to Mr. Putnam would in 20 years, assuming a regular increase of $125,000 a year in premium income, which seems conservative, since in the years 1949 to 1953 the net premium income increased by an average of $331,850, amount to $357,375 while the cost to Mr. Putnam of buying the building would be $236,880. Thus at the end of 20 years Mr. Putnam, assuming that he is still alive, as a result of this arrangement would realize a property costing $150,000 plus a cash surplus of $120,495, or a gain of something like $270,000. It is impossible to guess at what the sale value of these buildings might be at the end of 20 years, but in view of the terms regarding repairs and all the rest of it which the company undertakes, it would be surprising if the depreciation on the building would be very great. When you consider that this is a growing city, probably the property will be even more valuable than at the present time.

What do the policyholders of the company, and the company, lose on this deal? If the company had purchased the buildings under the same terms as the president, and there is no reason of course why it could not, the net gain to the company at the end of 20 years would be $270,495, provided the payments on the property under the terms of the sale agreement were carried in the balance sheet as an investment in real estate. This is without making allowance for income tax. In connection with income tax, I would quote from Mr. MacGregor's letter of December 17, 1954, to Mr. Putnam as follows:

Income tax would, of course, have an effect on these results but not enough to alter the main conclusion. It is impossible to predict tax rates or the taxable income of the company in the future but some indication of the possible effect is given by assuming the continuation of the existing rates and taxation at either the minimum rate of 20 per cent or the maximum of 49 per cent.

If I gauge right the intention of the government, those tax rates are liable to come down rather than go up.

On the basis of income tax at 20 per cent, the net burden of rent would be 80 per cent of $357,375 or $285,900, whereas the net cost of interest would be 80 per cent of $86,880 or $69,504. The advantage in favour of purchase would then become $216,396 instead of $270,495. On the basis of income tax at 49 per cent, the corresponding figures would be $182,261 for rent, $44,309 for interest, leaving an advantage of $137,952 in favour of purchase.

One can see immediately that the president of the company is reaping a tremendous advantage at the expense of the policyholders and shareholders of the company. Let us see what the superintendent charges, and I am referring now to a letter dated December 17, 1954, from the superintendent to Mr. Putnam in which he says:

I have questioned and objected to the present arrangements mainly from two aspects, although to a large extent they are closely related. The first was the improper position of yourself as president and a director entering into contracts and arrangements that I think clearly violate the spirit, if not the letter of the act; and the second was the improvident nature of the entire arrangements from the company's point of view.

Then in his letter to Mr. Putnam of October 15, 1954, the superintendent says:

I cannot escape the conclusion in the present instance that the transaction in question has been designed for your personal profit which very likely will be at the expense of the company later.

Then in his letter to Mr. Putnam of November 8, 1954, the superintendent says:

Having regard for the above, it is manifest that the company would pay more, as tenant under the lease, than it would pay to purchase the property and it seems correct to state that the present arrangements would result in the company buying the property for you personally, together with a substantial amount to spare, in your favour. The whole arrangements are, in my opinion, so improvident from the company's point of view and so improper from your point of view (as president) that I think they should be completely reconsidered by the company's board of directors.

Apparently they have not been. Then in his letter to Mr. Putnam of December 17, 1954, the superintendent says:

Consequently, the attempt to justify what has been done on the grounds of a desire to keep the company's funds in a liquid condition practically reduces to nonsense.

Mr. MacGregor's letter to Mr. Putnam of January 12, 1955 contains the following:

The argument advanced up to date in support of the present arrangements is, I think, tantamount to contending that in order to keep the company's assets in a liquid condition, it is better for the company to buy the property for the president than for itself.

What is the real issue in this particular case? Apart from the broader issue of a national public health insurance program, which would eliminate companies like the Canada Health and Accident Assurance company, the narrower issue becomes this. Should the president or director or shareholder of a company of this description be allowed to lease property to that company? "Canadian Companies", a standard work by Wegenast on company law, is clear on the principle that should be followed, even though some of us, of course, will recognize this principle as being breached quite often, perhaps more frequently than it is observed. According to Wegenast:

A contract made between directors or other agents of a company on the one hand, and the company on the other, may be vitiated by reason of the disability of agents resulting from the relation existing between them and the company. This depends on the general principle of equity that a trustee cannot enter into engagements in which his personal interest may conflict with his duty as trustee.

That is a sound principle of company law, and it seems to me that in this case it has