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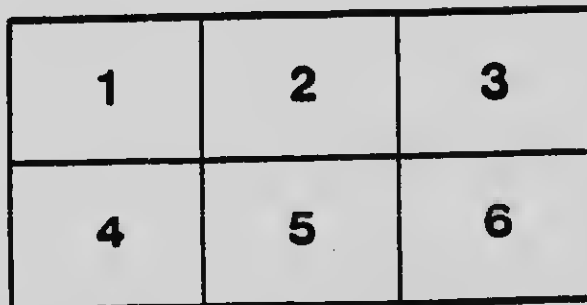
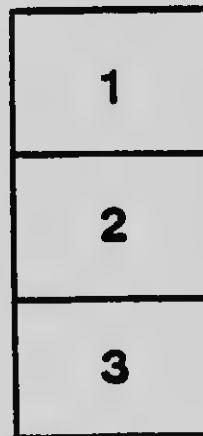
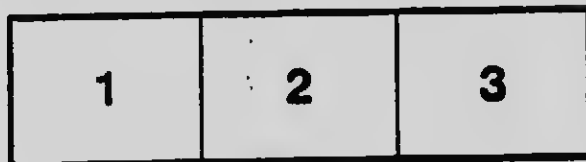
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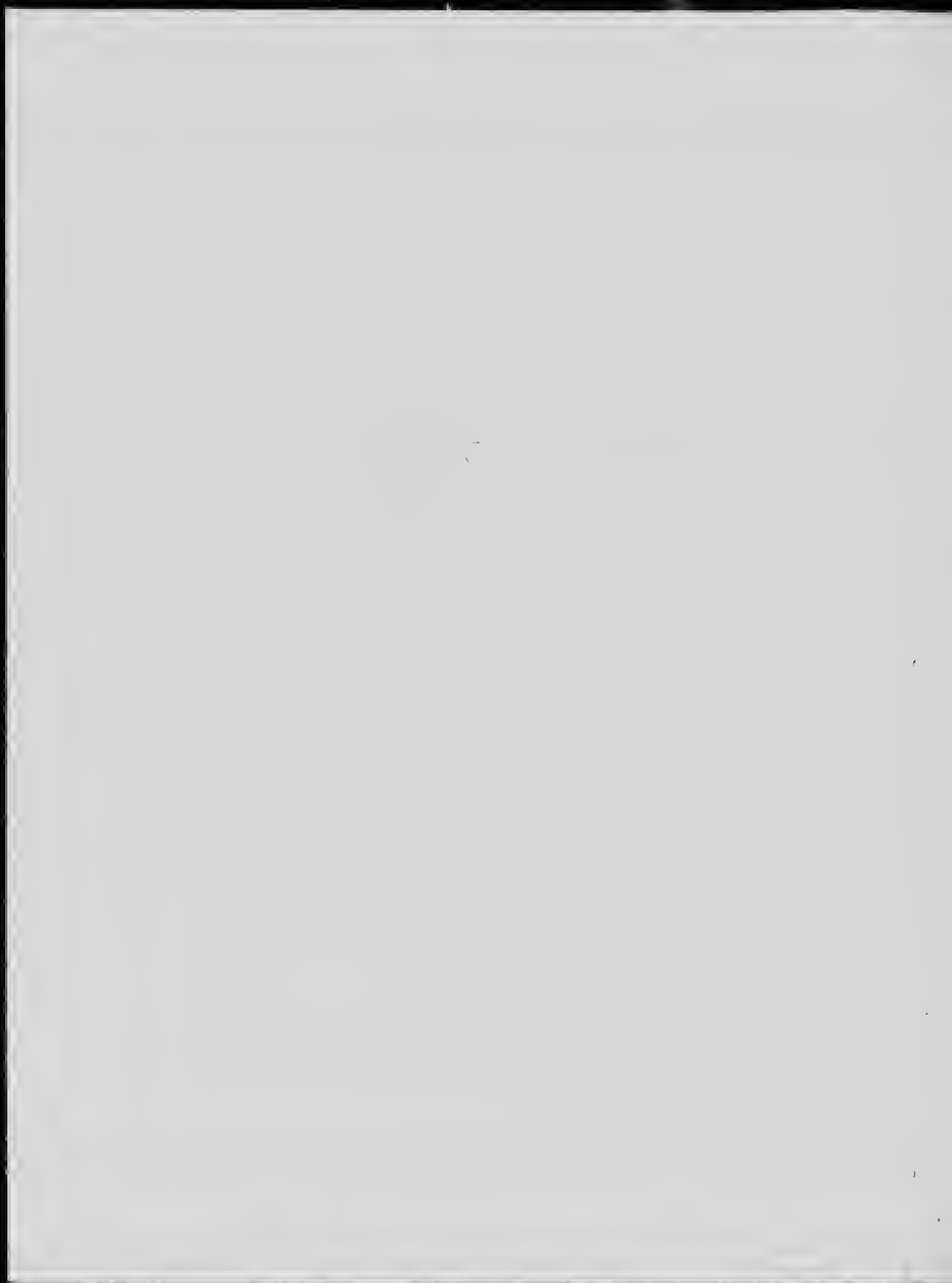


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FRENZIED FINANCE AND THE FORESTERS

THE PLOTTERS

The investigations of the Royal Commission into the conduct of insurance business in Canada two years ago laid bare one of the boldest schemes ever devised by a party of speculators for enriching themselves at the expense of other people and at the risk of other people's money.

This plot becomes of paramount public interest and of tremendous public significance from the fact that the plotters were leading members and ex-members of the Parliament of Canada, men some of whom would be called to Cabinet positions if their party were returned to power, and one of whom would be put in charge of the public money as Minister of Finance. The manner in which they handled the funds of other people which came into their possession must be taken therefore as indicating how they would handle the money of the people of Canada if they were permitted to gain possession of it.

The scheme of these gentlemen was nothing else than to take the money of the Independent Order of Foresters, speculate with it in all manner of risky ventures, and pocket the profits. From the speculator's view-point, it was a splendid game. If the speculation succeeded, he was the winner; if it failed, the Foresters were the losers.

This money came from the premiums paid into the Order by the members on their insurance policies. It was held as a "trust" fund, from which the insurance policies had to be paid as members died. It belonged therefore to the widows and orphans of the Foresters. Upon it they were dependent if the husband and father were taken away. If it were lost, they must suffer. It had been paid in for them. It was held in trust for them. It belonged absolutely to them. No one but they had any right, title or claim to it in any manner or form. No one had any right to use it but for their benefit. Any interest it earned belonged to them, and any of its earnings which were taken by anyone else was so much money taken from them.

In Canada, such moneys are safe-guarded by laws. The Companies or organizations holding them are permitted to invest them only in certain classes of absolutely safe securities. On no condition and in no circumstance is an Insurance Company or an officer of an Insurance Company permitted to speculate with these funds, even to earn profits for the policy-holders, much less to earn profits for himself. The law demands that the first obligation of the Company and its officials is to keep such money absolutely safe for its owners. Speculation of all kinds is strictly forbidden, including land gambling, stock gambling, and every other financial game of chance. Not even in the hope of earning larger interest for the owners of the money has any man a right to invest that money in any kind of a speculative enterprise. Much less has any man a right to invest it in any kind of enterprise, speculative or not, for his own benefit.

Such was the money which these speculative gentlemen wished to use for their own enrichment by gambling in western lands, British Columbia timber limits, saw-mills, and whatever other speculation offered a chance of making gain. Such were the laws by which this money was safe-guarded and withheld from the use to which they would put it. Their problem became therefore how to evade the law and secure control of the money without any restrictions as to how it should be used.

THE PERVERSION OF THE UNION TRUST

"Where there's a will there's a way." A way was soon found of evading the insurance laws and leaving the money of the wives and children of the Foresters in the hands of the speculators.

The way this was accomplished was simple enough. A Trust Company was organized to handle the Foresters' funds for them. The plotters secured control of the Trust Company, and thus had the funds in their own hands.

In January, 1900, the Executive Council of the Foresters decided to purchase a "controlling interest in the Provincial Trust Company of Ontario, by the "purchase of its stock from time to time." The Provincial Trust Company was a small concern, whose paid-up capital was only \$113,700, and whose assets were worth only 65 cents on the dollar of this. This resolution, as the Commission says, was "the only direct sanction preceding what became ultimately an investment in capital stock alone of no less than \$2,745,600 of the funds of the "Order."

Mr. William Laidlaw, K.C., was employed to purchase this stock, and Mr. Matthew Wilson, K.C., was authorized by the Provincial Trust to sell it. These appear to have been the legal gentlemen who engineered the details of changing the Trust Company of the Foresters into a banking concern for the speculators.

They changed the plan of the Executive Council into a scheme whereby the Foresters should buy all the stock of the Provincial Trust Company. They changed it into a scheme of building a new company on the ruins of the old, with a capital stock of \$1,000,000. Then they increased the capital stock to \$2,000,000. This stock, with the exception of forty shares, was all sold to the Foresters. \$110 being charged for each \$100 share. Forty shares were sold to certain gentlemen, who became directors of the Company, and who presumably bought the stock to qualify themselves for the position.

Thus in the beginning of things, the Foresters were robbed of \$249,600, the \$10 bonus per share paid for stock of a Company which had never as yet earned a dollar.

But while in theory the Union Trust Company was a separate and independent Company from the Foresters Society, it is seen how thoroughly one was the mere creature of the other when we remember that of the \$2,000,000 capital stock in the Trust Company, the Foresters held \$1,996,000; in other words, out of every \$500 of capital stock in that Company, some individual held \$1 and the Foresters \$499.

The practical result of this was to place \$2,745,600 of Forester money in the hands of the Union Trust Company. More than this, such assets of the old Provincial Trust Company as were considered bad or doubtful were unloaded on to the Foresters by the management of the Union Trust.

How was it intended to use this money? The Commissioners say, "It is "not to be supposed that the promoters of this investment were indifferent to the "fact that the capital funds embarked were not any longer confined to the classes "of investment permitted by the Insurance Act." As the money of the Trust "Company they were supposed to be enfranchised and available for any scheme "however foreign to the trust upon which they were held." "In the development "of this enterprise, private advantages were regarded, and those of the Order "disregarded." "Mr. Wilson, in these negotiations as in later cases, was paid "by both sides."

Whatever was the intention of the Executive Council of the Foresters, the Commissioners declare, "It appears impossible to attribute the scheme in its development to any such idea as that of an investment agency for the Order. "The purpose then was undoubtedly to embark in speculative transactions."

Hon. Geo. E. Foster, ex-Minister of Finance, and at present chief opposition lieutenant in the House of Commons, was engaged as general manager. In a

letter, he states clearly how he regarded the funds and how he intended to use them. "To make our business foundation broad and firm, we should make sure of a generous paid-capital so as to give confidence to our patrons and provide a basis for operations on an active and enterprising scale." The "operations" became "active" and "enterprising" beyond doubt. Again Mr. Foster says, "I can see the elements of a powerful and profitable combination, if we can only bring them together." The elements were duly "brought together" and the "combination" became "powerful" and "profitable" for Mr. Foster and his friends. Just how "powerful" and "profitable" the scheme was for these gentlemen the following chapters will show.

THE MONTAGUE DEAL.

By this piece of manipulation and legal juggling the money held in trust by the Order for the widows and orphans of its members was supposed to be freed from the restrictions of the Insurance law and turned into the coffers of a so-called "Trust" Company, whose policy as proclaimed by its manager was none other than to use the money and permit it to be used, in speculation. And as the sequel proved, the owners of the money were even robbed of their share in the profits of the speculation.

The opportunity thus opened could not but appeal to the hungry speculator. Here was money in plenty, held in charge by a most obliging manager, always ready to collect "rake-offs" himself and always ready to help others to do so — provided they shared the spoils with him. Naturally the Union Trust soon became a "trust" company only in its willingness to "trust" the funds of widows and orphans to land sharks and commercial gamblers.

The speculator soon came. He came often and to good purpose. When he came he usually brought an option; when he departed he took away the cash. In time it came to be understood that the company formed to buy securities for the I.O.F. had become an unfailing fountain for the refreshment of distressed financiers of the Conservative persuasion. This was the next link in the chain, the second step in the evolution of the system. The funds were useless to the "Foster Group" while they remained locked in the vault of the Union Trust. They must be gotten into circulation, and the "Foster Group" were the gentlemen to do it. The modus operandi was usually to sell something the vendor did not own to a syndicate who couldn't pay for it, and then have the syndicate borrow the necessary money from the Union Trust. Usually, too, this meant that the vendor depended on his ability to sell to the Union Trust to keep him above the water when his obligations came due. In no single instance does he appear to have "trusted" in vain. A more obliging concern it would be hard to invent. Very literally these gentlemen bought things "without money" and "without price," and drew their cash profits from the coffers of the Union Trust.

First came Dr. Montague, then Deputy Chief Ranger of the Foresters, formerly Conservative member of Parliament, and Secretary of State, and among the chief orators of the Conservative party. This gentlemen saw the chance of profit from speculating in Manitoba lands, but he had no money with which to buy. This didn't trouble him long however. He took the Supreme Chief Ranger, the Supreme Secretary and Mr. Foster into the deal, and the way became easy. The money was taken from the coffers of the Union Trust.

First 40,960 acres were bought at \$5 per acre, every dollar coming from the pockets of the Foresters. Then 65,280 acres more were purchased for \$322,336, the funds of the Foresters providing every cent. Then another block of 9,920 acres were added for \$52,080, the Foresters providing every cent. In these little deals the safe of the Union Trust was touched for the neat little sum of \$579,216, and the whole invested in Manitoba lands in order that Mr. Foster and his associates might make a "rake-off."

Clearly this was a "powerful and profitable combination" for Mr. Foster and his applied speculators.

THE MANAGER'S GRAFT

Four points deserve attention here.

1. Supposing this speculation had gone bad, who would have suffered the loss? The syndicate? They had no money invested. In the ultimate every cent put in the deal belonged to the widows and orphans of members of the Foresters. In the event of loss they are the only parties who would have lost.

2. It was no part of the plan that the Union Trust Company should share to the extent of one dollar in the proceeds of the speculation. The lands were conveyed to them only in trust, the real proprietors being the syndicate whose names were carefully concealed until exposed before the Commission.

If the speculation turned out badly the Trust Company lost; if it turned out well the syndicate raked in the profits. It was the game of heads I win; tails you lose.

3. Mr. Stevenson, an official of the Foresters, became suspicious of the speculation being carried on by the officers of the Union Trust and demanded a show-down. Caught in the act, the syndicate could do nothing but turn over the lands to the Trust Company who had put up the money.

Would they have done so if their transactions had been legal? Would they have tamely submitted to be despoiled of their property, if it had really been their property? Not by a long shot. They would have fought it out in the courts, if they had not known that no court would countenance such transactions. When they relinquished the land to the Trust Company they admitted that in reality it belonged to the Company, and that they were simply conspiring to swindle the owners out of the profits on their property.

4. When the first block of this land was bought a commission of \$10,000 was due to one Pritchard, the agent of the vendors. Of this Mr. Foster pocketed one-half, actually causing a cheque for the amount to be issued, and deducting it from the first payment on the land. This he said was a reduction which he received in the price of the land. Pritchard says, no such reduction was made, and claims that Foster simply held him up for one-half the commission.

In either event Mr. Foster is guilty of taking money from the funds of the Union Trust to which he was not entitled. If he received a reduction in the price his employers were to pay for the land, wasn't this the business he was paid a salary to do? What is a manager for, if not to buy what his Company wants to buy as cheaply as possible? But what advantage is it to a company if its manager secures a reduction in price, and then pockets the reduction? How long would Mr. Foster last as manager of a retail store, if he demanded a reduction from the wholesale houses and then "collared" the rebates himself?

And if no reduction was secured, what business had Mr. Foster to take the money out of the funds of the Union Trust Company? What would have been the difference to the Foresters and their families if it had been Raffles who had gum-shoed in and stolen it from the vaults? And what difference in moral character between an expedition of this kind, engineered by Raffles, and the graft operated by Mr. Foster.

This performance was repeated in the purchase of another block of lands near the Swan River, from Hon. R. P. Roblin, Premier of Manitoba. For this land Mr. Foster offered \$5.25 per acre, stipulating that 25cts. per acre was to be "commission" to himself. This sum \$2,480, he took directly from the funds of the Union Trust in the same manner as the former. Again what business had Mr. Foster collecting a "rake-off" out of the money of the Company of which he was manager? And was it not simply that he might be able to collect this "rake-off" that the price he offered was boosted from \$5.00 to \$5.25 per acre.

Truly this was turning out a "powerful" and "profitable" combination for Mr. Foster, but hardly so for the women and children from whose money he was "ing" "rake-offs."

ANOTHER CREW ON DECK

The Montague crowd did well, but they were out-dune by the next syndicate that came along. This was composed of Mr. Rufus H. Pope, ex-M.P., Mr. George W. Fowler, M.P., Mr. W. H. Bennett, M.P., and Mr. A. A. Lefurgey, M.P. These gentlemen wanted to do a turn in western lands, too. They had been touring the country with Mr. Borden, the party leader, had seen the rush for farm lands and concluded that if they could get between the settler and the land they could make him put up handsomely to get them out of the way.

In the fall of 1902, they began negotiations with the C.P.R. for an option on a large block of the Company's lands. Mr. Fowler and Mr. Pope interviewed the President of the Canadian Pacific and also consulted Mr. Daniel Mann, of the Canadian Northern, to learn where that road was to run. How they were received by these dignitaries Mr. Fowler tells Mr. Lefurgey in the following jubilant letter:

OCTOBER 4th, 1902.

Dear Lefurgey:

We have succeeded beyond our wildest hopes. We wired D.M., and he met us at the train, Toronto, and took us to his office, and gave us the route as far as located; of course, under cover of the strictest secrecy, so keep it mum, except in Borden, Bennett and yourself. We expect to have a wealthy Englishman named Lister and Col. Pellatt in the combine with us. We have increased the thing to 200,000 acres. On arriving here we interviewed Sir Thomas Shaughnessy, and have every reason to expect most generous treatment as to terms and prices. He said, we should get the best that was going. We want to arrange a meeting there when the party returns to Montreal. Tell Messrs. Borden and Bennett about the meeting. It will be necessary for, at least, two of us to go this fall and locate, as it could not be done in the spring, and that is one of the things that must be arranged at the meeting.

GEO. W. FOWLER.

Thus early in the game it appeared that the syndicate were hand and glove with the C.P.R., and that Mr. Borden, if not interested in the enterprise, knew about it, and was expected to take a hand in engineering it.

Does any sane man suppose that the railroad magnates were distributing their favours to a group of members of Parliament in this manner, for nothing? What was the service they could render in return? Why should Sir Thomas extend concessions that exalted Mr. Fowler into the seventh heaven of joyous anticipation? Why should the Vice-President of the Canadian Northern receive them with open arms and give them exclusive inside information where the new road was to run? Do railway magnates do these things for nothing? Not in Canada.

What was the return the M.P.'s were to make? Well, the Grand Trunk Pacific project was launched a few months after; the air was already full of rumours of it, and when it was launched, these gentlemen fell upon it with fury. Was their attack on the Grand Trunk Pacific the price they paid for these favours received from Sir Thomas and Mr. Mann? Did they get the favours on condition that they would make the attack? The verdict of reason is that they were bought and paid for by the favours of the two corporations, and that they were merely delivering the goods when they assailed the new comer.

MR. FOSTER TO THE RESCUE

As the result of these negotiations the Pope-Fowler syndicate got an option on some 200,000 acres of C.P.R. land. The price was to be \$3.50 per acre. \$20,000 was to be paid down, \$40,000 more on May 13th, \$56,666 on June 1st, 1903, the remainder in annual instalments of \$116,666 and interest.

But like the previous hunch this syndicate had no money. This appears to have been the chronic condition of the gentlemen who came to do "business" with the Union Trust—until after they had done the "business" and, incidentally, the Company. Mr. Bennett and Mr. Lefurgey indeed claim they put a few thousand into the deal. This is probably correct and goes to show that their partners, who never put in a cent, had not even the "honor that exists among thieves." They deceived their confederates as well as their victims.

But the lack of money did not long trouble them. They just marked the land up \$1.00 per acre and resold it to the Union Trust. That is, they sold it and the Union Trust paid them their profits and became liable to the C.P.R. for the original price. But the Union Trust did not get the land. That was where Mr. Foster got in his paw, as will be shown in the succeeding chapter.

In the meantime:

Mr. Fowler declared in the House of Commons that his syndicate got no unusual favor in the matter of price from the C.P.R. But when Messrs. Pope, Fowler, *et al*, approached the Union Trust Company with their option two alternatives lay before the Union Trust. The Company could either buy the \$4.50 land from Messrs. Pope, Fowler, *et al*, or could buy equally good land from the C. P.R. at \$3.50 per acre. This on the statements of Mr. Fowler and his friends that they received no favors whatever from the C.P.R. in regard to the price of the land. If this be true the Union Trust could have obtained 200,000 acres of land from the C.P.R. for \$700,000, could have secured the title outright, and stood to gain whatever profits might be made on the sale. Supposing, then, that western land was considered a sound and desirable security for the investment of I.O.F. funds, it surely was the business of the investing department of the Order to secure the land at as low a price as possible, and according to Mr. Fowler and his associates, it could have been secured for \$3.50 per acre.

But land was not bought at the lower price. The option of Messrs. Pope and Fowler was purchased at an increase of \$1.00 per acre over the C.P.R. price. Thereby these gentlemen appear to have been released from an embarrassing, not to say precarious, position. Their option had been secured on April 24th, by a cash payment of \$20,000. Another \$40,000 was due on May 13th, and another \$56,666.66 on June 1st. The available cash assets of the syndicate appear to have been sadly out of harmony with its ambition. Of the \$20,000 down payment, \$4,000 cash was put up, \$2,000 more was raised on private notes, and the balance of \$16,000 was raised on joint notes of Messrs. Pope and Fowler, endorsed by Mackenzie & Mann. The second payment of \$40,000 was raised in the same way, on notes endorsed by Mackenzie & Mann. There was still the \$56,666.66 coming due. Plainly time was the essence of the transaction. If the option could be sold before this came due, all would be well. Otherwise, things looked blue. The \$4,000 cash was at stake; the money raised by notes would have to be repaid some way, and if things went by the board the hope of profits was also gone. Something must be done and done quickly.

At this pregnant moment, Mr. Foster appeared on the scene with the ample funds of the Foresters. At his coming, darkness and shadows fled away, and rising stars brightened the sky of the stranded syndicate. It was a timely rescue and gallantly done. Pressing needs were first considered—the money was advanced to meet the coming payment. The good work did not stop there. The \$4,000 at stake was refunded; funds were provided to take up the notes, and the profits which heretofore had glimmered only as a distant and uncertain hope

were commuted into cold cash and dropped into the waiting palms of Mr. Fowler and his associates. A more timely or a more generous rescue of shipwrecked adventurers was never effected on the stormy sea of high finance. In April, these gentlemen had put \$4,000 cash into a \$700,000 land transaction; two months later their money was refunded, and they became entitled to six periodical payments of \$25,000 each, and still retained \$5,000 interest in the new company which was to control the land. All at the expense of the Union Trust—or the Foresters.

The appearance of Mr. Foster on the scene was providential and altogether too timely to believe that he came that way by accident.

Mr. Fowler and his associates undertook to buy a \$700,000 property with \$4,000 available cash. Did they expect to pay for it themselves?

To secure the option they became personally liable to their backers Mackenzie and Mann for \$56,000. Would they have assumed this liability if they had expected to have to face it themselves? And would Mackenzie and Mann have backed the notes without assurance that some one more opulent than this \$4,000 syndicate would appear to relieve them of the burden.

After putting up their \$4,000 cash, and becoming liable to Mackenzie and Mann for \$56,000, there still remained \$56,666.66 due the C.P.R. in a few weeks to complete the first payment. How did the syndicate expect to raise this amount unless they unloaded the option in the meantime on some concern wealthy enough to provide the cash?

And if the syndicate were driven to such expedients to make the first payment, how did they expect to make the subsequent payments, amounting to \$116,666.66 and interest each year for five years?

Under these circumstances is it reasonable to suppose that Mr. Fowler and his associates had any intention of making these payments, or even expected that they would have to finance the whole of the first payment? Only a visionary would run his head into such a trap, and their history proves that these gentlemen are anything but visionary. If help was expected, then whence was it to come? From the source from which it did come? Was the end foreseen from the beginning, and the appearance on the scene of Mr. Foster timed to meet the necessities of his friends?

GETTING IN THE GAME

The Union Trust Company paid for the Pope-Fowler option—but the Union Trust Company did not become the owner of the option. This was where Mr. Foster got in the game.

It was not in any spirit of philanthropy that Mr. Foster brought the Union Trust to the rescue of the distressed Fowler syndicate. Or at least any sentiments of compassion he may have entertained toward these gentlemen were overshadowed by the more powerful incentive of self-interest.

In the option held by the syndicate Mr. Foster and the inner circle of financial disciples saw an opportunity of enriching themselves. They made another syndicate composed of Mr. Foster, Mr. McGillivray and Mr. Wilson. It was for this syndicate that the Union Trust Company bought the option from the Pope-Fowler syndicate and paid for it with the money of the widows and orphans.

The avowed intention of Messrs. Foster, McGillivray and Wilson from the beginning, was to make a profit of 50 cents per acre on the land. The option was bought for the Foster-McGillivray syndicate with the funds of the Union Trust, and these gentlemen set to work to make their 50cts. per acre. They obtained control of the charter of an Ontario land syndicate and changed its name to the Great West Land Company. This rejuvenated concern was then endowed with an imaginary capital of \$100,000, equal to the 50 cts. per acre the syndicate were to make on the land, and the land was turned over to it. This stock,

\$100,000, was divided in such manner that Mr. Foster and his allies held \$48,250 interest; Messrs. Pope and Fowler came in for \$5,000; Dr. Oronhyatekha got \$10,000; and the Union Trust Co. were given \$23,750 stock as bonus for financing the enterprise. Sir John Boyd bought forty shares and paid for them; Mr. Scholfield bought 40, paid half their cost, and was forgiven the balance. This \$6,000 was all the cash put into the concern for stock. Aside from this every cent of the money expended by the Great West came from the Union Trust Company, yet the Union Trust Company was the shareholder which in the end was robbed of its stock, and thus prevented from sharing in the profits on the land.

The Great West Land Company was to all intents and purposes the Foster-McGillivray syndicate, its capital represented their expected profits and its business was to divide these profits among the parties concerned. The members of the syndicate were the executive committee of the Great West Land Company. The purpose for which the Company was formed was to enable Messrs. Foster-McGillivray and Wilson to make their desired profits on the land.

Under this arrangement what was the situation from the standpoint of the Union Trust, and of the Foresters who supplied the money to the Union Trust? It must be remembered that the land had yet to be paid for. The \$700,000 due the C.P.R. must be paid by some one. Who was to do it? The Pope-Fowler syndicate had neither the intention nor the means of doing it. They had not paid for the option out of their own pockets; how then could they pay for the land itself? The newly formed Great West Land Company had no money. Who, then, was expected to supply the money? The Union Trust was the only party in the transaction capable of doing so. It is obvious that from the first the intention was that this Company should extend to the Great West Land Company the generous treatment it had already accorded to the Foster syndicate, and should continue to provide the funds.

And supposing the Union Trust advanced the funds, who became responsible for them to the Union Trust? The Union Trust could take a mortgage on the property, but is it the custom of financial institutions to provide all the funds for an enterprise without security other than that of the enterprise itself? The Union Trust could take stock in the Great West Land Company, but this would be nothing more than receiving a part interest in a concern for which they were supplying all the money. In either case the position resolved itself into this: if the venture proved profitable, the Trust Company would receive back their principal with either interest or dividend; if the venture proved unprofitable, the Trust Company had no one to hold financially responsible, but the Great West Land Company; the Great West Land Company had no assets save its prospective profits; and if the venture were unsuccessful there would be no profits.

This was the way Mr. Foster discharged the trust reposed in him—by perverting the Union Trust from an investment agency of the Foresters' money into a money-lending concern supplying the funds to himself and his friends to carry on their speculations. This was the position into which the Union Trust Company was led that Mr. Foster and his accomplices might make a profit on a huge land transaction, and it was in this position and for this purpose that the Company was made to advance \$980,000. How did this position accord with the purpose for which the Foresters had formed the Company, and put their money in its keeping? Was this an example of "forethought" and "care" that the funds should be absolutely secure, and that they would certainly return a satisfactory profit for those whose welfare members of the order had in mind when they were paying the premiums on their life insurance policies?

ROBBIN. THE BANKER

When the Great West Land Company was formed it was decided to give the Union Trust Co. a block of stock as a bonus for undertaking to finance the enterprise. Besides this, for the actual cash it advanced the Trust Company

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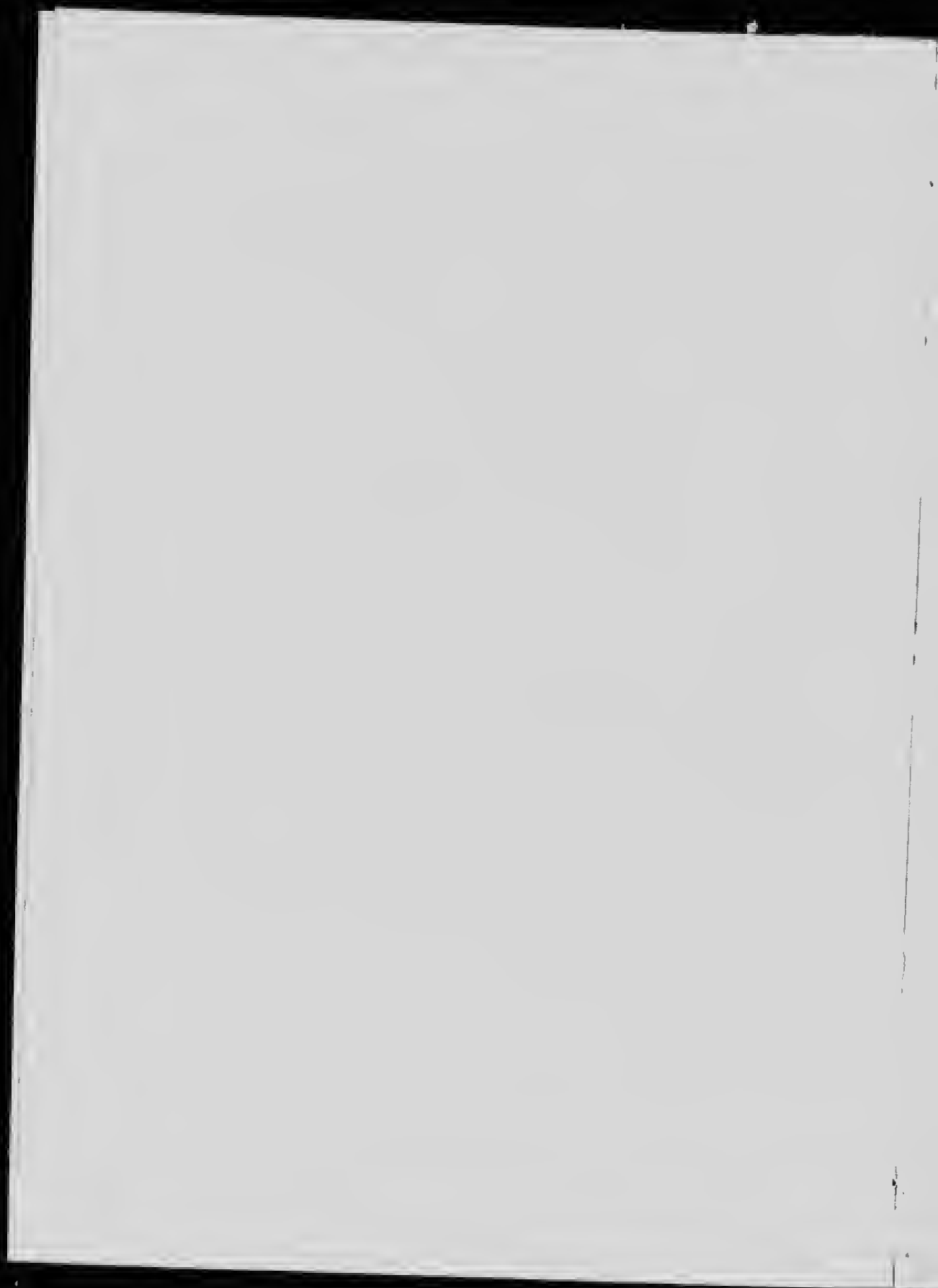
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had the option of taking a mortgage on the land or of taking stock in the Land Company. In the minutes of the meeting of the Union Trust Directors the matter is set out thus, presumably, in Mr. Foster's language: "The Union Trust Company is to have the option of taking fully paid-up stock at par for the whole or any part of this advance and interest thereon, and is to receive in addition as a bonus $237\frac{1}{2}$ shares of \$100 each, par value, of the paid-up capital stock of the company."

What other meaning can this have than that the Trust Company was to have $237\frac{1}{2}$ shares stock in any event, and entirely independent of whether stock or mortgage were taken for the cash advanced? The bonus stock was an inducement to the Trust Company to finance the transaction, and was not given on any condition that the Company should take its security in the shape of a mortgage or in the shape of stock.

At the same time a block of 100 paid-up shares of the Great West Land Co. stock was put in the name of Dr. Oronhyatekha. Why this was done has not been made clear, but the evidence of the Chief Ranger was that he believed he held it in trust for either the Union Trust Co. or the Foresters.

Accepting this, the Union Trust, or the Foresters, had a total interest of $337\frac{1}{2}$ shares, or \$33,750, in the stock of the Great West Land Company given them as bonus stock, independent altogether of whether they should take stock to the amount of the money they advanced or should take a mortgage on the land to secure it.

But did the Union Trust or the Foresters get the benefit of this \$33,750 stock? Did they receive any of the dividends on it? Was it sold and the proceeds added to the funds of the Trust Company or of the order? Not at all. When the enterprise began to appear likely to return profits, means were found to dispossess the Union Trust Co. and Dr. Oronhyatekha, and the $337\frac{1}{2}$ shares.

Both the ethics and the courtesy of this chivalrous re-adjustment are reflected in the fact that it took place when Dr. Oronhyatekha was in India and when Mr. Stevenson, a vigilant "outsider" in the Union Trust Directorate, was absent from the country. The transfer of Dr. Oronhyatekha's stock was effected by means of a general power of attorney which he left behind him. That it was done without his sanction and against his wishes is proven by the fact that he wrote Mr. Wilson demanding a re-transfer of his 100 shares—but in vain.

Another significant circumstance is that while the deal is recorded in the minute book as having been discussed at Directors' Meetings said to have been held during November, 1905, there is no signature in the minute book on the 13th and 28th by way of confirmation to the minutes of either alleged meetings, and the directors' attendance book is an absolute blank from November 7th to December 26th, between which dates the deal was consummated.

Mr. Stevenson is credited in minute book with moving the resolution sanctioning the surrender of this stock. He declared flatly on oath, "I say that no such resolution was prepared or offered by me." Colonel Davidson supports him, saying: "The idea of its (the bonus stock) not belonging to the Trust Company has never entered my head." Hon. G. W. Ross did not remember the agreement for the transfer of the bonus stock ever having been before the directors, and thought he would have remembered it, if it had been discussed.

However it may have been accomplished, the fact remains that \$23,750 stock belonging to the company of which Mr. Foster was manager, and \$10,000 stock held in trust by Dr. Oronhyatekha for the Company or for the Order which had formed and financed it was taken from its owners without compensation being given, and was divided among the syndicate of which Mr. Foster was a member, and this was done at meetings of directors at which (if they ever took place) the three men who were transferring this property from the Company to themselves were either one-half or an actual majority of the directors present.

And still Mr. Foster professes to have seen no impropriety, no conflict of interest, no failure of duty, in sitting as Director of the Great West Land Com-

pany discussing this proposal to "touch" the Trust Company of which he was the managing director, for \$85,000 worth of property for the benefit of himself and his two colleagues.

ONE WAY TO BUY A SAWMILL

After the C.P.R. land deal, the next large venture of Mr. Foster and his group of friends was the acquisition of British Columbia timber limits and sawmills.

Some time in 1903, Mr. Fowler, on behalf of himself, Mr. Irwin and Mr. McCormick, brought a proposition before the Union Trust Co. to jointly purchase certain limits and mill property in British Columbia. The proposal was that the Union Trust Co. should buy the property and should turn it over to a new company to be formed, in which Messrs. Fowler, Irwin and McCormick should have 49 per cent. and the Union Trust Co. 51 per cent. Eventually, whenever that might be, the three associates were to pay for their stock.

Mr. Fowler claims that he was the out-and-out owner of the option on the property, and approached the Union Trust simply as a vendor. Mr. Foster, however, avers that Mr. Fowler entered on the negotiations for the purchase of the property for and on behalf of all "those who were expected to become interested," including, presumably, the Union Trust Company.

Whoever may be right, Mr. Fowler obtained from the agent, Mr. Peter Ryan, on January 26, 1904, two agreements for sale, one of which was to be operative between Ryan and Fowler, and selling the latter the property for \$170,000; the other to be put forward to the Union Trust Co., as the real bargain, proposed to sell him the same property for \$225,000.

The deal went through as arranged; the Trust Co. paid Ryan the \$225,000, and he rebated to Fowler the \$55,000 difference between the agreements, or the greater part of it. From this, Fowler paid Mr. Foster \$2,500, and probably paid him \$7,000. He paid Irwin \$1,000 and McCormick \$12,000. Steps were then taken to form the Kamloops Lumber Co., the shares being distributed as suggested in the original purchase.

While these negotiations were in progress, another property was offered to complete the estate of the concern, known as the Okanagan Lumber Co. for \$40,000. At the end of 1903, a statement of assets and liabilities had been submitted to the shareholders, showing assets \$65,544.66, stock liabilities \$50,000, other debts \$11,026.81, leaving profit and loss account at \$2,517.85.

This property in which Fowler, Irwin and McCormick were also interested, it was proposed to turn over to the Kamloops Co. at the moderate price of \$175,000, and \$42,000 for logs, or a total of \$217,000. And this was what happened, the money being put up by the Union Trust Co. This was divided among Messrs. Fowler, McCormick, Irwin, Hall and Beattie, in what proportion the Royal Commission could not discover.

Practically, the plan worked out that Mr. Fowler and his associates unloaded on the Union Trust Co. for \$400,000 property which cost the former owners \$210,000. The unloading process meant, to a very considerable extent, that they simply turned over their own property to the Union Trust at double its cost. The Union Trust put up the money for the whole proposition, but Mr. Fowler and his associates retained 49 per cent. interest in the whole property, for which they were to recoup the Union Trust some time in the future. Meantime, the cash profit on the sale to the Union Trust was about equal to 49 per cent. of the whole transaction.

Accepting the statement of Mr. Foster that Mr. Fowler was really representing the Union Trust Co. and the "others expected to be interested" in the new company, there are several points worthy of note in these transactions.

What business had Mr. Fowler, while acting as representative of the prospective company in which they were to be jointly interested, to knock down \$55,000 of the Union Trust Co.'s money, or to sell to the company a \$40,000 property for \$175,000?

Mr. Foster received a portion of the \$55,000 rake off. What was this for? Does it support the view that Mr. Foster did not know there was a rake-off? And if he knew this, what was his position in not conveying the information to the Union Trust? Was this the exercise of "forethought" and "care" in the handling of the funds committed to his keeping?

The "examiners" sent out by the Union Trust Co. to look over the first property were none other than Messrs. McCormick and Irwin. Does it not seem remarkable that these gentlemen should have brought in a favorable report, and recommended the purchase of the property? They had the chance to become shareholders in a company for which the Union Trust was putting up the money. Under such circumstances, it would be difficult to imagine property so poor that it would not be to their interest to recommend its acquisition.

More than this, Irwin and McCormick, though sent out and paid by the Union Trust, also received \$1,000 and \$12,000 respectively from the rake-off. Does this tend to the conclusion that they did not know there was to be a rake off provided the sale went through?

Even assuming that Mr. Foster knew nothing of the proposed rake-off, was it the part of ordinary business judgment to send out as "examiners" men who stood to become beneficiaries in a speculative enterprise at other people's expense provided that they "examined" favourably?

CURSING THE ENEMY

When Parliament met session before last, the opposition members realized that their chief business in life, if they wished to remain members, was to divert public attention from themselves until the findings of the Insurance Commission should fade from the public mind.

This obligation was considered to lie, not only on the active members of the Foster group, but on their Parliamentary associates generally. Mr. Borden had long before rushed to the defence of Mr. Foster, and thereby put it up to his Parliamentary following to cease following him, or to swing into line and aid him in the defence.

The "following," though with very varying degrees of enthusiasm, saw the situation, and concluded that it was better to be a party with a bad cause than to efface all semblance of a party in a good cause; that it was better to stand together and defend the "cult" than to stand apart and let the "cult" defend themselves. The latter course could have only one result, and as Mr. Borden had already taken the opposite course, he must have figured among the ruins even more conspicuously than Mr. Foster. And with Moses and Aaron both gone, what hope for the guideless wanderers?

Another consideration. Mr. Foster and his financial following had been the leaders of the assaults on the Grand Trunk Pacific project. It had been proven before the Insurance Commission that this group had been given "the best that was going" by the C.P.R., and had profited by the timely kindness of Mackenzie and Mann, of the C.N.R., in backing notes to finance the transaction. There was abroad a very general and a very excellently founded assumption that these gentlemen had not received these good things for nothing—that they had simply been the reward of zeal in knocking the G.T.P.

If the other opposition members stood dumb and permitted these gentlemen to be pummelled in the House, and probably driven from public life because of their "corporation connections," who could tell what would become of themselves? No evidence to the contrary having been produced, there was a splendid chance that they, too, would be included in the arraignment, that it would be

assumed that their zeal had been similarly stimulated or rewarded; that their silence would be interpreted as the silence of guilt, and that they should share the fate of the financial group. However disastrous was repudiation, silence had also its dangers, neither few nor inconsiderable. It was a case of "Speak up, gentlemen, now or never."

Thus did party exigency triumph over scruple. Borden and Foster must be saved, or the Opposition would be divided and discredited, without leaders, without power of concerted action, and without standing in the House or the country. To whitewash the financiers was manifestly impossible; there remained only the course of protesting that their opponents were as bad as themselves. In this task, the opposition members joined with a fury which showed how desperate was their plight, and with zealous ingenuity worthy a more honourable cause. Hence it was that we had a "scandal" session, and that practically nothing else came from the Opposition benches.

The point to be kept in mind is that had every "scandal" been uncoloured and unprejudiced truth instead of unadulterated slander, the whole array was raised, not in the hope or expectation of bringing about a better condition of things, but forged in malice and launched in frenzy, their purpose was to divert attention from Foster's Frenzied Finance to alleged misdeeds of Liberals.

PURELY HIS OWN AFFAIR

Foster's Frenzied Finance has destroyed the public character of the federal opposition, robbed it of its political significance and dwarfed it into a semi-private association of men whose chief purpose in life is to defend Mr. Foster and his friends from the consequence of their own misdeeds.

The sittings of the Royal Commission on Life Insurance and the evidence given before that body made Mr. Foster, his associates and their doings the one outstanding thought in the public mind regarding the party to which these gentlemen belonged; it placed before the country in a new light the principles these members of the opposition adopted in the handling of other people's money, and suggested the course they might be expected to pursue should the management of the finances of Canada ever fall into their hands.

Since that time, the party representatives in the House have been deliberately, systematically and skillfully manoeuvred, jockeyed and dragooned into position, until they stand an unbroken phalanx of defenders-in-ordinary and apologists-extraordinary for the brand of politico-speculators who occupy their front benches and dominate the party caucuses. True, some display a measured lack of enthusiasm in the cause, but the crucial hour always finds them voting solid.

The net result is that whatever may be the opinions and wishes of the private in the ranks, his leader, his parliamentary mis-representatives, and the chief newspaper exponents of his political faith stand hand in hand for the defence of the Foster group; however public-spirited may be his political activity, he has been made part of a machine for whitewashing reputations such as he would neither covet nor tolerate for himself; however disinterested and high-minded may be his political ideals, he is represented by those who speak for him as the defender of the indefensible. The Parliamentary party which his vote helps to maintain for the betterment of public affairs has been perverted into a group of personal apologists and advocates for those whose dealings he would neither emulate nor endorse.

This perversion and paralysis of the opposition is more than the business of Mr. Borden and his parliamentary followers; it is of concern to more than the newspaper lights which reflect their doings and sayings, and has an interest broader even than the membership of the party of whom they should be the representatives.

It is the business of Canada, and is of interest to all Canadians. A Parliamentary party exists to advocate the application of certain principles and certain lines of policy to the discharge of the public business. It appeals for the franchise of the people; and in return, the people have the right to demand the exclusive attention of the party to advancing the principles for whose support the franchise was solicited and bestowed.

The federal opposition stands to-day for the justification of the "principles" and the policy of the Foster group, and practically for nothing more. Were they the "principles" on which the opposition members were returned to Parliament, a bid for the advancement of which the public franchise was solicited?

A political party may be sufficiently defined as consisting of those in the state who are united in the advancement of certain political views. It is not essential that there be no differences of opinion on matters of minor importance, nor that the purpose aimed at be supported by all for the same reasons, but it is essential that upon the main problems of public concern there be concurrence of opinion and unity of action. Without this there can be no party, and no reason for the existence of a party. It follows from this that the welfare of a party is a matter of concern, not only to the leaders, but to the rank and file who have chosen the leaders for the better advancement of the common end, and upon whom the leaders in turn rely for the power to accomplish that end. When, therefore, the private conduct of a leader in a party is such as to compromise his public position, and thus paralyze the cause for which the party exists, it is surely poor consolation for the rank and file to be informed that in these "private" transactions of their leaders, the public has no concern.

There is a broader interest still. In democratic countries progress in government is made only by the conflict of parties supporting opposing views. The public, therefore, has an interest in every party and a right to expect some measure of public service from every party. Whatever cripples a party or paralyzes its ability is a matter of legitimate public concern, and a matter from which public attention is not to be diverted by the petulant declaration of a party leader that his doings are nobody's business but his own.

Mr. Foster and his friends have discredited the Conservative party and destroyed its public usefulness more effectively than any opponents to that party ever could have done. The sophistry of these gentlemen aside, the plain fact remains that the people of Canada have lost faith in their "private character," and hence in the disinterestedness of their "public position." The performances of these gentlemen have wrecked their party and paralyzed its functions as a factor in the political life of the country. To the party which has to bear the humiliation, and the country which has been robbed of the public services it had the right to expect the only consolation offered by Mr. Foster is, that his method of juggling with other people's money is purely his own affair.

Raw and sore that his dealings with the Union Trust Funds have been made public, Mr. Foster sought vengeance on the Royal Commission by whom the investigation had been conducted, and in the House and out of it has wailed that the Commission exceeded the purposes of its creation in tracing the funds of the Foresters out into all the devious but converging channels into which Mr. Foster and his friends directed them.

On the face of it, the plaint is without corroborative evidence. The Commission investigated the Canada Life Assurance Company's business quite as exhaustively as that of the Independent Order of Foresters. They bestowed censure on Senator Cox as readily when occasion required as upon Mr. Foster. If Mr. Foster received a larger share than Senator Cox, it was simply because he deserved more.

As a matter of fact, Mr. Foster should be deeply grateful to the Commission for letting him off so easily. While they probed into his devious ways with persistence that could not be blocked, and while they made clear to the most casual reader the indefensible conduct of which Mr. Foster had been guilty, they did so without bitterness of spirit and without severity of language. To score Mr. Foster was not the business of the Commission; they refrained admirably from anything of the kind, and that under circumstances which must have offered very strong temptation to give that gentleman a few badly needed instructions in the elementary principles of commercial honesty Mr. Foster's arraignment is in the array of facts acknowledged by himself, not in the language in which those facts are recorded.

That Mr. Foster should revile the Commission was about what might have been expected. Judicial bodies have been denounced before by those whose conduct they investigated. A police magistrate is not overpoweringly popular with all elements of the community. If he were so, the time would be ripe for a new appointments. A judge is not without enemies. Jurymen are not admired by the losing litigate. This is as it should be. The malediction of the wrong-doer is the highest tribute to the judge. If Mr. Foster reviles the commission, he simply adds his testimony to their faithful discharge of duty. They too had been wrong-doers, if they had trimmed their investigation to suit Mr. Foster.

The conduct and the report of the Commissioners are the more commendable that they discharged their duty in the knowledge of the penalty. When before them, Mr. Foster threatened that body that he would bring the matter up again in another place, where he would be at liberty to say what he pleased about them and their doings. The Commissioners knew, therefore, that if they persisted in the investigation, they would be subjected to all the abuse the copious vocabulary of Mr. Foster could devise. His threats were unavailing. The investigation proceeded, and the findings were recorded without malice, but also without fear.

His assaults on the Commission landed Mr. Foster in a worse position than he had occupied before. He had previously been condemned out of his own mouth; his assaults were simply a confession that he could not clear himself on any single count. All his ingenuity could not explain away the rake-offs he pocketed while handing out Union Trust Funds; nor his dual position as manager of a loan company and member of a syndicate borrowing money from that loan company; nor the bagging of the 337½ bonus stock from the Foresters. Nor could the invectives he launched against the Commission becloud the fact that on these essential matters he had no valid explanation to offer. He tried to defend the indefensible, and his last condition was worse than his first.

Another body has pronounced on Mr. Foster's doings, and one against which he can launch no accusation of political bias—the Independent Order of Foresters. Did they approve of his management of their funds? Did they gratefully pocket the dividends of which he boasts and retain his brilliant services? Not at all. They relieved him of the burdens of office very promptly when the nature of his dealings became known.

Mr. Foster has been thrice condemned, twice by himself — in the witness box and in the House of Commons — and once by the Independent Order of Foresters. Will he charge each accuser with malice or bias?

According to Mr. Foster it is impossible to "separate altogether private character and public position," and having laid down this standard for the measurement of another man he should have no objection to its being applied to himself.

We are invited thus to see in the motives and purposes of his private life the aims and ends toward which Mr. Foster works in public life. And in the rules of action that have governed the conduct of his private business we are invited

to discern, presumably, the course he would like to pursue in the broader field of conducting the affairs of the country.

Fortunately it is not necessary to accept this implied invitation of Mr. Foster to probe into his personal concerns and investigate the character of his private transactions. For there is another class of transactions in which he was concerned, which were in essence and nature matters of public interest and concern, and about which we have ample knowledge. As Mr. Foster persists in designating these affairs as "private" his implied invitation may be taken as extending to them as fully as though they were private in reality.

By his own standard of judgment, therefore, we are left to suppose that the aims and motives which governed Mr. Foster in the management of the Union Trust Co., are the aims and motives of his public life; that his methods of handling the funds of the Union Trust Co. are the methods which he would like to apply in handling the funds of the Dominion of Canada; and that the reasons which he considers sufficient excuse for his operations in connection with the Trust Company, he would consider justification for pursuing a similar case in the broader field which would be opened to him if the resources of the Dominion were at his disposal.

Let us see how this works out along the line of Mr. Foster's reasoning and practice. He argues that trust funds cease to be trust funds when passed over to a trust company. If this be so what a grand opportunity would be afforded for the application of the doctrine by his elevation to the treasury benches. For if the Foresters' money when dumped into the coffers of the Union Trust cease to be impressed with any trust, why would not the funds of the Dominion undergo the same transformation if placed in the treasury of a similar concern?

Both the preaching and the practising of Mr. Foster uphold the theory that once trust funds have been freed from this restriction by filtering through a trust company they may be launched in any exploit, however questionable, and that the real owners of the money have no say in the matter. If this rule was applied to the "converted" trust funds of the Foresters why would it not be equally applicable to trust funds diverted from the National Treasury?

Mr. Foster accepted commissions or reductions or drawbacks or rebates or whatever particular name he prefers to call them by, from the money of the Foresters being paid out by the Union Trust Company. If the "converted" trust funds of the Foresters were liable to such discounts on behalf of and for the benefit of the manager, why should not diverted funds from the Dominion treasury be subject to the same rake-offs if managed by the same gentleman and along the same lines?

The investments of the "converted" trust funds of the Foresters were made in such a manner that the lion's share of their earnings went not into the treasury of the company, but into the pockets of Mr. Foster and his financial and political associates. Why should not the diverted trust funds of the Dominion be invested for the same purpose, and with the same result if handled under the same auspices?

The Foresters were chiselled out of bonus stock granted in consideration that an enterprise for the benefit of Mr. Foster and his friends be financed by their "converted" funds. Why should not the Dominion be similarly deprived of any share, beyond bare interest, in any profits which might be earned by its perverted funds?

Mr. Foster's defence for his method of handling the "converted" funds of the Foresters was that dividends were returned to the owners. Would the people of Canada be prepared to have their funds perverted to finance a similar institution, conducted along similar lines, under the same management and for similar ends?

Taking it by and large Mr. George W. Fowler, Conservative M.P. for Kings and Albert, N.B., appears to have been the most uniformly and phenomenally successful member of the Foster group. He appears to have unloaded more property on the Union Trust Company, and to have relieved them of more surplus cash than anyone else on record. Indeed it is not recorded that he ever tried to sell the Trust Co. anything and failed, or that he was ever forced or asked to take less than he demanded.

George does not owe his success to the smallness of his operations or the fewness of his ventures. On the contrary, there was always "something doing" in that quarter, and usually something of more than ordinary proportions. Nor did he confine his attention to a single line and rely on practice to produce perfection. He took up the cause as "to the manner born" and appears to have been equally at home in securing "the best that is going" from Sir Thomas Shaughnessy and in negotiating with Peter Ryan for duplicate agreements of sale.

Certainly he never resorted to cutting prices to force sales, though the temptation must sometimes have been strong. When the C.P.R. land deals were on the carpet, for instance, the syndicate had put up their cash assets, \$6,000, and had raised \$16,000 more on the endorsement of Mackenzie & Maun to complete the down payment. A few weeks later they were obliged to get Mackenzie & Mann's backing for \$40,000 more, and still there was \$56,666.66 due only a month ahead. Where was this to come from? Would Mackenzie & Mann back them again? Would the C.P.R. wait? And if not what would happen? Well, pretty nearly anything might happen. The strain must have been terrible. The sale must be made in a month. But did George cut prices? Not a bit of it. He marked the property up \$1.00 per acre and conducted the deal as coolly as though he had eternity to play on, and no interest charges.

To be sure there was no feature in his favor. His customers had ample funds and had also very generous views regarding prices. They never were broke nor hard run; neither did they quibble or dicker. With the resources of the Foresters at their command they were not disposed to count a dollar here or there of much consequence. They simply paid over the money and took the goods. What more could a salesman ask? Allowing for this, there is credit coming to George W. History does not record that he was ever worsted in a financial bout with Mr. Foster or that he ever besieged the Union Trust in vain.

Despite the "rake-offs" he took from the funds of the Union Trust, the "rake-offs" Mr. Fowler divided with him, and the "rake-offs" he gathered from the speculations financed by the Union Trust, Mr. Foster declares that he is a poor man.

Then where did the money go?

These transactions were carried on preceding and during the general elections of 1904. During that campaign constituencies in every province from sea to sea were flooded with Opposition campaign funds.

Where did this money come from?

If Mr. Foster did not keep his "rake-offs" what would he be most likely to do with them? The success of the Opposition meant that Mr. Foster would become Minister of Finance.

What for?

DO THE PEOPLE OF CANADA WANT THEIR MONEY HANDLED BY FRENZIED FINANCE METHODS FOR THE SOLE BENEFIT OF MR. FOSTER AND HIS GROUP OF FRIENDS?

CRAM PRESS, MONTREAL



