

# The Canadian Paper Money Society Journal

Publication of the Canadian Paper Money Society

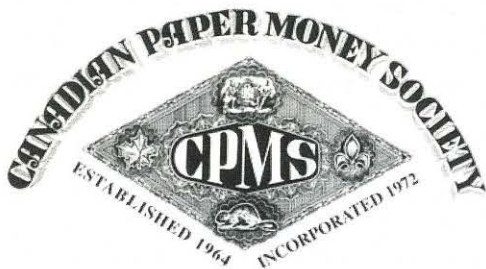
Vol. 43

2007

Serial No. 127







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PUBLICATION OF THE CANADIAN PAPER MONEY SOCIETY



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Front Cover:

Top: Banque Nationale, 1 dollar, engraved 28 Avril 1860;

Lower left: Vignette of Habitant, American Bank Note Company, no.136.

Lower right: Vignette of Jacques-Cartier, American Bank Note Company.  
(NCC: 1998.14.18)

Back Cover:

Centre: Detroit and Mackinac Railway Co. share certificate, specimen,  
American Bank Note Company.

Left: Metropolitan Bank, 50 dollars, 5 November 1902, specimen.  
(NCC: 1965.136.6476)

Right: Vignette by Lewis Delnoce, "The Signal Station," American Bank Note  
Company, no. C-399.

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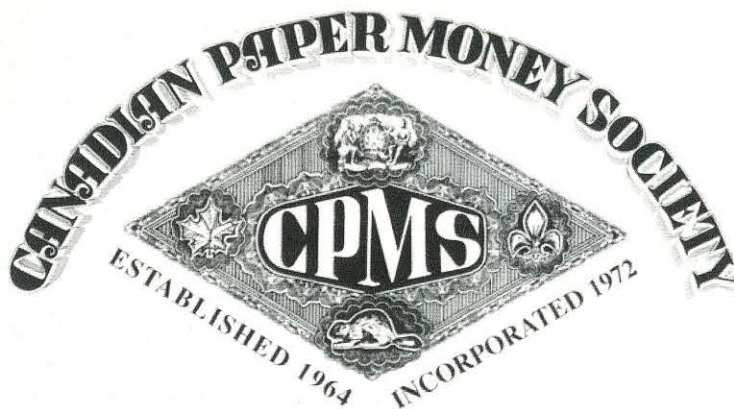
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# President's Message

Dear fellow CPMS Members,

I am very pleased to offer this year's Canadian Paper Money Society Journal. This Journal was prepared by our Editor, David Bergeron. Barry McIntyre again offered his services in laying out the journal. Geoffrey Bell and Mark D. Tomasko contributed to these pages along with Bob Graham, a regular author and knowledgeable person in our hobby. All contributors and specialists deserve credit for their work which takes more time than one can imagine when admiring the results contained within these pages. Thank you.



Collectors have an event that sparks their interest in our hobby. It could be from a parent, a relative, or in my case a friend of the family. These seeds sometimes grow right away while others wait some time to take root. After a collector starts to accumulate items of interest they want to know more. Curiosity leads to research in one form or another. It can be through local club meetings, internet conversations, face to face discussions, show and tell, searching at stores and shows, or researching in publications. A few even go on to do tedious research in the public archives. The research path may not be well mapped; however discovering a missing piece in a puzzle is exhilarating. Discovering one piece of a whole new puzzle is daunting. Some researchers carry on while others stop and provide a new starting point for someone else.

My eureka moment came several years ago while looking for a potentially different back imprint on the 1878 \$1 Dominion of Canada note, Payable at Montreal variety. This discovery led to the catalogue adding Montreal and Ottawa sub-varieties. This was only possible with pieces of a puzzle shared by others, hunting for new information, and looking at many Dominion of Canada notes.

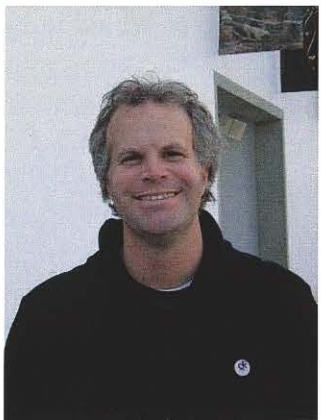
Our effort should also extend to sharing our findings. This can be done by conversations, mentoring, or writing articles for the Newsletter and Journal. I again ask members to document their research and contribute. You may hold a missing piece of a puzzle.

I want to recognize all members of our executive who work to make CPMS an efficient organization. These people all work away without the thanks they deserve.

Sincerely,  
Harold Brown

# Editor's Message

Breathing a sigh of relief and an air of personal satisfaction, the 2007 CPMS Journal is now complete! Admittedly this issue took longer than expected to produce for a number of reasons, not including our busy schedules at work and at home. In the spring of 2010, the Collection Services section of the Currency Museum of the Bank of Canada moved its offices, including the entire contents of the National Currency Collection, to a brand new state-of-the-art facility within the Bank. This event alone delayed all other projects by several months. Nevertheless, in your hands is another issue of the CPMS Journal filled with superb articles from our fellow members. Bob Graham has written the definitive history on the Banque Nationale and also provided a comprehensive note register of all known Banque Nationale notes. Geoff Bell's article discusses the private scrip issue of Jeremiah Connell. Finally, Mark Tomasko's article identifies and describes the vignettes from the American Bank Note Company featured on Metropolitan Bank notes and other financial instruments. On behalf of Barry McIntyre, who once again provided his technical savvy to layout the journal, I hope you enjoy the journal and wish to express my gratitude to the authors who submitted quality articles and to the CPMS Executive who confided in me to carry on the legacy of publishing the CPMS Journal. Although there is still some catching up to do, I hope that my contribution helped to bridge the gap.



David Bergeron  
Editor



by R. J. Graham, FCNRS

### 1. Origins

The history of La Banque Nationale really begins in 1848, the year a wave of revolution swept across Europe. In May of that year prominent members of the St. Vincent de Paul Society of the



FRANÇOIS VÉZINA

François Vézina (1818-1882), Cashier of La Banque Nationale from its founding until his death.

Parish of Notre-Dame met to consider the founding of a savings bank for the working people of the area. The secretary of the organizational meetings was François Vézina, a hard working and highly gifted businessman who soon earned a reputation as a boy wonder after entering employment in the business world in 1840. Evidently a serious young man, he devoted his spare time to the study of works on political economy. The savings bank was given the name

La Caisse d'Économie de Notre-Dame de Québec. Vézina was named secretary-treasurer, and while his title changed from time to time, he was the manager in charge of operations from the bank's founding in 1848 until his death almost thirty-four years later. Dr. Olivier Robitaille was the founding president, and clung to the post for forty-four years.

The purpose of La Caisse d'Économie, it was acknowledged, was to encourage habits of orderliness, thrift and morality among the poorer working men. In other words, the intent was to have them accumulate personal capital rather than waste their pocket money in taverns. Savings banks generally invested the monies entrusted to them in municipal debentures and other safe interest-bearing securities. They did not provide commercial loans. The interest received by La Caisse d'Économie de Notre-Dame was sufficient to cover the very humble expenses of the business, provide some interest on deposits, and eventually support charitable works. Initially the rate paid was 4.5 per cent annually on deposits under £50, and 4 per cent on sums over that amount. Accounts were restricted to a minimum of 1s3d (25¢) and a maximum of £500 currency (\$2,000). Small sums could be withdrawn at any time but withdrawals exceeding £10 required ten days' notice. No fees were paid to the directors. Vézina himself received no salary until it was decided to allow him £50 in December 1851. Fortunately, Vézina simultaneously held several other positions that provided income. La Caisse d'Économie was open three days a week.

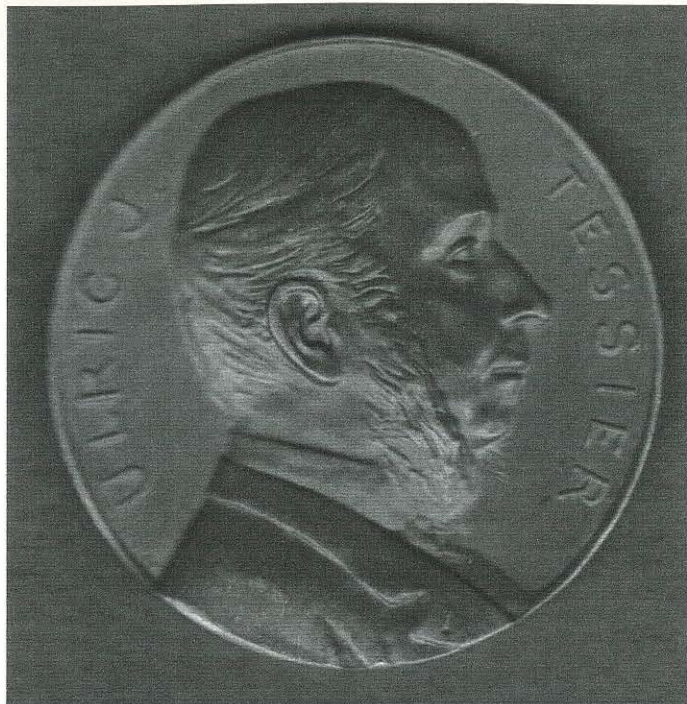
The first deposits were received on 18 June 1848 and totalled \$468, most of it paid in by the directors themselves. The first years were frustrating and growth was slow because of mistrust among the working people. When the savings bank at nearby St. Roch failed, nervous depositors rushed to take their money out of La Caisse d'Économie, which was nevertheless able to meet the heavy demands placed upon it with confidence. Thus reassured, customers of La Caisse d'Économie were soon redepositing their funds, and they were then joined by many others. Incorporation in 1855 gave La Caisse d'Économie autonomy. Previously it had acted more as an arm of the St. Vincent de Paul



Society. After wandering from one address to another, sometimes wherever it was allowed to operate rent-free, La Caisse d'Économie moved into its own building on Rue Saint-Jean in 1859.<sup>1</sup> Branches were established and the business endured and thrived. In 1970, the Provincial Bank of Canada bought out La Caisse d'Économie.

La Caisse d'Économie was very much the parent of La Banque Nationale. After La Caisse d'Économie was created in 1848 to help ordinary people manage their money, its leaders began to sense the need for a chartered bank which would function in cooperation with it to help finance local business and industry. At the time, Quebec City (population about 33,000) was served by the Quebec Bank, with its head office in the city, and by a branch of the Bank of Montréal. Both English-language banks had been established in the city since 1818. Francophone leaders perceived the need for a local bank operating primarily in French, and understood the opportunities that were available for such an enterprise.

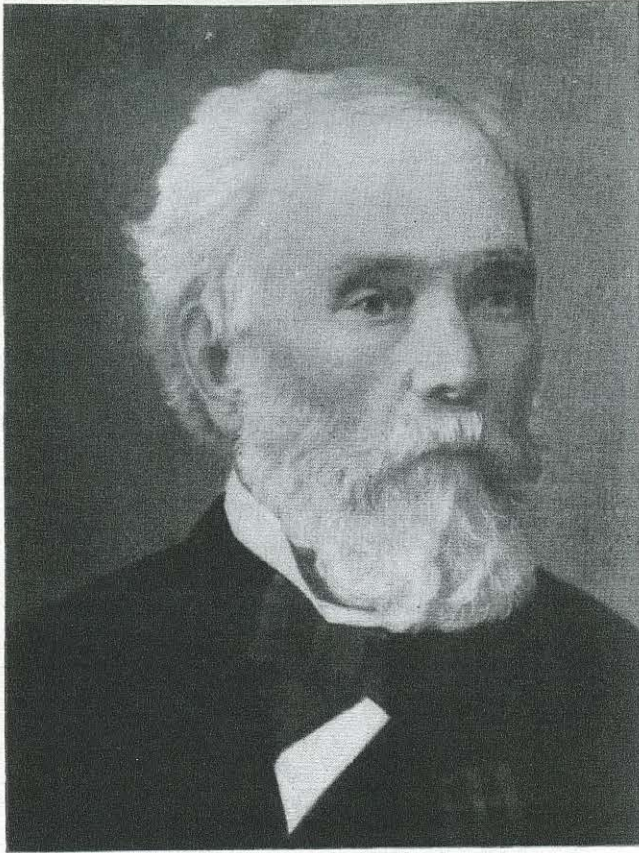
Many and quite possibly all of the founders of La Banque Nationale were Québec nationalists. In the clever words of Vézina's biographer in the *Dictionary of Canadian Biography*, the name of the bank was "in itself a manifesto."<sup>2</sup> Several of the founders of La Banque Nationale were also involved with La Caisse d'Économie. Eugène Chinic, Is. Thibaudeau, U.-J. Tessier, O. Robitaille, Abr. Joseph, Jos. Hamel, C. Têtu, Oct. Crémazie, D. Dussault, E. Dorion and F. Vézina met at La Caisse d'Économie on 20 December 1858 to discuss the establishment of a chartered bank. A larger meeting of 51 important citizens, chaired by Mayor H. L. Langevin, was held two days later. Speeches were given and resolutions adopted to start a bank of issue in support of commerce and local industry. To that end a committee was struck consisting of thirteen individuals. At its first meeting on 23 December, the committee resolved to make application to the legislature to incorporate La Banque Nationale, with a capital of \$1 million divided into 20,000 shares of \$50 par value. The board was to consist of seven directors. It was further resolved to start up when \$250,000 had been subscribed and 10 per cent of that paid in, with the balance of capital to be paid within six years. The error implicit in the proposal to start business with only \$25,000 paid in was recognized and later meetings tried to rectify it. In the end, the bank opened with \$100,000 paid up capital.



**Founding President of La Banque Nationale, Ulric-Joseph Tessier (1817 - 1892), as portrayed on the medal which he instituted as a prize for law students at Laval University (Leroux #1854a). (Collection of the author)**

A provisional board was chosen consisting of Isidore Thibaudeau, Eugène Chinic, Dr. Olivier Robitaille, Ulric J. Tessier, Cirice Têtu, D. Dussault and Prudent Vallée. This board took over from the committee of thirteen, and at its first meeting on 11 May 1859 Hon. U. J. Tessier, (1817-1892), a prominent Quebec City lawyer, was chosen as president. François Vézina was appointed treasurer for the time being. Subsequent meetings were taken up with the slow progress of stock subscriptions. The project got a desperately needed boost on 5 December 1859 when nineteen individuals or partnerships were reported to have subscribed for 160 shares each, accounting for \$152,000 of capital.<sup>3</sup> Professor Ronald Rudin, in his book *Banking en français*, has recorded that the bank had difficulty accumulating its startup capital within the time limit imposed by the charter in part at least because Dr. Robitaille, the moving spirit behind the bank, insisted on offering shares to francophone Québécois exclusively. Thanks to Tessier's successful last minute drive to find subscribers, the charter did not lapse and the bank was saved.<sup>4</sup>





Le Chevalier OLIVIER ROBITAILLE, M.D.

**Dr. Olivier Robitaille (1811-1896) led the move to establish the bank and was a founding director.**

By 15 December 1859, 7,237 shares representing \$361,850 of capital had been subscribed. The directors seem to have had in mind a target startup date, for they proposed to ask the directors of the mother institution, La Caisse d'Économie, what it would cost to rent office space in their building for one year starting 1 May 1860. They initially received a quote of £100 for annual rent but negotiated it down to £75. On 19 December treasurer Vézina was instructed to make arrangements for the printing of bank notes. Models for the first note issue were selected when he travelled to Montréal to meet with George Matthews, who was the agent for American Bank Note Company at the Montréal office. By the end of January 1860 other staff had been chosen: Ed. Gagnon as bookkeeper and M. Duplessis as accountant. Vézina was offered a salary of £350 and he would be allowed to continue to manage the other institutions already in his care. Sureties were arranged providing £5,000 coverage guaranteeing the good behavior of Vézina, and £200 each for Gagnon and

Duplessis. Other business coming before the provisional directors' meeting of 11 February involved lodging the initial payments on stock at La Caisse d'Économie, where 4 per cent interest would be earned. As the opening date drew nearer, Vézina was busy drawing up the internal regulations by which the bank would be governed. A general meeting of the shareholders was called for 25 April, and the office of the bank was to be made ready for 1 May.

At this most inopportune moment, just as the bank was gearing up for opening, an unwelcome political initiative sent a shudder through the banking system. Inspector-General (finance minister) A. T. Galt announced proposals to split off the business of banking from the currency function. He planned to create a government bank of issue that would replace the notes of the chartered banks with government notes. The government was broke, and as so often was the case with colonial governments, the prospect of issuing paper money offered a tempting solution. The threat of this massive upheaval in the rules by which banks operated was met with very stiff resistance with many leading bankers voicing strenuous objections. Vézina was a firm believer in the "Scotch banking system" of free circulation. Joining the fray, he somehow found the time to publish articles in *Courrier du Canada* attacking Galt's proposals. It was no doubt with immense relief that Banque Nationale President U. J. Tessier announced to the board on 14 April that Galt's plan would not pass in the present session. The legislature would not support it, and the scheme was eventually withdrawn. The banks had won this round, although more circumspect government initiatives would gradually erode their victory.

The first general shareholders' meeting took place as scheduled, on 25 April 1860, in the office the bank would be renting from La Caisse d'Économie in Upper Town. Tessier reported that \$96,000 had been paid up and deposited at the Quebec Bank. \$4,000 more would be needed to allow the bank to commence business. 8,000 shares had been subscribed, representing \$400,000 capital. A minimum of 10 per cent had been paid up on all shares but obviously more had been paid on some of them. A board of directors was elected, and they were, to a man, exactly the same lot who had formed



the provisional board. They held their first meeting as a duly *elected* board after the general meeting was over, and chose Ulric Tessier to be the president, with Eugène Chinic as vice-president. François Vézina was given the responsibility of arranging for daily settlements with other banks in the city. He continued in his positions of secretary and treasurer of La Caisse d'Économie Notre-Dame de Québec, Société de Construction de Québec and Société de Construction Permanente de Québec, for the current year. All proceedings of the provisional directors (that is, their own) were approved, not surprisingly. The cashier was instructed to sign 500 sheets of notes for circulation. At the next board meeting, held 30 April, Tessier and Chinic were authorized to sign notes with Vézina. The board also fixed the interest rate on special deposits at 4 per cent.

The third directors' meeting, on 3 May 1860, was taken up with discounting the first promissory notes. (This is how banks conducted lending at that time. To give an example, a note for \$100 at 6 per cent due in one year, once approved, would be "discounted" and retained by the bank, resulting in the payment of \$94 to the borrower. The full face amount would be payable to the bank at maturity. Obviously the real interest rate was slightly higher than the discount rate but the banks did not mind.) The directors next considered a request for assistance for the cashier, and the circulation of notes in Gaspé. Auguste Jourdain was promptly hired as a clerk to work with Vézina, and Édouard Tessier was chosen as notary. La Banque du Peuple was authorized to be the agent of the bank in Montréal.

## 2. Early Prosperity

The bank continued to amass its full authorized capital of \$1 million slowly and with difficulty. Even with the support of sympathetic newspapers, which encouraged readers to take up stock according to their means, the full amount was not paid in until 1866. Fire struck the building which housed the bank and La Caisse d'Économie, and while valuable papers were saved there was a good deal of inconvenience and disruption. In July 1861 the bank purchased land at 77 Rue St. Pierre in Lower Town, and the contract for

construction was given to P. J. Bazin in May 1862. The cornerstone was laid on 4 June 1862, with most of the directors participating along with Vézina, architect J. F. Peachy, contractor P. J. Bazin and mason Pierre Châteauvert. Inside the cornerstone were deposited a copy of the prospectus for the bank, the first two annual reports, a sheet of notes of the bank, the list of shareholders, names of the contractor and architect and examples of various contemporary newspapers.

Inside the new building were some remarkable tableaux. One large medallion depicted Jacques Cartier aboard ship, making his entrance into the St. Charles River. Others showed commerce, agriculture and navigation scenes. One of particular interest depicted the Seal of the City of Quebec with the motto, *Natura fortis industria crescit* (strong nature prospers by work).<sup>5</sup> The design is found on the reverses of the Quebec Bank penny and halfpenny tokens of 1852. It also figures very prominently on many of the notes issued by La Banque Nationale, including the \$1 and \$2 of 1860, the \$20 of 1871 and the backs of all notes issued from 1891 to 1922. La Caisse d'Économie erected an adjacent building of similar style and dimensions in 1875, which it then used as its main office. The two buildings together, it was stated, formed a large and handsome structure.

La Banque Nationale grew steadily, if not spectacularly, in its early years. Its success was said to be a source of pride to the francophone community, which could now begin to finance itself. By 1865 the bank had accumulated a rest, or reserve, fund of \$62,000. In 1866 \$6,000 was added, dividends were paid at the annual rate of 8 per cent, and the bank seemed prosperous enough to offer remuneration to the president, for the first time, of \$1,000 annually. At the following annual general meeting, the shareholders approved paying stipends to the other directors as well.<sup>6</sup>

At the time of the general meeting held on 4 May 1868, Eugène Chinic was president of the bank but the report of the directors was given by the vice-president, Isidore Thibaudeau. Speaking on behalf of the directors, Thibaudeau said that although the business of the preceding year was not largely remunerative, it was of a very safe character. Gross earnings of \$107,859 provided \$80,000 in dividends, for a rate of 8 per cent, met



all the expenses of running the bank including salaries totalling \$16,423, and covered bad debts amounting to \$5,633. A further \$7,000 was added to the rest, bringing that fund up to \$82,000, leaving the balance to the credit of the profit and loss account some \$1,800 lower (\$4,606) than it was at the start of the fiscal year. This sum was deemed sufficient to cover bad and doubtful debts that could not yet be settled. It was reported that \$100,538 of the bank's notes were in circulation, and total assets reached \$1,664,561. The dividend payout rate for the year works out to over 93 per cent, which while perhaps gratifying to the shareholders, would have been much too generous for the general health of the bank. Perhaps it was just a case of earnings falling well below the average in that particular year. At any rate, the dividend rate of 8 per cent was steadily maintained over the first ten years of the bank's operations, and it certainly proved to be unsustainable.

The American silver nuisance was very much on the minds of bankers at the time and, in his speech, Thibaudeau cited it as a cause of diminishing profits.<sup>7</sup> American silver coin, becoming ever more plentiful, was depreciated in relation to gold so banks could not accept it on deposit. So great was the quantity in circulation that bank notes and Dominion notes were displaced to a very serious extent, illustrating the well known maxim (Gresham's Law) "bad money drives out the good." Banks therefore suffered both decreased deposits and diminished circulation, which reduced their lending ability and thus their earning power. The directors, Thibaudeau stated, looked forward to prompt remedial action by the federal government. (The government did act. While the deportation of American silver proved futile, incoming Finance Minister Sir Francis Hincks grappled with the problem successfully in 1870.)<sup>8</sup>

The bank marked the completion of a decade in business at the annual general meeting on 4 May 1870. In his address, Eugène Chinic, who was still the president, thanked Providence for a long stretch of prosperity and blamed the American silver nuisance, now nearing termination, for limiting the profits of the bank. The directors took pleasure, he said, to state that the same spirit of union and harmony that marked their relations with the shareholders from the beginning was still in effect. The fact that there had been no changes to the board over ten years offered evidence of that

harmony. It is not recorded how the shareholders reacted to a small reduction in their dividend to 7½ per cent in 1870. All that the bank had to show for a year of operations after paying out \$75,000 in dividends was an addition of \$4,376 to the credit of the profit and loss account. No additions had been made to the rest since 1868, and \$12,000 in bad debts disappeared from the assets of the bank in the financial year that had just ended. Hence a dividend reduction was certainly in order. Chinic closed by expressing on behalf of the directors the hope for better returns in the future for their institution, which had been "specially founded to help the progress of our trade and industry in this part of Canada." (One senses in this remark that Chinic was referring especially to francophone trade and industry. Proudly francophone, La Banque Nationale seems not to have been ideologically driven to the extent that it would spurn good business offered by others.)

Profits were a little disappointing but the bank was nevertheless in a better position than it was in 1868. Deposits had doubled over those two years, and circulation nearly tripled to \$272,388.<sup>9</sup> A special meeting of shareholders was held in November 1870 to petition for a new charter conformable to the Bank Act then under consideration, and to authorize a capital increase to \$2 million. Chinic's wishes expressed at the end of the May 1870 meeting were to be abundantly met in the first half of the 1870s as the country and its banks enjoyed a period of splendid prosperity. A happy milestone was reached in the summer of 1872 when the bank opened its first branch, in Montréal, under the management of J. S. Paquet. In 1873 a branch was opened in Ottawa, evidently to service the lumber industry in which the bank was largely interested. A lot facing the Parliament Buildings, on Wellington Street, was purchased in 1875 on which the bank would construct its own building to house the branch and provide accommodation for the manager, Samuel Benoit. At the beginning of February 1875, a branch was opened in Sherbrooke under the management of P. Lafrance. (Both Benoit and Lafrance were among the many bankers who received their training from the cashier, François Vézina.) No more new branches would be opened for the next eighteen years.

The directors still had to address certain difficulties. Late in 1871 a three-cornered dispute



arose between La Banque Nationale, the City Bank and the Bank of Montreal concerning liability for certain large cheques totalling \$106,000. The bank had to make allowance for the large potential loss, making provision out of its profits in 1873. An initial ruling against La Banque Nationale was overturned, and eventually it was established that the City Bank must pay, while having recourse on the Bank of Montreal. A final settlement was reached amicably on 4 February 1874 and the full amount plus interest, totalling \$120,000, was returned to La Banque Nationale.

During the boom years the rest fund, or reserve, grew rapidly to \$102,000 in 1871, \$125,000 in 1872 and \$225,000 in 1873. In order to take full advantage of the brisk business available during these prosperous years the bank issued \$250,000 in new stock in 1872 and a further \$750,000 in 1873. By the time of the May 1874 general meeting the bank's paid up capital had reached \$1,940,070. Some shares were sold a little above par and the premium was distributed among the shareholders in addition to the usual semiannual dividend paid in November 1873. Profits for the year ended 31 April 1874, after providing for bad and doubtful debts, amounted to a very gratifying \$265,389. The dividend rate, restored to the former 8 per cent, consumed well over half of the profits since it was paid on a nearly doubled capital, but a full \$100,000 went into the rest account, and the profit and loss account benefitted from the addition of over \$17,600. The bank continued prudently to build its rest account making large deposits in times of prosperity. The fund now stood at \$325,000, reaching its maximum of \$400,000 in 1875. It would prove vital to the bank's survival during the nightmarish years ahead.

The directors regretted the loss of one of their number during the year. Abraham Joseph, who had been on the original board elected in 1860, was obliged to retire from the board because he intended to start up a new bank in Quebec City, the Stadacona Bank. The board expected that the two banks would coexist amicably. Joseph's new bank could not make progress in the coming period of adversity, and closed the business without loss to creditors in 1879. Mr. Joseph's place on La Banque Nationale board was filled by the appointment of Henry

Atkinson, a Quebec City lumber merchant. The 1874 general meeting closed with the election of directors E. Chinic, H. Atkinson, O. Robitaille, U. J. Tessier, I. Thibaudeau, C. Têtu and P. Vallée. With the exception of Atkinson, this was the same board that had held office since 1860. The board re-elected Chinic as president and Thibaudeau as vice-president for the coming year.<sup>10</sup>

In the winter of 1876 it was reported that two employees of the bank had been unable to resist the temptation to help themselves to some of the bank's money. Bad company and fast living were blamed for the theft of \$6,000 of Banque Nationale notes by two young men named Mathieu and Trudel. They were sentenced to two years in the penitentiary. Needless to say, their positions at the bank were terminated.<sup>11</sup> Another clerk, a young man named Espérance, was arrested in 1879 for having "borrowed" \$6,000 from the Montréal branch. This deficiency was met by the guarantee company's policy.<sup>12</sup>

### 3. The Depression of 1875-1879

As bleak depression settled heavily over trade and industry in Canada, La Banque Nationale was obliged to reduce its dividend as early as the fall of 1875. Several dividends were paid at the annual rate of 6 per cent, falling to 5 per cent in the fall of 1880. By 1876 the financial crisis had worsened, and the bank acknowledged some abnormally heavy losses. Much worse followed in 1877, with losses consuming \$134,647. The dividend, then at 7 per cent, was maintained by taking \$100,000 out of the rest fund and a further \$16,000 from the profit and loss. The bank was well fortified with cash, reporting over \$460,000 in specie and Dominion notes, but total assets had declined by about 10 per cent over the two years since the 1875 general meeting, to about \$4,735,000.

In 1877 there was a change in the board of directors, and another in the bank's personnel. Cirice Têtu, one of the bank's founders, had taken up residence in Montréal where he was needed by Assurance Stadacona. Joseph Hamel was elected to the vacancy. The Montréal branch manager, William Moffat, who was a Vézina trainee and the cashier's son-in-law, died about 1876. He was replaced by J. B. Sancer. Of the bank's thirty employees, four had once been



domestic servants hired by Vézina, and no doubt trained by the cashier for remunerative positions in the bank. These included the inspector, N. Matte, a bookkeeper and two others, all earning salaries which they would have been unable to dream of in their former lives as servants.<sup>13</sup>

At the annual general meeting of 1878, Eugène Chinic addressed the shareholders present:

The books and accounts are systematically kept. The loans are guaranteed on the best available securities, without, however, any actual certainty of an easy and prompt realization. The cause of such a state of affairs is due, as you are aware, to a continuance of the crisis which has, since 1875, materially affected the manufactories and the business generally of the Dominion of Canada.

The bank has met with losses, and will probably be exposed to others, but has not, this year, touched its reserve fund, and your directors hope, that it may not be considerably affected by a continuance of the crisis. If, during the past year the business of the bank has not been as great as hitherto, and in consequence the dividends have been reduced, it is due to several causes, of which the principal are: 1. The decrease in the rate of interest on deposits, and the withdrawal, in consequence, of a considerable amount of deposits. 2. The necessary decrease in the business of the bank, owing to general insecurity. 3. The more than average losses.

Chinic closed his remarks with "a prayer that Providence may grant more prosperous times." By this time the \$2 million capital had been fully paid up, so each year the dividends at 6 per cent consumed \$120,000 of profits. In the year ended 30 April 1878 the bank had earned only \$111,506, so the profit and loss account was tapped, again, to supply the shortfall. The rest fund had not yet been further drawn upon, and remained at \$300,000. That the bank was still doing a larger business than just a few years earlier is shown by the circulation of \$610,663. Total assets exceeded \$4.4 million, although some were of the worrisome kind, including \$162,866 in debts overdue and not specially secured.<sup>14</sup> As of the 1878 annual meeting, most of the directors were still founding veterans, with the exceptions of Henry Atkinson and Joseph Hamel.

An abrupt change occurred almost immediately after. Ulric-Joseph Tessier, the bank's first president, resigned from the board and Ulric Tessier Jr. was elected to fill the vacancy.<sup>15</sup> It would be interesting to know the events which led to the resignation.

The following year, the long, deep depression finally showed signs of abating, but it was not a good year for the bank. Earnings were just enough to pay operating costs and dividends, leaving nothing with which to cover \$87,500 in losses. Accordingly the rest fund was depleted by a further \$100,000, leaving \$200,000 in the fund. The \$12,500 that was not used was credited to the profit and loss account, which then stood at \$20,810.<sup>16</sup> Eugène Chinic, still the president of the bank, was not yet an old man, but serious illness progressively impaired his health and strength. Unable to read the director's report to the shareholders assembled at the 6 May 1879 annual general meeting (a task that devolved upon Vézina), Chinic nevertheless managed to chair the meeting. He was also re-elected for another year, with Isidore Thibaudeau as vice-president.<sup>17</sup> Chinic was unable to attend the 1880 meeting and asked that a successor be appointed. His friend Isidore Thibaudeau, who read the directors' report and chaired the 1880 meeting, appears to have assumed the presidency not later than 1881. Chinic retired from his hardware importing firm, Chinic, Beaudet & Co., late in 1880.<sup>18</sup> In 1882, he resigned his Senate seat but survived for almost seven more years.

The bank was operated with the strictest economy, which probably involved reductions in salaries, and reduced its dividend to 5 per cent in the 1879/80 business year. There were fewer failures among its customers, and an improvement in business was seen. Net profits improved by \$77,000 over the previous year. That said, a sum exceeding \$132,000 in ascertained losses could not be met from the year's profits after the dividends were paid, and the bank was obliged to dip into the reserve fund, yet again, to the extent of \$50,000.<sup>19</sup> The national economy was clearly recovering, but the road ahead for La Banque Nationale was a very rough one indeed.



#### 4. The Bank Stagnates While the Economy Recovers

La Banque Nationale suffered the loss of two of its principal founders within the space of seven months. Builder and lumber merchant Prudent Vallée died on 26 June 1881. He had been on the board of directors from the beginning, and his signature is found on a number of Banque Nationale notes. The only cashier the bank had ever had, François Vézina, died on 25 January 1882, following a bout of pneumonia. He was 63 years old. Vézina was predeceased by his wife (1880) and three of their ten children.<sup>20</sup> Praised in the *Monetary Times and Trade Review – Insurance Chronicle* as “a man of liberal views and amiable traits,” Vézina was extremely popular among his compatriots. To the merchants with whom he dealt he seemed more like a good friend who dispensed wise advice than a stern banker whose role was to grant or refuse loans.<sup>21</sup> Vézina’s assistant, P. Lafrance (brother of the Quebec City Treasurer), was appointed cashier of the bank.<sup>22</sup> He had some very difficult and trying



PIERRE GEORGES LAFRANCE,  
MANAGER LA BANQUE NATIONALE,  
QUÉBEC.

work ahead of him. Soon after his appointment, Lafrance conducted an examination of the assets of the bank at the head office and branches. Many bad or doubtful debts, from which it had previously been expected that some portion might be recovered, had to be written off as hopeless. The amount involved was so great that the entire remaining amount in the rest fund, \$150,000, had to be appropriated.

Profits for the 1881-1882 financial year showed improvement, which was particularly impressive considering the amount of capital tied up in unproductive and impaired loans. The bank was able to pay semiannual dividends at the rate of 2½ per cent each. The annual statement for 1882 still showed over \$547,000 in overdue debts, most of the amount “secured.” Just how well secured it was, we shall soon see. With the reserve gone, there was only a little over \$30,000 at the credit of the profit and loss fund standing between the bank and encroachment on its capital.<sup>23</sup> It would prove to be far from sufficient, as large amounts of bad debt would be written off, year after year, with painful monotony. With no reserve remaining, the write down for bad debts the following year had to be financed out of current earnings, which left nothing for distribution among the shareholders. Accordingly, the dividend was passed in 1883. The resulting discontent led unknown persons to publish a circular critical of the management of the bank.<sup>24</sup> The earnings of the bank continued to improve, to \$151,586 in 1882-1883, compared to \$137,238 the previous year. The sum written off was \$169,604, the excess over profits being made up from the profit and loss account, now reduced to just over \$12,000. It was shown in the statement that the loss was on **old** bad or doubtful debts that were incurred during the Vézina administration.

A more positive development for la Banque Nationale occurred in the early 1880s. It acquired the former Lower Town, Québec, office of La Caisse d’Économie. The bank used the space to open a savings department, which was an immediate success with 680 accounts opened in the first year. Meanwhile, business at the Montréal branch was increasing, and the offices rented by the bank were becoming uncomfortably cramped. During the business year ending 30 April 1884 the bank moved to more spacious quarters on St. James Street, with no increase in



expenditure for rent. In October 1883 a proposal was circulating that promoted a merger of the various francophone banks of Québec, but it came to nothing. The notion was revived from time to time, always with the same result, until it finally became a reality in 1979.

The board of directors was continuing its transformation with two resignations in January 1883. One of the founding directors, Olivier Robitaille left the board, as did a recent recruit, J. B. Z. Dubeau. Robitaille was now in his early seventies, and it appears that he retired from his medical practice around the same time. Robitaille did not relinquish his position as founding president of La Caisse d'Économie, which he held from 1848 to 1892. The position was not likely a very onerous one. He died in 1896, a month short of his 85th birthday. The remaining directors appointed Hon. Pierre Garneau (a former associate of Cirice Têtu) and M. W. Baby to the vacated positions. Their appointments were confirmed by the shareholders who also elected I. Thibaudeau, Jos. Hamel, Elise Beudet, U. J. Tessier Jr. and T. LeDroit to the board. Thibaudeau was subsequently re-elected president and Hamel vice-president.<sup>25</sup> Thibaudeau was now the only one of the original directors still on the board. Mr. Beudet retired in May 1884, and Antoine Painchaud was elected to take his place.

The position of the bank appeared somewhat brighter in 1884, even though business was beginning to stagnate again. Annual profits were still climbing, reaching \$173,837, while there was a reduction in the amount of "old" bad and doubtful debts to be met. In that year the carnage amounted to \$109,234 that had to be pruned from the assets. This left enough for a single dividend payment of 2 per cent and to strengthen the profit and loss account to \$36,208. The picture was less rosy than it initially appeared. The reported profit included a sum of \$30,000 which was simply written off the circulation on the assumption that it represented lost and destroyed notes that would never be presented for redemption. Among the assets was a sum of \$243,423 for real estate other than bank premises.<sup>26</sup> The properties represented by this amount were probably taken over by the bank from debtors who had pledged them to secure their loans. During the next year profits came in somewhat lower (\$141,459) while the amounts to be written off increased (\$139,001). Bad and

doubtful debts continued to sap the bank's vitality, and the real estate taken over by the bank had depreciated. There was no recourse but to apply all the earnings to losses, depriving the shareholders of their dividends yet again.<sup>27</sup> The 1885-1886 year was sufficiently less dismal to allow a single dividend at the rate of 2 per cent, payable 1 May 1886. Profits of \$158,483 covered bad debts of \$110,625, the dividend, and a small increment in the profit and loss account, now standing at \$47,123. Nevertheless, the bank was clearly struggling. At the same time the Dominion Bank (to select a convenient example) was paying 10 per cent in dividends, fattening up its reserves and writing down the bank premises account even while complaining that the prevailing low rates of interest for money in Canada, the United States and England made it difficult to employ the funds of the bank at remunerative rates! La Banque Nationale would endure several more years of misery before finally taking the necessary actions to put things right.

The essentially francophone nature of the bank appears to have become slightly diluted in the late 1880s. On the list of prominent shareholders attending the annual general meeting in 1886 was a number of surnames of presumably British origin, including Pentland, Hardy and Archer.<sup>28</sup>

Over the next year the directors worked to sell off some of the properties taken over by the bank against unpaid loans. In this they were partially successful, disposing of some \$77,500 worth of timber limits, and hoped of selling off the remainder in the coming year. These had proved to be a troublesome and unproductive asset for some time.<sup>29</sup> The real estate account, excluding bank premises, showed a gratifying reduction to \$130,198 in the statement given to shareholders in May 1887. Profits for the year were an anaemic \$129,189, but the amount of bad and doubtful debts written off was a more manageable \$58,043, allowing dividends totalling 4 per cent to be distributed. This left a slightly less robust profit and loss account of \$38,268.

Over the course of the year the manager of the Sherbrooke branch, John Campbell, passed away. P. J. Bazin was appointed acting manager. Montréal manager at this time was C. A. Vallée, and the Ottawa manager was C. H. Carrière. Frs. Kirouac replaced A. Painchaud on the board of directors, which turned out to be the beginning of a





**E.-W. MÉTHOT**

**E.-W. Méthot was a Director and Vice-President of La Banque Nationale.**

new round of change as the bank struggled to find its way.<sup>30</sup> Even though the payment of dividends had resumed, at least in a modest way, and there seemed to be an indication that the gradual but relentless purge of bad debts and unproductive assets was finally nearing its end, the bank was still floundering. In the summer of 1887 the vice-president, Joseph Hamel, resigned, citing ill health as the reason. E.-W. Méthot, President of the Chic Hardware Co. of Quebec and administrator of La Caisse d'Économie, was chosen to succeed him. Théophile LeDroit also wished to resign from the board but was persuaded to withdraw his resignation.<sup>31</sup>

There was trouble brewing and plenty of it, of which the resignations were likely an early manifestation. The principal shareholders met in a large hall at the Québec Seminary on 23 November to receive a detailed report of the bank's business, with a view to reducing the capital. The shareholders required a thorough change of management as a condition for approving any

capital reduction. After what one assumes was a stormy meeting, the directors acquiesced. Mr. Lafrance presented a statement at the meeting showing that the capital of the bank had been impaired to the extent of \$656,426, even after consuming most of the profits to write off \$773,000 in the previous six years. The hopes of recovering significant funds from non-performing accounts had not been realized. When the remaining timber limits became unsaleable because of increasing license fees, the dividend for the second half of 1887 was passed.

The inspector had been sent to the branches to enquire into all overdue or bad debts and to present detailed statements and estimates of the securities held as collateral. Two directors, Baby and Kirouac, then went to Sherbrooke to review the inspector's findings, and the cashier, P. Lafrance, accompanied by Baby and Méthot, went to Ottawa and Montréal. A similar audit was conducted at the head office in Québec. Their grim findings led the board to determine that the following write-downs were necessary:

Office	Shrinkage on Real Estate	Old bad and doubtful debts	New* bad and doubtful debts
Québec		\$267,787	\$11,534
Montréal		\$7,788	\$118,969
Ottawa		\$190,192	\$41,246
Sherbrooke	\$4,426		\$26,194

\*since May 1882

The bank did not anticipate a complete loss on all of these amounts.

In order to put the affairs of the bank on a more sound basis and to permit an early resumption of regular dividend payments, capital reductions to the extent of one-quarter to one third were discussed.<sup>32</sup> A bill was prepared to reduce the capital by a third, but when the parliamentary sub-committee on banking examined the figures a 40 per cent reduction was recommended to leave a margin against further losses. The enabling legislation received assent on 4 May 1888, and the bank's capital then became \$1.2 million. The par value of shares fell to \$30 from the original \$50.<sup>33</sup>

Isidore Thibaudeau, president of the bank since 1879 and the last of the original directors, resigned shortly after the extraordinary meeting, as did directors Garneau and Tessier. LeDroit was named president, A. Bilodeau was appointed a director to occupy the second vacancy, and Painchaud returned to fill the third. The latter was



appointed managing director, which was a salaried position.<sup>34</sup> The resignation of Thibaudeau and elevation of LeDroit appear to have been rescinded somehow, or perhaps there was some confusion in reporting. A reasonable explanation may be that the moves took place in a heated moment, and were reversed after tempers cooled. At the next general meeting of shareholders, on 23 May 1888, Thibaudeau chaired the meeting as president of the bank, and was confirmed in that position after the election which followed. Kirouac was chosen as vice-president. A. W. Baby resigned from the board before leaving for Europe; A. Gaboury was elected to fill the vacancy.<sup>35</sup> Thibaudeau did resign, unequivocally and irrevocably, because of continuing ill health, it was said, in March 1889, and was succeeded by A. Gaboury. The former president still remained on the board as a director.<sup>36</sup> Thibaudeau died a millionaire in 1893, not quite 74 years old.

For the 1887-1888 business year, profits were a meagre \$85,719 and further losses of \$35,386 were incurred on accounts settled. The reduction of capital freed up sufficient funds to write off the heavy losses revealed during the recent audit, with enough left over to provide the nucleus of a revived rest fund of \$100,000 and a 3 per cent dividend on the reduced capital. The year was notable for staff changes. C. A. Vallée left the management of the Montréal branch, to be replaced by Alfred Brunet, and the appointment of P. A. Bazin to the management of the Sherbrooke branch was confirmed.<sup>37</sup> Hon. Eugène Chinic, a former member of the Dominion Senate, died on 28 April 1889, aged 71 years. He had been the bank's second president, but was no longer at the centre of its affairs.<sup>38</sup>

We have seen that the bank was constantly struggling, as much in years of economic recovery as in years of depression. Losses incurred in the 1875-1879 depression were compounded with new losses, especially through the Montréal branch as seen in the audit of 1887. The bank was not keeping up with its rivals, which were expanding. The directors seemed to have locked the bank into doing the kind of business that had brought success in the 1860s, but times had changed and the bank failed to change with them. The market for squared timber weakened in 1875 and never regained its earlier importance. Steel ships had largely replaced wooden vessels, which must have had a major impact. It is well documented that the bank lost

heavily on timber limits, the rights to cut timber on Crown lands. The logical reason the bank came into possession of the timber limits in the first place was that they were pledged to the bank as collateral security by lumber companies that subsequently proved unable to repay their loans. The bank needed to launch itself in a new direction and time was running out.

The financial centre of the province had shifted from Quebec City to Montréal, and while this was a disadvantage in many ways, it also may have shielded the bank from disaster. When one francophone bank or another ran into difficulty and suspended payment in Montréal, the others were confronted by long lines of frightened depositors anxious to withdraw their funds.<sup>39</sup> For many years deposits at La Banque Nationale held pretty firmly around \$1.6 million, so the bank did enjoy some immunity from runs because it was located well away from the main financial centre. A contemporary also considered that the presence of numerous clergy among the stock holders worked to keep depositors calm at times when a run might otherwise occur.<sup>40</sup>

In the 1888-1889 financial year profits totalling \$124,770 provided 6 per cent in dividends on the reduced capital and enabled \$50,674 in bad debts to be written off. Although this represented some improvement over the previous year's results, no contribution could be made to the rest account, which was newly created from the write-down of capital. Total assets stood at \$3,776,375, considerably less than during the depression years of the late 1870s.<sup>41</sup> The following year was even less of a success, with profits of only \$112,274 reported, although the bank was able to continue to pay out dividends totalling 6 per cent. Bad and doubtful debts of \$39,155 took care of the rest. The president, Aug. Gaboury, reported that the directors had managed to sell off another of the troublesome timber limits and hoped to dispose of the remainder within a year. In 1888 Mr. Matte, who was then inspector of the bank, reported to the directors that the management of the Montréal branch was hopelessly deficient. Matte was thanked by being dismissed from office, a corporate version of shooting the messenger. For this act of sheer stupidity the bank would soon pay dearly. M. A. Labrèque was appointed to fill the position of inspector.



Some changes took place in the branches during 1889-1890. Over the winter the Sherbrooke branch was destroyed by fire, but the books and documents were saved. The building was fully insured. Business carried on without interruption as the Eastern Townships Bank very graciously made offices in their building available to their competitor. It was decided to rebuild and the new building was expected to be ready for occupancy in October 1890. Mr. Carrière resigned as Ottawa manager, the position being given to Mr. Bazin, who had been manager at Sherbrooke. The latter was replaced by W. Gaboury. The directors also altered the underused upper rooms in the head office building to make them suitable for leasing to other businesses.<sup>42</sup> When the lease for the Montréal branch expired in 1891, excessive rents were asked for suitable offices so the directors simply bought the property the branch had recently occupied. All of these acquisitions and improvements resulted in an increase of over \$70,000 to the bank premises account. The work was supervised by one of the directors, Mr. Bilodeau, who had extensive experience in construction.

The shareholders were met with grim news at their annual meeting on 21 May 1891. More of the troublesome timber limits had been sold but at a very heavy loss, requiring appropriation of the whole of the \$100,000 rest account. Four more remained to be disposed of, three of them in the Ottawa Valley, although no further great loss was anticipated. Profits were poor and barely provided for the usual dividends totalling 6 per cent after writing off bad and doubtful debts, the bank having lost heavily through an increased number of failures. The bank no longer reported earnings and amounts written off for loan losses separately; only the net profit after deducting losses appeared in the profit and loss statements.

La Banque Nationale was doing a much smaller business than its capital would have supported. Legally entitled to have notes in circulation to the extent of its capital, \$1.2 million, the bank's actual note circulation remained below half that amount as it had done for several years. Still, the annual report conveyed a sense of relief that the burden of loan losses and depreciated timber limits was being cast off, and the bank was in better shape than it had been in years. It ended optimistically with the expectation that the bank would again occupy a strong position among the

financial institutions of the Dominion. Directors elected in 1891 were I. Thibaudeau, F. Kirouac, L. Bilodeau, A. Gaboury, T. LeDroit, E. W. Methot and A. Painchaud.<sup>43</sup> Gaboury was still president of the bank, and Kirouac vice-president.

The next fiscal year, alas, produced no better result. The dividend rate was maintained but again consumed virtually all the net profits for the year. There were, however, a few hopeful signs. Circulation had increased by over 20 per cent to \$679,267. Board members were visiting different parts of the country looking for promising places to open new branches.<sup>44</sup> It was decided to open a branch in Winnipeg, and George Crebassa, who had been with the Molsons Bank for eighteen years and was manager of its St. Hyacinthe agency at the time, was appointed manager of the new branch and superintendent of any future agencies that might be opened in the North-West.<sup>45</sup>

The Winnipeg branch, opened on 1 May 1893, did not prosper. Conditions were challenging in Manitoba at the time. Excessive competition among dealers in agricultural implements, livestock traders and peddlers of everything from pianos to sewing machines lay at the root of the trouble. Fanning out across the province, they pressed goods upon a sometimes reluctant farming population, with the inducement of long credits. The banks, of which there were also too many, accepted the farmers' notes as security against advances to the traders. When the price of wheat fell to disastrously low levels, the farmers were unable to make the promised payments.<sup>46</sup> Under these conditions, the Banque Nationale branch was closed on 31 December 1895, its business taken over by the Molsons Bank. Its former manager, George Crebassa, claimed that La Banque Nationale was concentrating its efforts in Eastern Canada because of the recent failure of La Banque du Peuple, but it is unlikely that this was the whole story. The intended opening of a Brandon, Manitoba branch was announced in 1894, but it may not have become a reality.<sup>47</sup>

More branch activity occurred prior to the shareholders' meeting of 18 May 1893. A branch was opened in St. Roch, a part of Quebec City, with Mr. E. Huot, formerly chief accountant, as its manager.<sup>48</sup> Two other branches were opened in the Quebec City area, in the suburb of St. John's, under the management of Charles Cloutier, and at St. Sauveur, with Louis Drouin as manager.



J. A. E. Dubuc was appointed manager of a new branch at Chicoutimi. Additional branches were slated to open by the beginning of June at St. Francis, in Beauce County, with N. A. Boivin as manager, and on St. Lawrence St., Montréal, with M. Benoit as manager. Prior to this spate of activity, the last new branch opening had been at Sherbrooke in February 1875.

At the 1893 general meeting, shareholders learned that the net profits, after paying the usual dividends, were sufficient to contribute \$30,000 to be the nucleus of a new rest fund, with a little assistance from the profit and loss account. It was hoped that additions could be made to the rest each year thereafter. The bank's last timber limit in the Ottawa area was disposed of, at a loss of \$12,500 covered out of the year's profits, and the former large and unproductive real estate account was wrestled down to only \$12,450. Circulation showed another significant increase to \$852,614, deposits and loans showed gratifying growth, while total assets now approached \$4.6 million. Other changes during the previous year included the resignation of Louis Bilodeau from the board, and his replacement by A. B. Dupuis in March 1893. The Ottawa manager, Mr. Bazin, also resigned to be replaced by A. A. Taillon, who had been a banker in Sorel. Evidently a popular manager, Bazin was presented with a gold watch, chain and locket, and a purse containing \$500, by his friends and former customers.<sup>49</sup> The bank sold the building occupied by its Ottawa branch, soon to become home to the Canadian Bank of Commerce branch, and moved the business to rented offices on Wellington Street as a cost-saving measure.

The close and continuing relationship between the bank and La Caisse d'Économie was explained to the shareholders in the following terms:

As to the Caisse d'Économie [Savings Bank] and its relation with the bank, this is the state of matters put briefly: The Caisse d'Économie keeps on deposit, in the savings department of the bank, an average of \$250,000 yearly. It pays over its counters every year, with the circulation of the Banque Nationale, about \$1,500,000 yearly. For this the bank pays nothing. Moreover, the Caisse d'Économie keeps in its vaults about \$20,000 of our circulation, for which it gives the bank gold. For these advantages the manager of the Banque Nationale at

Montréal attends to the collection and investment of about \$500,000 a year for the Caisse d'Économie.<sup>50</sup>

It appeared that the long slow decline of the past eighteen years had finally ended, and the bank was beginning to make progress again. Events soon proved that any rejoicing was premature.

The fortunes of the bank suffered another downturn in 1894. In December of that year R. Turner and H. M. Price were chosen to fill vacancies on the board. The dividend had to be passed again, and the position of the bank had taken on a dire appearance. Cashier P. Lafrance was demoted, and the former Winnipeg manager, George Crebassa, was named acting cashier on 16 May 1895. On 22 May he was appointed general manager and inspector. Lafrance became Quebec City local manager.<sup>51</sup>

The federal department of finance was kept informed about the state of the various banks by assistant receivers general, who reported privately to the deputy minister. In a letter to J. M. Courtney, E. J. Barbeau, assistant receiver general at Montréal, wrote this report concerning La Banque Nationale:

The Bank in question has been pretty hardly hit in some of its agencies. Some of them are still continued under special arrangements with the agents. These are paid, if I understand well, a percentage on the profits, but they get little or nothing in case of loss. If you are satisfied that your deposits have the guarantee of the Bank you may be all right for a limited amount.<sup>52</sup>

This letter gives an indication that at least some of the branches were operated under a system which had become archaic. It was the usual practice for the government to keep accounts with most of the banks to handle remittances and to pay federal employees locally. Some discretion was used in selecting the banks, unless prudence was overridden by political considerations, as was sometimes the case. Another letter from Barbeau, written a few months later, shows that he believed, not without reason, that the bank was slowly sinking:

The opinion of many here is that the concern is ultimately destined to be wound up. It has lost, I am assured, some good accounts. An incipient run took place but was not of much consequence. The stock is greatly held by the



clergy, which, in Quebec City, tends to keep people quiet. The present position requires it to keep very strong. This, with a loss of business and perhaps a gradual drain from depositors will further weaken its money making powers & will find its echo in diminished or suppressed dividends.<sup>53</sup>

### 5. Prosperity Regained

The annual meeting of shareholders on 22 May 1895 was so heavily attended that overcrowding forced some to remain in the passages. Rumours were rife that a move was afoot to oust some of the directors. All seven directors were in attendance: Gaboury, Kirouac, LeDroit, Audette, Dupuis, Turner and Price. The president, Aug. Gaboury, read the director's report of the year's business, as usual. Bad and doubtful debts amounting to \$140,412 consumed the entire profits of \$122,239, and the little rest account established two years earlier vanished as well.<sup>54</sup> Mr. N. Garneau then put a series of nine questions to the directors respecting certain transactions of recent years. Several of them were answered but Gaboury refused to give answers publicly to others.

Discussion of these matters continued until 8 o'clock in the evening and criticism of the management was quite severe. One of the new directors, Mr. Turner, said that the former cashier, Mr. Lafrance, was an honourable and painstaking man, but speaking as a business man, he was of the opinion that the bank required a good manager. Judge Chauveau directed several complaints at the directors, attacked the Montréal management, and thought the same man could not adequately manage both La Caisse d'Économie and La Banque Nationale. As the judge became increasingly worked up, he stormed, "I consider that a bank lending at 3 and borrowing at 4 per cent is badly managed." The comment was met with a round of applause. He then reminded the meeting that the shareholders unanimously decided, a year earlier, that no remuneration should be paid to the directors, but still they continued to draw their fees as usual. N. Matte then took the floor and revealed that his 1888 report, in which he criticized the management of the Montréal branch, resulted in his dismissal rather than the necessary corrections. Matte had predicted the present state of the bank. A gentleman named Mr. Édouard Couture pronounced himself in favour of liquidating the affairs of the bank.

The president, Aug. Gaboury, was then subjected to questioning. One G. Larue asked the president what the bank paid him, to which he replied that he received a salary of \$2,000. This evoked jeering and laughter, causing Mr. Price to remark that he would resign if that was the way they were going to treat the president. Hon. L. P. Pelletier thought Mr. Price should not take it that way. The shareholders had full confidence in the four newest directors, he said, but thought the old directors should get out. Pelletier allowed that Gaboury was a very honest and painstaking man, but not every honest man was qualified to run a bank. A director then added that the patrons of the Quebec City branch of La Banque du Peuple consisted mostly of dissatisfied former customers of La Banque Nationale. Four other speakers all sought the resignations of Gaboury, Kirouac and LeDroit as the discussion continued. Those three directors then quit, and an election for the current year was held. The seven individuals receiving the highest number of votes became the new directors:

R. Audette	re-elected	15,019 votes
R. Turner	re-elected	14,712 votes
A. B. Dupuis	re-elected	14,620 votes
H. M. Price	re-elected	14,508 votes
Judge A. Chauveau	elected	7,167 votes
Victor Châteauvert	elected	5,700 votes
L. Bilodeau	elected	4,047 votes

The longer serving directors, including Gaboury, had all been swept from office. Rodolphe Audette was chosen as the next president of the bank, with A. B. Dupuis vice-president. Audette had long been employed in the hardware business of former bank president Isidore Thibaudeau as head clerk and accountant, and was promoted to salaried partner in 1887.<sup>55</sup> Mysteriously, Richard Turner, H. M. Price and Louis Bilodeau resigned the day after their election. They were replaced by J.O. Villeneuve, M.P.P. and Mayor of Montréal, Narcisse Rioux and Nazaire Fortier, a Quebec tanner and merchant.<sup>56</sup> Villeneuve, in turn, resigned in May 1896, shortly before the annual meeting, at which J. B. Laliberté was elected to the vacant position. George Crebassa tendered his resignation on 20 April 1896, on account of failing health. Lafrance, one suspects, was soon back in charge, although officially his title remained manager of the Quebec office.<sup>57</sup> The bank's advertising over the next several years failed to name any general manager.



In terms of branch activity, in 1895 a new branch was opened at Roberval, which was located at the end of the Quebec and Lake St. John Railway.<sup>58</sup> St. Hyacinthe was the next community to receive a branch. Buildings were purchased to house the branches already operating in Chicoutimi and St. Roch. Dividends were resumed, if only at the modest rate of 4 per cent, following the 1895 shareholders' revolt which eliminated the old board. Bad and doubtful debts written off for 1895-1896 amounted to \$50,895, a heavy amount but still substantially reduced from those of preceding years. The losses were blamed on the previous administration. Results for the year were pronounced satisfactory, following a weak first few months.<sup>59</sup>

One feature of the 1896 general meeting that aroused comment was the small number of anglophone shareholders present. It was conceded that this might have been merely a coincidence but the possibility was raised that it resulted from a purge of English speaking directors.<sup>60</sup> While it is true that La Banque Nationale had always been a proudly francophone institution, it is also true that as many directors with French names as with English quit the board between the general meetings of 1895 and 1896. The evidence does not appear to support any suspicion that anglophones were selectively being driven out.

A revival in the bank's fortunes following the 1895 shakeup was noticed and reported by Courtney's "spies." A letter translated and forwarded from the E. B. Eddy Company at Hull stands in remarkable contrast to the reports written a couple of years earlier: "There can be no doubt as to the affairs of this bank. The men in charge of this institution are competent and first class and concentrate all their efforts and interests for the advance of this bank and consequently its success is assured."<sup>61</sup> Nevertheless, Courtney was still wary of depositing any significant amount of government money with La Banque Nationale, citing as reasons the lack of a reserve fund and the depreciated market value of its shares. In a report to the Minister of Finance he wrote:

The business we have been doing with the Bank has been reduced until now we issue no credits on it at all and the only deposits it receives on Gov't. account are the money order deposits at St. Rochs, Quebec, which have been allowed to remain as they form about an equivalent to the salaries and superannuation allowances paid by the Bank to public officers.<sup>62</sup>

The rest account was started from zero for the fourth time in 1897, when earnings were sufficient that \$50,000 could be set aside. This sum was matched in 1898 and succeeding years, when the dividend rate was a more creditable 6 per cent. The business of the bank had finally snapped out of its long lethargy and showed general growth and activity. Circulation and loans were rising sharply, and total assets increased from \$4,762,000 in 1896 to \$6,089,000 two years later. Further indications of good corporate health were large reductions in the figures for real estate held by the bank and for overdue debts.<sup>63</sup> The bank extended its presence in Quebec by the opening of a new branch at Montmagny in 1899, to which J. Audet, of the Sherbrooke branch, was appointed manager.<sup>64</sup> Branches were also opened in Fraserville and Murray Bay shortly afterward, and in St. Casimir, in the County of Portneuf, near the beginning of the new century.

The annual report given at the 16 May 1900 meeting of shareholders shows circulation running very close to its legal limit of the amount of paid up capital. It was not hard to guess that an issue of new capital stock was not far off, as long as business remained vibrant. Otherwise, to avoid the severe fines in place for overcirculation, the bank would be obliged to pay out notes issued by its competitors, which it was naturally loath to do. Net profits of \$109,583 after providing for bad and doubtful debts were, with a little help from the surplus carried forward from 1899, sufficient to continue dividend payments at the 6 per cent annual rate. Also, another \$50,000 was transferred to the rest, extending that fund to \$200,000.<sup>65</sup> Deposits were now close to \$4 million and current loans exceeded \$5.5 million. *The Monetary Times* noted with approval, "such items as overdue debts, real estate held, and mortgages are in much reduced proportion, and altogether the bank's affairs have an improved look."<sup>66</sup> The board appears to have been satisfactory to the shareholders, having been re-elected without change at each meeting since 1896.

The next five years saw the bank making steady, if unspectacular, progress. In 1901 a contingent account of \$30,000 established several years earlier, probably to meet further losses that might arise, was closed, the amount being combined with net profits of \$142,730. This enabled payment of the usual dividends at the rate of 6 per cent for the year and a \$75,000



contribution to the rest, leaving a robust balance forward of \$54,738.<sup>67</sup> In 1902 increased profits of \$154,993 allowed for another \$75,000 transfer to the rest account. Further additions of \$50,000 made over the next three years brought the rest, or reserve, up to \$500,000. Net profits were \$148,834 in 1903, \$152,777 in 1904 and \$140,684 in 1905.<sup>68</sup>

As expected, the bank was not content with the \$1.2 million limit on circulation, as fixed by the paid up capital. The only way to increase the amount of the bank's notes in circulation was to issue more capital stock. Accordingly, a special meeting of shareholders was held on 13 November 1901 that authorized an additional \$800,000 in capital. When all new shares were issued the capital would be brought back to its pre-1888 level of \$2 million. Only \$300,000 was made available for subscription at the time, raising the circulation limit to \$1.5 million.<sup>69</sup> This was apportioned among the existing shareholders on the basis of one new share for every four held.<sup>70</sup> The dividend rate remained at 6 per cent per annum throughout this period, although the enlarged capital meant that \$90,000 per year would be paid out, rather than the \$72,000 paid previously.

In 1902 an audit of the circulation accounts of all banks was ordered by the federal government. Many banks, including La Banque Nationale, had enhanced their profits from time to time by simply writing off old unredeemed notes on the assumption that they had been lost or destroyed and would never be presented for redemption. Federal law required that all such entries be reversed. The ledger detailing notes issued from 1860 to 1869 could not be located, but available accounts showed that La Banque Nationale had written off a total of \$65,811 from its circulation account. Of this, \$15,000 had been restored to the circulation liability in March 1903, at the expense of the year's profits, and a like amount was to be paid annually until the full sum had been restored.<sup>71</sup>

The competition among banks for deposits was becoming more and more intense, and like its rivals, La Banque Nationale began opening new branches at an accelerating pace. The shareholders were told:

Your directors do not regret the policy adopted for the opening of these branches. Trade has increased considerably in our country places and the need for banks is felt everywhere; numerous requests have been sent to us which we were

unable to grant; we are choosing the points we believe to be the most profitable, limiting ourselves to the Province of Quebec. Until now we have been happy in our choice.<sup>72</sup>

The decision to expand within the province is interesting. It was consistent with the Québec nationalism that characterized the bank from its inception. It probably also reflected lessons taken from the unsuccessful venture in Winnipeg in the early 1890s. But fundamentally this policy recognized what was both a strength and a limitation for all of the francophone banks – they were unable to penetrate English-Canadian markets successfully, just as the anglophone banks were unable to make inroads into francophone territory. During the first five years of the twentieth century branches were opened at Nicolet, Coaticook, Baie St. Paul, Plessisville, Lévis, Marieville, Trois-Pistoles, St. Charles, Montréal St. Laurent Street, St. Evariste, Amqui, Deschaillons, and St. Anne-de-la-Pocatière. The branches at Marieville and Montréal St. Laurent Street did not meet expectations and were closed after a very short time.

A noticeable feature of the shareholders' meetings of this period was the number of members of the clergy in attendance. Sometimes one or another would be given a largely ceremonial role such as moving the traditional vote of thanks to the officers, or moving that the annual report be adopted and printed for distribution.

The annual statements were signed by N. Lavoie, Inspector, and P. Lafrance, Manager. The board was re-elected annually, without change, until 1905. At the shareholders' meeting that year, Alphonse B. Dupuis was thanked for his years of service as a director as he retired from the board. He had been vice-president since 1895. Judge Chauveau became vice-president in 1905, with Victor Lemieux elected to the vacancy.<sup>73</sup>

The shareholders' meeting of 16 May 1906 was a happy occasion. "We can certainly rejoice upon the financial condition of our old Québec French-Canadian institution," Rodolphe Audette said. Total assets were a record \$11,496,600. Net profits of \$195,753 were the best in many years, and made possible an addition of \$100,000 to the reserve. Circulation was once again as close to the paid up capital as it could comfortably get, so the directors were thinking of increasing the capital again. To facilitate this, a motion was made to amend the charter in order to raise the par value of



shares from the present \$30 to \$50 or \$100 as the directors saw fit. Shareholders were tantalized with the expectation of an increased annual dividend of 7 per cent, distributed quarterly. The shareholders, in turn, felt sufficiently prosperous to vote \$500 towards the erection of the Laval Monument, "being a work of national character." The following table shows the progress made by the bank since the old executive was overthrown in 1895:

	1895	1906
Capital	\$1,200,000	\$1,500,000
Reserve	none	\$600,000
Dividend	none	6 per cent
Circulation	711,749	1,477,140
Deposits from all sources	2,382,167	7,662,728
Discounts	3,645,293	9,377,167
Number of branches	12	31

(Source: *Monetary Times*, 25 May 1906, p. 1582-1583)

New branches continued to be opened as the bank competed with its rivals for the savings of Quebecers. During the business year 1905-06 branches were opened at St. François du Lac and at Rivière-du-Loup Station. The pace quickened the following year with new branches established at L'Islet, Matane, New Carlisle, Shawinigan Falls, St. Aimé, St. Pascal, St. Raymond, St. Tite and Trois-Rivières. The year after saw the addition of only one new branch, at Paris, France, but it was a branch in which the bank took special pride. The object of opening a Paris branch was no doubt to enhance the prestige of La Banque Nationale, and also to receive savings deposits that could be profitably used back in Canada. The vice-president, Judge Chauveau, made several trips to Paris to promote the branch. The financial crisis of 1907, more sorely felt in the United States than in Canada, caused the bank to delay its expansion within Quebec.

The bank reported a profit of \$252,360 in 1907, to which was added over \$57,000 premium received on the sale of new stock. The annual dividend rate was limited to 7 per cent, now paid quarterly, for the present. This restraint helped to fund \$10,000 to be set aside for the opening of new branches, \$15,000 to renovate the Quebec office, and an impressive \$150,000 contribution to the reserve. \$300,000 of new capital stock was made available on 15 December 1906, offered at a 20 per cent premium. The stock was almost entirely snapped up by existing shareholders, who

evidently suffered no lack of confidence in the future of their bank. Banque Nationale shares had a par value of \$30 since the capital stock reduction of 1888, but authorization by act of Parliament had been received to change the par value to \$100, presumably on the basis of a three-for-ten stock swap. Note circulation kept pace with the increasing capital, rising very near to its limit under the law. Deposits now exceeded \$9 million, evidence of the success of the programme of expansion of the branch network. Total assets now approached \$13.75 million, reflecting the bank's recent very rapid growth.

The directorate suffered one of its few changes since the upheavals of 1895 with the passing of Narcisse Rioux. The board appointed Charles Pettigrew to fill the vacancy, and he was re-elected with the others at the 22 May 1907 general meeting.<sup>74</sup> The directorate remained quite stable for a number of years, but it is noted that the names of Hon. Justice Chauveau and Victor Lemieux did not appear in the 1916 annual report, but those of Nap. Drouin and the general manager, Napoléon Lavoie, had appeared. Olivier-Napoléon Drouin (1862-1934) founded the Rock City Tobacco Co. and was Mayor of Québec from 1910 to 1916. J. B. Laliberté succeeded Judge Chauveau as vice-president.

The bank enjoyed even better net earnings the next year, amounting to \$279,171, despite having to curtail business somewhat because the financial crisis caused an increase in the lending rate. The \$150,000 annual contribution to the reserve was maintained, and in fact continued for the next several years. In 1908 the reserve reached half the amount of the paid up capital of \$1.8 million. The bank premises account was reduced by \$12,500, always a prudent move, and the directors were planning to initiate a pension fund out of future profits, following the example set by the larger banks. An additional \$200,000 of authorized capital remained to be issued, but this was deferred until 15 November 1908, when the financial markets had recovered from the turmoil of 1907.<sup>75</sup> Again the stock was allotted at a 20 per cent premium.

In 1909, the bank announced that it would construct an eight-storey bank and office building in Montréal, on St. James St. and Place d'Armes Hill. Plans called for the bank to be housed on the ground floor, with ten or twelve offices to rent in



the upper storeys.<sup>76</sup> Another new building was constructed for the branch recently opened in Trois-Rivières. Once again, new branches were being located throughout Québec at a rapid rate. In 1909/10 alone there were seven branches and nine sub-agencies opened. The sub-agencies were not full service banks, but existed only for collecting the savings of farmers and others in small communities, in direct competition with other banks and especially with the credit unions that were springing up around the province. While most branches and sub-agencies flourished, or at least met expectations, some did not, and the Ste-Anne-de-la-Pérade branch closed within a year or so. In 1911 the bank boasted 54 branches and 14 sub-agencies in Canada, plus the branch in Paris.<sup>77</sup> In 1910, the branch at St. Pacome, in Kamouraska County, was broken into, the safe blown open with dynamite, and almost \$6,000 was stolen. A Frank Murphy was arrested on suspicion of being one of the burglars. A search revealed that he was carrying \$2,000, and was in possession of a set of burglar tools.<sup>78</sup>

The bank celebrated its fiftieth annual general meeting on 19 May 1910. By this time the last \$200,000 of authorized capital stock had been issued at a premium, and the paid up capital was finally equal to its pre-1888 total of \$2 million. Even so, the bank was obliged to pay out the notes of other banks for four or five months of each year to remain within its circulation limit. The shareholders voted to apply to Parliament for power to increase the capital to \$5 million. The increase was to be issued incrementally at the discretion of the directors.<sup>79</sup> There was some shortcoming in the text of the original motion and the proposal had to be put before the shareholders once more the following year. There was no urgency as it would be some considerable time before any more stock was issued. As it turned out, stock was never issued to the full amount.

A notable change had taken place in the management by this time. P. G. Lafrance, who had been general manager since the death of François Vézina in 1882 until being deposed in 1895, and then simply "manager" after George Crebassa resigned, finally retired to the less demanding position of secretary of the bank. He was replaced by Napoléon Lavoie, formerly the inspector. Lavoie was given the title, withheld from Lafrance over the previous decade and

more, of General Manager. P. Lafrance died at his Quebec City home on 20 June 1926. Born in Québec in 1839, he entered his profession at La Caisse d'Économie as a youngster and transferred to La Banque Nationale after several years. He opened the Sherbrooke branch in 1875. In recognition of his wide experience, Lafrance was chosen as the first President of the Québec Clearing House.<sup>80</sup>

In 1911 the rate of the annual contribution to the reserve fund was reduced to \$100,000. Profits for the year were still healthy enough at \$262,513, but there was no premium on new stock to be added as the capital remained at \$2 million. Dividends at the annual rate of 7 per cent consumed \$140,000 of the net profits, and the directors tantalized the shareholders at the annual meeting with the prospect of an 8 per cent dividend in the near future.<sup>81</sup> This would suggest that the directors were content to add only \$100,000 annually to the reserve in the coming years since, failing substantially increased net profits, the dividends would consume the balance. It is noted, however, that circumstances permitted a \$150,000 addition to the reserve in 1913, when the bank reported a robust net profit of \$302,304, a slight increase over that achieved in 1912. With the ever increasing volume of business, profits grew to \$319,902 in 1914 and \$333,207 in 1915. A revision of the Bank Act made in 1913 required an outside auditor to examine the books of each bank on an annual basis. Octave Bélanger acted in this capacity for La Banque Nationale.

## 6. The Bank at War

Restrictions on chartered bank note circulation were loosened in stages by the gradual relaxation of government regulations. In 1908 the Bank Act was amended to permit the overissue of bank notes to the extent of 15 per cent of capital plus reserve for the busy crop moving period, the months of October through January, with the excess to be subject to a tax of up to 5 per cent per annum. In 1912 the time limitation was eased with the addition of the months of September and February. In 1913 a further amendment made possible additional note issues beyond the 15 per cent limit of 1908, provided that the excess be covered by deposits of gold or Dominion notes in the central gold reserve. Emergency circulation



powers were given to the banks shortly after the outbreak of World War I, rather than requiring them to wait until 1 September as previously.<sup>82</sup>

The war, as one would expect, brought drastic changes to the economy and banking. Some of the impacts felt by banks generally were a 1 per cent tax on note circulation (which remained in place after the war, for as long as banks issued their own notes), a decelerated rate of new branch openings, a surge of economic activity and inflation. In the specific case of La Banque Nationale, the proposed re-construction of the head office in Quebec City was postponed until after the war. In 1915 La Banque Nationale reported that \$20,000 was paid for the war tax on circulation. Capital remained static at \$2 million but the reserve fund, now at \$1.8 million, was gradually catching up, and the dividend rate was still 8 per cent. Modest sums were being contributed each year to the pension fund.<sup>83</sup> The president, Rodolphe Audette, described the business of the bank in 1916 in these words: "By our branches and sub-agencies, which are more numerous than ever, we are inviting deposits, but at the same time we are distributing them by our loans to commerce and industry and specially to agriculture which we reach by numerous country branches."

The bank was also doing its bit for the war effort. As of 1916 it had subscribed \$300,000 to Canadian bonds, \$1 million to the Imperial Loan for munitions of war to be manufactured in Canada, and to France, a \$200,000 loan, also for Canadian-made munitions. The bank was earning income on these bonds that helped raise total income for the year to \$341,003.<sup>84</sup> General Manager Napoléon Lavoie served as Chairman of the Quebec Province Bankers Committee of the Victory War Loan Corporation. In addition, the bank was contributing to the Patriotic Fund, which helped support the dependents of servicemen. The annual report of 14 June 1916 shows that the capital was still \$2 million, but notes of the bank in circulation totalled \$3,239,165. Against the excess of circulation, the bank had \$800,000 on deposit in the central gold reserves. Deposits well over \$22 million included over \$1.2 million on deposit outside Canada, payable after notice, which evidently implies the Paris branch. The latter figure shows remarkable growth from approximately \$422,000 reported in

1910 and \$599,000 in 1911. Perhaps Canada was seen as a more secure place for the savings of Parisians during war time. From the profits of 1915-1916, a sum of \$50,000 was earmarked for "depreciation on securities and for contingencies." Charges under this heading would continue to be made: \$75,000 in 1917 and \$100,000 for each of the next several years after that. On a happy note, total assets at the time were just under \$30 million, over double the figure of just eight years earlier.<sup>85</sup>

The bank gave every appearance of thriving as war gave impetus to production. In Québec, improved farming methods and high prices for produce put more and more cash into the hands of farmers, of which the bank received its full share in the form of deposits. The bank also did a large business of lending to farmers for seed, herd improvement and equipment. The bank had been criticized for draining savings from rural communities to lend in the big cities, but the president laid out forcefully the true position. The managers, he insisted, had all been instructed to give preferential treatment to farmers who were applying for loans, and "you would not find, in all the province, five farmers who would have a reasonable right to complain." The bank may well have wished, not too many years later, that it had made loans to no one but farmers and small traders.

Reflecting war time prosperity, net profits of \$417,622 were reported in 1917. This sum went into dividends, reserves, depreciation on securities, war tax on circulation (charged only on the \$2 million of regular circulation; the excess was well taxed in other ways), as well as payments of \$50,000 to the pension fund and \$7,500 to the Patriotic Fund. The major boost to the pension fund was justified, it was explained, because the bank had been one of the last to set up this provision for its employees. The reserve fund was now equal to the capital, so the directors felt that circumstances permitted the dividend to be increased to 9 per cent for the coming year. The bank returned to a more aggressive expansion of its branch network, with 5 branches and 23 sub-agencies opened (and 8 sub-agencies closed) in 1916-1917. Bank premises and fixtures now accounted for over \$1,137,000 on the balance sheet – an increase of over 10 per cent from the previous year – as a result of buying property and



contruction to house the branches at Chicoutimi, Mont-Joli, New Carlisle, Cap-St.-Ignace, Grand-Mère, Hull and Belvédère.

### 7. A Fatal Blunder

Year after year, the bank preached that the prosperity enjoyed in Québec while Europe suffered intense hardship was abnormal and unsustainable, that prudent people would reduce expenses and prepare for an imminent and considerable depression. Likewise, the Canadian Bankers' Association and the Minister of Finance exhorted the banks to curtail credit and minimize their exposure to new enterprises.<sup>86</sup> By quietly doing just the opposite, the bank was sowing and nurturing the seeds of its own destruction. Through the Montmagny branch and its enthusiastic manager, the bank was funnelling huge sums to a politically well connected entrepreneur, who had acquired a small farm machinery factory, converted it to a munitions factory which received lucrative war time contracts, then back to a large farm implement manufacturer. The central figure in the business was much more interested in borrowing than repaying, but ensured that he was personally well paid by plundering his company.<sup>87</sup>

Meanwhile, the good times rolled on unabated, as far as anyone could tell. Profits in 1918 were better than ever at \$435,283, and even after paying dividends and contributing to reserves, pension fund and contingencies, the bank was able to write off \$35,000 for depreciation on bank premises and a further \$10,000 on fixtures. Circulation increased to \$4,260,980, part of the excess over capital being backed by \$1.7 million in the central gold reserves. A new line on the balance sheet, "Due to the Canadian Government," showed an astonishing amount of \$5,444,435. No explanation was provided. In fact, the bank was making use of a provision of the 1914 Finance Act, which made Dominion notes available to banks upon the pledge of securities. Instead of being wound down after the war, this arrangement was continued under the 1923 Finance Act.<sup>88</sup> That was probably a mistake. Through this process of rediscounting, banks could borrow from the government at 5 per cent and lend to their customers at 7 per cent. The

amount of credit available in the country rapidly mushroomed in consequence. With the suspension of the gold standard at the outbreak of the war, and in the absence of other effective controls, the Dominion notes account ballooned under the rediscounting programme. The result was inflation. As the soaring cost of living was imposing real hardship on its employees, the bank paid them, collectively, a special war indemnity exceeding \$30,000 outside of regular salaries.

The bank continued to call for prudence and economy. "Since the beginning of the war, the bank and the country have had prosperous times, which seems a sin when we see misery and death ruling in European countries. We must prepare ourselves to have our turn of bad times," the president warned the shareholders in 1918. Prudence obliged the bank to restrict advances to the public, to favour the most useful ventures and be parsimonious with loans relating to luxury and amusements.<sup>89</sup> An agreement was made with other banks to curtail branch openings until after the war. Accordingly, only one branch was opened in 1917-1918, in Mont-Laurier, balanced by closing the one at Laprairie. Seven sub-agencies were opened before the agreement, and four were closed.

But the bad times still did not come, at least not right away. With the end of the war came the end of the economic stimulus from supplying munitions and other products for the Allied forces, but the effect was by no means immediate. High prices for agricultural produce enriched the farmers of Québec, and deposits in La Banque Nationale increased from \$27,213,000 in 1918 to \$37,455,000 in 1919. Deposits at the Paris branch increased over 50 per cent to \$1,852,000. Most of this increase could not be employed at once in commercial loans, so the bank purchased government debentures to keep the funds productive. Returned men who had left positions in the bank to go to war were rehired by the bank. Once again staff were given a cost of living allowance to help them cope with inflation. The amount paid out for 1918-1919 totalled \$54,000.

People attending the shareholders' meeting on 11 June 1919 were greeted with the welcome news that the bank had earned a net profit over the previous year of \$533,450. Again the directors wrote down the bank premises to the



extent of \$40,000 and fixtures by \$10,000, while contributing \$25,000 to the pension fund. The dividend rate was increased from 9 to 10 per cent for the coming year. About a third of the large debt to the government noted in 1918 had been repaid. The reserve fund continued to grow by another \$100,000, while a further \$100,000 disappeared into depreciation of securities. Both allocations were continuing practices of the past several years. Total assets of the bank now exceeded \$50 million. The troubled loan to Machine Agricole at Montmagny appeared to have been a well kept secret. Not a whisper of it was recorded in the proceedings of the annual meeting, and the president, in his address, reassured shareholders that it was expected that the bank would continue to maintain its fine position even though it seemed unlikely that the record profit of 1919 could be matched every year.<sup>90</sup>

Still the bank continued to grow. It added 3 branches and 21 sub-agencies, while 2 sub-agencies were closed. More land was acquired and buildings erected to house various branches. A motion made by the president, Rodolphe Audette, and seconded by the vice-president, J. B. Laliberté, that the directors be authorized to make repairs and additions to the head office, "in accordance with the importance of the Bank and its wants," was adopted. Construction had been discussed earlier, and shelved until after the war. Re-election of the board of directors was so routine it was now taken for granted. A motion was adopted that the election be made unanimous. The same procedure was followed the next year. In August 1919 it was announced that E. G. Audet had been appointed assistant manager of the bank, and manager of the Quebec City branch. J. S. Blais was named superintendent of branches, and L. A. Rousseau, Roland Dion and Georges Beaudry, inspectors.<sup>91</sup>

Net profits reported in 1920 were even higher, contrary to expectations, breaking all previous records at \$567,372. Dividends, reserves and depreciation on securities consumed \$400,000. Bank premises and fixtures were written down to the extent of \$50,000 and \$15,000 respectively. A \$25,000 contribution was made to the pension fund and a generous amount was carried forward. Deposits showed another huge jump of about 30 per cent; the increase at Canadian branches being \$7,632,153, and at the Paris branch alone, an astounding \$3,372,201. Loans and investments in securities accounted for even more money than the

increase of deposits provided, and the sum borrowed from the government, which was being paid down in 1919, increased by over \$5.7 million in 1920. The government rediscounting programme that made funds available to the banks to help meet wartime demands on the economy was expected to be gradually withdrawn. The bank, as a result of this misapprehension, anticipated its lending business would shrink in the near term. With such a large and profitable business being done, the directors felt justified in declaring a raise in the annual dividend from 10 per cent to 12 per cent. No cost of living assistance was given to staff in 1919-1920, but salaries were increased by 10 per cent to 30 per cent, the smallest salaries receiving the largest rate of increase. During the year the bank opened 9 new branches and 34 sub-agencies. The bank was now represented at 302 points, nearly all of them in Québec.

Nothing in the records of the 9 June 1920 general meeting or the bank statement gave the least hint of problem loans such as the enormous sums borrowed by Machine Agricole. The overdue debts acknowledged on the balance sheet were a mere pittance. The annual report did raise an alarm about union activities, its authors apparently worried about militant worker organizations and strikes intended to gain control of the administration of banks, driving them to ruin, resulting in the destruction of employment, trade and industry.<sup>92</sup> This was perhaps to be expected given the times, which were witnessing the rise of Bolshevism. The real threat to the bank came not from its industrious and faithful employees, but from a farm machinery manufacturer in Montmagny.

The vice-president, J. B. Laliberté, chaired the annual general meeting for 1920 in the absence of Rodolphe Audette. Audette was unable to attend again the following year. Nevertheless both he and Laliberté were re-elected annually to the same positions by the directors. On 6 November 1920, Victor Châteauvert (born in 1841) died after serving 25 years on the board, and Mr. Adjutor Rivard was appointed to the vacancy. Rivard was soon obliged to resign when he was called to the bench of the Court of Appeals of the Province of Quebec. To replace him, one of the largest shareholders and a previous director and vice-president, Mr. A. B. Dupuis, was chosen.



## Note Plates

1. Banque Nationale \$2, partially engraved date 28 Avril 1860, manuscript number 56/A, signed F. Vézina and U. J. Tessier. Imprint American Bank Note Company at bottom centre, as is found on all \$2, \$5 and \$10 notes of this issue. A pen cancelled example, cancelled "10 Juin 75" with a vertical "F. Vézina" signature and the word "annulé" repeated. The back is plain for this and all notes of the 1860 issue.



2. Banque Nationale \$1, partially engraved date 25 Mai 1860, printed number 00852/D, signed F. Vézina and U. J. Tessier, punch (perf.) cancelled, imprint American Bank Note Company is at the top centre on all 1860 \$1 notes.



3. Banque Nationale \$1, engraved date 28 Avril 1860, printed number 18113/A, signed F. Vézina and E. Chinic, uncanceled. This note has a white signature panel.



4. Banque Nationale \$1, engraved date 28 Avril 1860, printed number 19566/A, signed F. Vézina and I. Thibaudeau, v. (vice president). This note is unusual in that it is uncanceled.







5. Banque Nationale \$1, engraved date 25 Mai 1860, printed number 20390/C, signed F. Vézina and E. Chinic, punch (perf.) cancelled. This note has a green signature panel.



6. Banque Nationale \$2, engraved date 28 Avril 1860, printed number 15556/A, signed F. Vézina and E. Chinic, punch (perf.) cancelled.



7. Banque Nationale \$2, engraved date 25 Mai 1860, printed number 17467/B, signed F. Vézina and I. Thibaudeau, v., pen and punch cancelled.



8. Banque Nationale \$5, engraved date 28 Avril 1860, printed number 36268/A, signed F. Vézina and I. Thibaudeau, v., uncanceled. This note was from a late printing by British American Bank Note Co., whose imprint is seen vertically at the right. The usual American Bank Note Co. imprint continues to appear at the bottom centre.



9. Banque Nationale \$10, engraved date 28 Avril 1860, printed number 24150/A, signed F. Vézina and I. Thibaudeau, v., punch cancelled. Another late printing note with dual BABN and ABN imprints.



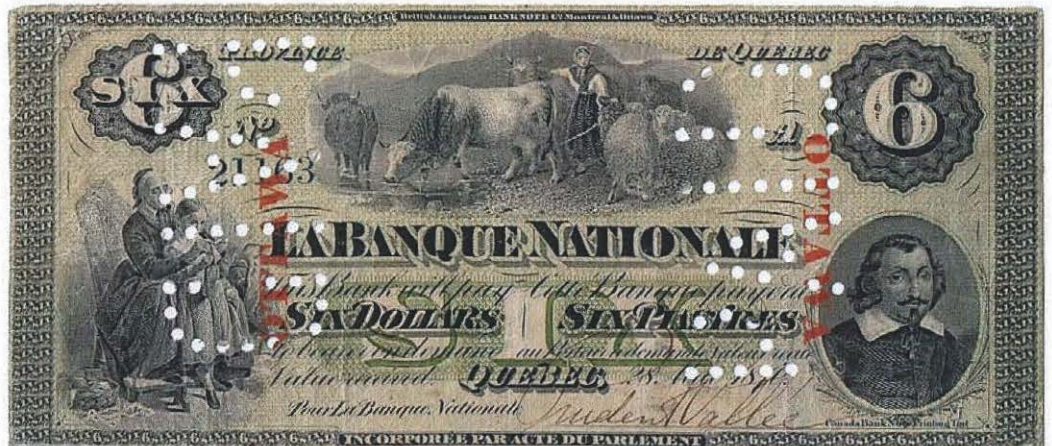
10. Banque Nationale \$10, printed date 28 Avril 1860, printed number 47103/A, counterfeit (not engraved), forged signatures F. Vézina and Prudent Vallée, pro Président, dual BABN and ABN imprints, red OTTAWA overprint. Image courtesy Corporate Archives, BMO Financial Group.



11. Banque Nationale \$4, 28 Mai 1870, number 49953/A, single signature Ol. Robitaille, pen cancelled, imprint British American Bank Note Co. Montreal & Ottawa at bottom left. This is the only \$4 issue of the bank. The back is plain for both the \$4 and \$6 notes of the 1870 issue.



12. Banque Nationale \$6, 28 Mai 1870, number 21163/A, single signature Prudent Vallée, punch cancelled, imprint British American Bank Note Co. Montreal & Ottawa at top centre, red OTTAWA overprint. The large green tint covers much of the note. The \$4 and \$6 denominations were issued in order to help dodge new federal regulations which would remove the right of banks to issue \$1 and \$2 notes.







13. Banque Nationale \$20, 2 Octobre 1871, number 08684/A, signed R. Audette, who did not become president of the bank until 1895, imprint British American Bank Note Co. Montreal & Ottawa at bottom centre, black XX overprint of unknown significance. This issue consisted of \$20, \$50 and \$100 notes which continued in circulation for over fifty years, a truly remarkable record of longevity.



14. Banque Nationale \$20, 2 Octobre 1871 on back. All previous issues have plain backs, and this and subsequent issues have printed backs. This one is typical of the series.



15. Banque Nationale \$50, 2 Octobre 1871, number 08366/A, signed R. Audette, imprint British American Bank Note Co. Montreal & Ottawa at bottom centre, black XX overprint.



16. Banque Nationale \$100, 2 Octobre 1871, number 08378/A, signed R. Audette, imprint British American Bank Note Co. Montreal & Ottawa at bottom centre, black XX overprint.



17. Banque Nationale \$5, 2 Janvier 1873, number 46285/C, signed Ol. Robitaille, imprint American Bank Note Co. Montreal & Ottawa at bottom centre.



18. Banque Nationale \$10, 2 Janvier 1873, number 44116/A, signed Ol. Robitaille, imprint British American Bank Note Co. Montreal & Ottawa at bottom centre.



19. Banque Nationale \$10, 2 Janvier 1873 back. The general style of the \$5 back is similar.



20. Banque Nationale \$5, 1 Mars 1883, number 48103/B, manuscript signature J. Kerouac, pro caissier, and engraved I. Thibaudeau, Président, imprint British American Bank Note Co. Montreal at bottom centre, red AD overprint.







21. Banque Nationale \$5, 1 Mars 1883 back. The general style of the \$10 back is similar. The back also has the imprint, British American Bank Note Co. Montreal, at the bottom centre.



22. Banque Nationale \$5, 2 Janvier 1891, number 59735/B, manuscript signature J. E. Côté, pro caissier, and engraved A. Gaboury, Président, imprint British American Bank Note Co. Montreal at bottom centre, black G overprint.



23. Banque Nationale \$10, 2 Janvier 1891, back. The back of the \$10 denomination is in similar style. The imprint at the bottom centre is British American Bank Note Co. Ottawa, whereas the imprint on the face names Montreal. The check letter is repeated on the back at each of the lower corners of the panel containing the Arms of the City of Quebec.



24. Banque Nationale \$10, 2 Janvier 1891, number 48817/A, manuscript signature E. W. (?) Huot, pro caissier, and engraved A. Gaboury, Président, imprint British American Bank Note Co. Montreal at bottom centre, dark blue P overprint.



25. Banque Nationale \$5, 2 Janvier 1897, number 348561/A, manuscript signature left, and engraved R. Audette, President, right, imprint British American Bank Note Co. Montreal at bottom centre, first variety, with lines under sheet numbers, no accent on "e" of President. The portrait of Samuel de Champlain at left shows unacceptable wear, particularly on the face and hair. Champlain's left eye, nose and mouth have become indistinct. The back is identical to that of the previous issue, and is green.



26. Banque Nationale \$5, 2 Janvier 1897, number 719556/B, manuscript signature left, and engraved R. Audette, Président, right, imprint British American Bank Note Co. Montreal at bottom centre, second variety, with no lines under sheet numbers, acute accent on "e" of Président, extra Maltese crosses with "5 FIVE" in top and bottom borders. The portrait of Samuel de Champlain at left has been reworked to show full detail, and appears to be the product of a new die which is not quite an exact copy of the old one. The back design is identical to that of the 1891 issue and the first 1897 variety, but the colour has been changed to olive.



27. Banque Nationale \$10, 2 Janvier 1897, number 272724/A, manuscript signature left, and engraved R. Audette, President, right, imprint British American Bank Note Co. Montreal at bottom centre, first variety, with lines under sheet numbers, no accent on "e" of President. The back is identical to that of the previous issue, and is green.



28. Banque Nationale \$10, 2 Janvier 1897, number 863316/A, manuscript signature left, and engraved R. Audette, Président, right, imprint British American Bank Note Co. Montreal at bottom centre, second variety, with no lines under sheet numbers and acute accent on "e" of Président. The back design is identical to that of the 1891 issue and the earlier 1897 variety, but the colour has been changed to olive.







29. Banque Nationale \$5, 2 Novembre 1922, number 039300/B, typed signature H. des Rivieres, gerant-general, left, and engraved Geo. E. Amyot, President, right, imprint British American Bank Note Co. at bottom centre. The face tint is olive.



30. Banque Nationale \$5, 2 Novembre 1922 back. The imprint at the bottom centre is British American Bank Note Co. Ottawa. Printed in green.

Continued from page 26

As predicted, the profits for 1920-1921 were lower, but barely, having declined by less than 4 per cent. Unlike the experience of many other banks, the loan portfolio actually increased, if only slightly. Deposits continued their rapid increase, evidence of the success of the bank in competing against other banks and credit unions for the savings of the Quebec population. Total assets now topped \$75 million, the large loan from the Canadian government was paid down to about \$6.6 million, the newly enriched dividend was easily paid, and all the usual disbursements were made. The reserve fund built up steadily over the past quarter century reached the maximum amount it would ever attain at \$2.4 million. The bank's circulation was now just in excess of \$6.0 million. Bank premises and fixtures were written down by \$40,000 and \$25,000 respectively, and \$20,000 was added to the pension fund. The bank wished to support education in the province and shareholders voted subscriptions of \$50,000 to Laval University and \$10,000 to La Collège de Ste.-Anne-de-la-Pocatière. First installments of 20 per cent of the subscribed sums were paid in 1921, and it was fully intended that payments should continue until the whole amount had been donated. As of June 1921 work had not begun on enlarging and

rehabilitating the head office, and hopes were expressed that this construction could be done in the next year. It was planned to increase the space not only to relieve the congestion in a rapidly expanding business, but to have additional offices available for rent.

The terrors of Bolshevism now allayed, the leaders of the bank turned their attention to cross-border trade and the weakened Canadian dollar. The Canadian government suspended the gold standard at the outbreak of war in 1914, and the exchange on American funds reached 12 to 15 per cent. This amounted to "over \$100,000,000 paid to the United States in complete loss, which we would not have paid if the balance of trade between the two countries had been even." What was needed, they said, was to produce and sell more, buy less, and buy Canadian made goods when possible. Items not made in Canada should be imported from Europe, where exchanges lay in Canada's favour.

Of course those in the know remained tight-lipped about the bank's huge problem loans, which continued to be carried on the books as current assets at their full value. In the annual report to the shareholders in 1921, the directors stressed that, in Quebec, "our principal source of



riches is agriculture: the Bank gives a special attention to its wants and we have to congratulate ourselves on the results. Our farmers, and we cannot cease to repeat it, find in our Bank all the reasonable help wanted for their progress and the growth of their farms." A corollary of agriculture was forestry work performed by farmers in winter, and here the picture was less rosy, as the market for pulp wood and sawn lumber was depressed. In this sector the bank had minimized its exposure, and in any case it was expected that any slight recovery in construction would absorb all unsold stocks of lumber. The report then warned obliquely at least of coming difficulties, without being at all specific: "We believe that the year now on will be commercially and industrially a difficult one, that the readjustment already commenced will reach its maximum this year, and not without causing liquidations, more or less injurious. Prudence is more necessary than ever."<sup>93</sup> Alas, it was too late for prudence, which should have been exercised at the Montmagny branch several years earlier. By outward appearances the bank was prospering, but in the highest offices of the institution there must have been many secret meetings of the gravest nature.

Meanwhile the bank, like any similar corporation, was not immune to comparatively minor annoyances. The manager of the Valleyfield branch and a wealthy farmer were accused in 1921 of defrauding the bank of \$41,000 by forging notes.<sup>94</sup> The following year burglars entered the sub-agency at St. Nicholas, ten miles outside Quebec City, blew the safe to bits and escaped with \$3,000. Under these circumstances, one might suppose that the condition of the notes would have implicated anyone attempting to spend them. Suspicion fell on labourers employed on road work.<sup>95</sup>

The ailing Rodolphe Audette, who had been unable to attend recent annual general meetings but was nevertheless routinely re-elected president of the bank, finally died and J. B. Laliberté became the new president. His regime was extremely brief. He announced his resignation on the grounds of ill health at the 24 January 1922 meeting of the board. Four new directors were appointed, Geo. E. Amyot, Sir George Garneau, J. H. Fortier and C. E. Taschereau. Amyot, a wealthy corset manufacturer, immediately became president of the bank. Fortier managed Legaré, Ltée., manufacturers and retailers of farming implements and carriages. Taschereau

was a prominent notary and brother of the Quebec premier (a political connection that would soon be of immense benefit to the bank). Sir George Garneau was president of a wholesale dry goods business and former Mayor of Quebec. Both Amyot and Garneau were directors of La Caisse d'Économie de Québec, indications that the "auld alliance" was still in force.

As usual, there was a lot of unseen activity propelling events. The bank's large deposit account was bleeding profusely. Market prices of farm produce had tumbled and farmers now needed access to their money that had been kept on deposit. The bank had trouble finding the cash to pay out since it was sinking under the weight of what we now call "toxic assets." The federal government was repeatedly besieged for loans that it was increasingly reluctant to provide. The Canadian Bankers Association conducted a quick audit, which showed a startling \$10 million in frozen loans on the books. The CBA may have instigated the takeover of the bank by the rescue team. At any rate, Amyot was put in charge after only three days' notice on 24 January 1922. Napoléon Lavoie, a banker for nearly fifty years, was unceremoniously shoved aside and replaced as general manager by Henri des Rivières, who by some coincidence happened to be a nephew of Premier Taschereau. Lavoie grumbled later that he had been badly treated, but his attempt to blame the takeover team for the ills of the bank lacked credibility.

The audit results were revealed to the new board of directors, who acted quickly on 22 March to slash the dividend from 12 per cent to 6 per cent, and call up \$1 million in additional capital. This was done under authorization given in 1910 but not previously acted upon.<sup>96</sup> The new stock was offered to existing shareholders on the basis of one new share for every two shares already held. Apparently, though, sales were less than brisk and within three weeks the entire issue was subscribed by a syndicate. It consisted of Amyot, who reportedly took up \$200,000 of new stock himself, the other directors who invested between \$25,000 and \$100,000 each, and a few other Québec businessmen.<sup>97</sup> In writing down losses, \$2 million was erased from the reserve fund, which had been painstakingly built up over decades, leaving only \$400,000.<sup>98</sup> These moves had the desired effect and the position of the bank was stabilized once more. Deposits gave the appearance, at least, of beginning



to flow back into the bank as confidence improved, although the provincial government appears to have been assisting with unusually large deposits.<sup>99</sup>

The shareholders at the annual general meeting on 14 June 1922 were presented with an encouraging report. Hon. Georges-Élie Amyot presided, revealing that profits for the year were \$401,922, down over 26 per cent from 1921. Amyot announced with regret the deaths of past president Rodolphe Audette and director Charles Pettigrew. In addition to the four directors named in January, two others were subsequently added to represent the Montréal and Sherbrooke areas. J. B. Laliberté submitted his resignation, making one more seat available. The newcomers were Provincial Treasurer Jacob Nicol, E. R. Decary and A. N. Drolet. The surviving veteran directors were Nap. Drouin, A. B. Dupuis and Naz. Fortier, who combined with the foregoing and Amyot, Fortier, Garneau and Taschereau to constitute the enlarged ten-member board. The directors then chose Amyot as president and Fortier as vice-president for the coming year. Probably to nobody's surprise, the shareholders declined to retain their auditor of many years, Octave Bélanger. That appointment went instead to Eugène Trudel for the year 1922-1923.<sup>100</sup> The Merchants Bank of Canada suffered comparable losses, but instead of trying to make a fresh start with additional capital, it amalgamated with the Bank of Montreal in 1922. *The Monetary Times* commented, "La Banque Nationale had a narrow escape from the fate of the Merchants. It is now off to a new start, however, with a strong board and a good manager."<sup>101</sup>

The decision made in 1921 to rebuild the old head office was almost shelved as the directors considered whether to conserve the bank's resources in such perilous times. After giving the question close scrutiny, they decided to proceed with construction as being in the best interest of the bank. Amyot expected to see the work finished by November 1922, but the opening did not occur until 4 April 1923. Officials of the bank, including Amyot, were present for the ceremony, joined by the Mayor of Québec, Premier Taschereau and representatives of other banks. The new building was described as the most spacious in the city, and apart from the quarters taken for the bank itself, hundreds of offices would be available for rent.<sup>102</sup>

The 63rd, and last, annual general meeting of shareholders was held on 13 June 1923. Profits

recorded a further decrease, to \$327,238. Dividends, war tax on circulation and \$125,000 for depreciation and contingencies accounted for practically the entire amount, leaving nothing for the pension fund or grants to colleges. Total assets had fallen by a third over the past two years, to about \$50 million. These included increased sums in the troublesome categories of overdue debts (\$780,510), real estate other than bank premises (\$391,930) and "other industrial assets," probably the Machine Agricole plant at Montmagny, valued at \$2,880,898. The debt to the federal government had apparently been settled. Apparently, this was all satisfactory to the shareholders because the board was re-elected without opposition.<sup>103</sup>

## 8. Government Bail-Out

The shareholders were called together one final time in February 1924 to ratify a remarkable agreement that would see the bank absorbed by La Banque d'Hochelaga. The reorganized bank struggled valiantly to overcome its difficulties but the burden of \$10 million in frozen loans proved unbearably heavy. Changes in federal regulations meant that problem loans now had to be reported and published separately from performing loans, so the true state of the bank could no longer be disguised. In particular, the \$5 million owed by Machine Agricole was seen as the major cause of the bank's distress. Former Quebec Premier Sir Lomer Gouin tried to dispose of the plant on behalf of the bank but to no avail. Amyot discussed the position of the bank with his friend, Premier Taschereau, unfolding a grim scenario that would ensue from its failure. Senator Wilson of La Banque d'Hochelaga was asked to come to the rescue, according to Amyot, and the merger plan was quickly put together. All this was explained to the shareholders, who ratified the proposal without opposition.

Under the terms of the agreement, shareholders would receive one share of Banque d'Hochelaga stock for every two of Banque Nationale. Based on market value, this effectively implied a value of \$73 for each share of Banque Nationale, or \$27 below par value. This comparatively happy outcome was only made possible by Taschereau's rescue package from the provincial treasury. Had the bank failed, the shares would have become worthless, and payments under



double liability would have been required to help pay creditors. The Home Bank of Canada had just failed, bringing great hardship to depositors, and another outright failure simply could not be countenanced. To facilitate the deal, the Taschereau government provided the merged banks with \$15 million of its bonds, bearing interest at 5 per cent and payable in 40 years. The interest was to be refunded and a sinking fund of about \$124,000 paid annually to the government out of the annual profits, after dividends had been paid. Purchasers of \$680,000 in worthless Machine Agricole bonds sold through La Banque Nationale were to have their cost refunded.

Premier Taschereau made a long statement in the legislature to account for the province's highly unusual action to save the bank. Aware that some were saying harsh things about his motives, charging that he was protecting friends and relatives from heavy losses they would suffer if the bank were allowed to fail, the premier claimed, "one person very close to me owns a share which she inherited from her mother, my son has five, my brother has 125 which he acquired two years ago. I will not sully my name, nor tarnish the reputation which I have sought to keep honorable for so little." He then trotted out a list of hospitals, churches, colleges and convents that were among the shareholders, and almost incredibly, he *did* go so far as to mention the proverbial widows and orphans.

One must be aware that political speeches are crafted to meet political needs, more often than not, and that it is entirely possible that the provincial government put public money at risk so that wealthy and influential people might be protected from losses. Professor Rudin addresses the merger admirably in his paper "A Bank Merger Unlike Any Other," which is recommended to readers who would like to pursue the matter in more depth. The eloquent (even in translation) words of Premier Taschereau give the official side of the story:

We are undoubtedly going through critical hours. The province is called upon to make a considerable sacrifice, but, conscious of my responsibility of the effects of my words I do not fear to declare that the project I submit to the House will save us from a disaster, will save La Banque Nationale, and, thanks to its fusion with the Hochelaga Bank, will place it on excellent

footing. Our people may have full confidence in the new institution. We ourselves will aid it, because its fate specially interests us henceforth. Without this merger, the shareholders will lose their investments, and with double liability, their losses will reach \$6,000,000.

I will add that liquidation which has to be forced through is bound to compromise the interests of the depositors, who represent \$17,000,000 of the public savings. It is known what the consequences of a forced liquidation would be. It is the same with a bank as with a merchant, assets are realized completely with time, but to precipitate an attempt to realize means disaster. The loss would not affect only the shareholders and depositors. It would also reach a host of clients which La Banque Nationale aids and supports.

It may well be believed that the government does not wish to secure any glory nor any political advantage from this legislation. In this matter it has risked its political life. If all goes well all will soon be forgotten, but if our anticipations are not realized we will have to pay the consequences.

But in the life of peoples there are moments when it is necessary that all rise above petty considerations, and think only of higher interests. We are living in one of these moments. I ask the House to approve our course. I beg my friends of the Opposition to give us their support so that it will be known here and outside the province, from where we are now being watched, perhaps with some uneasiness, that Québec is still and always the land of common sense, of stability, and of necessary and generous initiatives.

I close with a message to the shareholders and depositors of La Banque Nationale. I say to them – have confidence in your institution, and, in grace, do not withdraw either your deposits or your aid. The new bank will have need of them. In virtue of the present legislation, your money runs no risk of danger. The legislature of Québec has done its part in a large way, do your part, and this mutual aid will assure the salvation of all.<sup>104</sup>

Whatever misgivings there may have been at the time, the amalgamation proved entirely successful. A damaging bank failure with all the attendant hardships had been averted, and the provincial treasury emerged unscathed. The new bank made sufficient headway, in spite of the Great Depression, that the \$15 million of government assistance was repaid within twenty years, instead of the forty years stipulated by the



agreement. The name of the new bank, according to the agreement, was to be "La Banque Nationale de Québec" or another name, at the purchaser's choice.<sup>105</sup> For the time being the newly merged bank retained the name La Banque d'Hochelaga. The President of La Banque d'Hochelaga, J. A. Vaillancourt, remained president after the merger, with Amyot becoming vice-president. Amyot died a multimillionaire in Palm Beach, Florida, in 1930. On 1 February 1925 La Banque d'Hochelaga was renamed La Banque Canadienne Nationale. This bank, in turn, amalgamated with La Banque Provinciale du Canada in 1979 to form the present day Banque Nationale du Canada. Thus the name of the old bank proudly lives on as part of the name of its grandchild.

**Table 1: Staff of the Québec Office,  
La Banque Nationale, circa 1878**

F. Vézina	Cashier
N. Matte	Inspector
C. A. Vallée	Accountant
G. V. H. Bouchard	Paying Teller
E. R. Pagé	Assistant Accountant
Em. Huot	First Receiving Teller
A. Jourdain	Bookkeeper
S. Amiot	Discount Clerk
F-X Audy	Second Receiving Teller
M. E. Gavreau	Clerk
P. B. Dumoulin	Clerk
L. D. Hudon	Clerk
S. Benoit	Clerk
Jno. Langelier	Clerk
N. Lavoie	Clerk
Ed. Pâquet	Chief Messenger
F. N. Gravel	Second Messenger
J. B. E. Gosselin	Porter

(from Auguste Béchar, *Histoire de la Banque Nationale*, pp. 109 - 110)

**Table 2: Branches of  
La Banque Nationale, October 1899**

Québec, St. John suburb, QC  
 Québec, St. Roch, QC  
 Montréal, QC  
 Roberval, QC  
 Ottawa, ON  
 Joliette, QC  
 Rimouski, QC  
 Sherbrooke, QC  
 St. Francis, Beauce, QC  
 Ste. Marie, Beauce, QC  
 Chicoutimi, QC  
 St. Hyacinthe, QC  
 St. John's, QC  
 Murray Bay, QC  
 Montmagny, QC  
 (from an advertisement in *The Monetary Times*,  
 6 Oct. 1899, p. 420)

### Acknowledgements

La Banque Nationale du Canada graciously gave consent for the use of several images found in *Historique de La Banque D'Économie de Québec, 1848 - 1948*. The Charlton Press generously provided access to their copy of the useful and important American Bank Note Company order book. Yolaine Toussaint, corporate archivist, BMO Financial Group, made available the image of the counterfeit 1860 \$10 note. Finally, I would like to thank Bruce Hodges for all other note images used to illustrate this work, from his incomparable collection.

### Note Issues of La Banque Nationale

Note: Most surviving notes of La Banque Nationale have been cancelled. The following symbols will be used to describe the method of cancellation in the note register:

Punch (perforation) cancelled	o
Pen cancelled	x
Stamped ANNULÉ	s
Uncancelled	u

(Notes that have been both punch and pen cancelled will be shown "ox")

Names of former owners, where known, have been recorded in this note register in reverse order of chronology. It is highly probable that notes from very recent sales came from the former Banque Nationale du Canada Head Office collection.



## ISSUE OF 1860

(American Bank Note Company)

(British American Bank Note Company)

All notes of the 1860 issue are printed in black with green tint. All backs for this issue are plain (unprinted). The \$1 note shows a fine portrait of an *habitant* at left, very similar to that seen on several Lower Canada bank tokens, and a large portrait of Jacques Cartier at right. The Arms of the City of Quebec are at the centre of the \$1 and \$2 notes. The left vignette on the \$2 note is "The Reapers," and a cut-down version of the Cartier portrait is seen at the right. Agricultural implements and produce are seen at the left of the \$5 note, farmers ploughing in the centre, and a young woman standing at right. The \$10 note shows St. John the Baptist, Patron Saint of Quebec, as a boy, on the left. A train is seen in the centre, while, inexplicably, Britannia is seated at the right with the Arms of Upper Canada, as found on the Bank of Upper Canada \$1 notes 1859-1861.

The first issue of La Banque Nationale is also the most complicated. Two face plates were engraved for the issue. Each plate was used in two states:

- (a) partially dated \_\_\_\_\_ 18\_\_, and
- (b) fully dated.

The first consisted of denominations \$1.2.5.10, with check letters A.A.A.A.

All notes from the first plate bear the date 28 Avril 1860, either completed by hand or all engraved. The second plate had layout \$1.1.1.2, check letters B.C.D.B. All notes from this plate have the date 25 Mai 1860, either completed by hand or all engraved. Sheets of notes from the \$1.2.5.10 plate were at first numbered by hand, in pen and ink. After a little while they began to be machine numbered. As far as is known, all notes from the second plate have printed sheet numbers only. Increasing the number of variations even further, two different tint plates were used with each face plate, resulting in green and white signature panel varieties. More research into these tint varieties is needed to determine whether the white panel tint superseded the green (and, if so, to estimate the changeover numbers) or whether all tint plates continued to be employed. Finally, a few notes of the 1860 issue have overprints.

The \$1.2.5.10 plate was ordered in February, 1860 and the \$1.1.1.2 in April. The

engraving of these plates, along with tint plates, was reported on 31 May 1860. Two more tint plates, one for each face plate, were reported on 31 Oct. 1860. The green and white signature panel varieties *may* be related to the tint plates of May (green panel) and October (white panel?). No mention has been found in the ABN order book records of altering the face plates by engraving the full dates. Partial records of monthly note production are shown in this chart from the ABN order book. They account for a total of 20,000 \$1.2.5.10 and 18,000 \$1.1.1.2 sheets.

		<u>1.2.5.10</u>	<u>1.1.1.2</u>	Faces - Pat.	No'd.
1860	May. 31	5000	3000	Green	
	Jun. 30		5000	" - do	"
	Jul. 31	3000		" - do	"
	Aug. 31	2000		" - do	"
	Oct. 31	1000	1000	" - do	"
	Nov. 30	1000	2000	" - do	"
1861	Jan. 31	3000		" - do	"
	Feb. 28		2000	" - do	"
	Nov. 30	5000	5000	" - do	"

Made by: R. W. H. & E. Montreal

Despite what this chart claims about the notes being numbered from the outset, the register of known notes suggests that the first 5,000 \$1.2.5.10 sheets were not numbered mechanically by the printer, but with pen and ink by bank staff.

Sheet numbers of surviving notes make it clear there must have been additional production after Nov. 1861. Some of this later production was the work of the British American Bank Note Company, to which custody of the plates was evidently transferred. The imprint, "British American Bank Note Co./Montreal & Ottawa," is seen vertically at the right on the notes printed by that firm.

### Notes with Manuscript Date 28 Avril 1860

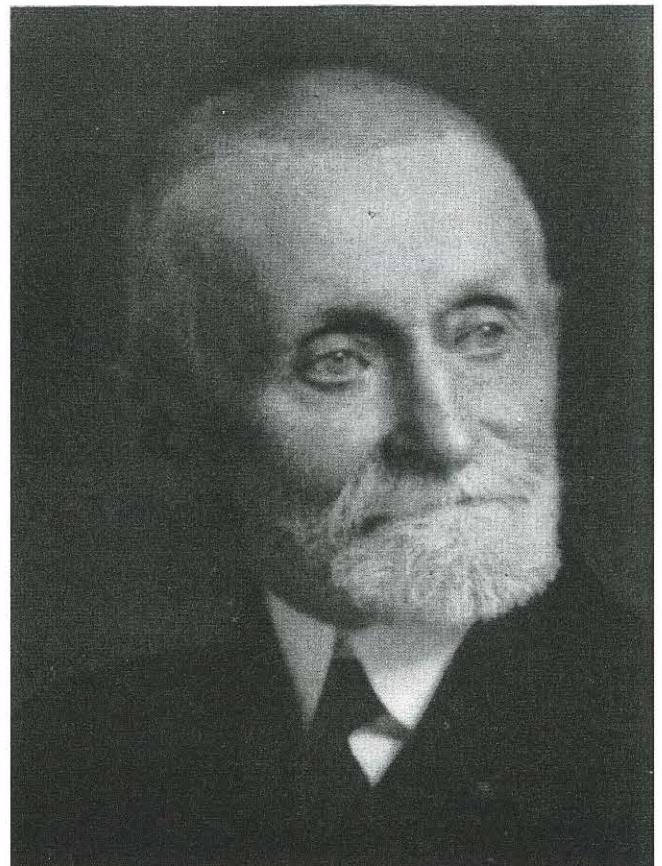
Earliest printings from the \$1.2.5.10 plate had most of the date entered by hand; only the \_\_\_\_\_18\_\_ portion was engraved. Notes with manuscript dates also have manuscript sheet numbers. All examples are dated 28 Avril 1860, three days before the bank opened for business. All manuscript dated notes are rare. Many of the known examples are believed to have come from the head office collection of the present-day Banque Nationale.



\$	Sheet no.	Signatures	Grade	Cancellation	Provenance
\$1	1/A	Vézina-Tessier	EF	u	Seminary Museum, Quebec
	1432/A	Vézina-Tessier	VG, <i>lower right corner missing</i>	o	eBay (June 2008)
	1813/A			o	Photocopy in National Currency Collection
	3075/A	Vézina-Chinic	Fine, <i>upper left corner missing, edges a bit raggy</i>	o	G. Bell Sale (Aug. 2008)
\$2	56/A	Vézina-Tessier	VG, <i>½" tear at right</i>	x	Private collection (ex Graham, Carter, Ferguson, Tessier)
	647/A	Vézina-Chinic	Fine	ox	National Currency Collection (ex Ferguson)
	1141/A	Vézina-Chinic	VG	o	Heritage Sale (Apr. 2008)
	2305/A	Vézina-Tessier	Good, <i>edges chipped</i>	o	eBay (June 2008)
	4160/A	Vézina-Chinic	VG	o	Seminary Museum, Quebec
\$5	1/A	Vézina-Tessier	EF	ox	National Currency Collection (ex Ferguson)
	1358/A	Vézina-Tessier green panel	VG, <i>black stain at upper right</i>	o	Charles D. Moore Sale (Feb. 2005)
	4222/A		Fine	o	Stack's Sale (Jan. 2007)
	4850/A	Vézina-Chinic	Good	o	eBay (July 2003)
\$10	1/A	Vézina-Tessier green panel	VF-EF	ox	National Currency Collection
	78/A	Vézina-Tessier	Fine, <i>chipped edges</i>	o	G. Bell Sale (Aug. 2008)
	1111/A	Vézina-Chinic	G-VG	o	eBay (July 2003)
	1283/A		abt F	o	Stack's Sale (Jan. 2007)
	1402/A	Vézina-Tessier	abt F	o	Charles D. Moore Sale (Feb. 2005)

### Notes with Engraved Date 28 Avril 1860

A glance at the sheet numbers will show that the \$1 and \$2 notes dated 28 Avril (check letter A) have not shown up with numbers over 20,000, while the \$5 and \$10 notes from the same plate are known with numbers well over 40,000. This suggests that the Bank ordered \$5.10 half sheets to procure more of those denominations, either because the lower values were not required or because they were going to be prohibited by the first Bank Act of the Dominion which would remove the right of issue of \$1 and \$2 notes from the chartered banks falling under its jurisdiction.



Cyrille Tessier (1835-1931), Notary Public, bibliophile, numismatist. Was it at his suggestion that notes of La Banque Nationale were cancelled and preserved from destruction?



\$	Sheet no.	Signatures	Grade	Can	Provenance
\$1	12209/A				Le Soleil 30 Jan. 1935 photo (ex Ferguson)
	15868/A	green panel	Fine, <i>rough edges</i>	o	eBay (Feb. 2005)
	16310/A		F-VF	o	Stack's Sale (Jan. 2007)
	16564/A		Fine	o	Stack's Sale (Jan. 2007)
	16624/A				Private collection (ex Ferguson)
	18113/A	white panel	Fine, <i>many pin holes</i>	u	Private collection (ex Graham)
	18131/A	green panel	VF, <i>scuff</i>	o	Charlton Sale (Oct. 1976), (ex Graham, Fredricks)
	18145/A	Vézina-Chinic, green panel	VF	ox	National Currency Collection, (ex Echenberg, Ferguson)
	19566/A		VG, <i>pasted on card</i>	u	1979 CAND Sale, (ex Graham, Worthington, Ferguson, Tessier)
\$2	07715/A	Vézina-Tessier, green panel	VG-F	o	Heritage Sale (Apr. 2008)
	11786/A	Vézina-Tessier, green panel	G-VG, red A stamp	o	Heritage Sale (Apr. 2008)
	13332/A		Fine	o	Stack's Sale (Jan. 2007)
	15225/A	Vézina-Chinic,	PMG VG10	o	eBay (May 2008)
	15556/A	green panel	Fine	o	1987 Kagin's Sale, (ex Graham, Allan)
	16516/A	Vézina-Chinic, green panel	VG	o	eBay (Feb. 2005)
	17224/A	Vézina-Chinic		o	Private collection
	17307/A	Vézina-Chinic	Fine	o	National Currency Collection
	19556/A	Vézina-Thibaudeau, white panel	Fine	o	G. Bell Sale (Aug. 2008)
\$5	07883/A	Vézina-Tessier, green panel	VG	o	eBay (Feb. 2007)
	21559/A	Vézina-Thibaudeau, white panel	VG	o	MTM Sale (June 2000); J&M Sale (May 1986)
	28365/A	Vézina-Thibaudeau, green panel	Fine	o	Heritage Sale (Apr. 2008)
	29803/A	Vézina-Thibaudeau, green panel	EF, <i>part of bottom missing</i>	u	National Currency Collection (ex Ferguson)
	30186/A		VF	o	Stack's Sale (Jan. 2007)
	32846/A		Fair	u	eBay (Feb. 2001) (ex Fredricks)
	35891/A	Vézina-Thibaudeau, white panel	VF	o	G. Bell Sale (Aug. 2008)
	36268/A		Fine, <i>tips off corners</i>	u	Private collection (ex Graham)
	36300/A		VG		National Currency Collection,
	43820/A	Vézina-Vallee,	PMG VG10	o	eBay (May 2008)
\$10	06458/A	Vézina-Chinic, green panel	PMG VG10 <i>small tear in top margin</i>	o	2010 RCNA Sale
	10076/A	Vézina-Tessier, green panel	Fine	o	Charles D. Moore Sale (Feb. 2005)
	24150/A	white panel	Fine, <i>small corner missing</i>	o	Private collection (ex Graham, McDonald)
	26034/A		VF	o	Stack's Sale (Jan. 2007)
	29309/A	Vézina-Thibaudeau	F+	o	Illustrated in BCN 1874-1974 booklet; Heritage Sale (Apr. 2008)
	40640/A	Vézina-Thibaudeau, white panel	G+, o/p OTTAWA; GG in red	u	National Currency Collection, (ex Château de Ramezay)
	44016/A	Vézina-Vallee, white panel	PMG F15	o	eBay (May 2008)
	44870/A	Vézina-Vallee, white panel	Fine, o/p OTTAWA in red	o	Heritage Sale (Apr. 2008)
	46198/A				Institutional Collection
	47106/A		stamped "counterfeit"		Institutional Collection



### Notes with Manuscript Date 25 Mai 1860

Only \$1 and \$2 notes from the \$1.1.1.2 plate were dated 25 Mai 1860. At this time just a single \$1 note is known with manuscript date 25 Mai 1860. It was first reported

in the June 2008 issue of the Canadian Paper Money Newsletter.<sup>106</sup> The note is machine numbered.

\$	Sheet no.	Signatures	Grade	Can	Provenance
\$1	00852/D	Vézina-Tessier, green panel	VG	o	Heritage Sale (Apr. 2008)

### Notes with Engraved Date 25 Mai 1860

As mentioned above, only \$1 and \$2 notes have this date.

\$	Sheet no.	Signatures	Grade	Can	Provenance
\$1	02763/B	Vézina-Tessier, green panel	F-VF	ox	National Currency Collection, (ex Ferguson)
	09856/B	Vézina-Tessier, green panel	VG-F	o	Heritage Sale (Apr. 2008)
	09861/D	Vézina-Tessier, green panel	<i>large hole at right; major pieces missing top</i>	u	2010 RCNA Sale
	10752/D	Vézina-Tessier, green panel			Private collection
	12420/B	Vézina-Chinic	Fine, red C stamp, upper right	o	Dealer (Oct. 2009)
	13167/B	Vézina-Tessier, white panel	Fine, <i>pinholes, tears</i>	u	National Currency Collection, (ex Canadian Commercial Bank)
	13457/C		VG	u	Charles D. Moore sale (Mar. 1978), (ex Fredricks, Allan)
	13553/C	Vézina-Tessier, white panel	VG-F	o	eBay (Jan. 2010)
	13793/B	Vézina-Tessier		x	Private collection (ex Carter, Ferguson, Tessier)
	13959/D	Vézina-Tessier, white panel	VG+	o	eBay (Apr. 2007)
	14125/B	Vézina-Tessier, white panel	VG-F	o	eBay (Feb. 2007)
	16055/B		abt VF	x	Stack's Sale (Jan. 2007)
	16181/B	Vézina-Chinic, white panel	VG, <i>two holes near left</i>	u	Moore Sale (Feb. 2005)
	17117/C	Vézina-Chinic, white panel	F-VF, <i>upper left corner tip missing rust hole damage at top. Net graded VG10 by PMG.</i>	ox	eBay (May 2003), (ex Allan, Worthington, Ferguson, Tessier)
	17370/B	Vézina-Chinic, white panel	VG-F	u	Dealer
	19360/C	Vézina-Chinic, white panel	Fine	o	Stacks Sale (Apr. 2009)
	19374/B	Vézina-Chinic, white panel	Good, <i>decaying</i>	o	eBay (Feb. 2005)
	19928/C		VG	ox	Private collection, (ex Graham, Kindrachuk, Ferguson)
	20390/C		VF, <i>small tears</i>	o	Private collection, (ex Graham, Benoit)
	21888/				Private collection
	24080/B		VG	ox	Private collection (ex Ritter, Ferguson)
	24670/B	Vézina-Thibaudeau	Fine	u	Private collection (ex Graham)
	30643/D		Good, <i>rough edges, lower right corner missing, many tears, doctored with white goop</i>	u	eBay (Mar. 2006)
	32351/D	Vézina-Chinic	abt G, <i>faded, nibbled edges</i>	u	Private collection (ex Gross, Allan)
\$2	03424/B	Vézina-Chinic, green panel	G-VG, <i>tape</i>	u	Charlton catalogue, (ex Fredricks, Allan)
	04672/B	Vézina-Tessier	VG+, <i>repaired lower right corner</i>	u	Don Olmstead (Sept. 2007)
	10934/B	Vézina-Tessier	Fine	o	Heritage Sale (Apr. 2008)
	15264/	Vézina-Chinic, white panel	VG, <i>edge roughness</i>	o	Harmer-Rooke sale (Oct. 2007)
	17467/B		VF	ox	Private collection, (ex Graham, Côté, Ferguson, Tessier)
	19145/B		VF, <i>many small pieces out of top margin</i>	u	Private collection, (ex Gross, Graham, Ferguson, Tessier)
	19889/B		abt VF	o	Stack's Sale (Jan. 2007)
	21213/B		VG	ox	MTM sale (June 2000), (ex Norweb, Ferguson)
	24177/B		VG	ox	National Currency Collection (ex Ferguson)
	26301/B	Vézina-Thibaudeau	VG+, <i>small piece broken out of a brittle stain at right margin</i>	o	2010 RCNA Sale
	27679/B	Vézina-Chinic	VG, <i>soiling on back</i>	o	Stacks Sale (Apr. 2009)



## Counterfeits

The only notes of La Banque Nationale that are known to have been counterfeited were the 1860 \$10 notes. It was reported in May 1882 that poor quality lithographed counterfeits on common paper were in circulation.<sup>107</sup> These appear to have been apprehended and destroyed to a great degree; the only surviving example which has come to our attention is in the collection of the Bank of Montreal. It has a red OTTAWA overprint, and bears forged Vézina-Vallée signatures. Four individuals, Timothy Rajotte, Martin Sparrow, James Cooper and Angus Sparrow, were charged in the case and arraigned at Ottawa on charges of counterfeiting and uttering counterfeit \$10 bills on La Banque Nationale. Angus Sparrow was discharged, there being no evidence presented against him, but the other three were each sentenced to three years in the provincial penitentiary.<sup>108</sup>

## ISSUE OF 1870

(British American Bank Note Company)

This issue consisted of \$4 and \$6 notes, printed from a mixed plate \$4.4.4.6, with check letters A.B.C.A. The face and tint plates were laid down 24 August 1870. A new tint plate, which covered more of the \$6 note face, was laid down 12 April 1873. All notes have plain backs. The Bank Act, which was passed in 1872, removed the right of issue of \$1 and \$2 notes from the chartered banks

that fell under its jurisdiction. With the addition of \$4 and \$6 denominations the bank would be able to pay out all dollar amounts of \$4 and over using only its own notes, with the single exception of a \$7 payment which would require the use of one \$1 Dominion note, or several coins, in addition to the bank's own notes. La Banque Nationale no doubt had the forthcoming legislation in mind when planning for this issue.

Notes of this issue have the fully engraved date 28 Mai 1870. (A \$4 note or possibly face proof appears to have been reported with date 28 Mai 1871. The author does not recall having seen such a note. It is conceivable that the date 1870 was misread because the right side of the zero digit is very thin, causing the 0 to resemble a 1 at first glance.) On the \$4 note a beehive amid flowers is seen on the left, a paddlewheel steamship, "Quebec," is at the lower centre, with the familiar "Charlies Sailor" vignette at the right. The vignette at left of the \$6 note, a woman teaching her grandchild to knit, is called "The First Lesson." The centre vignette, "Vogt's Cattle," appears on relatively few Canadian bank notes. Samuel de Champlain is seen at the right.\* The notes are printed in black, with green tint. Overprints occur more frequently than on the first issue, particularly on the \$6 denomination. Overprints for the Sherbrooke and Ottawa branches are in red. Few uncanceled \$4 notes and no uncanceled \$6 notes have been confirmed.

\$	Sheet no.	Signature	Overprint	Grade	Can	Provenance
\$4	00009/A			Fine	o	Stack's Sale (Jan. 2007)
	03866/B			Fair-G		Dealer
	10915/B	Prudent Vallée		VG, edge nicks, tears; two small holes at centre folds	u	JHA Sale (Sept. 2008) (ex Angus)
	26465/C	E. Chinic	SHERBROOKE	VG	u	National Currency Collection
	32233/A	Prudent Vallée		Good	u	Dealer
	33755/C				canc.	(ex Tannahill, Ferguson, Laval)
	33782/C	E. Chinic		Fine	o	eBay (Oct. 2005)
	33784/B	E. Chinic		Fine	o	ex R. D. Lockwood
	34395/B			Fine		1979 Monex Sale
	36705/A	Prudent Vallée		VG	o	2010 RCNA Sale
	39801/A			EF	o	(ex Maltais)
	39479/C		DD	VG, edge nicks, 1/4 inch tear	u	Lyn Knight Sale (Oct. 1999)
	39801/A			EF	o	Bank Note Event 2000

\*There is actually no known, unquestionably authentic, detailed portrait of Champlain. (See David Hackett Fischer, *Champlain's Dream*, New York: Simon & Schuster, 2008, p.3 and 538 ff) The portrait on the note, however, is conventionally accepted to represent him. The familiar Jacques Cartier portrait is only slightly less dubious.



\$	Sheet no.	Signature	Overprint	Grade	Can	Provenance
\$4	39817/A 39818/A	Ol. Robitaille		EF	x ox	(ex Carter, Ferguson, Tessier) 1986 ANA Sale, (ex Canadian Commercial Bank, Ritter, Ferguson)
	39897/A			EF	canc.	National Currency Collection, (ex Ferguson)
	46199/C			VF-EF	o	Stack's Sale (Jan. 2007)
	46663/A	Ol. Robitaille		abt VG		Seminary Museum, Quebec
	49237/A	Ol. Robitaille		VG-F	u	National Currency Collection, (ex Château de Ramezay)
	49953/A			VF	x	Private collection, (ex Graham, Côté, Ferguson)
	50401/C	Ol. Robitaille		EF, <i>bias cut, edge roughness</i>	o	G. Bell Sale (Aug. 2008)
	51117/A			VF-EF, <i>cut into at bottom</i>	o	eBay (Sept. 2007)
	52978/B	Ol. Robitaille		VF	o	eBay (Jan. 2010)
	53092/C				ox	Private collection
	53094/				canc.	Private collection
	55060/B	Ol. Robitaille		abt EF	o	Stack's Sale (Apr. 2009)
	55078/B			VF-EF	o	Heritage Sale (Apr. 2008)
	55459/A			EF+	x	Private collection, (ex Norweb, Ferguson, Tessier)
	55488/ 55489/C			VF-EF, <i>cut into slightly at upper right</i>	o	Private collection Stack's Sale (Jan. 2007)
\$6	01669/A					Institutional collection
	04117/A					Private collection
	05753/A	large tint		VF	o	Stack's Sale (Jan. 2007)
	19688/A	small tint	OTTAWA	VF, <i>this note has since had the cancelling perforations repaired</i>	o	MTM sale (June 2000)
	21163/A	Prudent Vallée, small tint	OTTAWA	VF/F	o	Private collection, (ex Graham)
	21881/A		OTTAWA		o	National Currency Collection, (ex Ferguson, Laval)
	26577/A	E. Chinic, large tint	SHERBROOKE	VF	o	National Currency Collection, (ex McDonald)
	26687/A	E. Chinic, large tint	SHERBROOKE	VF	o	Heritage Sale (Apr. 2008)
	26718/A	E. Chinic	SHERBROOKE	Good	u?	Seminary Museum, Quebec
	26743/A	large tint	SHERBROOKE	F+, <i>damage to upper left corner</i>	o	1999 CNA Sale ( <i>ex Benoit</i> )
	32629/A	Prudent Vallée, large tint	MM (black)	VF	ox	National Currency Collection, (ex Carter, Ferguson, Tessier)
	45838/A	Ol. Robitaille, large tint		abt VF	o	Stack's Sale (Apr. 2009)
	45860/A	Ol. Robitaille, large tint		Fine	o	Heritage Sale (Apr. 2008)

## ISSUE OF 1871

(British American Bank Note Company)

Face, tint and back plates for the bank's only large denomination issue were prepared in the late summer of 1871. The issue is dated 2 Oct. 1871. The plate layout was \$20.20.50.100 with check letters A.B.A.A. These high denomination notes were in use for an incredibly long time – half a century! Known examples are signed by Rudolphe Audette, who was president of the bank from 1895 to the beginning of 1922. These notes are the first of this bank's issue to have printed backs, consisting of lathework, counters and LA BANQUE NATIONALE / QUEBEC.

Notes of this issue feature familiar BABN stock vignettes. At the left of the \$20 we see "Feeding Old Birhans," the Arms of Quebec City at the centre, and the sailor boy vignette, "Going Aloft," at right. On the \$50, a farmer harvests corn stalks at left, the centre vignette shows a reclining woman pouring water out of a jar, with Niagara Falls in the background, and an allegorical "Agriculture" figure stands at the right. The \$100 denomination has only one vignette, "Coast Scene" in which apparently shipwrecked sailors look out to sea, at the centre of the note. Notes are printed in black with green tints and backs.



Most examples are overprinted with "XX" in black, vertically. The significance of this overprint has not been explained. Most surviving notes have been punch cancelled.

Many of the notes recorded below seem to have come from the former Banque Nationale du

Canada Head Office collection, and had not appeared in public prior to 2007. These high denomination notes are rare, but without the recent infusion into the collector market they would be prohibitively so.

\$	Sheet no.	Signature (overprint)	Grade	Can	Provenance
\$20	08550/B		VF-EF	o	Stack's Sale (Jan. 2007)
	08684/A	R. Audette (o/p XX)	EF	o	Private collection (ex Graham, Benoit)
	08776/A	R. Audette (o/p XX)	VF	o	Torex Sale (Oct. 2009)
	08814/A	R. Audette (o/p XX)	abt VF	o	Stack's Sale (Apr. 2009)
	08816/A	R. Audette (o/p XX)		o	Charlton Cat. photo 1 <sup>st</sup> edition 1980
	08881/A	R. Audette (o/p XX)	VF	o	G. Bell Sale (Aug. 2008)
	08982/B		UNC	o	National Currency Collection, (ex Ferguson)
	08998/B	R. Audette (o/p XX)	VF	o	eBay (May 2009)
	10475/A	R. Audette (o/p XX)	VF	u	Charlton Sale (July 1981), (ex Fredricks)
\$50	06821/A	R. Audette (o/p XX)		s	Private collection (ex Gross)
	08265/A	R. Audette (o/p XX)	F-VF	o	National Currency Collection
	08307/A	R. Audette (o/p XX)	abt VF	o	Torex Sale (Oct. 2009)
	08366/A	R. Audette (o/p XX)	VF+	o	MTM sale (June 2000); 1986 ANA Sale, (ex Graham, Canadian Commercial Bank)
	08591/A	R. Audette (o/p XX)	VF	o	G. Bell Sale (Aug. 2008)
	08637/A		VF-EF	o	Stack's Sale (Jan. 2007)
\$100	08100/A	R. Audette (o/p XX)	F-VF	o	Stack's Sale (Apr. 2009)
	08152/A		VF-EF	o	Stack's Sale (Jan. 2007)
	08378/A	R. Audette (o/p XX)	EF	o	G. Bell Sale (Aug. 2008)
	08381/A	R. Audette (o/p XX)	VF,	o	Torex Sale (Oct. 2009)
			<i>"21" in crayon on back</i>		
	08624/A	R. Audette (o/p XX)	VF-EF	o	Heritage Sale (Apr. 2008)
	08698/A	R. Audette (o/p XX)	EF	s	National Currency Collection, (ex Gross)

## ISSUE OF 1873

(British American Bank Note Company)

The 1873 issue consisted of \$5 and \$10 notes, printed from \$5.5.5.10 plates with check letters A.B.C.A. These replaced the \$5 and \$10 notes in use since 1860. Face, tint and back plates were prepared between 18 November and 7 December 1872. The notes are dated 2 Janvier 1873. Backs consist of bank name, lathework and counters. The notes are printed in black with green tints and backs. The \$5 design includes agricultural implements and produce (a BABN copy of the vignette at the left of the \$5 of 1860), "Ship Building" at the centre, and a seated

Britannia adaptation from the 1860 \$10 note, but with a numeral 5 in place of the Arms of Upper Canada, at the right. The \$10 vignettes consist of St. John the Baptist and a lamb at the left (a BABN copy of the vignette on the \$10 issue of 1860), a farm scene with produce and implements in the foreground at the centre, and an anchor at the right. Notes of the 1873 issue are quite rare, and invariably punch cancelled. They would be even more rare, particularly the \$5 note, were it not for recent sales which are believed to be of notes from the former Banque Nationale du Canada Head Office collection.

\$	Sheet no.	Signature	Grade	Can	Provenance
\$5	32385/C	Ol. Robitaille	EF	o	National Currency Collection, (ex McDonald)
	36838/C		abt VF	o	Stack's Sale (Jan. 2007)
	36840/C		VF	o	1986 CNA Sale
	37930/B	Ol. Robitaille	VF-EF	o	eBay (Jan. 2010)
	41080/C	Ol. Robitaille	abt VF	o	Stack's Sale (Apr. 2009)
	46285/C	Ol. Robitaille	VF	o	G. Bell Sale (Aug. 2008)
	48586/A	Ol. Robitaille	PMG VF25	o	2010 RCNA Sale
	48734/C		VF	o	eBay (Sept. 2007)
	49503/C		PMG VF20	o	eBay (May 2008)



\$	Sheet no.	Signature	Grade	Can	Provenance
\$10	41972/A	Ol. Robitaille	EF	o	National Currency Collection, (ex McDonald)
	41974/A	Ol. Robitaille	AU	o	MTM sale (June 2000); 1986 CNA Sale
	41976/A	Ol. Robitaille	AU	o	Torex Sale (Oct. 2009)
	41978/A		ch EF	o	Stack's Sale (Jan. 2007)
	44110/A	Ol. Robitaille	EF	o	Private collection, (ex Graham, Côté, Ferguson, Laval)

## ISSUE OF 1883

(British American Bank Note Company)

The 1883 issue consisted of \$5 and \$10 notes, with the same plate layout as the 1873 issue. Face, tint and back plates were laid down 12 Dec. 1882. The issue is dated 1 Mars 1883. Backs consist of bank name, lathework and counters. As usual, the notes are printed in black with green tints, and green backs. A portrait representing Samuel de Champlain, last seen on the 1870 \$6 note, is found at the left of the \$5, but this time not in an oval frame. The paddlewheel steamer, "Quebec", occupies the centre, and a portrait of Isidor Thibaudeau, president of the bank from 1879 to 1889, is seen at the right. The \$10 features unframed portraits of Jacques Cartier at left and Isidor Thibaudeau at right, with a vignette of a farmer ploughing with horses in the middle. Several notes

have red AD stamps, of unknown significance. The I. Thibaudeau signature is engraved at the right, with a manuscript countersignature at the left.

There is a subtle change in the BABN imprint for this issue. On earlier issues, 1870 to 1873, the imprint reads "British American Bank Note Co., Montreal and Ottawa." On the 1883 issue the reference to Ottawa disappears from the imprint, only to return (at least on the note backs) for the 1891 and subsequent issues. This is all readily explained. The company closed its Ottawa plant in late 1874 and performed all work in Montreal for the next thirteen years. In 1887 it was obliged by the terms of the vitally important government contract to resume operations in Ottawa.<sup>109</sup>

\$	Sheet no.	Signatures	Stamp	Grade	Can	Provenance
\$5	03104/B	ms-Thibaudeau		VF	o	G. Bell Sale (Aug. 2008)
	11050/A	ms-Thibaudeau		abt VF	o	Stack's Sale (Jan. 2007)
	32333/C	ms-Thibaudeau		F-VF	o	Stack's Sale (Apr. 2009)
	42786/B	Benoit-Thibaudeau		Fine, <i>a little soiled on back</i>	o	2010 RCNA Sale
	45694/C	Kerouac-Thibaudeau		F-VF	o	eBay (Jan. 2010)
	48103/B	Kerouac-Thibaudeau	AD (red)	F-VF	o	Private collection (ex Graham, Benoit)
	48285/A	ms-Thibaudeau	AD (red)	VF	o	1977 CNA Sale (ex McDonald)
	48726/B	Kerouac-Thibaudeau	AD (red)	EF	o	National Currency Collection, (ex Ferguson)
\$10	21052/A	ms-Thibaudeau		VF	o	National Currency Collection, (ex Ferguson)
	36415/A	ms-Thibaudeau		abtVF	o	Stack's Sale (Jan. 2007)

## ISSUE OF 1891

(British American Bank Note Company)

The 1891 issue consisted of \$5 and \$10 notes, with the same \$5.5.10 plate layout as the two previous issues. Face, tint and back plates were laid down in December 1890. A second tint plate was prepared on 4 March 1894. Backs are more detailed than previously, showing the Arms of the City of Quebec. The notes are dated 2 Janvier 1891. Once again, they are printed in black with green tints and backs. Samuel de Champlain continues to appear on the left of the \$5 note of this issue, as on the previous, with a train vignette in the centre and a

portrait of Auguste Gaboury, president of the bank from 1889 to 1895, at the right. The \$10 design continues the Jacques Cartier portrait at left and farmer ploughing with horses vignette in the centre, as on the 1883 \$10 note. The main difference between the face designs on the 1883 and 1891 issues is that the Thibaudeau portrait has been replaced by that of Gaboury. Most surviving notes are overprinted with letters of unknown significance. The A. Gaboury signature is engraved at the right, with a manuscript countersignature at the left.



\$	Sheet no.	Signatures	Stamp	Grade	Can	Provenance
\$5	25286/A	ms-Gaboury	GG (black)	F-VF	o	Stack's Sale (Jan. 2007)
	34452/A	Huot-Gaboury	AD (red)	Fine	o	National Currency Collection, (ex McDonald)
	45021/B	ms-Gaboury	LL (red)	F-VF	o	Stack's Sale (Jan. 2007)
	49148/B	Huot-Gaboury		Fine	o	eBay (Jan. 2010)
	49580/C	Huot-Gaboury		abt F	o	Private collection, (ex Graham, Gross, Norweb, Ferguson, Laval)
	51408/C	Huot-Gaboury		abt F	o	Stack's Sale (Apr. 2009)
	53492/B	Côté-Gaboury		Fine	o	G. Bell Sale (Aug. 2008)
	55753/C	Côté-Gaboury	RR (red)	Fine	o	G. Bell Sale (Aug. 2008)
\$10	59735/B	Côté-Gaboury	GG (black)	VF+, <i>tear</i>	o	Private collection (ex Graham)
	41330/A	Huot-Gaboury	RR (red)	Fine	o	National Currency Collection, (ex McDonald)
	41331/A	Huot-Gaboury	RR (red)	F-VF	o	Stack's Sale (Jan. 2007)
	48817/A	Huot-Gaboury	PP (blue)	VF	o	Private collection (ex Graham, Benoit)
	56666/A	ms-Gaboury	AD (red)	VF	o	Stack's Sale (Jan. 2007)

## ISSUE OF 1897

(British American Bank Note Company)

The 1897 issue is complicated by the fact that two slightly different face plates were used in its printing. The first, easily distinguished by the presence of lines below the sheet numbers, eventually showed unacceptable wear and had to be replaced, probably around 1915. The newer face plates had no lines below the sheet numbers. There are several other, less noticeable, differences. The \$5 with no lines below the sheet numbers has extra Maltese Crosses in the border at the upper left and lower right. On both denominations the "no lines" variety has an acute accent over the first E of PRÉSIDENT, which is absent on the "with lines" variety.

The first plates (face, tint and back) had the familiar \$5.5.5.10 arrangement with check letters A.B.C.A. Records are not available for the second plates, but there is pretty compelling evidence to suggest a revised layout, \$5.5.10.10, check letters A.B.A.B. This evidence comes from known details of a robbery, and the apparent absence of higher numbered \$5 notes with check letter C. A serious theft of 1897 notes occurred in September 1919, when the Ocean Limited eastbound train on the Canadian National Railway was held up near Levis, Québec. A parcel containing \$12,000 was taken, consisting of 400 \$5 and 400 \$10 notes numbered 612801 to 613000, check letters A and B for each denomination, and similar quantities of \$5 and \$10 notes numbered 613201 to 613400.<sup>110</sup> It seems safe to surmise that the revised plate layout coincided with the change from the "with lines" to "no lines" variety, somewhere near sheet number 450000, on the basis of the limited data available at the present time.

The designs for the 1897 issue continue those of the 1891 issue, except that the president's portrait has been replaced with a stock vignette. Unlike his

two immediate predecessors, Audette did not seem to feel any need to have his engraved portrait in circulation. For the \$5, Britannia with a flag-draped globe was chosen. The \$10 continued the designs of 1883 and 1891, but with Queen Victoria in her widow's weeds supplanting the president's portrait, at the right. The backs are the same as for the 1891 issue, although two new copies of the back plate were prepared in July 1897. The date of issue engraved on the notes is 2 Janvier 1897. All notes of the 1897 issue have the engraved signature of R. (Rodolphe) Audette, president from 1895 until the beginning of 1922, at the right, and a manuscript countersignature at the left. The note faces are printed in black with orange tint. Backs are green for the first ("with lines") variety and a deep olive colour for the second ("no lines") variety. The orange tint used for the 1897 notes marks the first departure from the inevitable green of previous issues. Unfortunately the ink was unstable and tended to oxidize to brown or yellow. An advantage of using the orange tint was that it made the overlying engraved black text on the note face more visible. Notes of this issue were current for a very long time, a quarter of a century, and while hardly common, they are the most readily available issued notes of La Banque Nationale. Notes of the 1897 issue are usually found in uncanceled form, although cancelled examples, notably from the former National Bank of Canada archives collection, are also seen. There is no note register for the 1897 issue at this time. Notes of this issue always seemed plentiful in relation to the others so less attention was paid to them. This will eventually be rectified as numismatist Greg Packer has recently begun to compile a record of the 1897 notes.



## ISSUE OF 1922

(British American Bank Note Company)

The 1922 issue was in use for only a short time during the bank's desperate final months. It consisted of five denominations, from \$5 to \$100, all dated 2 Novembre 1922. These notes employed more colour than previous issues, with olive, orange or brown face tints, but all the backs were printed in green. Interestingly, the bank was still directing its note printing contracts to BABN at a time when the Ottawa branch of ABN Co. (soon to become CBN Co) had the Canadian bank note printing industry almost all to itself. All denominations include in their design a small portrait of Georges-Élie Amyot in an oval frame. The portrait is located on the right, except on the \$50, where it is in the centre. At the left, the \$5 shows the Champlain Monument at Quebec City, the \$10 has a small

framed vignette of Cartier sighting land (rather similar to that on the 1934 BABN commemorative 3¢ postage stamp), and the \$20 has a framed vignette, "Quebec Citadel." Notes of the 1922 issue bear the engraved signature of Amyot and the typed signature of the newly appointed general manager, Henri des Rivières. It is noteworthy that des Rivières was a nephew of Premier Taschereau, who wielded the power of the provincial treasury to prevent the bank from failing. Issued notes of this final issue are quite rare, and are not known to exist for denominations above \$20. They are, however, very, very readily available as specimens. Unlike most of the previous issues, surviving issued notes of the 1922 issue are not cancelled.

\$	Sheet no.	Signatures	Grade	Provenance
\$5	017931/	des Rivières-Amyot	VF, <i>damaged</i>	Dealer
	029386/B	des Rivières-Amyot	VF	(ex Carter)
	034801/B	des Rivières-Amyot	AU	National Currency Collection (ex Veffler)
	039300/B	des Rivières-Amyot	VG, <i>one hole</i>	Private collection (ex Graham, Benoit)
	065059/C	des Rivières-Amyot	Fine	Private collection (ex Cameron)
	065550/D	des Rivières-Amyot		Private collection
	070304/B	des Rivières-Amyot	poor	JHA Sale (June 2000) (ex Pittman)
	080463/A	des Rivières-Amyot	Fine, <i>torn in two, taped, pieces missing</i>	Private collection (ex Fredricks, Carney)
	083503/B	des Rivières-Amyot	Fine	Lower Canada Auction (Mar. 2009)
\$10	012573/B	des Rivières-Amyot		Private collection
\$20	046837/A	des Rivières-Amyot	VF	Private collection (ex Fredricks, Benoit)
	064214/A	des Rivières-Amyot	Good	Private collection (ex Maltais)

### PROOFS AND SPECIMEN

Only one proof of the 1860 (ABN) issue has come to light so far, a \$1 with check letter D, Partially dated \_\_\_18\_\_.<sup>111</sup> It therefore belongs to the 25 Mai 1860 partially engraved date issue. Tinted face proofs and back proofs exist for all the BABN issues of 1870 to 1891, but they are rare. Face proofs without tint and back proofs of the 1897 issue are not quite as rare. Specimen notes of the 1922 issue are abundantly available. Indeed, they are by far the most easily obtainable of all Canadian chartered bank specimens. Substantial numbers of all denominations, and particularly the \$10, have been made available from the dispersal of the former Banque Nationale du Canada Head Office collection. They have been perforated "SPECIMEN."

Proofs of the final issue are much scarcer. A set of marked up face and bank proofs, evidently approval proofs, was offered in a 2009 U.S. auction held by Ponterio.

### CANCELLED NOTES: A HYPOTHESIS

It quickly becomes evident that most notes of La Banque Nationale prior to the 1897 issue are cancelled, usually by punch perforation. Indeed, several issues are entirely unknown as uncanceled notes. A possible explanation may be that Cyrille Tessier, notary public and prominent shareholder, intervened to save a few old notes as they came in for redemption. Tessier was a numismatist, and based on information compiled by J. Douglas Ferguson and Sheldon S. Carroll, some of the notes in the register are known to have been at one time in his collection. He would have been on familiar terms with the most powerful executives in the bank. It may be postulated that management acceded to Tessier's request, on condition that the notes be cancelled. Notes of the 1860 – 1891 period are quite rare as it is, and would be a good deal more so, if not absolutely extinct, had not a few been cancelled and saved for Tessier or for the bank archives collection.



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4. At the fifteenth board meeting, on 13 November 1859, Dussault retired from the board to be replaced by Abraham Joseph.
5. Ronald Rudin, *Banking en français* (Toronto: University of Toronto Press, 1985), p. 32.
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9. J. A. Haxby, "'The American Silver Nuisance' and the 1870 25¢ Notes", in *CPM Journal*, vol. XI, no. 4 (October 1975), p. 113-116.
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11. MT, 15 May 1874, p. 1166-1167.
12. MT, 4 Feb. 1876, p. 880; MT, 27 June 1879, p. 8.
13. Béchard, op. cit.
14. MT, 28 June 1878, p. 14-15.
15. MT, 17 May 1878, p. 1349.
16. MT, 9 May 1879, p. 1392.
17. MT, 16 May 1879, p. 1422-1423.
18. MT, 24 Dec. 1880, p. 20.
19. MT, 14 May 1880, p. 1357.
20. Jean Hamelin, op. cit.
21. MT, 3 Feb. 1882, p. 947-948.
22. MT, 3 Feb. 1882, p. 946.
23. MT, 19 May 1882, p. 1419-1420.
24. MT, 6 Apr. 1883, p. 1124.
25. MT, 25 May 1883, p. 1320.
26. In 1903, the Dominion Finance Department required that such sums be restored as liabilities on the circulation account.
27. MT, 23 May 1884, p. 1318.
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29. MT, 28 May 1886, p. 1356.
30. MT, 10 June 1887, p. 1471.
31. MT, 20 May 1887, p. 1381.
32. MT, 5 Aug. 1887, p. 171.
33. MT, 2 Dec. 1887, p. 704.
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35. MT, 25 Nov. 1887, p. 674.
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37. MT, 15 Mar. 1889, p. 1063.
38. MT, 3 May 1889, p. 1266.
39. Rudin, p. 71-72.
40. National Archives of Canada (NAC), RG19, Vol. 3101, file 7739, letter from E. J. Barbeau to J. M. Courtney, 22 Oct. 1894.
41. MT, 31 May 1889, p. 1390-1391.
42. MT, 30 May 1890, p. 1489-1490.
43. MT, 29 May 1891, p. 1456-1457.
44. MT, 27 May 1892, p. 1432-1433.
45. MT, 3 Feb. 1893, p. 905.
46. MT, 25 May 1894, p. 1474.
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54. MT, 21 June 1895, p. 1659.
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57. MT, 29 May 1896, p. 1534-1535.
58. MT, 10 May 1895, p. 1457.
59. MT, 29 May 1896, p. 1534-1535.
60. MT, 29 May 1896, p. 1530-1531.
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62. NAC, RG19, Vol. 3114, file 8629, letter from J. M. Courtney to G. E. Foster, 23 March 1896.
63. MT, 27 May 1898, p. 1551.
64. MT, 7 July 1899, p. 21.
65. MT, 25 May 1900, p. 1557-1558.
66. MT, 1 June 1900, p. 1588.
67. MT, 24 May 1901, p. 1589.
68. MT, 23 May 1902, p. 1525; 22 May 1903, p. 1569-1570; 27 May 1904, p. 1586-1587; 26 May 1905, p. 1588.
69. MT, 23 May 1902, p. 1525.
70. MT, 22 Nov. 1901, p. 660.
71. NAC, RG 19, Vol. 3212, file 12823, letter from John Knight, Secretary of the Canadian Bankers Association, to Hon. W. S. Fielding, Minister of Finance, 2 March 1903.
72. MT, 22 May 1903, p. 1569-1570.
73. MT, 26 May 1905, p. 1588.
74. MT, 1 June 1907, p. 1898-1899.
75. MT, 30 May 1908, p. 1999-2000.
76. MT, 20 Mar. 1909, p. 1657.
77. MT, 20 May 1911, p. 2027.
78. MT, 29 Oct. 1910, p. 1816.
79. MT, 28 May 1910, p. 2225, 2228.
80. MT, 25 June 1926, p. 8.
81. MT, 27 May 1911, p. 2127, 2132.
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89. MT, 21 June 1918, p. 26-27.
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91. MT, 22 Aug. 1919, p. 34.
92. MT, 18 June 1920, p. 29-31.
93. MT, 24 June 1921, p. 12.
94. MT, 5 Aug. 1921, p. 8.
95. MT, 22 Sept. 1922, p. 8.
96. MT, 24 Mar. 1922, p. 1.
97. MT, 14 Apr. 1923, p. 1.
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99. MT, 11 Jan. 1924, p. 6.
100. MT, 23 June 1922, p. 3.
101. MT, 16 June 1922, p. 4.
102. MT, 13 Apr. 1923, p. 6.
103. MT, 22 June 1923, p. 35.
104. MT, 25 Jan. 1924, p. 3, 10.
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by **Geoffrey Bell**

Jeremiah and Charles Connell were the sons of Charles Connell Sr. In 1777, the senior Connell immigrated to New Brunswick when 12 years of age with his parents. He served an apprenticeship in Fredericton in the trade of tanner and shoemaker. He later settled in Northampton, near Woodstock, starting up the tannery business. At the time of his death he operated the largest tanning business in New Brunswick. He was also an agriculturist running and managing 4 or 5 farms employing 40 men. This then was the family background of Jeremiah and Charles Connell.

Jeremiah Connell, b.1800 – d. 1846, established business at the “creek”, nearby to Woodstock, and apparently was very successful. There are several references later in his life to owning buildings in Woodstock. One would assume that J.M. had many employees and that the scrip was paid to them to be used at the company store or stores. Jeremiah was much less public than Charles but no less respected. In 1838, he was given the sum of £100 for the relief of poor settlers in the Parish of Madawaska and monies to improve roads in the county of Carleton. He owned a lot of property and buildings in Woodstock and surrounding vicinity.

Charles, b.1809 – d. 1873, was by his 30's a prominent land speculator and successful lumberman exporting telegraph poles to the United States. In 1846, he was elected to the New Brunswick Legislative Assembly. He was also a justice of the peace in Carleton County. In 1858, he was appointed Postmaster General of New Brunswick and just one year earlier the province had adopted a decimal currency. He was asked to issue a new series of postage stamps in the new currency system. He chose to put his image on the 5 cent stamp. The politicians were outraged and the stamps were withdrawn. The stamps today are a valuable asset to any Canadian collection. Nevertheless, his popularity with the local populace was not hindered and he served in the Legislature until 1867. His home in Woodstock is now a museum. Charles published a newspaper and served two terms in the new Canadian parliament.



**Jeremiah Connell**

It has been suggested Jeremiah and Charles operated their own bank. This is not a fact. The first bank established in Woodstock was an agency of the Commercial Bank of New Brunswick. Jeremiah was President and George F. Williams the Cashier. This is interesting as Williams is also the Cashier on the Connell notes. With all the lumbering activity in the area, the bank was a great convenience. Baird in his book states that when he set up his pharmacy business in Woodstock, he examined all the vacant stores and rented one that was formerly a bank office owned by George F. Williams. By the late 1830's, Baird had expanded his business and moved to more spacious quarters in a home just vacated by Charles Connell. That corner of Woodstock was known as Apothecaries Corner.





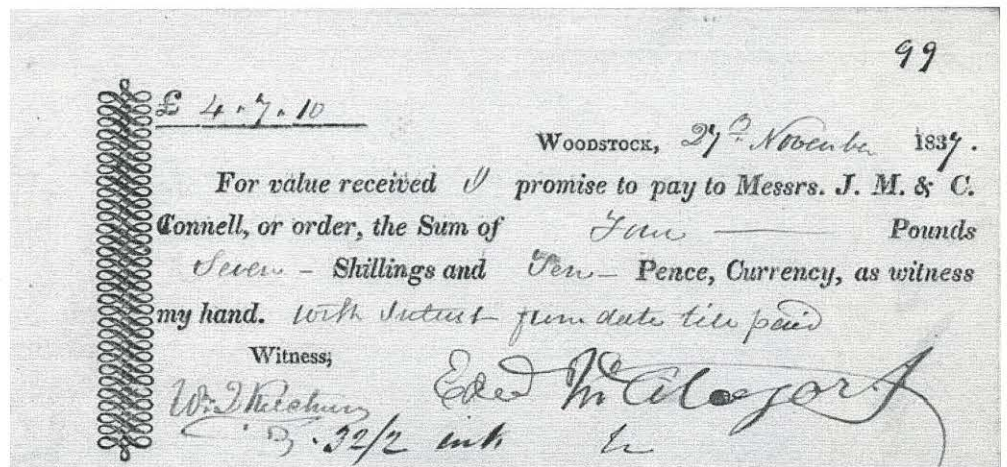
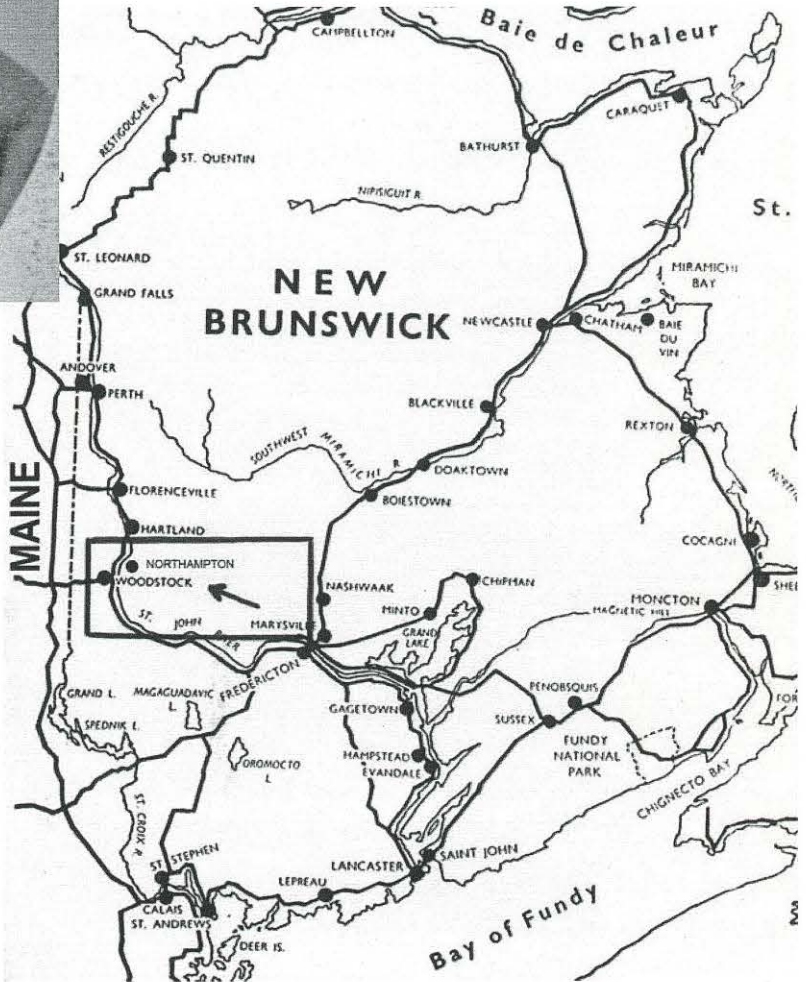
**Charles Connell**

The scarcity of the scrip may be explained by a law enacted in July, 1837. Probably, all existing scrip was withdrawn to keep the issuers on the good side of the law. It is interesting promissory notes were still permitted and the one shown here was used after the law went into effect. Only two pieces of Connell scrip are known to exist. A single issued note is in the Bank of Canada collection dated April 24, 1837. There is also a face proof sheet with all 4 notes originally issued in a private collection. It turned up in one of the American Banknote Company sales and was in a small non-descrip hodgepodge of material. The sheet contained the 1 pound, 10 shillings, 5 shillings and 2 shilling and six pence specimens. The notes were printed by the New England Banknote Company in Boston.

It makes perfect sense that the issued note is dated April 24, 1837 as this was just prior to the new law being passed in July, 1837. The right signature is J.M. and C. Connell and the left signature is George F. Williams, Cashier. There appears to be little doubt that

Williams either worked for the Connells or was a close business associate. The vignettes on all 4 notes are pretty representative of the rural Woodstock area. Farming scenes with a bridge over the Saint John River would be typical of the upper Saint John River valley. All in all, the Connells were an integral part of Woodstock history and their legacy continues to this day.

Photos of Jeremiah and Charles Connell courtesy of the Carleton County Historical Society.









## CAP. VI.

An Act to prevent the issue of Private Bank Notes in this Province.

Passed 22d July 1837.

Making, issuing or passing bills, notes or drafts as a circulating currency declared unlawful.

Exceptions.

I. **BE** it enacted by the Lieutenant Governor, Legislative Council and Assembly, That from and after the passing of this Act it shall not be lawful for any person or persons whomsoever to make, issue, circulate or pass in this Province, any bill, note, draft, check or undertaking for the payment of money, struck from a steel, copper, brass, zinc or other plate of metal, or lithographed, engraved or printed in any way or manner whatsoever, as and for or to serve the purposes of Bank notes or a circulating currency: Provided always, that nothing in this Act contained shall extend or be construed to extend to prevent any person from making, endorsing or transferring any foreign or inland bill of exchange, payable to a *bona fide* payee or order, or from passing or transferring any note or bill of the Bank of England, or of any incorporated Banking Company in this Province, or in Great Britain or Ireland, the United States, or any of His Majesty's North American Colonies, or of any joint stock Banking Company sanctioned by any Act of the Imperial Parliament, or of the General Assembly of this Province, although not incorporated, or from passing or transferring any draft, check or order on any Banking Company or banker, or on any other person or persons with the purpose and intent that such draft, check or order shall be paid by the person or persons on whom the same may be drawn, or to whom the same may be addressed, or to prevent any person or persons from making his, her or their promissory notes payable *bona fide* to or to the order of the person or persons who shall be named in any such promissory note as the payee or payees thereof; provided the same be not expressed or intended to be transferred, passed or circulated merely by the delivery thereof as and for or to serve the purposes of Bank notes or a circulating currency.

II. And be it further enacted, That all and every person or persons who shall offend against any provision of this Act, shall for each and every offence forfeit and pay the sum of five pounds, to be recovered by any person or persons who shall or may sue for the same; and all and every person or persons are hereby authorised to sue for and recover such penalty in his, her or their own names by action of debt to and for his, her or their own use in any Court of this Province having jurisdiction in actions of debt to the amount of such penalty: Provided always, that nothing in this Act contained shall extend or be construed to extend to affect any notes now actually in circulation until after the first day of July next, which will be in the year of our Lord one thousand eight hundred and thirty eight: Provided also, that nothing in this Act contained shall extend or be construed to extend to affect or interfere with the Bank of Fredericton so called.

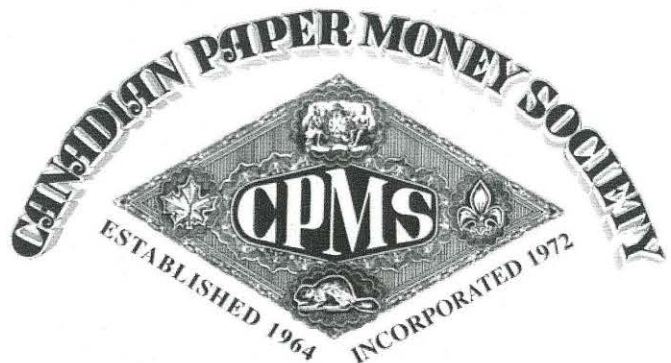
Penalty for offences against this Act.

Recovery.

Act not to affect notes in circulation until after 1st July next, nor to extend to the Bank of Fredericton.

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## THE VIGNETTES OF THE METROPOLITAN BANK NOTES

by Mark D. Tomasko©

Bob Graham's interesting article on the notes of The Metropolitan Bank (*Canadian Paper Money Newsletter*, December 2009), states that "preparation of the dies, rolls and plates for notes of The Metropolitan Bank was performed with remarkable speed, considering the length of time engraving normally consumes." The vignettes used on the notes were, as Bob guessed, all stock engravings that existed at the time the order for the notes was received by American Bank Note. One of the few special engravings would have been the title, which, it should be noted, is the same on every note. The vignettes are the focus of this article. But before discussing the vignettes, let us examine more closely the processes of engraving and etching.

Bank note picture engravers in North America used one of two methods to create the dots and lines in the steel: cutting and etching. Cutting refers to using a graver (also called a burin) to cut the dots and lines directly into the steel. Etching is the process of coating the steel die with a transparent asphaltum ground, and, after it has hardened, using an etching point to cut the dots and lines in the ground, thus exposing the steel. Next, acid is applied to the die to eat into the steel where the dots and lines have been cut in the ground. In the North American tradition, human fleshwork and drapery (clothing) are all cut, while everything else — buildings, trains, scenery, animals — are etched. Human portraits were the top of the bank note engraving craft, but there were outstanding etchers too. There is an interesting difference in terminology between the art world and the bank note industry. In the art world, there is engraving and etching. Cutting is called engraving. In the bank note world, it is all referred to as engraving, within which there is cutting and etching.

The vignette on the \$5 note (figures 1 and 2) of two reclining females with a small child in the centre was engraved in 1901 as C-846 (later C-1634 as a laydown) for American Bank Note by Robert Savage, who is generally considered the finest picture engraver of the twentieth century. It was a workhorse of a vignette, appearing on a number of securities and several bank notes, including the back of the *Republica dos Estados Unidos do Brazil*, 5 mil reis note of 1925 (figure 3). The two females were used on the *Banco Nacional de Santo Domingo* 100 pesos note of 1912 (see figure 4 for a proof of the intaglio portion of the note), with "100" replacing the small child. The vignette was also used on the face of the *Banco de la Republica de Mexico* 100 peso note of 1918. With

three human figures and much drapery, this vignette is largely cutting. While Savage was an outstanding engraver, the artwork for this vignette is not one of the more striking of the era. There were several variations of this vignette, including a version in which a book replaced the gear and hammer beside the female on the left, and one where the vignette was completely re-engraved in a smaller size.

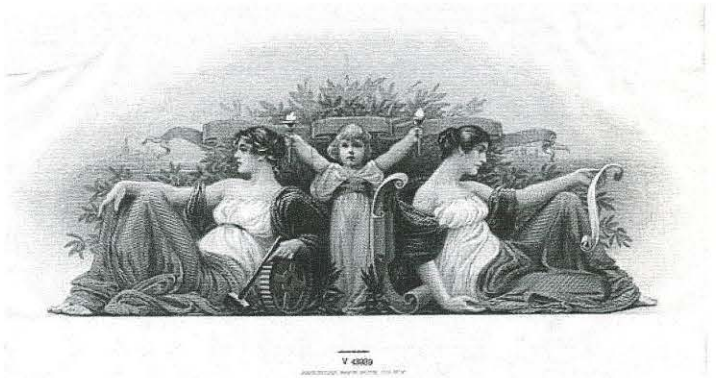


Figure 1. Vignette C-846, engraved by Robert Savage for American Bank Note Company in 1901.

The \$10 Metropolitan Bank note (figure 5) depicts a ship that started out as a sidewheeler done for Continental Bank Note Co., vignette number 180 (figure 6). The sidewheeler version was used on several securities and a draft by Continental Bank Note. The vignette was altered by Charles Skinner in 1890, to become American Bank Note number C-395 (figure 7). It was a significant alteration, with the removal of the sidewheel, the addition of a second smokestack, and the lengthening of the ship. This vignette is all etching. Charles Skinner worked for Continental Bank Note before the consolidation with American Bank Note in 1878, and it is possible that he engraved the original version too. The imprint on die number C-395, the altered version, carries the interesting legend "Changed from side wheel/old Continental 180," in addition to the American Bank Note Company name. The revised vignette was used on the *Submarine Signal Company* stock certificate (figure 8), *Banco dos Estados Unidos do Brazil* 30 mil reis note of 1890, the same year the vignette was altered, and later on the *Banco de Durango*, 100-peso note in the 1890s all by American Bank Note.

Turning to the \$20 Metropolitan Bank note (figure 9), the trolley vignette is American Bank Note number C-702 [no die proof illustration available]. It was etched by Edwin Gunn in 1899 from a photograph. Gunn and Savage were the two leading picture engravers of the twentieth century, and Gunn was in Savage's shadow for his whole career. Savage



became head of American Bank Note's picture engraving department when Skinner retired around 1910. In 1923, Savage gave up the job to Edwin Gunn, but remained as an engraver until his death in 1943, outlasting Gunn who died in 1940. Both were primarily "cutters," specializing in portrait engraving, which was considered the top of the profession. But both were good etchers too. This trolley vignette is a fine example of Gunn's etching. The only uses noted for vignette C-702 in the engraving records, or observed by the author, are the Metropolitan Bank note and securities of the New York Railways Corporation, a holding company for a number of New York City street car lines in the 1920s. Figure 10 shows a preferred stock certificate of New York Railways Corporation in 1927.

The \$50 Metropolitan Bank note (figure 11) bears the vignette C-399, "The Signal Station," (figure 12) etched by Lewis Delnoce in 1890. Lewis Delnoce was a leading picture engraver of the mid-to-late nineteenth century who worked for a number of American bank note firms and also for the United States Bureau of Engraving and Printing. This vignette was executed the year Delnoce died, and appears to be the last engraving he did for American Bank Note. Delnoce was noted for the fact that after he became a prominent engraver by the early 1870s, he worked at home, doing commissions for various firms, and never worked as an employee in a bank note firm thereafter. "The Signal Station" was used on several securities, including the Detroit & Mackinac Railway Co. stock certificate (figure 13), and the train alone was used on the Banco de Costa Rica 10 colones note of 1901.



Figure 2. Metropolitan Bank, 5 dollars by American Bank Note Company, Ottawa.

The last note in the set is the \$100 denomination (figure 14) with a mining vignette. As Bob Graham mentions, some of the vignettes, and particularly this one, seem a bit of an odd choice for an urban bank. But presumably the vignettes reflected the region too. The mining vignette is American Bank Note Co. number C-159 entitled "Rand, Rock Drill" (figure 15) and was created by Alfred Jones and James Smillie in 1882. Alfred Jones was generally

regarded as the "dean" of picture engravers in the second half of the nineteenth century, and was known for fine portraits. James Smillie was one of the finest etchers of the nineteenth century. For this vignette it is almost certain that Jones cut the human figures and Smillie etched everything else. The etching was normally done first. The vignette proved very useful to ABN, appearing on several bank notes and securities. One security on which it appeared is the stock certificate of a Canadian company, Dominion Coal Company Limited, incorporated in Nova Scotia (figure 16). The certificate is well designed, with three fine vignettes. The mining vignette made an appearance on several bank notes, including the Banco de Durango, 5-peso note of 1891-1913 in which part of the vignette was used (figure 17 is a trial color proof of the intaglio portion of the note). This makes two notes of the Durango set that share vignettes with the Metropolitan Bank (the 100-peso Durango note uses the revised vignette of the ship). Another interesting use of the mining vignette is on the Ingersoll-Rand Company preferred stock certificate (figure 18). The specimen shown dates from 1985, giving this vignette a useful life of over a hundred years. Very few vignettes can claim this distinction.

In closing, Bob's article did not show the back of the Metropolitan Bank notes. Figure 19 is a proof of the \$10 back. The English royal crest is the only picture engraving on the back. A die proof in the author's collection indicates that this particular crest is a National Bank Note Company engraving, which dates it between 1859 and 1878. Unfortunately there are no surviving National Bank Note Company engraving records, and no other information is available to identify who engraved the crest.

## Sources

American Bank Note engraving records; other information in the collection of the author; and Gene Hessler's *The Engraver's Line*. All illustrations are from the author's collection, with the exception of the faces of the Metropolitan Bank notes, which are from the Bank of Canada's National Currency Collection. Note: Vignette die numbers provided in this article are generally the original die numbers. In 1923 American Bank Note renumbered all existing dies, including the dies of its own two previous die numbering systems, and all the dies of companies it acquired. Vignette dies produced before 1924 were given "V" numbers under 50,000. For more information on the ABN die numbering systems, see "Die numbers reflected changes at ABN" by Mark D. Tomasko, *Bank Note Reporter*, June 2004.





Figure 3. Back of Republica dos Estados Unidos do Brazil, Brazil, 5 mil reis of 1925, proof.



Figure 4. Trial color proof of intaglio portion on Banco Nacional de Santo Domingo, Dominican Republic, 1912, 100 pesos.



Figure 5. Metropolitan Bank, 10 dollars by American Bank Note Company, Ottawa.

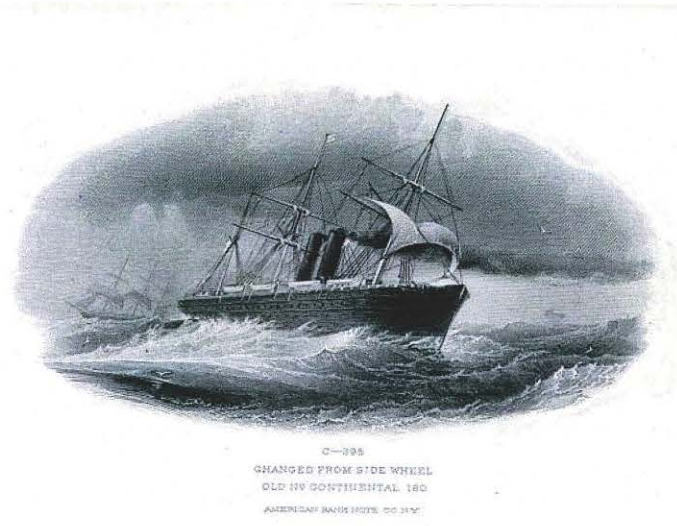


Figure 7. Vignette C-395, as altered by Charles Skinner of American Bank Note in 1890. Skinner may have engraved the original Continental Bank Note version, since he worked for Continental before its merger with ABN in 1878-9.



Figure 8. Stock certificate of Submarine Signal Company, 1945, by American Bank Note Company.

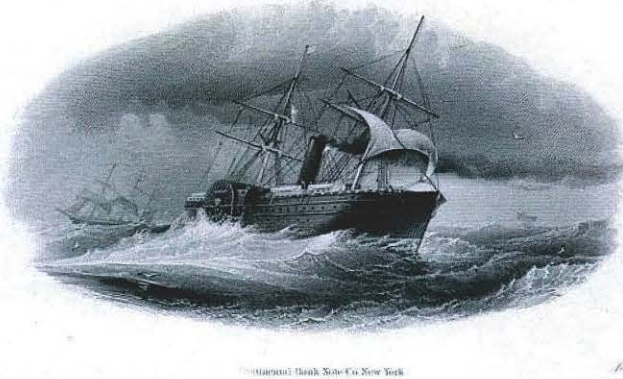


Figure 6. Vignette 180 of Continental Bank Note Company, the original "sidewheel" version of the ship later used on the \$10 Metropolitan Bank note.



Figure 9. Metropolitan Bank, 20 dollars by American Bank Note Company, Ottawa.





Figure 10. Stock certificate of the New York Railways Corporation, 1927 by American Bank Note Company.

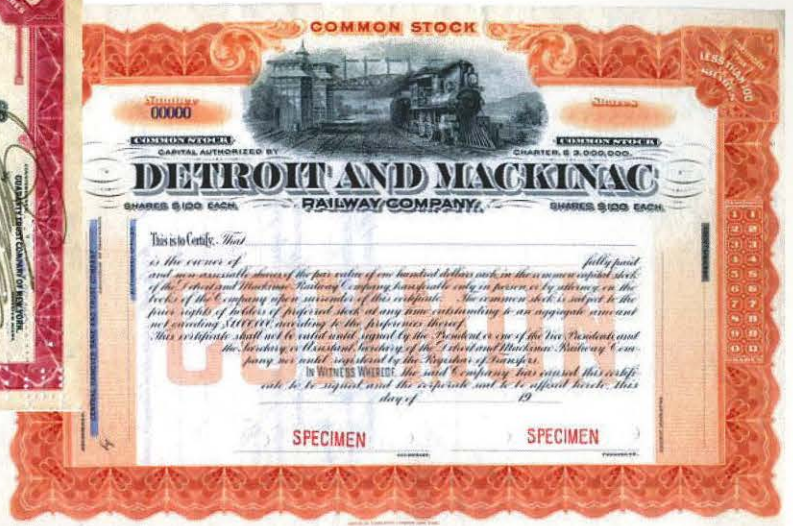


Figure 13. Specimen stock certificate of the Detroit & Mackinac Railway Co. by American Bank Note Company, with "The Signal Station" vignette.



Figure 11. Metropolitan Bank, 50 dollars by American Bank Note Company, Ottawa.



Figure 14. Metropolitan Bank, 100 dollars by American Bank Note Company, Ottawa.

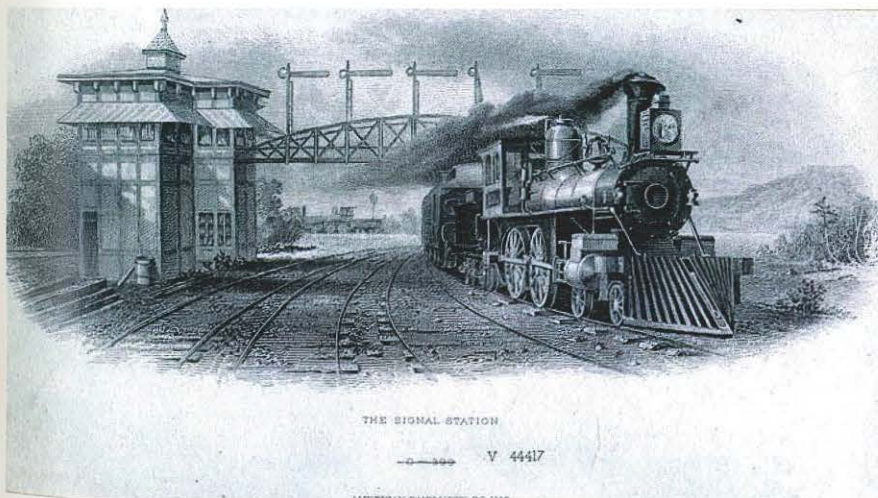


Figure 12. Vignette C-399, "The Signal Station" etched by Lewis Delnoce for American Bank Note Company in 1890. This was the last engraving done by Delnoce for American Bank Note before his death in 1890.

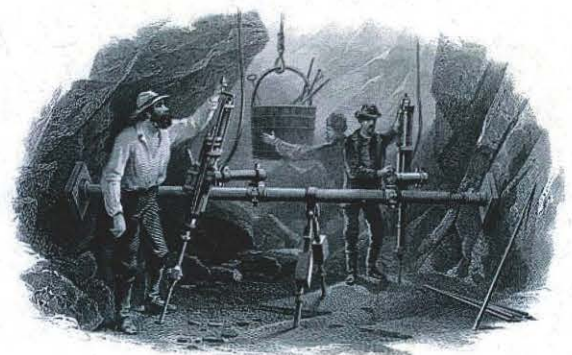


Figure 15. Vignette C-159, "Rand, Rock Drill" by Alfred Jones and James Smillie, in 1882. Jones did the cutting of the human figures and Smillie did the etching of everything else.



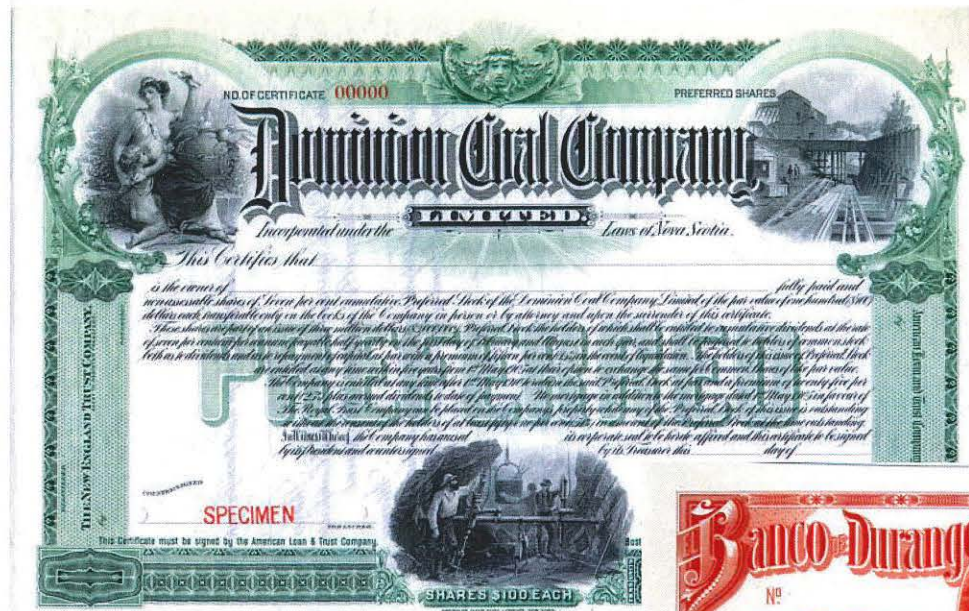


Figure 16. Specimen stock certificate of the Dominion Coal Company Limited, Nova Scotia, by American Bank Note Company, New York.



Figure 17. Trial color proof of the intaglio portion on Banco de Durango, Mexico, 5 pesos by ABN, using part of vignette C-159.



Figure 18. Specimen stock certificate of Ingersoll-Rand Company (1985) by American Bank Note Company. This certificate indicates that the vignette "Rand, Rock Drill" saw more than one hundred years of use, an unusual record for bank note vignettes.

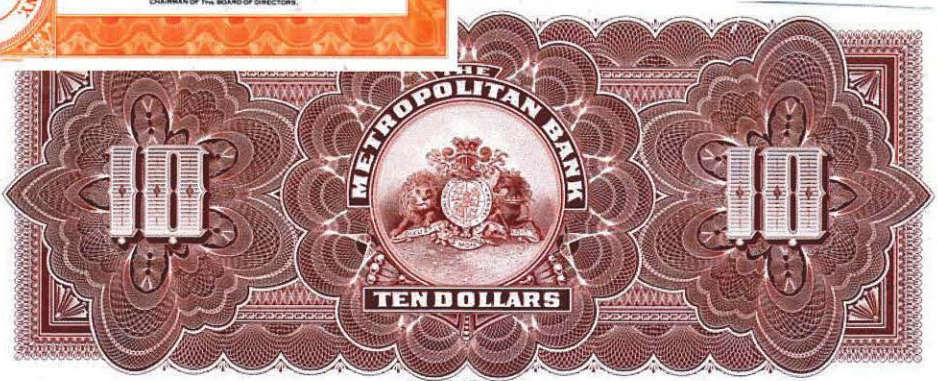
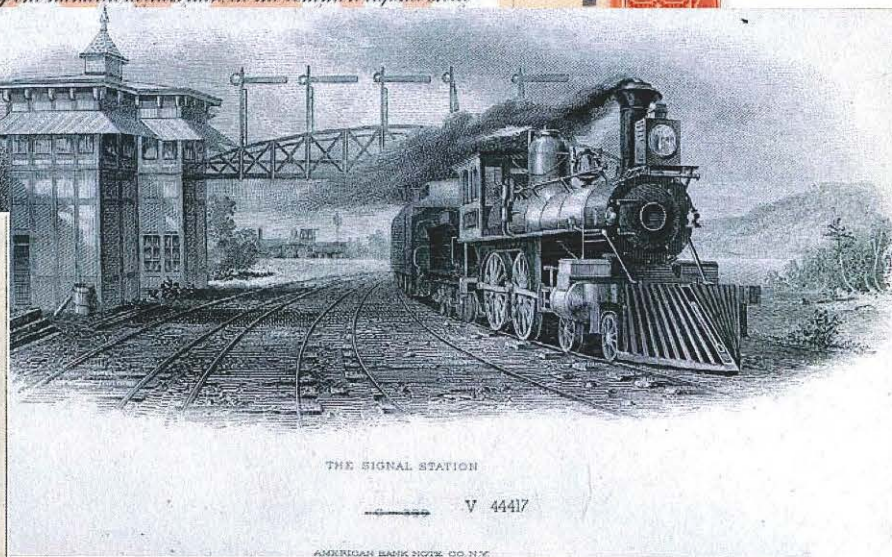


Figure 19. Trial color proof back of the \$10 Metropolitan Bank note. A separate die proof (in the author's collection) of the English royal crest bears the imprint of the National Bank Note Company, which was merged with American in 1878-9.





Depictions of vignette C-399, The Signal Station, by Lewis Delnoce for American Bank Note Company.