

lesson that as between the hardship of their present unfortunate position and the rights and equities of creditors, the Court can find no law to relieve them of the liability placed upon them by the Bank Act.

The bank in question was incorporated on the 23rd May, 1883 (46 Vict., c. 30); it commenced business about the end of February, 1884, and suspended payment on the 15th November, 1887—its paid up capital of \$500,000 having been lost or wasted. Few banks, for the short period this Central Bank was in operation, can show so many disastrous, and, in some cases, scandalous financial transactions as those disclosed in the evidence before me.

I must denounce, in the strongest language allowable to judicial utterances, the wrongful practice adopted by this bank of making untrue returns of its shareholders to the Government. The evidence discloses that, although between 6,000 and 7,000 shares were subscribed for between the opening of the stock books and the suspension of the bank, each year's return to the Government cut them down to only 5,000. A vicious and unlawful practice of "dropping out" shares from these returns seems to have been invented, without its purpose being explained. Thus, in February, 1884, when it got its license from the Government, 5,010 shares were returned; between that date and the next return in January, 1885, 1,008 additional shares were subscribed for, making the total number 6,018 shares, but only 5,000 were returned. Between the 31st December, 1885, and 31st May, 1886, new holders to the extent of eighty-five shares came in, and an equal number of the shares previously returned to the Government were "dropped out." Between this latter date and the 5th November, 1886, new shares to the number of 346 were subscribed for, but, to keep the figures at 5,000, 360 shares previously returned and published in the Government blue books were "dropped out," and of these fourteen were redistributed. On many of the shares so "dropped out" the ten per cent. required by the Bank Act had been paid. This practice has apparently delayed the creditors of the bank in enforcing the liability of the shareholders so "dropped out"; but I have directed the liquidators to investigate the stock

books and other contracts respecting shares, and to bring in a supplementary list of contributories. This, if not in the interest of the creditors, is in the interest of those shareholders who have lost their paid-up shares and are now called upon to pay their double liability, for after the creditors are paid off these shareholders have the right to call upon the non-paying shareholders, who are still liable, to adjust with them the accounts and equities of their common liability as partners and shareholders in this bank. Equally wrongful were the proceedings by which about \$41,000 of the capital of the bank deposited in the Bank of Montreal, and which were included in its certificate to the Government, were "dropped out" of the accounts of the capital stock as entered in the books of this bank. The money deposited in the Bank of Montreal became and was the money and lawful property of the Central Bank, and no manipulation of the books or accounts, or alleged misappropriation by the directors, could lawfully deprive the Central Bank and its creditors of the money so received for the purpose of its organization.

In disposing of the various defences affecting the liability of the shareholders as contributories under these liquidation proceedings, I have allowed a latitude of defence and an admission of evidence which would not be allowable in ordinary cases. This exceptional course was adopted, not from any reasonable doubt as to my jurisdiction to hear the limited issues of fact, properly triable, but because this was the first case in which the double liability of shareholders was to be enforced, and because I felt I would be better able at the close of the evidence to define the limits of the inquiry and the extent of the jurisdiction I exercise in disposing of the various questions raised by the contributories. Another reason was my belief that the disclosures affecting the inception and financial management of this short-lived bank would be in the public interest, and therefore beneficial and cautionary to the banking and commercial interests of the community, as well as to the directors and other responsible officers of financial corporations.

As to the defence that the bank was never legally organized, or if organized, that its