

SOME MODERN FINANCING METHODS.

We have been favored by one of our bankers, who has just returned from England, with the details of the most extraordinary trial on record, relating to financial affairs. The case throws light upon the flurries that now and again disturb the monetary world, bringing disaster to many, and anxiety to all interested in the money market. Every panic had its origin, more or less, in the collapse of schemes for drawing the money of investors into mushroom schemes, having in them no element of permanence. The case to which our attention has been invited stands alone in being an exposure of a wholesale manufacture of merely speculative concerns by one man, who showed himself possessed of a positive genius for creating the necessary preliminaries to a financial panic.

The revelations came out in the trial of a suit to recover damages from the *Westminster Gazette* for some comments it made on the proceedings of Mr. H. S. Foster, M.P., a name quite familiar to some Canadians,—to their sorrow. Indeed, the most striking features in this case arose from transactions with Canadians arising out of the conditions affecting certain Canadian enterprises.

Mr. Foster, the plaintiff, went into the business of company-promoting on a vast scale. He seems to have "surveyed mankind from China to Peru," in order to discover opportunities for providing them with a joint stock company, to supply some local want, or to absorb some private firm anxious to be organized on a larger scale. The list of his ventures reads somewhat like the famous one given by historians of the bubble companies started early in the last century. When under examination, he was taken through a list of over 50 joint stock concerns of which he was the promoter. These companies were ostensibly organized to manufacture goods ranging from horse nails to electric plant; to supply meat, milk, paint, horses, tobacco, fish, coal, wool, white lead, musical instruments, ferries, docks, telephones, printing, beer, spirits, engines, theatres, water meters, etc., etc.; and to furnish capital, and boards of directors, and officials to persons wishing to organize other companies. With all these fifty or more companies Mr. Foster was connected officially as their secretary, treasurer, director, president, or factotum. Mr. Foster differed from "the old woman who lived in a shoe with so many children that she knew not what to do," for, although acting as "guide, philosopher and friend" to over 50 concerns, he was projecting others when the exposure came which checked his marvellous career. It came out on the trial that he was in the habit of writing letters to himself, and replying to them; as secretary of one concern he would address a letter to himself as president of another, and so on, all couched in official terms, and keeping up a show of independence so cleverly, that Mr. Foster must be recognized as the ablest "Complete Letter Writer" the world has ever produced. He was also the most economical of officials, for the head office of each one of those dozens of companies was a modest building in London. Not content with his success as an individual

promoter, he organized companies to manufacture companies, such as the "Founders' Society," the "London & Colonial Finance Corporation," the "Trustee Corporation," and others. The second of these was the one which extended its operations into Canada, where negotiations were opened to purchase three large breweries in Ontario, which were to be consolidated as a single corporation. This new concern has a history without parallel in joint stock enterprise. After a superficial investigation into the position of those breweries by an auditor sent out from London, a prospectus of the amalgamated enterprise was prepared, and before any transfer of proprietary rights in the existing companies had been secured, debentures to the extent of \$250,000 were issued, at the back of which there was nothing more valuable than—a Prospectus! In order to keep up the appearance of these bogus debentures being genuine, some of them were sold to another of Mr. Foster's connections, and used as collaterals to secure a loan from a London bank. Out of this loan some \$50,000 were transferred to the Company which had issued those base and baseless debentures which sum appeared in its balance sheet as "Profits," which by such means were made to appear so large that a large sum was carried to "Reserve Fund." What is most surprising, as it is also not a little alarming, was the evidence of the Auditor—a member of a highly reputable firm in London—who swore that when he signed the balance sheet of this promoting Company, in which these bogus debentures for \$250,000 appeared as an Asset, and the \$50,000 as Profits, he did not know where the office of Company was; nor if its name were up anywhere; nor whether any shares of the concern had ever been allotted; nor if any other debentures of the concern had been issued; nor, in fact, if the Company had any legal existence! All he knew was that one of the Ontario Brewery companies, which was being negotiated with, was, in his judgment, a profitable enterprise, and, upon this information, he certified to the balance sheet of the Company that was conducting this negotiation, in which debentures to a large amount appeared as assets that were utterly fraudulent, as the Company they were ostensibly issued by had no stock list, no property, no equitable interest in any property, nor any form of assets of any kind, and not even a legal name.

We need hardly say that the jury promptly gave a verdict for the defendants, who had called attention to such financing, and the judge condemned Mr. Foster to pay all costs of the trial. It is much to be regretted that in carrying on this wholesale manufacture of companies the promoter found men of rank to aid him as directors, who made no enquiry into the real position of enterprises to which they lent their names. The *Times* on this remarked: "A director, who is a public personage, risks by his negligence or misconduct that which is not properly his own."

We have abstained from giving the names of the Canadian companies mixed up with this extraordinary affair, as we are satisfied from the evidence, and from private information also, that they were rather the