

clined to go into this class rather than some other?"

"We were of the opinion that traction securities were a very safe form of investment."

The Commission further enquired as to the position of mortgage securities, but these did not find much favour with Mr. Macaulay either.

"We had in our earlier days invested largely in mortgages, but later we did not find this a very satisfactory class. If property went up this a very satisfactory class. If property went up in value, all we got was the money advanced, and, of course, the interest. If deterioration occurred in any part of a locality and property went down in value, we had to foreclose, and usually stood for a loss. It was a class of security in which we stood for losses and no profits"

"You got the interest," interjected Mr. Shepley.

"Oh, yes, we got the interest."

"But there was a great deal of trouble," continued Mr. Macaulay, "and much personal supervision is required. An individual can look after property with more care, but a big company cannot do so to such an extent. In the early days, the president and myself gave our personal supervision to these mortgages, but later growing business compelled us to relinquish our immediate interest."

So to replace this class of investment, the Sun Life sought a hold in the traction sections.

The steps of the development of Mr. Macaulay's suggestion were followed. First a circular letter was sent to thirty-five presidents and managers of companies throughout the territory in which Mr. Macaulay and his fellow directors had become interested, and after arrangements had been completed for inspection, Mr. Macaulay and Mr. Kingman went on a trip to view these properties. After this had been done, the first tangible effect was a letter from Mr. W. B. McKinley, described by Mr. Macaulay, as a resident of Champaign, Ill., local representative in Congress, now treasurer of the Republican party, and a high-class promoter, interested generally in tractions and light and heat companies.

Dealings between Mr. McKinley and the Sun Life were gone over, much of this being recorded in correspondence between the two sides. This was followed by details of the various companies, in which Mr. McKinley was interested, including electric railway, light and gas companies throughout Ohio and Illinois.

The negotiations were continued and eventually Mr. McKinley came to Montreal and the Sun Life took a block of Danville Street Railway bonds. Later the merger began and the details of this were gone into,

The company's stock was placed at \$3,000,000. Mr. McKinley was to advance one-third of the money required and the Sun Life two-thirds, each

to receive one-half of the Illinois Railway & Light stock, the bonds to be held by the Sun Life to the extent of \$500,000 and \$250,000 by Mr. McKinley. The question of stock having been taken up, Mr. Shepley wanted to know more about it.

"You were willing to engage the credit of the company for the purpose of holding stock?"

"No; we did not engage the credit of the company. The company always acted to obtain the best terms for any issue of bonds. The directors might come in on the same terms as the company and so might other banks and financial houses."

"Do you see any conflict between the interests and duties of directors in allowing the latter to come in on the company's investments?"

"I do not see any possible conflict if the proportion that the directors own is limited to as small an amount as it is with us. There is a sharp distinction to be drawn between directors going in and purchasing securities on absolutely the same terms as the company itself, and the company having dealings with directors."

"Does not the directors' tail always wag the company dog? Is not that what it is there for?"

"For the company, not for himself, and our directors have always done so. The prohibition of a director going in on a company's investment would, I think, be most undesirable, because it would either exclude the company from a most desirable form of investment, or exclude the directorate from all investments in which the company put their money."

Transactions between Mr. McKinley and the Sun Life were gone into. These were of some magnitude. Mr. McKinley borrowed \$365,400 from the company, and this was afterwards paid off by a transfer of bonds. The stocks and bonds account of the Sun Life Company from March to June, 1903, showed dealings in bonds of the Danville, Urbana & Champaign Company. The par value of these bonds was \$884,000 and the cash value \$771,062. Mr. McKinley paid to the Sun Life \$400,000 in bonds at .90, this paying the amount of the loan of \$365,400, \$250,000 had been taken by the company, while \$94,000 had been taken up by parties in Montreal as follows:—Robertson Macaulay, \$13,000; T. B. Macaulay, \$50,000; H. R. Macaulay, \$10,000; A. Kingman, \$10,000; Jas. Tasker, \$6,000, and B. B. Stevenson, \$5,000. All these parties received their bonds and stock bonus on the same terms as the company.

In this transaction the company received stock bonus to the amount of \$1,500,000.

LONDON LETTER.

London, October 13, 1906.
FINANCE.

The feature of the week here has been the steady recovery in Russian finances. The price of Russian bonds has steadily recovered. The attempt to create a scare and a panic by the publication of a confidential report, alleged or assumed to be damaging, has been a distinct failure, and revelations made, instead of causing alarm, as it was hoped they would do, have only served to restore