

Wednesday, April 16th

Charles McKeown took up the examination of Mr. Fleming on the subject of the \$42,400, and established that of the several Mason cheques—\$18,000, \$2,500, \$25,000, \$12,000, \$1,000 and \$100—the first two were drawn by Mr. Mason before the bond deal was negotiated, the large \$25,000 item on Sept. 23, the very day that the deal was transacted, and the remaining three before the Home Bank had received any moneys from the Province.

"Yours in Anticipation."

To Mr. Price witness said he could have no knowledge of the meaning of all these cheques totalling the \$42,400, but, to Mr. Price's question, following upon Mr. McKeown's questions: "So that the payments out in September before the loan was even negotiated could not be very well charged to this loan, is that right?" witness replied: "That is right, unless they were charged in anticipation."

Mr. Price—And the anticipation was not very good for a long time?
A.—Quite true. In the period when I was in Chicago there were no profits anticipated.

Q.—So that this \$42,400 was a cheque to Col. Mason's account, head office, on December 19, 1919; it was apparently to recoup Col. Mason's account for payments already made?
A.—Well, the exhibits would indicate that.

Q.—The head office had allowed you profits on other deals and taken a profit themselves? A.—Yes, we might sell bonds for the head office, and they allow us one or one and a quarter, and take the balance.

Q.—So that Mr. McGarry, when he swears there was no arrangement whereby the Home Bank was to get only one and a quarter per cent., he might be quite correct on that? A.—According to the correspondence you have read this morning he would be correct.

Q.—And this talk about one and a quarter per cent. might be an internal matter in the bank? A.—Yes.

Witness was asked if he knew that the Province had approached the Manager of the Home Bank and told him they had made too much money, and that there should be a rebate.

Advised Them of Refund.

"As I remember," he said, "the General Manager saw the new Treasurer to advise him we had made this deal with his predecessor. He had no knowledge of it when he went into office. There was some discussion about the price, in view of the price at which our bonds had been sold, and I think it was as a result of that that the General Manager advised us that there would be a refund to the Province."

Q.—Of the \$15,000? A.—Yes, having in mind the profit we had made on the transaction.

Q.—Now, the \$15,000 cheque hasn't anything to do with the \$42,400 matter? A.—None whatever.

Q.—A different transaction? A.—Different transaction.

Q.—The \$42,400 might very well be the profit of the head office? A.—It might have been, so far as we are concerned; it was turned over to them as part of the profit.

Robert E. Meighen, Solicitor to the Succession Duty Branch of the Treasury, was called to establish that the total loss sustained by the Province by reason of outstanding succession-duty-free bonds was only \$852,038.43 since 1906, of which \$336,142 was on the Eaton estate.

Paul R. Fleming's Evidence.

Paul R. Fleming, of Kerr, Fleming & Company, was then called to the stand. Mr. Price stated that Mr. Fleming was not being called on account of anything that affected his firm, but to get from him some information concerning offers made to the Province to sell bonds.

Mr. Price asked Mr. Fleming, if

his firm had made inquiries as to Ontario inscribed stock respecting its liability to English death duties. Witness said he had got the authority of the Inland Revenue Department, Somerset House, London, and Mr. Price produced a letter, dated May 24, 1921, from the Estates Duty Office setting out that in the event of the death of any holder of such stock, estate duty would be payable in England. Mr. Fleming said he had sold a block of this stock to a client. Apparently this question then had been raised, so his firm ascertained the facts and, finding what they were, bought the stock back from the client.

Bargain Prices Rejected.

The Provincial Treasurer then took up with the witness on the offer of his firm to the Province on June 30, 1921, of stock to the value of £13,375 at 94 7-8, witness explaining that the sterling was to be calculated on the current rate of exchange. On April 17 he had offered the Province £10,000 of stock at 91.14, with the pound at par. That offer was not accepted.

The Provincial Treasurer said he noted that at this time the Provincial Securities had sold to the Province £12,400 4 1-2 per cent. at par and par of exchange. "You were offering at that time these stocks at 91.14?" "Yes, sir."

"And you would have been glad to sell to the Province at that price?" "Yes, sir."

Chairman Finlayson explained that a sale from the Provincial Securities had been purchased at par on April 15. Witness said his offer had not been accepted. In answer to a question by Mr. MacBride, if any reasons had been given for not accepting Mr. Price replied that there was no answer to the letter, apparently, but on the 10th of June there was a letter sent to Kerr, Fleming & Company saying the Province was ready to take up a certain amount of the securities if the firm still held them and would be glad to get in touch with them. "Is it usual for you to hold something of that kind for two months?" asked Mr. Price. "No, sir, we try not to hold it for two months," said witness.

82 Refused and 99 Paid.

Coming to the letter of June 30, in which the offer was at 94.78, witness said that offer was accepted. Mr. Price said that, figuring the pound sterling at 4.25 this was equal to \$27 7-8 in Toronto. The firm of Browning, Harris, he said, according to the returns, sold the same securities at 99 five days later.

Mr. Fleming said that one block he had bought was brought over to Canada, but not being able to sell it had to resell it in London. This block of £2,700 appeared to be offered by some dealer in Toronto shortly after.

C. H. Sproule, Assistant Provincial Treasurer from 1905 to 1920, when he was superannuated, was asked if he remembered anything of the four-million-dollar bond issue which was sold by the Province to the Home Bank of Canada shortly before Hon. T. W. McGarry went out of office. Mr. Sproule said he did not recollect any of these deals. If his memory served him correctly, he said, the Provincial Treasurer always attended directly to all arrangements in connection with loans. "My action in regard to the matter would only commence after the Order-in-Council was issued."

"Was this issue an exception to the general rule?" asked Mr. Price. "Only in this way. I understand there was an open question as to the amount to be paid, the rate on the dollar," said witness.

"Did you get instructions from Mr. McGarry, once the loan was arranged, to get the Order-in-Council and put it through?" "No." Mr. McGarry would look after the printing of the certificates, he said. Mr. Sproule said that anything he had to do with the transaction was on record, and the vouchers were in the department. "Beyond that I know nothing of it."

Before Whole Cabinet.

Mr. MacBride asked who constituted the Treasury Board. Mr. Price said that, usually it was composed of the Prime Minister, the Attorney-General and the Treasurer. All these bond issues, however, appeared to have come before the whole Cabinet.

A. E. Nash produced for the committee a record of Government deposits in the Home Bank of Canada since and including 1916. The highest balance in 1918 was \$700,000. The highest balance in 1917 was \$1,400,000. The highest balance in 1918 was \$2,175,000. In 1919 the highest balance was \$3,800,000, in June. On December 18, 1919, there was \$1,200,000 in this bank to the credit of the Province. Further withdrawals reduced this sum to \$200,000 by October 8, 1920. In the latter part of December of that same year there was a balance of \$1,500,000. In 1921 the balance was well over a million, the highest being \$1,600,000. In 1922 the highest balance was \$1,100,000, and in 1923 the highest balance, May 26, was \$2,200,000.

Mr. Nash was asked if he had figured up on the basis of 1 per cent. just how much it would come to on an average balance. "Without making the calculation on the exact daily balance, we tried to arrive at an approximate monthly balance and taking that from November, 1921, to early in 1923 on the basis of 1 per cent. on the average deposit, the amount in commissions would be approximately \$35,000 were 1 per cent. commission paid on the balances." Answering Mr. Fisher, he said they could not strike the date over which 1 per cent. commission was said to have been paid, as Mr. Calvert had informed him that his recollection was that the commissions covered some two or three months, but he did not know what three months.

Other documents produced by Mr. Nash relative to the purchase and sale of Ontario Treasury bills and bonds by the Home Bank did not contain anything he thought should be brought to the attention of the committee, he said.

Tracing the Large Legals.

Mr. Fisher asked if he had made any effort to trace the large bills given out by the bank. "Only by the examination of the bank records," said witness. Nobody had volunteered any information respecting them to him, he said. Sam Clarke also pressed this question, and wanted to know what information could be obtained about the cheque payable to the Central Canada Loan Company. Mr. Nash was instructed to obtain information as to this for today.

Mr. Fisher said the committee ought to have a statement from the

Government that it had done everything it could to trace these payments. Chairman Finlayson replied that Mr. Clarkson had been instructed to find out all he could, and the Provincial police also had been put on to the matter.

"Advertise if anyone has seen any thousand dollar bills," suggested Mr. Fisher.

"That doesn't cost much, anyway," said Mr. Finlayson.

"Has Inspector Cuddy, for instance, made efforts to trace these big bills?" asked Mr. Fisher.

"I think Mr. Cuddy has been on it," replied Mr. Price.

Looks Suspicious.

Mr. Fisher said it was quite evident the whole business looked suspicious. The committee ought to have a statement from the Government that it had done everything it could to trace these payments. Mr. Price said he thought they had made every effort. Mr. Clarkson had been instructed to look into the whole thing thoroughly, and since then the Provincial Police had been put on to find out all possible. Mr.