

"You had calculated the position so closely that the payment was a matter of vital importance?"

"Well, I would not put it that way."

"But it was vital, was it not?"

Mr. Macaulay declined to admit that the matter was vital, but it was "important to the extent that if they didn't pay we would probably be overdrawn at the end of the year."

Mr. Shepley asked how much money in the bank the company had at the end of the year.

Witness said \$145,000. So that failure to receive repayment of the loan would have caused the Sun Life to be overdrawn to the amount of the difference.

"In respect to your report to the Government, to what degree to you deem it to be of importance that you should not show an overdrawn banking account?"

"As a matter of sentiment and appearances only. So far as the insurance department is concerned, we do not care a snap of the finger whether we were overdrawn or not, nor did we care so far as the shareholders were concerned either. It was only with regard to the general public, who did not know enough."

"You mean the possible insurance public, the general public, whose relations towards you you desire to be of the best possible character?"

"Yes."

"Is it fair to say that you would not like to disclose such a large amount invested as this, at the end of the year, in an enterprise of this kind, with an overdrawn banking account?"

"There is absolutely no foundation for such supposition. The amount of the investment was not considered at all, and the only reason we did not want to show an overdrawn account was on account of the public, who did not know the facts."

"We have nothing to be ashamed of in this investment," added Mr. Macaulay.

"No, not at all. I am merely trying to find out the reason for the urgency of the payment."

"Well, it was understood by the bank that if they wished us to do so we would resume the loan. It was agreed that if the Shawinigan Company failed in its obligations we would assure the bank of its money."

An entry of \$200,000 advanced by the Merchants Bank of Canada was found in the ledger, but this proved not to be connected with the Shawinigan transaction. This had been a loan taken owing to the failure of other borrowers to pay interest in 1903.

The methods of the payment of the Shawinigan loans were then explained. The Sun Life purchased bonds to the value of \$41,000 at 85, the amount being \$34,000, the balance of \$35,000, loan and interest being paid in cash. These bonds

were sold in May 18, 1905, to a New York banking firm at 90 and interest, the net result being a profit of \$42,500 (afterwards said by Mr. Macaulay to be \$63,000) to the company above interest.

In the examination of some of the company's investments Mr. Shepley asked. Supposing people who were in control said that the Sun Life must discontinue this class of investments, how long would it take you to make good. Mr. T. B. Macaulay replied that it would take ten years.

Mr. Shepley in continuing the examination of Mr. T. B. Macaulay into the details of the profit and loss account on investments. The latter stated that there are opportunities for big profits in tractions, and very little chance to make large returns from municipal debentures. Mr. Commissioner Langmuir seemed very much surprised at this statement, as he considered municipal debentures to be the very safest, and best of investments.

The transaction by which the Merchants Bank of Canada and the Shawinigan Water & Power Company were interested in a loan, was again broached, and this Mr. Macaulay explained, by saying that the \$200,000 loan was that the Merchants Bank had "discounted notes of the Shawinigan Company, endorsed by us, and placed to our credit."

Afterwards, Mr. Macaulay said that the Sun Life Company had an agreement with the Merchants Bank of Canada to overdraw to the amount of \$400,000 at the current rate of interest, when necessary.

Mr. Shepley then took up the transactions in Illinois Traction, and the remainder of the sitting was devoted to probing its affairs.

It was in November, 1902, that the Sun Life Company first became interested in this group of traction investments. Mr. T. B. Macaulay had made a suggestion to the Board of Directors that the company should go in for traction investments throughout Ohio and neighboring states. It was further suggested, and finally carried out, that Mr. T. B. Macaulay and Mr. A. Kingman, should visit the localities specified, one of the purposes being that the company should deal directly with the parties interested, and not through middlemen, and so save the middleman's profits. Up to that time the Sun Life had some holdings in Michigan, Indiana and Ohio, estimated by Mr. Macaulay to be between \$500,000 and \$1,000,000, which amount was afterwards shown in a quotation from a letter to be over \$2,000,000.

"Had the company's interest in this class of investment become a sort of growing policy?" asked Mr. Shepley.

"It had," answered Mr. Macaulay.

"Tell me if it was that you were then more in-