

"The security for this is an agreement for sale of 10,490 acres of land in Cariboo, and also the covenant of the purchasers, which is supposed to be good. At the same time none of the principal is being repaid and the interest is very much in arrears.

"I have only commented upon the loans on which I consider the largest losses will be made. The total of the sums included in the list I have prepared amounts altogether to \$4,858,636.11. I have no doubt that a large number of these will be realized without loss, but at the same time there is no doubt that the losses on some will be very large. Out of the total list submitted the sum of \$1,679,862.23 is represented by investments made from clients' funds. I have not yet discovered that the Dominion Trust Company has in any way guaranteed their clients against losses, with the exception of the funds belonging to the first mortgage investment receipts which comprise a very small proportion of the total. Therefore, with this exception, any loss which will be made on the realization of these investments will have to be borne by the clients themselves.

Directors Were Interested.

"In regard to the two loans made to the Western Canada City Properties, Limited, amounting to \$85,000, not only has the interest not been paid in cash, but the land which is held as the security for the mortgagee has been sold for taxes, which amount altogether to \$1,418.66. The company has one year from the date of sale to redeem this property.

"Not only were the funds of the company used largely to finance deals in which some of the directors of the company were interested either directly or indirectly as directors and shareholders of subsidiary companies, but large sums of money were misappropriated and used for purposes other than which they were originally intended to be used, the most striking of which are the following:—

"Guaranteed first mortgage investment certificates.—The total sum received for these investments at this date amounts to \$774,438.65. Only \$665,573.65 has been invested, leaving a shortage of \$108,865. I believe that a few mortgages have since been set aside for the benefit of these investors, and that this sum of \$108,865 has since been reduced to about \$85,000.

"Honorable C. Dalton remitted the sum of \$85,381.25 for investment in a specified security, all of which money has been misappropriated, and he has now no security.

Canadian Home Investment Company.

"Canadian Home Investment Company.—The company is acting as trustee for the contract-holders, and the sum of \$43,333.19 is included amongst the deposits. This sum is made up of the money originally taken over at March 24, 1914 (which was then on deposit in two or three different banks), and moneys they have collected from the contract-holders since. There is no doubt but that the company should have kept all this money in separate banking account, but they failed to do this, and quite recently the Standard Trust, Limited, has been appointed receiver by an order of the court. They have made a demand on the Dominion Trust Company for this sum, which they are now unable to pay.

Shortage in Vancouver Office.

"The above are the largest individual examples of money which has been misappropriated. In addition to this, the company has acted as executors of various estates, and also as trustees and assignees. Practically all the moneys collected in connection with the administration and winding-up of these estates has been misappropriated. The shortage in the Vancouver office alone is \$33,502.32. Owing to the lack of time I have not investigated the shortages in the branch offices. In connection with the loans made by the company I wish to point out that at the time the transactions were entered into the security taken was considered to be sufficient, and had the company wished at that time to realize them the market conditions were such that they could have done so. In preparing this report, I have called upon Mr. Baird to search the titles to some of the properties held as security.

Credit Balances and Liabilities.

"I am submitting also as a part of this report a statement showing the credit balances and liabilities of the Dominion Trust Company to depositors, creditors and clients as at October 10, except that statements from some of the branch offices are included as at September 30; this because later returns have not been received. The total liabilities to the

depositors, clients and the public amount to \$2,067,583.69, in addition to which the liability to the Royal Bank is as follows:

Loan account	\$150,000
Overdraft	23,471
Bills under discount	23,295
Total	\$196,766

"As security for this indebtedness the bank holds various securities, the nominal value of which amounts to about \$1,600,000, this including \$640,000 for their holdings in the British Columbia Securities, Limited, a subsidiary company, various stocks and bonds of the Columbia Valley Orchards, Limited, Seymour Arm Estates, Limited, Central Okanagan Lands, Limited, the realizable value of which at the present time cannot be ascertained.

Hypothecated to Bank.

"In addition, there are also included amongst the securities some municipal debentures, debentures of the Howe Sound and Northern Development Company, Limited, a note of the Central Okanagan Lands, Limited, and various accepted drafts amounting to approximately \$130,000, all of which I believe will eventually be paid.

"I will point out that at December 31, 1913, the company had earmarked for the security of depositors a large amount of securities, most of which have since been hypothecated to the bank as security for the above overdraft and is included in their security above referred to. I might point out that part of the indebtedness of the Central Okanagan Lands, Limited, hypothecated to the bank had previously been set aside and earmarked as security for some of the clients, therefore the company committed a breach of trust in again hypothecating it to the bank.

Serious State of Affairs.

"Mr. Hodges reported in September to the inspector of trust companies that from the Victoria branch there had been remitted to the head office \$116,000 collected from depositors and clients. He forwarded trial balances of the Victoria and Regina offices. Of the latter he said there were some points in it which he did not like and it revealed a serious state of affairs. The cash on hand was shown as \$5,180, but there was an overdraft to the Royal Bank of \$4,237.31, and assuming this to be represented by either or its equivalent there was only a net amount of \$942.69 on hand, as against which liabilities which might have to be taken care of within a reasonable time or perhaps almost immediately were the following:—Depositors, \$141,275.79; clients, \$8,593.58; mortgages, \$7,762.75; trust funds, \$32,724.68; or an aggregate of \$190,356.80.

"A statement of the Vancouver office showed that from April 1, 1912, to October 10, 1911, there had been deposits to the amount of \$8,553,795.10, and withdrawals to the amount of \$8,086,022.56; leaving a balance on deposit when the company closed its doors of \$467,772.54, but this was \$21,227.17 less than was on deposit at the former date named."

DOMINION CANNERS' REPORT

The Dominion Canners' statement shows manufactured goods and raw materials of \$2,910,341 at December 31st last, an increase of \$941,210 for the year. The annual report gives the following figures:—

	1914.	1913.
Balance brought forward	\$600,080	\$501,148
Profits for the year	330,852	466,415
Total profit and loss	\$930,932	\$967,563
Dividend on preferred, 7 per cent....	\$155,541	\$152,668
Dividend on common	32,220	128,916
Bond interest, etc.	115,720	85,898
Balance forward	627,433	600,080
	\$930,932	\$967,563

The dividends on common last year were only 1½ per cent. (one quarterly payment); in 1913 the full year's 6 per cent. was paid.