H. H. WILLIAMS & CO.

FALSE RETURNS TO GOVERNMENT

JUGGLING WITH FIGURES TO CONCEAL INSURANCE SCHEME

BASIS GIVEN FOR PROSECUTION

Auditor's Interim Report Leads Attorney General to Lay Criminal Charge - York County Loan Was Foredoomed to Failure and Insurance Co. to Stave off Disaster - Bail of \$5,000 Secures Prisoner's

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and manager of the York County Loan and Savings Company, and some of the other companies, was jailed last night. The oily manager with the biblical front was in the cells for some hours while bail was being sought Crown Attorney Curry consented to \$5000 in two sureties, but the two were not handy. W. H. Hunter, bacrister, and son of the provincial inspector of loan companies, eventually agreed to become bondsman for the whole \$5000. and Mr. Curry consented to it. Mr. Phillips was arrested shortly before 5 o'clock and taken to the city hall. He was released at 10.30 from Court-street police station, Mr. Hunter having been successful in persuading Magistrate Kingsford to come down and sign the necessary papers to ensure a more fortable bed for the accused.

The broad charge of falsifying statements to the government for several years is what Mr. Phillips is up against for the present, and the arrest is the outcome of the evidence given gation held by W. H. Cross on behalf of the Ontario government, thru the attorney-general, Hon. Mr. Foy. The report has been in Mr. Foy's bands since Friday. Yesterday he called in since Friday. Yesterday he called in Crown Attorney Curry and after a conference it was decided that Mr. Phillips should be taken into custody. Detective Mackie was authorized to swear out an information, and with Detective Twigg he went to the Ican-cesvales pretty place to find Phillips. After finding he was not at his office they went over to the "club," known also as the York Loan Club, which is a handsome residence on Wright-avenue, almost opposite the famous grocery store and not far from the offices of the York Loan and Toronto Life. Phillips moved into the club premises not long ago, after vacating his house on Macdonell-avenue.

on Macdonell-avenue

A Surprise.

Twigg, whom Mr. Phillips knew, stayed a little way from the house, while Mackie rang the bell. Phillips, in his shirt sleeves, answered the door and the detective rather bluntly told him that he would like to nave his company as far as the city hall. Mr. Phillips did not appear to know the nature of the visit until he saw Twigs. He expressed considerable surprise He expressed considerable surprise that he should be wanted, but he did not lose any of his nerve. He put on his coat, overcoat and hat, told someone in an inside room that he would be back in an horner of the company of the compan one in an inside room that he would be back in an hour or so and after a brisk walk in fine air thru the long distance which separates the loan offices and the western terminus of the King and Queen-street cars, a car was boarded and the two came into town. Phillips said nothing to the folks of the house about his predicament.

folks of the house about his predicament.

Told of the charge and its broad scope just now, Mr. Phillips did not deny that some charges made on each side might be true. "I think you will have a large job proving it," he remarked to the detectives. He leaded innocence of any intentional wrong-doing and discussed various matters in connection with the company on the car ride down town.

"Have you warrants for any of the others?" he asked, presumably meaning other officials of the defunct company. He was told no, and wondered why he had been singled out.

In Sergt. Duncan's office Phillips was

In Sergt. Duncan's office Phillips was surprised when told he-would have to remain until interviewed by Crown At-

surprised when told he-would have to remain until interviewed by Crown Attorney Curry.

"Am I under arrest?" he asked.

"That's what it means," replied the sergeant.

He seemed somewhat relieved when told the charge was not theft, but f. aud, and remarked that he supposed he was the first man occupying the position of manager of a big concern that had ever been arrested in Canada. He also stated that anything he had done was on the advice of his lawyers.

His friends were notified, and Barristers Hunter and Jones came to the rescue. After considerable formality, Mr. Hunter secured the release of the magistrate this morning. He was coul enough going to the city hall, but at Court-street station he was naturally a little uncomfortable.

Outline of the Report.

Mr. Cross finds that Phillips knew of the unfeasibility of the industrial plan some years ago, and formed a life insurance company to take over the large staff of untrained agents, when the outstanding withdrawable shares of York County Loan should have been converted into permanent shares.

Had the financial statements during the earlier years truly shown the result of its operations it would have been amade an industrial insurance company, or should have disappeared with slight loss to the few persons then interested. But \$8,000,000 had been collected, out of which \$5,000,000 was paid preferentially to withdrawing shareholders.

Further investigation is still to be for the remain until interviewed by Crown Attention to share beding insurance company to a done of the company from that wested its funds largely in unproductive real estate, thus abandoning its proper business as a loan zero and substantial source of revenue to the prisoner, who will appear before the prisoner, who will appear before the prisoner and interviewed the research of the company of installation to the company of the industrial insurance company to take over the large staff of untrained agents, the company in the company of the company of the company of the company of the company of

paid preferentially to withdrawing

Further investigation is still to be made into the various expenditures of the York Loan and subsidiary com-

When Mr. Cross attempted to ascertain the assets of the company to give the shareholders an estimate of what they might expect he found the books not written up since last August, rendering the task impossible at this date.

The assets are substantial, however.

Foredoomed to Failure. The basal plan of the company was so unsound as to foredoom the combany as a savings and loan company to failure. The funds were badly in-vested in real estate to the abandon-ment of the loan business.

Forfeitures were a substantial source borteltures were a substantial source of revenue, but the limitations put on by the government became the principal cause of the failure, whille the immediate cause was heavy with-drawals by shareholders in 1904. So far there was nothing to show that the officers derived collateral personal

Continued on Page 2

THE CHARGE.

Canada, Province of Ontario, County of York, City of Toronto, To wit:

To wit:

The Information and Complaint of Alexander Mackie, of the City of Toronto, Police Constable, taken on oath before me, Rupert E. Kingsford, Esquire, Police Magistrate in and for the said city the eighth day of January in the year of our Lord one thousand nine hundred and six.

The said informant, upon oath saith he is informed and believes that Joseph Phillips, in the year of our Lord one thousand nine hundred and two, three, four and five at the City of Toronto, in the County of York, conspired with others whose names are to your complainant at present unknown, by deceit, falsehood and other fraudulent means to defraud the public, contrary to the peace of our Sovereign Lord the King, his crown and dignity, and to the evil example of all others in like case offending, and contrary to the form of the statute in such case made and provided.

Complainant prays that a warrant may issue, and justice be done in the premises.

done in the premises.

Sworn before me on the day and year first above mentioned. (Signed) A. G. MACKIE, Complainant. (L.S) (Signed) R. E. KINGSFORD, P.M. Approved, JAMES W. CURRY, C.C.A.

THE CRIMINAL CODE

This is the law under which the arrest is made by Detective Mackie. Sec. 394 of the Criminal Code says:

"Every one is guilty of an indictable offence and liable to seven years' imprisonment, who conspires with any other person, by deceit or falsehood or other fraudulent means, to defraud the public or any person ascertained or unascertained or to affect the public market price of stocks, shares, merchandise, or anything else publicly sold whether such deceit or falsehood or other fraudulent means would or would not amount to a false pretence, as hereinbefore defined

by Phillips and others at the investi- INTERIM REPORT OF AUDITOR CANNOT GIVE EXACT POSITION **BUT ASSETS ARE SUBSTANTIAL**

Books Net Entered Up Since August and Matters Complicated - Life Insurance Company Was Attempt to Stav Off Ruin.

The interim report of W. H. Cross the examiner appointed by the attor ney-general to make a special examination of the York County Loan and Savings Company's books, accounts and securities, and to enquire into the conduct of the business of the said company, is as follows: Organization and Operation.

1. The York County Loan and Sav-Act, R.S.O., 1887, C. 169, by declaration filed with the clerk of the peace for the County of York, on the 21st day of County of York, on the 21st day of December, 1891—its lending and borrowing powers being governed by the Loan Corporation Act, R.S.O., 1897, C. 205. It has been under its present management since the year 1893, and has carried on its operations thruout the Dominion of Canada. The number of shareholders is roughly approximated at over 100,000 and they are scattered over Canada, from the extreme east to the extreme west.

Assets and Liabilities.

2. An attempt was made by me to

Assets and Liabilities.

2. An attempt was made by me to ascertain the amount of the present assets and liabilities of the company, and to give an estimate of what return might be expected by shareholders. I find, however, that the books of the company have not been written up since August last, which penders it impossible to prepare an intelligent statement of the company's position at this date. I am, however, able to report that there are substantial assets, exceeding the liabilities to creditors, and mortgages which will allow a partial return to shareholders.

Ring up Main 1475 for bright mes-senger boys, quick and reliable service.

A few boys wanted at \$6 per week. Holmes' Messengers, 12 King E. Smoke Tayler's 'Maple Leaf' Cigars EMPIRE HOTEL.

336 Yonge-street, most modern and up-to-date hotel in Toronto. Rates \$1.50 and \$2 per day. T. Newton, proprietor. Phone Main 2255.

TO-DAY IN TORONTO.

The civic inquiry, city hall, 10.
Ald. Noble on "Hyglene of the Heme." C.H.E. Association, Normal School, 3.
Caledonian Society, St. George's Hall. Cajedonian Society, St. George's Hail, 8 p.m.
Sixth Ward Conservative Association, Oudfellows: Hall, 8 Grand. "Lovers and Lunatics." 8.
Majestic, "Queen of the Convicts," 2 and 8.

star - Empire burlesquers, 2 and 8.



JUSEPH PHILLIPS TRAGIC DEATH RECALLED! Action for \$20,000 Damages for Miss Gurofsky's Death.

of an action brought to recover \$20,000 but most are inclined to attribute it to the furnace and ventilation flues. Gurofsky was begun in the supreme court here to day a

HANGING OVER OTTAWA.



Boss Laurier: I hate to think of what may happen there should the sun develop any strength at all.

MIMICO INDUSTRIAL SCHOOL BURNED 200 BAD BOYS STAY TO FIGHT FIRE

Not One Inmate Takes Advantage of Excitement to Run Away -Main Building is Destroyed, at a Loss of \$13,000.

Deterred from escaping either by the cold night or the fear that they would be blamed for the fire, the two hundred boys confined at Victorian Industrial School at Mimico united with their officers and saved thousands of dollars' worth of property in a blaze which car ried away their school house yesterday afternoon. It was only by their prodigious efforts that the gymnasium and several other buildings were saved. As it was the damage will amount to something like \$12,000. Insurance is about \$8000.

The cause of the fire is not known, but most are inclined to attribute it.

were carried over a clay bank into the brick excavations, dropping down a hundred feet.

FOUGHT OVER HOGS.

Detroit. Jan. 8.—(Special.)—Rev. D. H. Hind. Sandwich. Ont. to-day whipped a butcher in an argument as to the supremacy of United States and Canadian hogs.

Semi-annual sale of winter clothing, made to your measure. Hobberlin's, to shool room until the building can be replaced.

The charges there. Intere is thus no place to look for the money for rebuilding.

Chance for the Generous.

Any cost above the \$8000 will have to be taken from the \$3 per head allowed for the maintenance of the boys, unless some kind municipality advances some money.

The woman sank rapidly, however, and was dead in a couple of days.

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Local feeling ran very high, and Harmon was arrested and brought to work to turn the gymnasium into a school room until the building can be replaced.

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The building.

During the husband's second absence will not a second time.

During the husband's second absence with the construction of a high level bridge across the Saskatchewan River, which would enter the discovered her condition they immediately sent for medical assistance. The woman sank rapidly, however, and was dead in a couple of days.

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katchewan River, will be carried into the City of Edmonton.
VicePresident Whyte announced this morning that it had been decided to proceed forthwith with the construction of a high level bridge across the Saskatchewan River, which would enable the railroad to enter the city.

The cost of this tridge, with the two miles of additional track that the extension will involve, will be about \$2,000,000.

THE NEW YORK INSURANCE INVESTIGATION

Some Conclusions Which Must Inevitably Appear in the Armstrong Committee's Report.

With the close of the year came also, at least for the present the close of the inquiry by the Armstrong Investigating Committee of the New York State legislature into the transactions of the life insurance companies doing business in that state. The labors of the committee came to an end thru the lapse of time, with the work it had been set to do, and which it was performing in the most thorogoing manner only partially accomplished. A flood of light has during the past four months been thrown upon the principles and methods of the three great life companies, the Equitable the Mutual and the New York not to speak of the Metropolitan, in their wanton disregard of the interests of the policy-holders, and in such a flagrant misuse of trust funds as six months ago would have seemed impossible and incredible, and in fact, were pronounced so by the companies themselves in reply to demands for investigation on the part of dissatisfied policy-holders. But searching as has been the inquiry thus far and most astounding the revelations, there is too much reason to think that only a beginning has been made. The Equitable, the Mutual, the New York Life and the Metropolitan have been found such immense Augean stables that it has not been possible in the limited time at the disposal of the committee to inquire into 35 other companies doing business in the state. Whether any or all of these would have passed this ordeal conducted by Charles E. Hughes, the able and incorruptible inquisitor, may be an open question, but at any rate they have obtained a breathing spell in which they may set their houses in order and trumpet as they are busily doing, their own virtues in the face of prostrate and discredited rivals.

SNARE OF PROFIT SHARING.

houses in order and trumpet as they are busily doing, their own virtues in the eface of prostrate and discredited rivals.

SNARE OF PROFIT SHARING.

The report to the legislature of the investigating committee is now in course of preparation and its publication will be awaited with intense interest thruout the United States and Canada. It requires no great prescience on the part of those who have followed the inquiry/to predict that the committee will, as a result of their investigations, come to at least two outstanding conclusions:

1. That the participating or so-called profit-sharing, bonus, dividend, tontine system, or by whatever other name the unguaranteed forms of life insurance are called is the germ principle which has made all the grantic misuse of trust funds possible, and for the perpetuation of which in some form or other the companies will fight to the death in legislative halls and out of them. It has been demonstrated beyond all question that the system as now chiefly manipulated is rotten to the very core. Under this system of legalized robbery it has been established that millions of dollars in hard earned premiums under the specious pretext of possible profits have been filched from unsuspecting and confiding policyholders, that the profits have been earned by the companies, that the companies have not distributed them equitably to the policyholders but have treated these trust funds as if they were their own private property to be spent for their personal aggrandisement, the enrichment of their families and personal friends, even to the third generation, the corruption of legislators and such other nefarious uses as corporate or private "graft" suggests, abets and seeks to perpetuate.

FARCICAL STATE OVERSIGHT.

FARCICAL STATE OVERSIGHT. Another inevitable deduction from the evidence taken is superficial and wholly inadequate character of the examination of companies as conducted by the state superintendent of life insurant and his staff. Put upon the stand and the work of his department further brought under the searchlight, Francis Hendrick, the superintendent insurance was forced to admit that his examination into the transactions of any and every company doing business in the state began a ended with only ascertaining the solvency of the companies, that no vestigation was made into the extravagances of the management of company, nor into the salaries paid to its officers nor into the commissions paid to agents, nor into the system of loaning on the premiums the advancing of loans to agents or directors nor into the amplement sions paid to agents, nor into the system of loaning on the premiums or the advancing of loans to agents or directors nor into the employment of kinspeople as officers in high position, nor into any other of the hundred and one ways of misusing the funds of the company to the detriment of the policy-holders. He had never probed beneath the surface, and declared it was no part of his business, to inquire into the extravagance of companies, whether they distributed profits or not and that the department "never went back of the vouchers" produced by the companies. To cap the climax of the revelations as to the facilities afforded by the department to the companies to make away with the money of the policy-holders, the superintendent was forced to admit that in spite of any wrong-doing he or his subordinates might have suspected, he had failed to suggest to the government any legislation as a remedy for any defects in the laws governing insurance companies whereby policy-holders were plundered to the enrichment of the officials of the companies. DEFENCELESS POLICY-HOLDER

This part of the inquiry showed that the superintendent of insurance made things easy and pleasant for the companies all round. It is abundantly evident that if the thieves had not quarreled over the plunder the policy-holders might have gone on indefinitely lamenting the failure of the promised profits to materialize, but unconscious of the fact—for all the help they would ever have obtained from the insurance department—that their "dividends have been swallowed up in a wild carnival of extravagance and corruption from which only the directors, managers and other officials with a horde of greedy retainers received any pecuniary benefit. State inspection as presently conducted has, as far as the policy-holder and his profits are concerned, been demonstrated to be a farce. The policy-holder with his cast-iron policy in the light of the superintendent's evidence is as far as profits are concerned completely at the mercy of the company.

ELDERLY SISTERS DIE TOGETHER

SHOT AND SANDBAGGED

The Cannot of the property was a relative to the property was

to St. Michael's Cemetery. Elora papers

Hoskins & Westerveit, Chartered Accountants, 27 East Wellington St. Toronto. David Hoskins, F. C. A., W. J. Westervelt. C. A.

