

before this house in 1927 and asked for an increase in capital from \$2,000,000 to \$4,000,000. Any fairminded hon. member of this house will realize that in 1927 there was no need for an increase in capital. There was an ulterior motive and that motive was apparent to all. The shares of the company had been issued at par—I will not go into the financial set-up of the company—and then stood on the open market at about \$4,000 per share. The company had had transferred to the shareholders' account the sum of \$12,000,000, and it was the intention of the company to issue to the old shareholders two thousand additional shares at par. These shares would have a highly speculative value in view of the fact that the company wrongfully had transferred a huge sum of money from policyholders' to shareholders' account. Had these shares been authorized they would have had a speculative value of about \$2,500 each. In other words, the \$2,000,000 issue would have a marketable value of something like \$50,000,000; Mr. Macaulay and his associates would have benefited to the extent of \$48,000,000 while the policyholders from then on would have had to pay the interest in order to ensure that high market valuation of the new issue.

Mr. BENNETT: I hope my hon. friend knows that what he is saying is inaccurate. The provisions of the statute cover all these matters, and I am sorry he should make the statements he is making.

Mr. HEPBURN: As a member of the banking and commerce committee I remember hearing Mr. Macaulay say that the reason for the application for increased capital was that Americans were secretly getting control of the capital stock of the company. We made an investigation, and Mr. Finlayson's evidence was to the effect that the president of the Sun Life Assurance Company, Mr. Macaulay, transferred to New York 780 shares of his own stock in order deliberately to misrepresent the situation before the banking and commerce committee. I ask hon. members what they think of the head of a great financial institution who would deliberately transfer his own shares in trust to the United States and then come back and misrepresent the whole transaction to a committee of this house in order to obtain an increase of capital. As I said before, this increase of capital would have had a marketable value of about \$50,000,000, and the old shareholders would have benefited to the extent of about \$48,000,000.

After that time this company indulged in a wild orgy of speculation, and I do not think even the right hon. the Prime Minister will

[Mr. Hepburn.]

deny that assertion. Like all other speculative concerns, they came to grief. What was the action on the part of Mr. Macaulay? When he saw the thing heading for a crash he began to get out from under, and this same gentleman who a short time before had something like 2,500 shares, gradually reduced his holdings until he has something like 25 shares to-day, just sufficient to qualify him to sit as a director of the company. As the hon. member for Vegreville (Mr. Luchkovich) said, he deliberately plunged the company into a wild orgy of speculation, and now he is out from under after having, so to speak, scuttled the ship.

Mr. ERNST: I wonder where my hon. friend heard those words before?

Mr. HEPBURN: In order to bear out the statement that the Sun Life Assurance Company to-day is insolvent, all I have to do is to take the financial statement of the company as presented in its annual report of December 31, 1931. May I say that the values given here are inflated because of the action taken by the right hon. the Prime Minister and his cabinet under the provisions of the farm relief act when in effect, by an order in council dated December 31, they gave to the company the right to value their speculative common stocks as at June 1, 1931. The action of the Prime Minister can be taken only in one way; the company was insolvent; he resorted to the powers given him by parliament to save the situation, and so the statement was presented in its present form. I am dealing with this statement of the company and not with anything said by Mr. Harpell. It will be found that the company has invested in preferred and common stocks \$326,000,000; in other words, over one-half of the company's assets are tied up in highly speculative stocks.

Mr. BENNETT: That is not correct.

Mr. HEPBURN: I do not propose to go into details regarding the nature of these stocks. The Prime Minister has made the statement that they were of a class which he would consider for his own personal investments.

Mr. BENNETT: I stated some of them were.

Mr. HEPBURN: Well, that is right in part, anyway; I give the right hon. gentleman credit for that. There has been, as nearly as I can estimate, a depreciation of \$160,000,000 in the stocks held by the Sun Life Assurance Company. I doubt whether to-day they could liquidate with a depreciation of but \$160,000,000. On bonds and real estate mortgages there is another \$136,000,000, which would show or-