

FARMERS BANK CASE.

Another Summons Issued—Insurance Company Is Involved—
Some Interesting Evidence.

A summons was issued at the Toronto police court yesterday, charging Mr. W. S. Morden with hypothecating Farmers Bank notes to the extent of \$58,000. Mr. Morden is assistant manager of the Trusts and Guarantee Company. At the Toronto police court yesterday, before Magistrate Denison, the Hon. J. R. Stratton, president, and Mr. J. J. Warren, general manager, of the Trusts & Guarantee Company, answered to the charge of hypothecating Farmers Bank notes received from Mr. W. R. Travers, to the amount of \$58,000; also with conspiring with Messrs. J. Ferguson, A. Fraser, A. S. Lown, J. Watson, C. H. Smith, Dr. Beattie Nesbitt and others, with obtaining by misrepresentation and fraud the certificate which enabled the Farmers Bank to commence business.

The evidence submitted by Inspector Duncan purported to show that the Trusts & Guarantee Company loaned the Farmers Bank on security of \$100,010 worth of notes \$80,000 in cash, to make their government deposit. On this loan they received 10 per cent, and a cash bonus of \$1,000. The same rate of interest was received on another loan of \$20,000, the cash bonus being \$500.

It was stated by Inspector Duncan that the Crown may call the Hon. W. S. Fielding, Minister of Finance, in reference to correspondence between Travers and the department relative to rumors as to improper deposit.

Where He Sought Loan.

Travers, cross-examined by Mr. Corley, stated he was \$100,000 short of government deposit. Messrs. Lown, Fraser, Smith and possibly Ferguson knew of this. They spoke of possibility of raising the money on the notes. He told them if he had the notes he could raise the money. He saw Traders Bank, Osler & Hammond and Trusts & Guarantee Company. The bank refused, the board objecting. He told Mr. Warren he had \$100,000 Farmers Bank notes and asked if he would make a loan on them. He explained the circumstances and that he required \$80,000 to complete deposit with Finance Minister. Nothing was done then. Later Mr. Warren stated he could "put it through" for him. At this interview he met Mr. Stratton. Mr. Warren said he had mentioned the matter to Mr. Stratton. Travers gave personal note of \$81,000. He hypothecated notes to Trusts & Guarantee Company.

Travers needed the loan for about 35 days. It was to be returned after money was received back from Finance Department. He spoke only to Mr. Warren about this. Mr. Warren told Travers that about half of the money came from an insurance company. He was promised the second loan of \$20,000 from another source, which failed. He then borrowed it from Trusts & Guarantee in return for certain shares which had been paid in as stock subscriptions. Travers thought Warren had told him that bonus for loan would be divided between Trusts Company and insurance company.

Subscription List Was Untrue.

Travers stated that the list of shareholders' subscriptions sent to the government was incorrect. The \$100,000 borrowed was spread over the list against names of people who had not paid anything. Dr. Nesbitt, Mr. J. G. Fitzgibbon, the bank's inspector, and Mr. Hunter, solicitor, also knew this.

Col. Denison asked why Mr. Hunter, the Farmers Bank solicitor, was not included in the conspiracy charge, as he was in Mr. Travers' confidence. Crown Attorney Corley replied he had not the knowledge that Hunter knew the facts.

Travers told Mr. Calvert, the then Liberal whip, of his difficulty in obtaining charter. He and Travers went to see the Minister of Finance and spoke favorably on Travers' behalf. The bank loaned Calvert from \$5,000 to \$6,000, most of which, if not all, had been repaid. He did not see Mr. Stratton at Ottawa.

Mr. Knight, secretary Bankers' Association, visited the bank unexpectedly, stating he was armed with certain authority, which afterwards he found he was not. After his visit, Travers asked the Trusts Company to reloan him the \$80,000 again, which the company had on deposit. Travers showed certificate of deposit to Knight and had told Warren previously that it was important that he should have certificate of deposit. The case was adjourned till this morning.

WANTED.

BONDS.—Young man of considerable business ability and experience is desirous of entering a bond house. Initial salary least consideration, providing there are good opportunities for advancement. Box 275, Monetary Times.

SPECIAL REPORT ON CANADIAN LIFE COMPANY

Shows Some Startling Figures—Chartered Accountants
Making Report to Government Refer to "Extra-
ordinary Method Adopted to Avoid Showing
Operating Deficit"—Big Loss on
Operations.

That the Canadian Guardian Life Insurance Company since its incorporation in 1901 has had eight secretaries, some of whom left their work uncompleted and that the company lost on operation between December, 1904, and November 30th, 1910, no less than \$61,223, are facts gathered from a special report of the company's affairs made by Messrs. Clarkson & Cross, Toronto, on behalf of the Dominion Insurance Department.

"So far as we can determine," says the report addressed to Superintendent Fitzgerald, of Ottawa, "the statements furnished to you, and as published, are in accordance with the books of account as they fell from year to year, save that journal entries have been made in a later year dealing with transactions of the preceding year. The company, under its different titles, since its incorporation on the 23rd of February, 1901, has had eight secretaries and some of them have left their work incomplete and it has remained uncompleted.

Secretary Wants to Adjust Account.

"The existing shareholders on the 30th November, 1910, some 470 in number, with aggregate subscriptions of \$461,900.00, are shown, by the record, to have paid thereon \$40,812; hence they are still liable to the extent of \$421,087, and this statement is probably not far from being accurate, and it may be quite so. The books of account show the subscribed capital of \$500,000 and the amount due thereon \$457,295. The present secretary expresses his desire to go through the work of past years and adjust this account. Where the vouchers of the company are intact we should suggest, as a simpler and more complete method, the rewriting of the whole books of account.

"We venture to submit as a fair summary of the company's operations for the above named seventy-one months, the following statement, and believe that any adjustments that may be found necessary, will not vary the result materially:—

Premiums received from Policyholders	\$ 85,166 33
Deduct therefrom:	
Paid Commission to Agents.....	\$ 9,444 18
Paid Death losses	11,599 13
Paid Policyholders, as surrender values	9,259 16
Loans to Policyholders	4,221 24
	34,523 71
	\$50,642 62
Expenses for the seventy-one months.....	111,865 88

Operating loss

Apart from the liability of the company to existing policyholders (The amount of the legal reserve not computed.)

"This \$61,223.26 has been made up entirely by past shareholders, as follows:—

Shares as per list, cancelled for non-payment \$264,- 300.00, upon which had been paid	\$36,856
Shares as per list, voluntarily surrendered \$253,- 800.00, upon which had been paid.....	25,900

A total of

How Dividend Was Declared.

"The dividend declared in 1910 was also contributed by the specific surrender of three shareholders, who were also directors, of \$15,000 of share subscriptions, upon which \$1,500 had been paid. We are unable to express an opinion as to the legality of this method of financing.

"We do not find the president, Mr. J. M. Spence, to have personally benefited by the series of note transactions between himself and the company, to one of which you drew attention in your last printed report. The proceeds of each discount were received by the company and at maturity each bill was paid by it. It is true that the liability was never shown in the annual returns. The directors, by their minute book, continuously authorized the transfer to Mr. Spence, or some member of his family, of shares acquired by him from subscribers.