premium not less than said 25 p.c. together with compound interest thereon at 6 p.c. per annum from and after the expiration of said month as shall from time to time be resolved by the directors) said payments including said premium may be made either in cash with such notice or in instalments as follows: The 25 p.c. premium in cash along with such notice, and the balance in four equal payments at 3, 6, 9 and 12 months from the time of his electing so to pay up, but such payments shall bear interest from and after January 1, 1907, at the rate of 6 p.c. per annum, payable quarterly, and non-payment of any instalment or interest shall in addition to other liability forfeit and end, after three months' written notice of the default, said stockholder's right to pay up said stock and forfeit said 25 p.c. premium at the option of the directors, but not any instalment paid on account of stock. It being understood that any shareholder paying up his stock with interest shall be entitled to the benefit of any dividends paid in the interim, such dividends being considered part payment of such interest, but in no case shall a greater sum be allowed as dividends than is paid by such shareholder as interest.

"(2) That if any shareholder, who has not paid up his stock in full, does not wish to pay up the balance and desires to be relieved from the liability of further calls upon the said stock, he may request the company to so relieve him, and if the directors in the interests of the company consider it advisable to so relieve said shareholder from liability, they may do so by cancelling his original certificate of stock and issuing to him a new certificate of paid-up stock for the amount of cash he has paid, and taking from him a transfer of stock representing the unpaid portion of his original certificate of stock to an officer of the company designated by the directors to be held by such officer in trust for the company until the directors shall consider it advisable to sell or re-allot said stock for the benefit of the company."

ILLEGAL BY-LAW.

"Do you recognize that you have no legal right to pass such a by-law?" asked Mr. Tilley, to which witness replied that he did unless the company received statutory power.

"Do you think a company has a right to pay a dividend on stock on which nothing has been paid?"

"That was like a subscription; in the first place they were liable all the time."

Mr. Tilley went into the second clause of this by-law, which witness admitted was debatable, but in his opinion was valid because it was best for the company.

"A unique provision," said Commissioner Langmuir.

"Quite odd," added Mr. Tilley. "I would not want to buy Northern stock, because I could not understand the by-laws."

Witness said that there were very many odd things done nowadays, and the Dominion counsel agreed with him as far as life insurance was concerned.

Witness said in explanation that the present premium with this year's profits would wipe out the $21,000 impairment of capital. If the company went back to its shareholders in the regular way for money it would meet with failure. The reason they had asked the premium now was simply to reach the desired end of profit-paying more quickly.

Mr. Tilley thought this item would come out of the policy-holder, and they just received what the directors wanted to give them, but witness disagreed.

DIRECTORS FULL POWER.

Speaking of the propriety of investments Mr. Purdom told the commission that it was simply absurd to permit a company to invest in trolley tractions and not in C.P.R. Industrial stocks were generally good and in his opinion the government should leave it entirely in the hands of the directors.

Some chaffing by the commissioners followed, ending with Commissioners Kent and Langmuir telling Mr. Purdom that from their previous investigations they would almost be given to understand that it was an axiom that a man must be an honest man without reproach or he would not possibly be at the head of an insurance company.

"That is nonsense," thought Mr. Purdom.

Mr. Tilley then sprung an agreement with one of the directors (John Ferguson) showing that he was to buy $10,000 of two per cent. renewals. This was a straight gamble on Ferguson's part and Mr. Milne said that it was treated as a loan from Ferguson and he was taking the renewals as security. The deal didn't appear in the returns to the government.

Mr. Tilley said: "Then you cheated the department at Ottawa. Have you ever done this since?"

"Yes, all along. The Ferguson account stood at the end of the year about $39,000."

"By his paying in and your paying out in this way the expenditure has been kept a little lower without showing the source, is that right?" asked Mr. Tilley.

"Yes," replied Mr. Milne.

"So that at the present time you owe him nearly $40,000, and this is the income that is not shown in your return?"