?—A. Yes.

Q. 1912, branch opened at Weyburn, and that Mr. Kennedy of the Grain Growers' Grain Company told them that they had bought the thousand shares of stock?—A. Yes.

Q. 1913, a by-law was passed increasing the capital stock another \$500,000, that is, the authorized capital?—A. Yes.

Q. And Mr. O'Keefe and Mr. Murray resigned from the Board and were replaced by Mr. McNaught and Mr. Macdonell?—A. That is right.

Q. And General Mason became President?—A. Yes.

Q. In place of Mr. O'Keefe?—A. Yes.

Q. Then in 1914 the same Board was re-elected?—A. Yes.

Q. Then in 1915, a branch was opened at Calgary, and a re-valuation of the assets is recited, and the rest account reduced to \$400,000?—A. Yes.

Q. The same Board of Directors was re-elected?—A. Yes.

Q. In 1916, a branch was opened at Tantalton, Saskatchewan, and the rest account was reduced another \$100,000 to \$300,000?—A. Yes.

Q. And Mr. McNaught and Mr. Gooderham disappeared from the Board, their places being taken by Mr. Barnard and Mr. Haney?—A. Yes. I did not intend to say that they had disappeared on May 31st of that year, but during the year.

Q. I think the evidence is now in that it was in December, 1915, or thereabouts?—A. Yes, during the year.

Q. These are the Annual Reports to the shareholders that we are now discussing?—A. Yes.

Q. 1917, a branch was opened at Gabri, Saskatchewan, and Battrum, and Mr. Gough and Mr. J. Ambrose O'Brien came on the Board?—A. Yes.

Q. Mr. Haney was President and Mr. Gough Vice-President?—A. That is right.

Q. And Mr. Persse and Mr. Flynn are off the Board?—A. Yes.

Q. Then in 1918, Mr. Crerar went off and Mr. S. Casey Wood came on?—A. Yes.

Q. The same officers were elected in 1919. General Mason had died, and Mr. Kennedy retired?—A. Yes.

Q. And their places were taken by Colonel Smith and F. J. B. Russill?—A. Yes.

Q. Three branches were opened that year, two in Manitoba and one in Saskatchewan?—A. Yes.

Q. In 1920, new branches were opened at three points in Manitoba, two in Saskatchewan, and some places in the east which do not seem to be mentioned in the memo I have?—A. Yes.

Q. Mr. Haney resigned and Mr. Cooper Mason came on the Board in his place, and Mr. Daly became President?—A. Yes.

Q. And in 1921, Mr. O'Brien resigned, and Mr. P. A. Mitchell came on?—A. Yes.

Q. And in 1922 Senator Macdonell resigned, and J. F. M. Stewart was elected?—A. Yes.

Q. And in 1923 the same Board was re-elected?—A. Yes.

Q. Now, those shortly, from your investigations, give the history of the changes shown in the Annual Reports to the shareholders?—A. Yes.

Q. I notice that no reference was made there to the difference in dividends paid, but you have a statement in that respect?—A. I have a statement that gives that information.

Q. Now, have you prepared a statement showing the growth of the bank between 1906 and 1923, Mr. Edwards?—A. Yes.

Q. Have you a copy of it to put in, or will we read it in?—A. I can have a copy made.

Q. Well, it will be printed anyway. You might possibly read it in, Mr. Edwards, commencing with the year 1906.—A. I might say, in the first place, that in the earlier years each year is not mentioned, for instance, I run from 1906, 1908, 1910, 1912, and 1915, but after that each year is shown.

Q. Well, instead of reading it we will give it to the reporter, and I will just go over a few of the headings with you. You have a heading showing the capital paid up, in the statement?—A. In January, 1906.

EXHIBIT No. 170.

Filed by Mr. Symington, May 6, 1924.

Statement showing growth of bank between 1906 and 1923.

EXHIBIT 170—TAKEN FROM RETURNS TO GOVERNMENT

Year	Capital Paid Up	Reserve	Deposits	Total Liabilities	Total Assets	Rate of Last Dividend Declared
	\$	\$	\$	\$	\$	
Jan. 31, 1906	576,690	Nil	3,466,025	3,521,636	4,313,121	Nil
Dec. 31, 1906	821,780	175,000	4,289,536	4,771,160	5,889,362	6%
" 31, 1908	929,032	297,705	5,451,158	6,442,630	7,711,781	6%
" 31, 1910	1,179,203	375,000	7,701,437	9,215,572	10,877,341	6%
" 31, 1912	1,298,356	450,000	9,463,905	11,157,006	13,087,532	7%
" 31, 1915	1,945,711	400,000	10,123,872	13,834,097	16,196,267	5%
" 31, 1916	1,946,631	300,000	10,028,224	18,722,663	21,030,352	5%
" 31, 1917	1,947,363	360,000	12,823,679	20,921,334	23,769,194	5%
" 31, 1918	1,947,651	360,000	14,985,422	25,842,737	28,270,766	7%
" 31, 1919	1,958,967	400,000	16,440,051	25,197,903	27,742,966	7%
" 1, 1920	1,959,311	500,000	18,618,687	25,562,883	28,134,104	7%
" 31, 1921	1,959,822	550,000	18,681,135	25,751,955	28,345,492	7%
" 31, 1922	1,960,254	550,000	17,678,473	21,856,955	24,522,367	7%
Jan. 30, 1923	1,960,591	550,000	19,145,755	24,589,911	27,451,701	7%

Q. In January, 1906, it shows that they had a paid-up capital of \$576,690?—A. Yes.

Q. And that increased, I think, every year?—A. Yes.

Q. Until in 1923, you had a paid-up capital of \$1,960,591?—A. That is correct.

Q. And the statement which you hand in shows the increases in every second year up to 1915, and then every year thereafter?—A. Yes.

Q. Then you also show a reserve fund, and the history of the reserve fund started at nothing in 1906, and built up gradually to 1912 when it reached \$450,000?—A. Yes.

Q. It was reduced in 1915 to \$400,000?—A. In the interval, between 1912 and 1915, it went up to \$666,000.

Q. Oh, yes, that is quite true, it went up until, in 1914, it reached \$666,000?—A. Yes.

Q. And was reduced in 1915 to \$400,000?—A. Yes.

Q. Reduced in 1916 to \$300,000?—A. Yes.

Q. Remaining at that until 1919, when it was increased to \$400,000?—A. Yes.

Q. Increased to \$500,000 in 1920?—A. Yes.

Q. And increased to \$550,000 in 1921, and there continued until the close?
—A. Yes.

Q. Then you have a column showing the deposits of the bank commencing with \$3,466,025 in 1906?—A. Yes.

Q. And those deposits increased gradually until they reached the sum of \$19,295,735 in 1923?—A. Yes.

Q. And there was an increase throughout every year, except that there was a decrease in 1922 below what they were in 1921?—A. And slightly in 1921 below 1920.

Q. Quite so, \$100,000 decrease from 1920 to 1921, roughly speaking?—A. Yes.

Q. And, roughly speaking, a million dollars decrease between 1921 and 1922?—A. Yes.

Q. In 1916 there was ten million dollars odd?—A. Yes.

Q. And in 1918 \$14,988,000?—A. Yes.

Q. Then you have a statement showing the liabilities of the bank throughout this course of years, commencing in 1906 with \$3,521,000?—A. These liabilities, of course, include the deposits.

Q. Quite so, and they increased continuously until 1918, at which time they had reached \$25,842,000?—A. Yes.

Q. In 1919 there is a slight decrease of some \$700,000?—A. Yes.

Q. And it increased up to 1921, when there were \$25,751,000?—A. Yes.

Q. And that dropped in 1922 to \$21,800,000?—A. Yes.

Q. And again increased in 1923 to \$24,889,000?—A. Yes.

Q. The liabilities then of the bank in the two years referred to, 1916, were \$18,700,000, and in 1918 were \$25,842,000?—A. Yes.

Q. You then have a column referring to the assets of the bank which, in 1906, were \$4,313,000?—A. Yes.

Q. And those continued to increase throughout till 1918 they were \$28,270,000?—A. Yes.

Q. There was a drop in 1919 to \$27,700,000?—A. Yes.

Q. Then there was an increase through the next two years to \$28,000,000 odd?—A. Yes.

Q. A drop in 1922 to \$24,000,000?—A. Yes.

Q. And an increase in 1923 to \$27,000,000?—A. Yes.

Q. Now, so that we may get it clear, these figures are figures taken from the reports to the shareholders?—A. Yes.

Q. And this also shows finally the rate of dividends declared throughout these years?—A. Yes.

Q. There was no dividend in 1906?—A. That was the first fractional period.

Q. Then 6 per cent was paid up to 1910?—A. Yes.

Q. What about 1911, Mr. Edwards?—A. 1911, 6 per cent.

Q. Then that was raised in 1912 to 7 per cent?—A. Yes.

Q. And did they continue at 7 per cent until 1914, or 1915, rather?—A. In 1913 it was 7 per cent; in 1914 it was 7 per cent; in 1915 it was 5 per cent.

Q. It was reduced then in 1915 to 5 per cent and continued at 5 per cent until 1919 when it was increased to 6 per cent?—A. Yes.

Q. And, in 1920, it was increased to 7 per cent, and that continued up until the time of the close?—A. Yes.

Q. Looking at that statement, Mr. Edwards, is there any significance in the increase of liabilities between 1915 and 1916? Although there was a decrease in deposits is there any special significance in that?—A. Yes. During 1916 they borrowed heavily under the Finance Act.

Q. Borrowed heavily, that would be the answer to that, they were borrowing heavily under the Finance Act. That brings us then to your next statement which would show what the maximum borrowings under the Finance Act were?—A. Yes.

Q. This bank, on August 29, 1914, borrowed under the Finance Act \$450,000?
—A. That is the highest amount at any time during that year.

Q. In 1915, on November 30, they had \$630,635?—A. Yes.

Q. The figures I am giving are the highest point in any year?—A. Yes.

Q. December 26, 1916, \$2,875,000?—A. Yes.

Q. And that is the increase that you referred to?—A. That probably does not entirely account for it. I cannot tell you exactly.

Q. I just in passing noticed it.—A. That is the main item.

Q. On December 31, 1917, \$3,250,000?—A. Yes.

Q. December 2, 1918, \$6,520,000?—A. Yes.

Q. November 19, 1919, \$6,210,000?—A. Yes.

Q. January 1, 1920, \$3,445,000?—A. Yes.

Q. December 27, 1921, \$2,500,000?—A. Yes.

Q. January 4, 1922, \$2,769,000?—A. Yes.

Q. Then there is a drop in 1923. Their total borrowings were only \$220,000?
—A. Yes.

Q. And in 1924—A. In January, 1924, that \$220,000 was paid by the Liquidator.

Q. Now, these borrowings are usually in the fall, are they, Mr. Edwards, largely?—A. Yes.

Q. Does that explain why, in 1923, they dropped?—A. No. I think in 1923 they did not have the class of collateral upon which they could borrow.

Q. That is, the drop in borrowings under the Finance Act is explained by the fact that they did not have the class of security which was required under the Finance Act to borrow from the Minister?—A. Correct.

Q. Now, Mr. Edwards, what are the first evidences you found of the bank going wrong?—A. I note the Frost transaction is probably the first serious mistake made by the management.

Q. I notice before that, Exhibit 118—I do not know whether it has been called to your attention or not—Volume 3, page 214, the agreement dated May 28, 1912, between the Prudential Trust Company and the Home Bank. Was that before or after the Frost transaction?—A. Well, the Frost transaction arose from prior circumstances, I think.

Q. You have looked into the circumstances surrounding the opening of that account?—A. Yes.

Q. Would you shortly, if you can, give the Commission your view of the history of the Frost account at the beginning?—A. In 1906, that is, the first year of the bank's business, they increased their loans upon the security of Chicago and Milwaukee bonds very heavily, and those advances amounted to about \$550,000, and, with interest, some larger amount.

In 1911, Frost made a proposal to the bank that if they would lend him money upon British Columbia timber which he had, he would, out of such advances, repay the Chicago and Milwaukee loans, or, in other words, redeem the securities held by the bank for their Chicago and Milwaukee advances at 90.

Q. In connection with those bonds which he was to redeem at 90, in the meantime the Company had gone into liquidation, had it not?—A. They had gone into the Receiver's hands.

Q. And the market value of those bonds at that time was what, do you know?—A. Oh, scarcely anything.

Q. And, as a condition, apparently, of the bank advancing this money to Mr. Frost upon the security of the British Columbia timber, Mr. Frost agreed to take over these bonds which had been secured for this previous loan at 90?
—A. Yes.

Q. The market value of them being comparatively nil?—A. Yes.

HIS LORDSHIP: He took over the whole holding of the bank?

MR. SYMINGTON: He took over the holdings of the bank, of the Chicago and Milwaukee bonds.

WITNESS: The first arrangement was that they would take over a portion, and there was an agreement that if the bank made further advances upon that timber they would take over the remainder in the same way.

Q. Was it in 1911 then that they first advanced the money on timber?—A. In 1911 they first advanced money on timber.

HIS LORDSHIP: I would like to know, for my own satisfaction, what was the value of the entire holdings of the bank at that time when they made this second bargain, \$500,000.

MR. SYMINGTON: If you will refer to your statement Mr. Edwards, page 105.

WITNESS: \$553,300.

MR. SYMINGTON: So that his lordship may understand, in 1910, the position as you found it was that Frost owed the bank \$553,000, the only security being Chicago and Milwaukee bonds?—A. That was not Frost's transaction, that was Osborne & Francis'.

Q. That was a loan of Osborne & Francis, stock brokers in Toronto?—A. Yes.

Q. And the security they had were those Chicago and Milwaukee bonds?—A. Yes.

Q. Where does Frost come in then if it was a loan to Osborne & Francis?—A. Frost was the President of the Chicago & Milwaukee Road, and Osborne and Francis were both Directors of it, and at the same time Osborne and Francis were brokers in Toronto.

Q. Were they out of the business at that time, I mean were they in difficulties?—A. No. Their connection with the Chicago & Milwaukee may have been the cause of the difficulties, I don't know anything about that; they did get into difficulties but just when I do not know.

Q. Did the bank stand to lose this \$550,000, or might they have recovered some of it without this Frost transaction at all?—A. Eventually some of it might have been recovered. I have since understood that Chicago & Milwaukee securities have become fairly good, and have paid some dividends, that is, in recent years.

Q. Then in 1911 you have a further sum of Chicago & Milwaukee bonds of \$241,000?—A. That is the unabsorbed portion of the \$553,000. In 1911 they took up \$312,300 leaving a balance of \$241,000.

Q. That is, in 1911 then by reason of the advance to Frost upon his timber securities there was taken some \$300,000 of these bonds from the bank, and the bank received the money back for them?—A. In other words, the bank advanced to Frost on timber \$732,000, and out of the \$732,000, \$312,000 was handed back to the bank in redemption, I suppose, of Chicago & Milwaukee bonds.

Q. And subsequently was that \$241,000 balance of Chicago & Milwaukee stock taken in the same way?—A. That was taken up the following year out of further advances on additional timber.

Q. So that, in 1912, Frost owed the bank on the security of timber \$1,108,693 but the bank had received back \$790,000?—A. No, \$553,000.

Q. For those securities?—A. Yes.

Q. In other words the net result was a new advance of \$750,000?

HIS LORDSHIP: They were to be taken at 90. \$553,000 I understood was the entire indebtedness.

MR. SYMINGTON: Was the \$553,000 the amount at 90, or was that the face value.

WITNESS: That was the amount at 90. The par value of the bonds was greater than that.

His LORDSHIP: Then I did not quite get the full answer to my question. Then they really owed the bank more than \$553,000; they owed 10 per cent more than that?—A. The bonds would have a value of ten per cent or in excess of that amount. The bank did not lend on Chicago & Milwaukee bonds in the first instance at their full price, they would lend at something less than the full price.

Mr. SYMINGTON: Let us understand this. \$553,300 was the full amount owing to the bank, for which they had these bonds as security irrespective of the face value of the bonds?—A. Quite.

Q. And the bonds at 90 produced \$553,300 which was all the bank had against them?—A. Yes.

His LORDSHIP: We will take recess till half past two.

Adjourned at 1 p.m. until 2.30 p.m. on Tuesday, 6th May, 1924.

AFTERNOON SESSION

OTTAWA, ONT., Tuesday, 6th May, 1924.

Proceedings resumed at 2.30 p.m.

GEORGE EDWARDS Examined by Mr. SYMINGTON: (Resumed)

Q. Mr. Edwards, in the course of your investigation you directed some attention towards arriving approximately at the position of the bank in January, 1916?—A. I gave some attention to that.

Q. And you found that in 1916 certain losses, or certain conditions had arisen indicating losses or possible losses at that time, and you directed your attention to that?—A. I did. Of course it is very difficult to divest one's mind of subsequent events in viewing the matter.

Q. That is, your evidence as you give it with respect to the position of certain accounts and certain losses which you estimate in connection with those accounts must of necessity be tinged to a certain extent by your knowledge of what has subsequently happened?—A. That is what I mean.

Q. And you desire to protect yourself in your statements by saying frankly that they are to some extent in the light of after acquired knowledge?—A. To some extent.

Q. Taking then what you state will be largely an estimate of certain losses which had occurred or were likely to occur at that time, I find your first one is La Banque Internationale for Home Bank shares \$400,000. Will you explain to the Commission what you intend to indicate by that estimated loss?—A. Negotiations for the purchase of La Banque Internationale were originally undertaken on the basis of an exchange of stock.

Q. That is the Home Bank was to take over La Banque Internationale and give Home Bank stock for Banque Internationale stock?—A. Home Bank shares, Yes. It appears by correspondence and documents which I have seen in the Bank's head office that at a certain point in those negotiations it became evident that if that plan were adhered to the Internationale group would be in the position of controlling the Home Bank.

Q. That is the stockholders of La Banque Internationale would have ousted the stockholders of the Home Bank as controllers of that institution?—A. Of the Home Bank.

Q. Because they were taking over more assets than they themselves had?—A. Yes; therefore the plan was called off for the time being and a certain amount of La Banque Internationale shares were purchased for cash in order that that result should not follow.

Q. In other words, before there was an exchange of stock those in control of the Home Bank acquired from shareholders of the Banque Internationale enough stock that when the exchange took place the majority of the stock would not be in the hands of the previous holders of La Banque Internationale?—A. That is right.

Q. Will you explain how that was accomplished?—A. That was the task which was given to Mr. Barnard, to acquire those shares; and he acquired 2,622 shares, or what would be the Internationale equivalent of 2,622 Home Bank shares. That is to say Mr. Barnard acquired sufficient shares of La Banque Internationale to entitle him to receive in exchange 2,622 of Home Bank stock, and the money to carry through that operation was advanced by La Banque Internationale to Mr. Barnard.

Q. La Banque Internationale advanced to C. A. Barnard enough money to buy enough shares of its own stock to result in his getting 2,622 shares of Home Bank stock when the exchange took place?—A. Yes.

Q. For that purpose they lent him \$400,000?—A. Well, that is approximate.

Q. And the purchase of that amount kept the control in Barnard plus the old Home Bank holders?—A. Yes, and by that operation Mr. Barnard became indebted to the Banque Internationale for this amount and when the Home Bank took over the assets of course that money was owing to the Home Bank.

Q. The result of that transaction was that Mr. Barnard owed La Banque Internationale approximately \$400,000 and he had the equivalent in shares of La Banque Internationale; that then, when the Home Bank took over the result was that Mr. Barnard owed the Home Bank \$400,000 roughly and he acquired 2,622 shares of Home Bank stock?—A. Yes.

Q. Was that stock Mr. Barnard's or the Home Bank's?—A. Well, the settlement between Mr. Barnard and the Home Bank in December, 1915, would indicate that it was a Home Bank transaction and not a Barnard transaction.

Q. As shown by subsequent settlement with Mr. Barnard on his personal advances or personal indebtedness in toto to the Home Bank they credited him with this money which he owed for the purchase of these shares, and the shares then belonged in fact to the Home Bank?—A. Yes, and they paid Mr. Barnard a large commission for this purchase.

Q. So that the result was that by these indirect means the Home Bank really purchased 2,622 shares of its own stock?—A. Yes.

Q. And your view is that in 1916, possibly in the light of what subsequently transpired, that stock was worth nothing and therefore they had lost that \$400,000?—A. My point about that transaction is that it virtually amounted to a reduction in the capital of the Home Bank.

Q. In considering the assets it would have to meet its liabilities to the public, those assets were reduced by that transaction to the extent of \$400,000?—A. Yes.

Q. Because the bank's own stock was no asset?—A. That is it, in respect to their liabilities to the public.

Q. Then the next item you have is the A. C. Frost timber properties \$850,000. We went into that this morning just before adjournment, is there anything more you desire to add?—A. In January 1916 the Frost timber account, including of course the transaction from which it was inherited, the Chicago and Milwaukee bonds, the bank had in that \$1,850,000, made up in this way; \$550,000 which had been added to the value of the timber by giving up the Chicago and Milwaukee securities; \$535,000 of interest computed upon those loans which had accumulated but never been paid; and the balance representing the advances in connection with the timber itself.

My view about the Frost timber matter is that an auditor going in there in 1916 would investigate the history of that transaction, he would see just what was represented by those loans, he would have the benefit of the cruisers' reports and he would form an opinion as to the convertability of that security or the possibility of the bank realizing upon it within any given period of time; and arising out of his consideration of the subject in that way I believe any auditor would have been obliged to say there would have been a heavy loss at that time in connection with the Frost matter.

His LORDSHIP: Even in 1916?—A. Even in 1916.

Mr. SYMINGTON: You had arrived at that conclusion I judge, irrespective of what the valuation of that security might be?—A. It would depend of course upon the purpose for which the valuation was made. Timber cruisers will give you a valuation either for the buyer or for the seller, and a report for the buyer or for the seller as the case may be, will be essentially different in some respects. It is quite clear that that amount of timber was not the only timber in British Columbia seeking a market. British Columbia has a vast quantity of timber, it is the greatest resource it has, and it must have been quite clear that that timber could not find an immediate market. I say that if it be assumed that it would take ten years to market that timber, then the present value in 1916 for the purpose of the loan would be about one half of the cruisers' valuation.

Q. That is, if you had gone in there as an auditor at that time you would have allowed this deduction for what you took to be the reasonable time required to realize on that security?—A. Yes, and the expense of carrying the security while it was being realized on.

Q. Did you see the Lacey report?—A. I have seen no valuation.

Q. Did you see the report of Messrs. Haney and Crerar?—A. No.

Q. It is in evidence some place that they thought it could be realized in from three to five years, that would perhaps have had some influence on the amount you would deduct?—A. Yes.

Q. But giving it in the light of what you had before you when you made this investigation you have set down as the probable loss or depreciation in that account \$850,000?—A. I thought that was a reasonable estimate.

Q. Then the third item you have is the Prudential Trust loan, \$500,000. This is the amount you put down as a loss in 1916, I understand. How did you arrive at that?—A. The fact was that that security was entirely gone in 1916. The security for the bonds was lost, and the only security they had, for whatever it was worth, would be the Prudential Trust Company. I think an auditor at that time would have enquired into the position of the Prudential Trust Company as a solvent borrower for that amount of money and its ability to pay, and I think he must have concluded that there were conditions which would make the final settlement of that account with the Prudential a matter of compromise or adjustment of some kind, and that there would inevitably be a substantial loss in connection with it.

Q. So in considering that you did not take into consideration the possible value of the railways in New Orleans at all?—A. No.

Q. And even though it were said today that they will recover the full amount of that indebtedness from those railways, none the less that would have been the viewpoint you would have come to in 1916 upon the situation as it then stood?—A. I have tried to exclude from my mind the fact that they entered into a transaction some six or eight months later, acquiring securities in a subsidiary which apparently is not turning out too badly, but which is not connected with the original transaction.

Q. You are referring to the purchase of the Carroll interest and the readjustment which was made with those railways at a subsequent period?—A. Yes, that is quite a distinct matter.

Q. The point you take is that in 1916 if an auditor had gone in he would have said: These railways have gone, we must look to the Prudential Trust and if they looked to the Prudential Trust there would have been a large loss at that time, if they had to recover from them?—A. Yes.

Q. And you placed that amount at \$500,000. Then your next item is Sir Henry M. Pellatt \$750,000. Will you tell the Commission how you arrived at that?—A. An auditor going into the bank in 1916 would have made an examination of the securities held for that account. There was over \$2,000,000,—\$1,500,000 call loans and \$400,000 Toronto City Estates and \$300,000 Home City Estates.

Q. I call your attention to the fact that you apparently discussed the subsidiaries as a separate item. But we can take them both together if you prefer?—A. I think it would be better. Sir Henry Pellatt \$750,000 and subsidiaries \$300,000.

Q. Has Canadian Debentures anything to do with that?—A. No.

Q. Then that is a total in the Pellatt and subsidiary accounts of \$1,500,000?—A. Yes.

Q. Will you kindly explain that?—A. The securities held for the Pellatt call loans amounted to \$1,500,000 as to which no value could be ascertained, and irrespective of the shares of this Home City Estates and subdivision matters would not exceed \$700,000. An investigation of the statements of these concerns would have shown that they were based on greatly exaggerated values, selling values or even higher than selling values. These companies were incorporated with large issues of common stock which had no basis of value behind it at all, and the shares held by Pellatt in those companies were a very small fraction of the total capitalization, and I would say, having regard to all the circumstances, the nature of the security and also the fact that the Home City Estates was also an independent borrower from the bank, that those shares had no value as collateral.

Q. The country at that time of course was in a state of war?—A. Yes.

Q. Realty values were very much depressed?—A. There was practically no market.

Q. And all these considerations were in your mind in endeavouring to estimate what a man should have written off had he gone in at that time?—A. The difficulty is that an accountant could not possibly have foretold at that time how long the war would last and what would be the precise effect.

Q. Whether realty values go down up or down would have been impossible at that time to tell?—A. Yes, quite. I think there is this in addition, that an accountant would have observed the fact that the character of these securities was not such as one expects to find in a call loan account, and the fact that common and preference stock in subdivision real estate concerns was held as security for call loans would indicate there were no other securities available, and therefore the question of the solvency of the borrower himself might easily arise and be a factor in considering the value of the loan.

Q. Is that all you want to say for the moment on the Pellatt account?—A. I think so.

Q. Your next item is Canadian Debentures Corporation \$60,000. What have you to say as to that?—A. An accountant going into the bank at that time would have had access to the Inspector's report, Mr. Adair's report, which was made in July 1915, in which Mr. Adair clearly indicates that there would be a substantial loss on that account.

Q. Do you know anything about that Canadian Debentures Corporation, did you look into that company at all?—A. I did not.

Q. The reason I ask is something you have not seen I expect. Exhibit No. 123 is an agreement between the Home Bank and James Cooper Mason dated 8th December, 1915, whereby James Cooper Mason declares that he holds in

trust for the bank 445 shares of the capital stock of the Canadian Debentures Corporation, and that the bank indemnifies James Cooper Mason from the debt which represents the purchase price of those shares. In other words, as I read that agreement, the bank acquired 445 shares of Canadian Debentures Corporation at that time?—A. Yes, I think that is right.

Q. Has that any relation to this item that you are now discussing?—A. Yes that is the company.

Q. And this was a loan to that company?—A. Mr. Adair's report makes reference to Cooper Mason's obligation in connection with those shares, it is noted as collateral.

Q. But of course it did not exist according to this agreement?—A. It did not exist.

Q. Have you any idea or did you find out in the course of your investigation why the Home Bank acquired shares in this company?—A. No.

Q. The shares would be no security, not as good security as the notes of the company, would they? I mean no added security?—A. It is no real security, the only possible motive would be to strengthen its position in some way.

Q. As a voting power only?—A. Perhaps so.

Q. Because before the shares became of any value the creditors must first be paid?—A. Yes.

Q. And the bank was a creditor of this concern?—A. To the extent of \$306,000.

Q. The security of that stock had some connection with Murray-Kay, Limited, hadn't it?—A. There was a large block of Murray-Kay preference stock, and some common stock, held as security for the advances by the bank to that corporation.

Q. And you give us a figure of \$60,000 as what an auditor would have to put down as probable loss in January, 1916, on that loan from your consideration of the whole position?—A. And Mr. Adair's report.

Q. The next item we have is Canadian Property Company \$60,000.—A. Canadian Property Company was a subsidiary corporation of the Home Bank, formed for the purpose of holding its bank premises. In January, 1916, there was a debit standing to that company of \$114,723 which upon examination proved to be an accumulation of maintenance and petty charges, not to be considered as an asset of the bank. I have estimated that some portion of that might have value, might be represented by fixtures or property or something acquired. I have stated my opinion that \$60,000 of that represents no value whatever to the bank, at least half of it. That is a very general estimate. I think it would be conservative as to the amount that ought to be written off.

Q. The Canadian Property Company was a separate legal entity?—A. Yes.

Q. And do I understand that although the Canadian Property Company was a separate legal entity, this was not by way of loan to that company but they had simply charged up maintenance and interest?—A. They had cross-entries passing through their books, debits for expenditures and credits for rent, and this was simply the residuum of that class of thing.

Q. Were the assets of that company covered by a bond issue at that time?—A. No not at that time.

Q. So there would be shown in the assets of the bank the value as they viewed it of the Canadian Property Company holdings, the bank premises?—A. The bank premises were a separate item altogether from this.

Q. But these were items in connection with bank premises?—A. Purporting to be an amount payable by that company to the bank.

HIS LORDSHIP: What would be the object of carrying the account in that form?—A. Well sir, book-keeping is a curious thing; convenience I suppose, for these transactions coming up every day or every little while. The account-

ants might not know exactly to what account they ought to be charged and in the meantime there is an account opened for Canadian Property Company and they rest in there and perhaps would be lost sight of, fail to attract attention, or perhaps might be deliberately ignored, one cannot tell. But at all events the account ran along for years, they were gradually accumulating until they amounted to \$114,000.

Mr. SYMINGTON: And that was shown as an asset or a loan or something?
—A. It was carried as an asset of the bank, a current loan.

Q. Being as you have explained unabsorbed petty expenditures for interest or other charges in connection with bank premises?—A. Yes.

Q. What should have been done I presume is to diminish the bank premises account, the asset, by that amount?—A. If there was any value in these expenditures, anything that bettered the value of the bank premises, it should have been transferred to that account as it went along; otherwise all these items should have been written off against the profits of each year.

HIS LORDSHIP: What would those items be? Book-keeping is such a technical subject, much more so than law, if you can bring it down to the apprehension of an ordinary lawyer I would like to know something about it?

—A. One of the things which the bank did was to have each of its branches credit the head office with an allowance for rent of the premises it occupied. These credits would go in the head office books to the credit of a revenue account, and be charged to the branches. If there was nothing against it that would be revenue. But on the other hand the bank made expenditures for the maintenance of these properties, paid interest on mortgages and that sort of thing, and the difference between the two sides of the account was a preponderance of charges or debits, in other words a loss. There would be a revenue on one side but the expenses would be rather greater, and the accumulation from year to year resulted in this \$114,000.

I would like to say that is just illustrating it, I would not wish you to understand that I am telling you the precise facts as to this, but they are of that character.

Mr. SYMINGTON: What I gather is that where they obtained a revenue by charging their branches rent, these and similar expenditures should have been put against that revenue as an expense?—A. Yes, in other words they should have charged their branches more rent and absorbed it.

Q. Or else written it off. But not shown it as a current loan.—A. Just so.

Q. Your next item is A. G. Holmes, \$150,000?—A. That is the account to which reference has been made, land scrip. Advances were made ostensibly to Mr. Holmes and to other brokers, there were a number of accounts, originally Mr. Mason was personally interested to some extent as far as the records of the bank show.

Q. That is General Mason or J. Cooper Mason?—A. J. Cooper, he was a military man and interested in military affairs.

Q. Perhaps as his lordship has not lived in the west and may not understand it we might say that there was certain scrip handed out to veterans of the South African War as a reward for their services?—A. Yes.

Q. These scrips gave them the right to settle upon land and file that scrip and get a quarter section?—A. Yes.

Q. This money was advanced to brokers to buy such scrip from veterans, who had to go out and locate the land and then turn it over?—A. Yes.

Q. So that the property belonged to the purchaser after the veteran had located it?—A. To the holder of the scrip.

Q. And this was money advanced to some brokers, or to Holmes apparently?
—A. Principally Holmes.

Q. For the purpose of buying this scrip and thus obtaining real estate?—A. Yes.

Q. Quarter sections of land?—A. Yes.

Q. You say the evidence is that J. Cooper Mason, Assistant General Manager, had a personal interest in this? He, I believe, was a veteran?—A. Yes, he took some profits out of it.

Q. Were there ever any profits in it?—A. Well, some adjustment or estimate of the position was made and \$6,000 transferred to Cooper Mason's account.

Q. That is profits were paid out while these debts were still owing to the Home Bank?—A. Yes.

Q. And that transaction was in fact loans to a customer for the purpose of buying real estate, that is what it amounted to?—A. Yes.

Q. And real estate of course carried a liability as to taxes and interest and soon?—A. Yes.

Q. And you have taken these matters into consideration and come to the conclusion that of the \$187,000 charged to that account at that time you would have written off a loss of \$150,000?—A. Yes, I would. Mr. Adair's report indicates that there was very little security held for it. The only security which the bank had in 1916 for that \$187,000, according to Mr. Adair's report, was some sundry notes, five quarter-sections in the name of Holmes, three quarter-sections, that is of western land I presume, said to be in transit, a second mortgage of \$1,200, another of \$2,200, a first mortgage of \$900, a second mortgage of \$1,372, and Adair goes on to say that as far as the bank is concerned the only security we appear to have is the notes themselves and the endorsement of Holmes and it is apparent that we are largely in the hands of the latter.

This is a subsequent matter; Mr. Holmes upon being threatened with collection proceedings, set up a counter claim stating that he was simply an agent of the bank and claiming a salary. They never went on with it.

Q. There is of course no record that you have discovered in the minutes of the bank and no document or agreement as between Holmes and the bank?—A. No.

Q. Your next item is W. G. Mitchell & Company, \$100,000. At that time Mitchell & Company owed the bank \$125,000 odd. Have you taken purely Mr. Adair's report on that?—A. Mr. Adair's report indicates that the only security against that \$125,000 was some miscellaneous shares having a value of \$2,765 and a collateral note of \$29,000, in other words about \$30,000 against \$125,000.

Q. And from that you arrive at this result.—A. Mr. Adair's report indicates that a very substantial loss is to be expected in connection with that account.

Q. Then you have the Relindo Shoe Company \$100,000 out of \$116,500 advance? A. Mr. Adair reports on that that the only security was a third mortgage on some Wellington Street property with prior encumbrances against it of \$112,750, and that the company is insolvent.

Q. Did it wind up, or did it eventually become some other company?—A. The bank endeavoured to support the company, re-incorporated it I believe under another name, but eventually everything went bad.

Q. At this time in any event there had been no re-incorporation and that was the position as far as you could discover from the books?—A. That was the position reported by Mr. Adair at that time.

Q. Then you have Miscellaneous accounts \$100,000. Those consisted of Imperial Export Company, Limited, \$19,000,—what is that?—A. Imperial Export Company was at that time in liquidation. Mr. Adair says: It is not anticipated that the amount realized from the estate will greatly exceed \$5,000. The bank's claim was \$19,180.

His LORDSHIP: Mr. Adair's report, for whom was it made?—A. This report of Mr. Adair's is a schedule that we found in the head office of the bank attached to his report of July 21, 1915.

Mr. SYMINGTON: You will remember that following the meeting of the Western Directors in 1914 they had agreed to have an inspection of the Toronto

Office made by Mr. Adair, that was a concession that was given to them, and this apparently Mr. Edwards has discovered in the bank, dated July 21st, 1915.

His LORDSHIP: It is directed to whom?

WITNESS: To the Directors of the Home Bank of Canada.

Mr. LEE: Are you putting that in?

WITNESS: I have not the original of this, the original is in Toronto.

Mr. SYMINGTON: I have no doubt that before we get through we will have some of the Liquidator's documents.

Your next is James Mason, \$71,460. That is General Mason, the President and General Manager?—A. Yes. Mr. Adair says as to that that the only security held in some Home Bank stock—that is not security, but the bank would have a preferential lien against it. They could put their hands on it at any time if necessary. Something like \$23,000 there. That is all they had except some trifling items.

Q. You are looking at that account of course quite impersonally, you did not consider that General Mason was President or General Manager, you looked solely at the security that was held?—A. Yes, that would be if they were compelled to realize on the Home Bank stock it would have precisely the same effect as the Banque Internationale transaction.

Q. In other words the attitude of mind you had was that if in 1916 the bank had to realize on its assets?—A. Yes.

His LORDSHIP: Mr. Symington, is your witness incorporating these views as his own?

Mr. SYMINGTON: His own views, an expert sent by the Department.

His LORDSHIP: Did he make an investigation of the matters in order to speak independently of what Mr. Adair said?

Mr. SYMINGTON: To make it clear, you are giving this evidence as your expert opinion from what you yourself investigated, you considered Mr. Adair's reports and everything else you found there?

WITNESS: Yes everything I was able to ascertain.

Q. You are not simply retailing to the Commission something you have read in Mr. Adair's or someone's report, you are giving your own opinion, and these are reasons why you arrived at it?—A. Where I have mentioned Mr. Adair's report as to some of these minor transactions I am largely dependent on the report he made. There are some things that at this distance of time could not readily be ascertained, but an accountant going into the bank in 1916 could have ascertained the truth or otherwise of Mr. Adair's conclusions regarding some of these accounts.

Q. But to answer his lordship's question, you are giving your expert opinion on this subject?—A. Well I have tried to be careful to mention what I relied on, where it is Mr. Adair's report I have mentioned it.

Q. You are giving the reasons, or some of the reasons why you arrived at these conclusions, and Mr. Adair's report is one of them?—A. Yes.

Q. What an outside auditor going in there in 1916 would have found?—A. He would have had Mr. Adair's report and conclusions and would have based his own investigations on the information he was able to obtain in that way and in every other way.

Q. Then your next item is J. Cooper Mason \$19,000—A. Similarly the security there or the hope of realization on that account consisted of Home Bank stock.

His LORDSHIP: To bring this particular point to a head, do you know that as a matter of fact that is all they had, or are you just taking Mr. Adair's report that that is so?—A. Mr. Adair's report on that.

Mr. SYMINGTON: All these Miscellaneous accounts, we will not take the others in detail, but you have shown advances of \$155,000 and against that an estimated loss of \$100,000?—A. Yes.

Q. W. G. Morden \$4,204?—A. We did not spend much time investigating these small items.

Q. You do not know whether Morden was good for that or not?—A. It did not seem to me at the time that it materially affected the general conclusions.

Q. D. K. Ridout, \$3,300, that is in the same position you say?—A. Yes.

Q. F. H. Richardson \$10,864. As a matter of fact I understand that was subsequently paid?—A. I have not made any statement as to loss on that particular item, I felt unable to do that, but I felt the first three items alone would justify the \$100,000 estimate, and these items were all referred to in Mr. Adair's report.

Q. So that generally and from reference to Mr. Adair's report on these miscellaneous items amounting to \$155,000 you estimated the loss of \$100,000?—A. Yes.

Q. Now that is the total, all these accounts you have given us amount to \$3,370,000?—A. Yes.

Q. And that is your conclusion upon your investigation as to the losses made up to 1916 in the Home Bank?—A. Yes. It must be remembered too, that this information was ascertainable from the accounts of one branch of the bank alone, the Toronto branch.

Q. Now Mr. Edwards, did you consider the position of the bank in 1923?—A. Well I made a report to the Minister of Finance in September, 1923, giving my estimate as far as I could make it from the examination I made during the month of September. I estimated that the bank's assets would shrink some \$7,700,000.

Q. That is after the winding up process had been gone through.

Mr. LEE: No.

Mr. SYMINGTON: Just a moment.

Q. Your estimate was that after the winding up process had been gone through, the shrinkage would be 7½ million?—A. No, the basis of my investigation was, the Minister asked me to report to him as to whether the conditions of the Bank Act had been violated.

Q. I do not want to go into that you understand, Mr. Edwards. In any event, whatever purpose you were sent there for, you did make an investigation and an estimate of the shrinkage of the assets of the bank?—A. Yes.

Q. And your estimate was \$7,500,000?—A. \$7,527,000, yes.

Mr. LEE: \$7,700,000 was it not?—A. I wish to correct that seven million seven. The figures I should have given—I spoke from memory at the moment—were \$7,527,000.

Mr. SYMINGTON: That of course, Mr. Edwards was on approximation?—A. Quite so.

Q. Purely and simply from your study of the bank's affairs. Now, Mr. Edwards, I want to take you over the statements of annual profits, to the shareholders; because the statements are to the shareholders?—A. Yes.

Q. They have nothing whatever to do in this discussion with the Departmental returns at all. You prepared a statement from the year 1916 'on, I think, did you not?—A. Yes.

Q. I would like you to give the Commission your summary as to first the profits per annual statement and the amount of over statement.—A. From 1916 to 1923 inclusive the profits shown by the public statements were \$1,873,285. I ascertained that those profits had been overstated, the aggregate of the over statement being for the same period of time, \$2,747,000.

Q. And those being the totals you have given us, you came to the conclusion that there was an over statement each year?—A. There was an over statement each year.

Q. I think perhaps we had better get that on the record. The year ending May 31st, 1916, if you will give them to us?—A. I ascertained that in four accounts.

Q. I don't know that you need go into them. The profits for the annual statement for that year were \$133,406. Have you that before you?—A. Yes.

Q. And according to your statement you think that was overstated by \$199,000?—A. Yes.

Q. And in 1917 the annual profits shown by the statement were \$217,000 and you think that was overstated \$223,000?—A. Yes.

Q. In 1918 the annual statement showed profits of \$228,000 and you think that was overstated by \$90,000?—A. Yes.

Q. In 1919 the annual statement of the profits was \$238,000 and in your judgment that was overstated by \$111,000?—A. Yes.

Q. I am leaving out the odd figures. In 1920 the annual statement showed \$268,000 and you think that was overstated \$175,000?—A. Yes.

Q. In 1922 the annual statement showed \$278,000 profit and you think that was overstated by \$357,000?—A. Yes.

Q. In 1922 the annual statement showed profits of \$275,000 and you think that was overstated by \$772,000?—A. Yes.

Q. In 1923, the profits were shown by the annual statement to be \$232,000 and in your opinion that was overstated \$816,000?—A. Yes.

Q. Now without going into that in detail, you arrived at that by taking unpaid interest that had been added to accounts and shown as profits?—A. Yes.

Q. Plus in some years the writing up?—A. The writing up of bank promises.

Q. That is the principle upon which you arrived at that computation?—A. Yes.

Q. Does that generally cover the principal or were there details of other character, or was it simply that interest and writing up bank promises?—A. Well we stopped there. We thought to go through was simply to multiply instances. Instances possibly of lesser importance, but that any further investigation would aggravate that situation.

Q. In any event so far as the figures you have given, that is the principle upon which you have gone?—A. Yes.

Q. You took all the unpaid interest that had been credited into profits; you exhausted that branch I mean in this.—A. As to the larger accounts.

Q. And the writing up of properties?—A. Yes.

Q. Those two items you exhausted?—A. Yes. And that is irrespective of those four years interest on the Frost account that was carried to reserve. I want to state it for the purpose of making it clear, that this is entirely irrespective of those charges up to the Frost account in those four years.

Q. In the years '18, '19, '20 and '21 when they charged to Frost interest but credited to reserve, or contingency, you have not included that in this at all?—A. No.

Q. Do you remember the amount of that Frost interest? It is in evidence before this Commission, I know.—A. The interest set aside?

Q. Yes.—A. \$689,000.

Q. I see you have shown how that \$2,747,000 overstatement is arrived at. Accumulated and unpaid interest amounts to \$2,240,000?—A. Yes.

Q. Depreciation in value of bank premises \$365,000?—A. Yes.

Q. Shares of subsidiaries written up? \$41,000?—A. Yes.

Q. Loss in foreign exchange, concealed, about \$100,000?—A. Yes.

Q. That makes up your total of overstated profits of \$2,747,000?—A. Yes.

Q. Now of course, Mr. Edwards you were not passing upon whether the depreciation in bank premises was correct; there was an appreciation but you are simply saying that for the purpose of annual statements that should not be done.—A. They included such appreciation as profit.

Q. Then in connection with the item of \$2,240,780 of accumulated and unpaid interest, can you give us how that accumulated from year to year commencing with 1916?—A. Yes.

Q. Would you do that please?—A. Do you mean the amounts, with the previous amounts added to it.

Q. Yes, so that we can see the growth of it.—A. In 1916, that is the first year I have taken any account of, \$199,226. In 1917, \$423,130. That would be the accumulation for two years.

Q. That would be '16 plus '17?—A. '16 plus '17. For three years ending '18, \$676,000.

For four years ending '19, \$972,000.

For five years ending 1920, \$1,332,081.

Six years ending 1921, \$1,682,000.

Seven years ending 1922, \$2,232,000.

Eight years ending 1923, \$2,930,000.

Q. Now in that amount you have included in the Frost timber that portion which was transferred to the Western Canada Pulp and Paper Company. A. Yes that must come off.

Q. Then taking the year 1916, your total of \$199,000 would give the accounts from which that was made up?—A. A. C. Frost & Co., \$134,000. The Prudential Trust Company, \$33,000. Holmes, \$11,000. Canadian Debentures Corporation, \$21,000.

Q. Those were the four accounts in 1916 which made up the interest shown in profits?—A. Yes.

Q. In 1917?—A. The same four accounts are considered. Frost & Co., \$148,000. Prudential Trust, \$35,000. Holmes, \$11,000. Canadian Debentures Corporation, \$30,000. Making \$224,000.

Q. And 1918?—A. In 1918 the Frost interest is not taken as a profit. The items considered are Prudential Trust \$37,000. Holmes, \$11,000. Canadian Debentures, \$37,000. Stewart, \$3,600.

Q. That was a new one, that is the first time that appears?—A. Yes.

Q. Is that F. J. Stewart?—A. J. F. M. Stewart. He was not then a Director.

Q. That was in 1918?—A. Yes.

Q. That was a total of \$90,000 for that year?—A. Yes.

Q. Then 1919.—A. 1919, the Frost item was again reserved and not considered. The Prudential Trust Company, \$40,700. Holmes, \$11,300. Mercantile Securities, \$7,700. Canadian Debentures, \$32,200. Stewart V. Ogilvie, \$18,200.

Q. The new one there is the Mercantile Securities?—A. Yes.

Q. Then in 1920?—A. The Prudential Trust Company, \$41,700. Holmes, \$13,000. Mercantile Securities, \$14,000. Canadian Property Company, \$6,000. King Shoes, that is Relindo in another name, that he owed J. D. King, \$16,000. C. A. Barnard, \$25,000. Canadian Debentures Corporation, \$47,700. And Stewart V. Ogilvie, \$11,000 making \$170,000.

Q. The new ones there being, the Canadian Property Company, that is the bank premises?—A. Yes.

Q. The King Shoe, Ltd.—A. Yes.

Q. And Barnard?—A. Yes.

Q. And the others are increasing slightly, gradually increasing?—A. Yes, the interest is being compounded. It is the interest on interest.

Q. Then 1921.—A. 1921, Prudential Trust Company \$44,800. Holmes, \$11,400. Mercantile Securities \$13,900. Canadian Property Company \$18,413. Western Canada Pulp & Paper, \$5,000. Manufacturers Holding and Investment Corporation, \$25,000. King Shoes, Ltd., \$18,200. C. A. Barnard, \$57,000. In addition that property is written up, \$164,900.

Q. So that the new ones there are the Western Canada Pulp & Paper Company which has some dealings with the Frost Ltd.—A. The Western Canada Pulp & Paper Company was a corporation formed for the purpose of operating some of the timber belonging to the bank.

Q. And the Manufacturers' Holding and Investment Corporation, that appears for the first time.—A. That is a Daly Company.

Q. And the other new thing is the writing up of the property \$164,000?—A. Yes.

His LORDSHIP: What did that total, Mr. Symington?

Mr. SYMINGTON: That totalled \$357,083. Then 1922?—A. 1922 the Frost Company \$173,000.

Q. We get the Frost written up again here.—A. That is taken into profits again in 1922.

Q. For the first time since 1917?—A. Yes.

Mr. McLAUGHLIN: The Western Canada Pulp & Paper was part of that.

Mr. SYMINGTON: That has been made clear. It was only \$5,000, the Western Canada up to now.—A. The next item is Western Canada Pulp & Paper \$106,000 about. Prudential Trust Company \$47,500. Holmes \$13,500. British Dominion Holding Corporation \$83,600. Mercantile Securities Corporation \$14,300. Canadian Property Company \$48,800. Manufacturers Holding & Investment Corporation \$43,500. King Shoes, Ltd., \$19,600. In addition to that the bank premises were written up a further sum of \$181,000. And shares of the Manufacturers' Holding & Investment Corporation which had not previously appeared as an asset of the bank were written up \$250,000, but of that amount \$208,000 was set aside to appropriation fund, to provide for losses. An appropriation is an estimate of the amount required to meet losses on a date. The net amount taken in as profits in that year without that being being \$41,000 or a total for the year of \$772,400.

Q. The new items of importance there are the big jump of the Western Canada Pulp and Paper from \$5,000 to \$106,000. This is interest only I understand?—A. Yes.

Q. And the British Dominions Holding Corporation, do you know what that was?—A. That was a corporation that usually was associated with Mr. Barnard's affairs, of Montreal.

Q. We will be going into those later. I do not want to go into those details now.

His LORDSHIP: You say you are going into these later?

Mr. SYMINGTON: The individual companies, yes, in connection with the directors.

His LORDSHIP: That Pulp & Paper Company that ran up to \$106,000, how did that occur in that year?

Mr. SYMINGTON: Have you got that information?—A. The \$5,000 as near as I can ascertain it, was the interest charge for a small fraction of the previous year only. In the following year the \$105,000 represented the full year's interest. It was only late in 1921 that the Western Canada Pulp & Paper Company was formed, therefore the bulk of that interest that year would appear in the Frost account.

His LORDSHIP: What was taken from the one account into the other? That Pulp & Paper Company had its inception in the Frost & Wood account had it not?—A. Yes.

Mr. SYMINGTON: Frost and timber you had better say, sir.

His LORDSHIP: Yes. That is where they got that credit that year, if I remember right, on that timber account, on a certain amount of money which they said was paid but never was paid and was a division of companies.

Mr. SYMINGTON: Can you give us in 1920, '21 and '22 how much was taken from the Frost and charged to the other?—A. I am not prepared at the moment to tell you that.

Mr. McLAUGHLIN: \$776,000.

Mr. SYMINGTON: Mr. Edwards will get that for us. I am quite sure when we come to discuss the individual companies we will get this.—A. My assistant confirms the \$776,000.

Q. \$776,000 is confirmed by Mr. Edwards as being the amount transferred from the Frost indebtedness to the Western Canada Pulp & Paper?—A. Yes.

His LORDSHIP: What would the interest on that be?—A. At seven per cent.

Mr. SYMINGTON: It would be about \$53,000.

A. There were other expenditures.

Q. Was there not a debenture issue came in there Mr. Edwards?—A. Well they did of course take their securities from the Western Canada Pulp & Paper Company in the form of debentures.

Q. As his lordship points out, the interest on \$776,000 according to my quick calculation, would be only about \$53,000?—A. Well, that was the amount transferred from the Frost account but that did not represent the position of the bank. They spent money.

Q. So that in addition to the \$776,000 transferred from the Frost account to the Western Pulp & Paper, they made further advances to the Western Pulp & Paper?—A. Yes.

His LORDSHIP: And the interest on those further advances made it up to over \$100,000. I noticed the discrepancy in the amount.

Mr. SYMINGTON: Then a new feature appears, Mr. Edwards in the Manufacturers' Holding & Investment Corporation, "Written up." What was that?—A. That was the shares of that corporation; they were appraised for the purposes of the bank at \$250,000. There is no sign that the shares cost them anything or that they ever held them before that. Whether Daly transferred the shares to the bank or what occurred is not clear, but they have simply on their books given those shares a value of \$250,000.

Q. This being a Daly episode, I think that is as far as we will go just at the moment. Then in 1923?—A. A. C. Frost & Co., \$189,000. Western Canada Pulp & Paper, \$223,000. Prudential Trust Company, \$50,500. Holmes, \$15,300. British Dominions Holding Corporation, \$83,900. Canadian Property Company, \$82,200. Manufacturers' Holding & Investment Corporation, \$39,100. King Shoes, Ltd., \$14,400. In addition they wrote up bank premises by \$19,000, and they concealed a loss in their foreign exchange department, of approximately \$100,000. I believe that has since been ascertained to be \$99,000.

Q. Was that carrying francs at par?—A. Something of that kind.

Q. So that made a total of \$816,900, for the year 1923? Now the Western Canada Pulp & Paper has more than doubled according to that?—A. Yes.

Mr. REID: Who were the Directors of that Western Canada Pulp & Paper?

Mr. SYMINGTON: I don't know at the moment. On this phase of the investigation we are not going into the history of these companies, we are simply

showing what the expert says was charged up to profits and was really unpaid interest. That covers that summary I think Mr. Edwards.

Mr. McLAUGHLIN: I don't know whether this might explain some of it.

Mr. SYMINGTON: Mr. Edwards has already stated that their security was covered by the debentures and that is taken into account.

Q. Then Mr. Edwards did you get any evidence of speculative profits made by the bank? I confine you to the years prior to '22 or '23; the years 1918, '19 and '20.—A. In 1918 and 1919 apparently profits were made on a number of speculations: Montreal Transportation, \$12,200. Canada West Coast \$38,300. Canadian Locomotives, \$63,900. Canada Steamships, \$13,500. Malahat Motor Ships, \$4,200. Whalen Pulp, \$1,750.

Q. Will you explain what you mean by speculative profits?—A. The bank dealt in the shares of these enterprises.

Q. That is they simply bought and sold the shares?—A. Yes.

Q. For the purpose of making a profit or a loss as it might be. It was not a question of lending money to these concerns at all?—A. No.

Q. It was a question of investing the bank's money in stocks?—A. Excepting to this extent, that some of the directors, Mr. Haney and others, appear to have participated in the benefits of the transactions.

Q. Was that covered by loans to these people or how was that transacted in the bank?—A. I don't recall exactly how that appeared. If you will allow me to reserve that.

Q. It is at page 122, at the bottom of the page, of your report. It is suggested that these ventures were undertaken on joint account?—A. I do not wish to speak too positively, of my own knowledge, at the moment. It is a detail that has escaped me at the moment. I would prefer to confirm my recollection of it.

Q. You prefer to leave that just now?—A. Yes. These profits in those years of course, helped out the bank's position. They are included as profits in the years to which they belong.

Q. When they made those profits they went into the bank as earnings of the bank?—A. Yes, and I have not questioned them.

Q. Now Mr. Edwards I do not want to go into any question with you of statements to the Government, at the moment; and on this branch of the case therefore, on which we are now proceeding, have you anything further which you desire from your investigation to state to the Commission? I see a matter here of Canadian National Railway deposit. We are calling evidence direct so possibly it would save time if we do not go into that. Have you any record of Ontario Government deposits?—A. I have made no note of it.

Q. Or of any other Government deposits, Dominion or any other?—A. No.

Q. You have made no notes of them at present?—A. No.

Cross-examined by Mr. Browning:

Q. You are appearing here to-day, Mr. Edwards, as an auditor appointed by the Government to go into the books of the bank?—A. Yes.

Q. The Dominion Government of course I mean?—A. Yes.

Q. And your experience has extended back over a term of how many years?—A. 35.

Q. And during that time you have been connected somewhat intimately with financial institutions and the examination of them?—A. Yes.

Q. I understood you to say to my learned friend that prior to May, 1916, there were several very obviously questionable accounts, surrounded by suspicious circumstances on the face of them; am I correct?—A. Yes.

Q. Those were the Frost and the Banque Internationale and the others as named to him?—A. Yes.

Q. Which you now have written down at a loss of some \$3,370,000?—
A. Yes.

Q. Does that mean in your opinion that apart from the shareholders' liability, the bank was insolvent to that extent, in \$3,370,000, taking insolvency in the general term in which it is used?—A. I would judge that these figures would indicate that the bank's capital and reserve had been absorbed at that date.

Q. Apart from the double liability of the shareholders, the bank was some \$3,000,000 to the bad, or how much would you say it was to the bad over and above the shareholders' liability?—A. The shareholders' double liability?

Q. Yes.—A. Of course one cannot estimate what the double liability would yield.

Q. But you know how much outstanding stock there was.—A. There was about \$2,000,000 approximately of outstanding stock. The paid up capital in 1916 was \$1,946,000; subscribed \$2,000,000. It is so stated. They had a reserve of \$300,000 and they had some balance to the credit of their profit and loss account. Altogether two millions and a half would cover the shareholders' account, that is the shareholders' capital reserve and stock and so on.

Q. If you were asked to make a statement of the assets and liabilities, if it were insolvent at that time, what would you state them to be, in the light of present day events?—A. I would say that the capital and reserve were certainly gone at that time. It would be a matter of opinion as to what extent that estimate might be enlarged.

Q. They were certainly gone and probably some considerable amount more.—A. I should think so.

HIS LORDSHIP: If you would not mind, Mr. Browning, I would like you to get from the witness at this point a little explanation of that list of figures in 1916. There were deposits then of a little over ten millions of dollars. They assert their liabilities were \$18,722,000 odd and their assets were \$21,000,000. What is the general effect of that? \$3,000,000 odd bad debt or accumulation of bad debts on the general standing of the bank at that time? I do not want to ask the witness questions.

MR. BROWNING: We personally have not the figures before us. Will you answer the Commissioner's question, Mr. Edwards? Your lordship is asking the witness, I understand?

HIS LORDSHIP: I thought perhaps you would question the witness along that line. You may be going to bring out exactly what I have in mind. Supposing this witness had been put in there in 1916 and made an audit for the Department, I would like to know what he would have considered the standing of the bank was in the face of that loss of three or four millions?

MR. SYMINGTON: Mr. Browning suggests that as I have seen this I should ask him. Mr. Edwards, you have that statement before you.

HIS LORDSHIP: I have not had the advantage of looking at this, Mr. Browning.

MR. BROWNING: No.

MR. SYMINGTON: If you look at 1916, the liabilities are shown as \$18,000,000 and the assets as \$21,000,000. Now as I take it, Mr. Edwards, you say as a result of your investigation that those assets would have been reduced by about \$3,000,000?—A. Yes.

Q. That would have been the exact situation, therefore the liabilities and assets would have been, roughly speaking, about the same?—A. Yes.

MR. SYMINGTON: Is that what your lordship wanted?

HIS LORDSHIP: I wanted him to say that. You have put that in his evidence and he assents to it, that is all right. Then assuming that all the

other assets were liquid and could be realized upon, that would have left pretty nearly enough money for the depositors?—A. Pretty nearly.

Q. The deposits were ten millions and better at that time. Of course that would wipe the shareholders out absolutely?—A. Quite.

Q. And if there had been any lack of funds to satisfy the depositors the double liability would be there to meet that, presumably?—A. Yes.

Mr. SYMINGTON: Do those total liabilities not include the capital stock?—

A. No, the capital stock and the shareholders' accounts; that is the capital stock and profit and loss balance would be substantially the difference between the total liabilities and the total assets.

Q. What you are saying is that the two first items on that sheet, the two million and so on and the three hundred thousand would approximately be the difference?—A. I think that is about it.

Q. It amounts to nearly two million odd.—A. There is a profit and loss balance not mentioned there. I don't know why it is not.

Q. In any event, it is clear that in the liabilities the stock liabilities are not shown?—A. I think it agrees. The difference in 1916 between the total liabilities and the total assets is \$2,300,000. Capital paid up and reserve added together make approximately the same amount.

His LORDSHIP: You will excuse me, Mr. Browning. I did not want to interrupt your cross-examination of the witness.

Mr. BROWNING: No, I quite appreciate that, my lord.

Q. In May, 1916, Mr. Edwards, writing off the loss of approximately \$3,000,000, the amount due the depositors, profit and loss and other accounts other than the capital, would have been about equal to the assets available?—A. Yes.

Q. Now, after the end of the fiscal year, May 31, 1916, would a very extraordinary investigation have been required to discover these questionable accounts and the manner in which the business of the bank had been carried on with reference to them?—A. I don't think it would have taken very long.

Q. Could it all have been done by going through the head office books?—A. There is nothing else referred to here. The Toronto office books.

Q. I do not hear you.—A. Only the Toronto office books are considered here.

Q. So that an examination of the Toronto office would have disclosed the nature of these accounts and the way in which the business regarding them had been carried on?—A. Yes.

Q. And would such an investigation have required the services of a very expert man for a great length of time with much attendant publicity?—A. He ought to be a good man, but I think the examination could have been made without running any risk of publicity.

Q. And would it have taken any great length of time to discover for instance the unfortunate circumstances in connection with the Frost account and the Banque Internationale?—A. No, I think not. Of course, an accountant going in at that time and having ascertained what I have mentioned here, would not stop there. He would go through other branches, and examine the affairs of the bank thoroughly and that might take longer.

Q. But a very superficial examination would have disclosed the Chicago and Milwaukee end of the Frost account?—A. Yes.

Q. And a very superficial examination would have disclosed the mystery or the difficulty at any rate in connection with the Prudential Trust and the New Orleans?—A. I think so.

Q. And also would have disclosed that heavy loans had been made on real estate subdivision properties?—A. Yes.

Q. And loans directly or indirectly on land through the A. G. Holmes scrip transactions?—A. Yes.

Q. In connection with the Frost account, Mr. Edwards, has your examination of the books enabled you to determine whether this was really an advance to Frost or a purchase of limits by the bank? Apparently it had been purchasing in other cases, in speculative transactions?—A. There are evidences of Frost having given notes for the amount.

Q. Were those notes taken seriously?—A. I would say not.

Q. What is your reason for making that statement?—A. There is no attempt to collect interest. The notes were allowed to run overdue at times.

Q. For how long a period?—A. Oh, for years.

Q. How many years?—A. On one occasion the notes overran until it was a question of whether they might be outlawed and then they were hurriedly made regular again by giving new notes.

Q. There does not appear to have been any great desire on the part of the bank to hold the borrower responsible, that is Frost, responsible, for the amount of the loan?—A. I would not say there was any serious attempt to do so.

Q. And the condition of the non-renewal of the note could easily have been disclosed at any time during 1916 and on?—A. Yes.

Q. You speak of the rest varying from year to year Mr. Edwards; why was that? One year some taken out and another year some added, is that a usual practice?—A. A bank will always draw from rest in a bad year if there is no other place to obtain an appropriation for losses; and if they have surplus profits in another year, the natural thing I think is to increase the rest account.

Q. Going over the rest account from year to year, 1916 to 1923, did you discover anything unusual about it, or has it just been treated in the way that rest accounts in other banking institutions have been treated?—A. I think in about the usual way.

Q. And you told me that practically the entire rest and the entire capital at the end of 1916 was wiped out?—A. Yes.

Q. From the year 1916 to the year 1923, have you discovered in the course of your investigation that any attempt was made by the bank or anyone on its behalf to realize on any of these securities that were non-current in 1916?—A. Well, the effort to operate some of the timber by means of the Western Canada Pulp & Paper Company may have been a sincere effort. I could not say it was not.

Q. In what degree was it an effort on the part of the bank?—A. It may have been a realization, that is, the limits could not be detailed as an asset in their present unproductive form, and indicating an effort to try and do something with them.

Q. That would be rather an evidence of ownership on the part of the bank than an endeavour to collect from a debtor?—A. I think so.

Q. But so far as any endeavour to press a debtor for payment by realization on the assets held by the bank, is there any evidence of that during those years?—A. In the Frost account, I think I said that there is no sign of any serious effort. The Prudential matter occasionally came up for discussion, and lawyers' opinions were obtained, and so on, but nothing seems to have been done. There are indications that the Pellatt accounts were under some pressure, there being frequent letters requesting reductions.

Q. We have spoken of the solvency or insolvency of the bank in 1916, Mr. Edwards. I presume you speak of insolvency as a condition in which a debtor is who is unable to pay his debts by realization upon his assets within a reasonable time?—A. That is not necessarily the only test of insolvency.

Q. That is not the only test?—A. No.

Q. What is another test?—A. Why, if a business is capable of earning profits it may improve its position, work out, if it can pay its obligations as demands are made upon it.

Q. But neither of those tests were complied with in the case of the Home Bank?—A. Well, they appear to have been able to carry on the business and meet the demands made upon them. As to earnings, I think there was no earning power there.

Q. How were they able to carry on from 1916 to 1923, notwithstanding Mr. Lash's doubts that they could carry on?—A. Well, that is a matter for conjecture, but I think that, at that time, credits of the country were expanding by reason of conditions of war, deposits were coming in, and the available resources of the bank were increasing quite materially at that time.

Q. Were they not being increased at the expense of the depositors?—A. Well, of course, the depositors furnished the resources.

Q. And the bank, from 1916 to 1923, only carried on by virtue of increasing deposits?—A. Yes.

Q. And I understand you to say that except in two years, possibly 1918 and 1919, the bank's dividends were never paid out of moneys actually earned and received?—A. Yes, I think that is correct.

Q. So that, from 1916 to 1923, taking each year as a year by itself, with the exception of the two years, 1918 and 1919, the bank was steadily growing worse?—A. Yes.

Q. And even during those years, as a whole, it was growing worse, because of the accumulated interest back of those years?—A. Well, it might be fair to say that the bank held its own in those two years, because there was sufficient of profits left out of which to pay the dividends, and something more, in those two years.

Q. Will you look at Exhibit 132, page 292, Mr. Edwards, a letter from Lash to Fisher, the second paragraph from the end. Was Mr. Lash correct when he spoke of the amount locked up indefinitely being more than probably three times the paid-up capital, and more than half the total deposits?—A. Well, I think what he stated was substantially correct. His estimate of locked-up capital was rather greater than my own, but he probably had a better knowledge.

Q. I think you have told me that an audit, such as Mr. Lash at one time thought was necessary, and some of the others, could have been conducted quietly and without the public being aware of it?—A. I think with proper precaution and good judgment it could have been done without any danger to the bank.

Q. I understood another witness to say it has been done in one or two instances, probably more?—A. Yes.

Q. You heard the Ex-Minister of Finance give his evidence, did you?—A. Yes.

Q. You heard his opinion as to the value of audits. He did not seem to have a very high idea of their value. In any case, do you agree with him that an audit in this case, or in any case, is an advantage, divesting yourself of any prejudice you may have as an auditor?—A. I do not want to quarrel with Sir Thomas White.

Q. You are not quarrelling with Sir Thomas White, you are simply agreeing or differing with him as the case may be.—A. I think Sir Thomas probably misapprehends the scope of an auditor's opportunities and duties.

Q. Well, we have the evidence of a distinguished financier that audits are not of very much value, and I would just like to have your opinion as a man of 35 years experience.—A. Well, I think the existence of the auditing profession is an answer. The growth and the use of accountants' services each year would abundantly answer the question as to whether they are a useful body of men.

Q. Do I understand you to say then that, in your opinion, an audit as a rule is, and would have been in this particular case, useful?—A. If the auditor does his duty I would say so, certainly.

Q. I am speaking of an audit by a competent man.—A. Quite.

Q. Then what do you say as to the value of an independent outside audit on the affairs of the bank if made after May, 1916?—A. I did not get the first part of your question.

Q. I asked you, what is your opinion as to the value of an external audit if made in May, 1916, or after the end of the year?—A. I think it would have been very illuminating.

Q. Would it have been disclosing? I suppose you mean by that that light would have been thrown upon the real situation?—A. I think so.

Q. And things would have been brought to the knowledge of people that they are now only being made aware of?—A. Yes.

Q. Take Exhibit 105, page 191, Mr. Edwards, please, a letter from Lash to Sir Thomas White, the second paragraph *re* Pellatt:

“No interest charge to this account remains unpaid; on the contrary all interest has been paid and the principal has been reduced.”

Was that statement correct?—A. I would say not.

Q. And I presume the correctness of that statement could have been ascertained by an auditor appointed either by Mr. Lash or by the Minister?—A. I think so.

Q. Have you read somewhat carefully the reports made by Mr. Lash to the Minister, in 1918, in answer to the Minister's inquiry following Mr. Mac-haffie's complaint?—A. What complaint would that be?

Q. I am speaking generally of the communications between Mr. Lash and the Minister, to which Mr. Lash answers, or attempts to answer, the Minister's request for information; there are a number of them?—A. Well, I do not think there is much in 1918 from Mr. Lash, until that January statement, 1919.

Q. Well, take the one of January 25, 1919.—A. The previous statement, I think, was made by Mr. Hancy.

Q. Do you think that is a free, frank and full disclosure in answer to the request made by the Minister, such as should have satisfied a man who was looking for information? If you do not care to answer that I won't press it, but you are a man of financial experience, disinterested, not overwhelmed by war cares.—A. If considered superficially it might have satisfied.

His LORDSHIP: Taken superficially it would not be any report at all that would be of any good?

WITNESS: I would think not, sir. The report does not, in my opinion, indicate the true position of the bank with reference to these matters.

Mr. BROWNING: Is it not rather an argument or a request more than a report?—A. Well, Mr. Lash, I suppose, was the counsel of the bank and was reporting in that capacity, I judge so.

Q. Look at Exhibit 46, page 78, Mr. Edwards, please, a letter from the Honourable Mr. White to Mr. Jones, asking for an inquiry into the accounts mentioned, under the provisions of 56A of the Act.—A. That was an inquiry into three accounts.

Q. What three accounts were they, as you recall them?—A. The Frost, Prudential and Pellatt.

Q. Look at Exhibit 61, page 90, a letter from Jones to Sir Thomas White.

His LORDSHIP: What page?

Mr. BROWNING: Page 90. That reads:

“With further reference to your letter of the 24th ult., I beg to send you herewith a statement showing details of advances, repayments, and interest, in the A. C. Frost Company account, which statement I have duly verified by the books of the bank.”

No reference there to any other accounts but the Frost.

His LORDSHIP: Is that the only reply that Mr. Jones made to the Minister?

Mr. BROWNING: There is a reply made by the Directors themselves.

His LORDSHIP: No, but Mr. Jones.

Mr. SYMINGTON: There are two on that page, sir. I think we ought to be fair. You will remember that, first, the Minister wrote asking for those three accounts, then he subsequently wrote and only asked for one. Now, that is a letter you will find in there.

Mr. BROWNING: In the meantime, the letter on page 78 has not been cancelled, in any way.

Mr. SYMINGTON: There was a subsequent letter.

Mr. BROWNING: I have that right here, that is on page 89, but that does not relieve him of the necessity of replying to the other.

Mr. SYMINGTON: Your lordship will see it "at page 89:

"Referring to my previous letter requesting an investigation by you of certain accounts of the above bank, I shall be glad if you will send me as soon as possible a detailed statement showing advances, repayments, and interest charges on the A. C. Frost Company account. The Western members of the Board have thought it desirable that I should obtain this information. Your prompt attention will oblige."

Mr. BROWNING: My learned friend and I, I think, are at variance in the matter.

Mr. SYMINGTON: I quite conceive someone arguing the other way. I simply think the Commission should have it before them.

His LORDSHIP: For whatever reason may be ascribed, that is the only report that Mr. Jones made to the Minister, is it?

Mr. BROWNING: That is what I wish to get from Mr. Edwards. The only report that has been sent in is the one attached to Mr. Jones' letter of March 1st, excepting certain other reports which were sent in by Colonel Mason?—A. Afterwards.

Q. A very short time afterwards too, I think.

His LORDSHIP: You need not proceed any further to-night, Mr. Browning. We will adjourn till ten o'clock to-morrow morning.

(Proceedings stand adjourned at 4.30 p.m. Tue-day, 6th May, 1924, until 10 a.m. Wednesday, 7th May, 1924.)