

capital of Great Britain is exhausted, and an era of feverish and unreal prosperity induced in the Province to be followed by ruin and disaster. There is plenty of mining capital in Canada and the United States to develop the mineral resources of British Columbia on a business-like basis, and we are sure that we express the sentiment of British Columbia when we say that if British capital cannot be introduced into this Province except on such terms as those on which the capital of the British America Corporation was subscribed and applied, we do not want it here at all. The loss which such methods entail upon the investor does not, in the long run, benefit us.

The British America Corporation was formed in December, 1897, to exploit certain options acquired by Mr. C. H. Mackintosh, and sold by him to the London and Globe Finance Corporation for £100,000. The sale, however, for £100,000 was, we shrewdly suspect, entirely dependent upon the successful flotation of the British America Corporation which agreed to take over those options from the London and Globe at the price of £500,000. Now, here we have an illustration of a difficulty of doing business with London promoters of which more companies than the British America Corporation have afforded an example. It is this, that the introducer of a property on the London market insists on making \$4 out of the sale for every one dollar which the vendor receives. Consequently the vendor must either sell for one-fifth of the value of his property, or else that property must be represented to be worth five times as much as it really is worth. As no owner of mining or any other kind of property is, as a rule, content to sell that property for twenty per cent. of its value, it is easily to be understood that the terms on which the British investor is allowed to invest in British Columbia mines are not particularly desirable, nor is the class of property which falls into his hands particularly attractive. To return, however, to the British America Corporation: a point which has been overlooked by the English financial press in dealing with the matter is that the options transferred by Mr. Mackintosh to the London and Globe Finance Corporation for £100,000, and transferred by the London and Globe Finance Corporation to the British America Corporation for £500,000, were not worth one brass farthing. In cross examination Mr. Mackintosh has been constrained to admit that as to the options upon property which had a real value, they were had upon such extravagant terms that *there was no intention of ever taking them up*, even at the time when they were made the excuse for the transfer of extravagant sums of money upon the London financial market. As for those options which were taken up they were upon a class of undeveloped property where no prospective purchaser need have feared any competitor such as might make an option to purchase necessary or advantageous.

This transaction appears once more in the history of the Corporation under most peculiar circumstances. The options having expired, or having been merged in

the properties over which they were exercised, the directors had to face the wiping out of half their entire capital. They wrote off £250,000 of the amount, and for the purposes of their balance sheet received a present of £250,000 in shares from the London and Globe, being thus able to show a large profit. These shares, however, were retransferred to the London and Globe for the purposes of its balance sheet, and the same shares appeared as assets to their full value in the balance sheets of both companies.

Most people in British Columbia will remember the sudden cessation of investment which took place when the British America Corporation was in full career. This took place not because the Corporation was out of money, but because it was forced to lend its money to the London and Globe, to enable that company to carry on its operations in the Westralian market.

The most extraordinary application of Wright finance, however, was the brilliant idea of floating six companies upon three properties, and using the full nominal value of the shares of all six for what may be called balance sheet purposes. In the meantime most of the cash capital, and all of the cash profits of the B. A. C., had been lent to the London and Globe. Then it occurred to the presiding genius to enter into a partnership with the London and Globe and transfer half of the assets as well. Then the London and Globe paid off its debt for cash advanced with the shares of worthless companies which had not been liquidated when all their valuable property had been sold, shares which it had received for nothing in pursuance of the partnership idea. So that having milked the B. A. C. dry, it brought it out in debt to itself after a time-honoured fashion.

Why British Columbia should receive any discredit on account of all this is one of the things which cannot be explained. We are quite sure that no one in British Columbia had any idea that such things were going on or could go on, in a civilised country with an organised system of criminal courts and police. In Great Britain there is a most cunningly devised company law; a large body of skilled accountants are maintained in a chartered organisation to pass upon the accounts of companies and other bodies; every step of company organisation and action is carefully regulated by law; and shareholders are supposed to be under the ægis of names associated with the idea of death before dishonour in the minds of a credulous and trusting people. If the kind of thing we have been describing can flourish, not merely in spite of but actually by means of these ineffective safeguards which give rise to a sense of security without guaranteeing the reality, the sooner the whole system is swept away the better, and the shareholder left upon the native honesty of directors, with an appeal to some short, sharp, process of summary criminal jurisdiction in the background. It would appear that the attempts of law to protect him merely expose him to more cunning and highly organised rapacity. It is, however, not our business to agitate for changes in English company regulations, but merely to express the