

APPENDIX No. 1

Q. I will assume, for the sake of argument, that it was unimpaired until 1916?—A. Its unimpaired capital then was \$1,939,300, and it had a circulation out of \$1,666,000, a couple of hundred thousand dollars less than they could have if they wished. That circulation has never been lessened. It was out legally, it was out against the bank's unimpaired paid-up capital. If the bank desired, or if they found their capital impaired at any time, what would be the result? They would have to call in a certain part of their note issue so that they would have a note issue equal to their unimpaired paid-up capital. Where would that get them to? It would not help the depositors any; they would have to sell or make use of one of their assets. They would have to lessen their assets to represent those notes out of circulation, and the depositor would be as he was. The depositor obtains no help, or liability, you might say, for the note issue of the bank. That does not work in any way to help or otherwise the depositor. That is the way I look at it.

Q. That is your opinion?—A. That is my opinion.

Q. I am glad to have it. Now I am going to see how the facts work out. It lost its legal right to issue notes in 1916, entirely?—A. Yes.

Q. That is correct. Remember that is what Mr. Justice McKeown finds?—A. I have not studied the report.

Q. He finds that the total paid-up capital had been lost in 1916?—A. Well then, that is the fact.

Q. For the sake of argument, we will say that the total capital out on that date was \$2,000,000; it would not be quite out?—A. \$1,805,000.

Q. Was out on that date?—A. Yes.

Q. Illegally?—A. I doubt after the bank closed its doors.

Q. Whatever circulation was out on that date, was out illegally? Is that right?—A. Yes.

Q. And it was out illegally from 1916 to 1923?—A. Yes.

Q. Until the bank closed its doors. And it was under the jurisdiction of only two people, or two concerns, at that time—the bank itself and the Canadian Bankers' Association. The Government had no jurisdiction over it, is that right?—A. Yes.

Q. Then we come to the date when the bank closed its doors. The amount of circulation out was represented in the total assets by some form of security?—A. The amount in circulation out was represented—

Q. In the total assets, because it had been put out on something?—A. The net circulation was a liability, and there were assets against it.

Q. Had the paid up capital not been depleted, how much would the assets have been increased?—A. You mean if it was—

Q. If the capital was still intact, unimpaired, how much would the total assets on the day the bank failed have been increased?—A. By the value of the \$2,000,000 of its liability. That was in their assets somewhere.

Q. Exactly, because the note issue was illegally out and the depositors finally lost the total amount of the issue out on the day the bank failed?—A. I do not hold that, and I will tell you why. If the note issue was, as you say, illegally out and if it had been taken up and not allowed to be illegally out, the assets of the bank would have to be depleted to bring its notes in.

Q. Correct. If it had been taken up in 1916, the depositors would not have lost a cent. Mr. Justice McKeown so finds?—A. I hardly think that he would find it was the circulation. It was the assets. In 1916 that would have taken care of all that and all the depositors too, not the circulation.

Q. That is the finding, and I think I will be able to refer you to that in his judgment?—A. I have not seen the report, but if it is as set out in the paper last night, the depositors would not have lost anything in 1916 but that was on

[Mr. J. C. Saunders.]