



# The Canadian Paper Money Journal

PUBLICATION OF THE CANADIAN PAPER MONEY SOCIETY

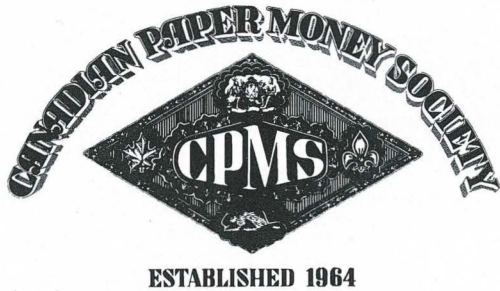
Vol 32

1996

Serial No 116







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**COVER:** The front cover illustrates an early specimen sheet of BABN. (photo by W Allan) The back cover shows an engraving of the Empress Eugénie from the Allan Collection.

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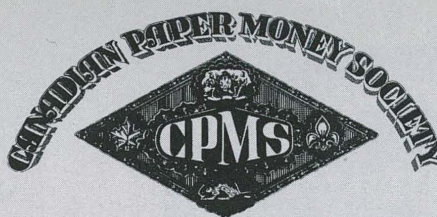
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The *Canadian Paper Money Journal* accepts original manuscripts on Canadian banknotes, banking history, and other Canadian paper money, but reserves the right to edit or return material submitted. The editor assumes no responsibility for unsolicited photographs, computer disks or manuscripts.

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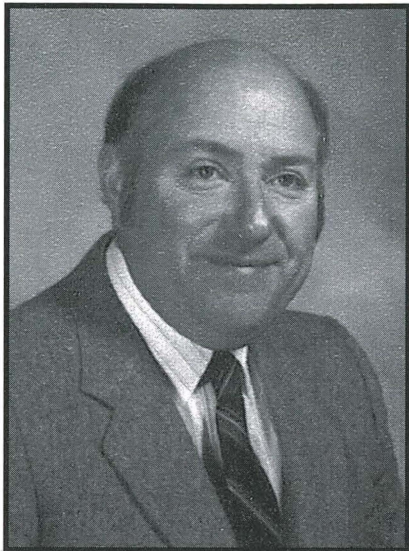
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## THE PRESIDENT'S MESSAGE

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end of the manuscript. The recommended format for bibliography is as follows.

Allan, W D, ed (1989). *The Charlton Standard Catalogue of Canadian Bank Notes*. Toronto: The Charlton Press.

Kaslove, H (1990). Bank of Canada essay notes for the 1935 issue. *Canadian Paper Money Journal* 26: 102-110.

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Authors may make citations in the text either by clearly marked footnotes or by showing the author's last name, date of publication and page number in parentheses, for single (Kaslove 1990: 110) or multiple authors (Allan 1989: 141; McCullough 1984: 98-99). If you must use footnotes (this results in considerably more work for your editor!), number them consecutively throughout, in superscript, and do not put the numbers in parentheses or follow them with a period, as this only forces the editor to remove them laboriously. List footnotes at the end of the article; the editor will place them at the bottom of appropriate columns during page layout. It is extremely important that all references be complete, including authors' names (or "Anonymous") and titles, in all cases, journal name, volume and page numbers for articles, and city and publisher for books and monographs.

Illustrations should be black-and-white glossy photographs, preferably scaled to make the image either 3.25 inches (one column), or 6.75 inches (two columns) in

width. Even where this is not possible, please avoid photocopies, extremely small images, or mixing illustrations of varying sizes wherever possible. Please do not send unsolicited original notes or artwork, as the Canadian Paper Money Society and its officers cannot be responsible for their safe return.

Once again, Walter Allan and Ted Banning have produced a classy, scholarly journal. Members of CPMS are so fortunate to have such a team of dedicated editors and their work makes each of us feel proud. The quality of our newsletter also continues to impress with Bob Graham at the helm. He maintains a high degree of quality with that newsy and folksy flavour. On behalf of all members, gentlemen, thank you and keep up the good work.

It will soon be time to elect a new slate of officers. Sometimes people are hesitant to step forward to help our

society in this way. With our team of editors and writers, the executive's job is not an onerous one. Please let me know your willingness to help out. Writing may not be your strength, but you might be willing to help us out with other projects on the executive.

Finally, CNA '97, the annual convention of the Canadian Numismatic Association in Moncton, is just around the corner. Make plans for your summer vacation now and include the Maritime's most progressive city in them. Bring a display with you!

Geoff Bell  
President, CPMS

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In addition to regular articles, we encourage the submission of short reports, reviews of recent books on Canadian paper money or banking, and 'fillers' consisting of short quotations or observations relevant to Canadian paper money, or short research notes or enquiries.





In this issue Chris Ryan continues to delve into correspondence concerning early Province of Canada issues and the formation of the British American Bank Note Company (or companies!), while Bob Graham goes forward with his research on early banking history and Walter Allan continues to make the most of material from banknote company archives and art history to research the background of vignettes. I owe them many thanks both for their research and writing efforts and for withstanding my often prolonged quest for revisions and clarifications. I have also dipped my own oar into the water, with the provisional fruits of my very slow research into Cobourg's history and especially its 1848 notes. I hope that readers who have or know of notes not listed in my article will write me with whatever information they can provide.

Once again, in spite of my hope to catch up, we are even farther behind schedule. This is in part due to my having had an accident early last summer that resulted in a broken arm and much reduced facility with my computer! I really do plan to get on to *CPMJ* 33 in June so that it will be in the mail to you in September. To do this, I need to have submissions as soon as possible, as my files are once again beginning to look a little bare. It is a long process to review submissions, ask for modifications if necessary, edit the material and do the layout, and summer is the only good block of time available to me to finish off the journal. If I don't have everything in hand by May or early June, it simply isn't possible to complete the journal on time. Also note that I have

altered the Guide to Contributors on the previous two pages to make it a little more specific, and would urge you to pay close attention to these guidelines if you are working on a manuscript. The result of manuscript idiosyncrasies, unfortunately, is that your editor has to make hundreds of small changes to ensure the reasonable consistency that gives the *Canadian Paper Money Journal* its own distinctive style.

I would still like to see some reviews of recent books on Canadian banknotes and banking history, incidentally. We have not had any for quite some time now, and I think this would be a very valuable feature for our readers. Quite often new books on Canadian banking history and related topics appear that for some reason never attract the attention of the numismatic press, presumably because they do not focus on coins or notes *per se*, yet many of these books are extremely relevant to topics that interest readers of the *Canadian Paper Money Journal*.

I would also welcome short, original pieces based on exhibits you may have been preparing for the next convention of the Canadian Numismatic Association or one of the regional or US meetings.

Meanwhile, some of you may have heard the news in early December that Canada has a new chartered bank with quite a new twist. I believe it is called the First Nations Bank of Canada and its mandate is specifically to serve people living on Canada's many reserves. It will be interesting to see what new banking history evolves out of this.

EBB □





# The British American Bank Note Company

## Its Formation and First Contract With the Government of Canada

Christopher D Ryan

Very little has been written in any depth about the 1866 formation of the British American Bank Note Company (BABN). Most of the previous discussions concerning this event have consisted only of brief references to certain individuals and to the amalgamation of two competing groups.<sup>1</sup>

This paper, based on contemporary documents found in the National Archives of Canada and elsewhere, will present details of the motivations, the sequence of events, and the suggestions of political intrigue that initiated and shaped the founding of BABN. Also to be presented will be the reasons for the delay, from mid-1866 to early 1868, in the signing of the company's first contract with the Canadian government.

### The Formation

A desire on the part of the government of the Province of Canada to have a Canadian steel-plate engraving company arose in 1864 soon after the introduction of the Bill and Law Stamps on 1 August and 1 October, respectively.<sup>2</sup> The motivations for this desire were two-fold, as noted in a report of the Board of Customs, Excise and Stamps (hereinafter referred to as the "Board") dated 11 June 1866:

It was not long before some inconvenience was felt at having to derive our supplies of Government stamps from such a distance as New York, and the threatened rupture between Great Britain and the United States growing out of the Trent affair, the recollection of which was still fresh in men's memories, was strongly suggestive of other difficulties &

circumstances, besides distance, that might arise from having our Government stamps & securities engraved & printed in a Foreign Country with which we might be at war.<sup>3</sup>

Sometime prior to February 1865 the task of finding a solution to the difficulties was assigned to the Board. As part of their investigations, the Board consulted the firm of Burland, Lafricain and Company, an established Montreal printing firm with whom the government had done business, and whose principal partners were G B Burland and George Lafricain.<sup>4</sup> Burland-Lafricain's suggestions or assertions formed the basis of a report dated 3 February 1865. With respect to the conclusions of the this report, the June report noted:

... it was recommended that the printing at least of all Government stamp etc. should be done in this Country at the seat of Government, under the immediate surveillance of the Finance Department, it being at the time considered that the limited demand for the work of the artistic description pertaining to a Bank Note Co. such as that existing in New York, rendered improbable, if not impossible, that the engraving of the plates could be executed in the Province [of Canada.] That impression had been strengthened, if it did not originate with Messrs. Burland & Lafricain, whose propositions were entirely confined to printing.<sup>5</sup>

Burland-Lafricain was further quoted as deeming the formation of a Canadian steel-engraving company to be "most hazardous & unremunerating."<sup>6</sup>

The inclusion of Burland-Lafricain in the discussions most certainly stemmed from their status, by 1865, as Canadian

<sup>1</sup>Anonymous 1956; 1957; Boggs 1945; Duckworth 1986; Hillson 1989; Morris 1967; Allan 1991: 106-108; 1992: 5-6.

<sup>2</sup>Canada, *Statutes*, 27-28 Vic., 1864, chap. 4 and 5.

<sup>3</sup>Bouchette 1866a.

<sup>4</sup>Ryan 1994.

<sup>5</sup>Bouchette 1866a.

<sup>6</sup>*Ibid.*



agents for the American Bank Note Company (ABN).<sup>7</sup> As such they would have been the logical recipients of the ABN plates, the transfer of which to Canada was under consideration in 1865.<sup>8</sup>

Meanwhile, given their topic, word of these discussions must also have made its way south, with or without Burland-Lafrican's agency, and come to the attention of certain ABN engravers. In February of 1865 the leader of this group, William Cumming Smillie, wrote to a Dr Marsden of Quebec City, asking him to canvass government and banking officials for their views with respect to the establishment of a full-fledged Canadian steel-engraving company. Marsden reported that the Finance Minister, A T Galt, and Premier, Etienne Taché, had expressed support for such a venture. Nothing more came of this initial inquiry, however, and Smillie subsequently visited Galt in Quebec during the first week of August 1865. With the recent death of Premier Taché and the impending opening of Parliament, Galt had very little time for Smillie's presentation and the engraver returned to New York without any consideration being given to his proposals.<sup>9</sup> Following this, on 7 September, Smillie wrote to Galt and, according to the response of 12 September, his letter was referred to the Board.<sup>10</sup>

Once again, however, no action was forthcoming and Smillie returned to Canada, where he met with the new Premier, Narcisse Belleau. According to Smillie, Belleau advised him that "the only certain mode of calling the attention of the Govt" was to compose a "circular" describing his proposals and to send it "to each member of the Executive Council."<sup>11</sup> On 29 November, Smillie did send such a circular to the Council members. The Finance Department acknowledged this communication in a letter of 15 December 1865 in which Galt's secretary commented that the subject of a Canadian steel-engraving company was "under the consideration of the Government."<sup>12</sup>

It appears that it was at this time that Smillie recruited George Matthews of Montreal to assist him in his hitherto futile efforts. In a memorandum that Smillie wrote in late June of 1866, he noted:

Some time in Jan'y. 1866 I visited Montreal in the hope of seeing Mr. Galt, and exhibiting specimens of Stamps or models for such, in company with Mr. Matthews I waited on Mr. Galt, it was a hurried and unsatisfactory interview, occasioned by the Hon. gentleman's pressure of official engagements connected with the then intensely interesting subject of Reciprocity and his return from Washington. At [the] interview I was cautioned against counting to [sic] confidently on the Govt. patronage as to run into expenses.

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<sup>7</sup>Mitchell and Sutherland 1865; Ryan 1994.

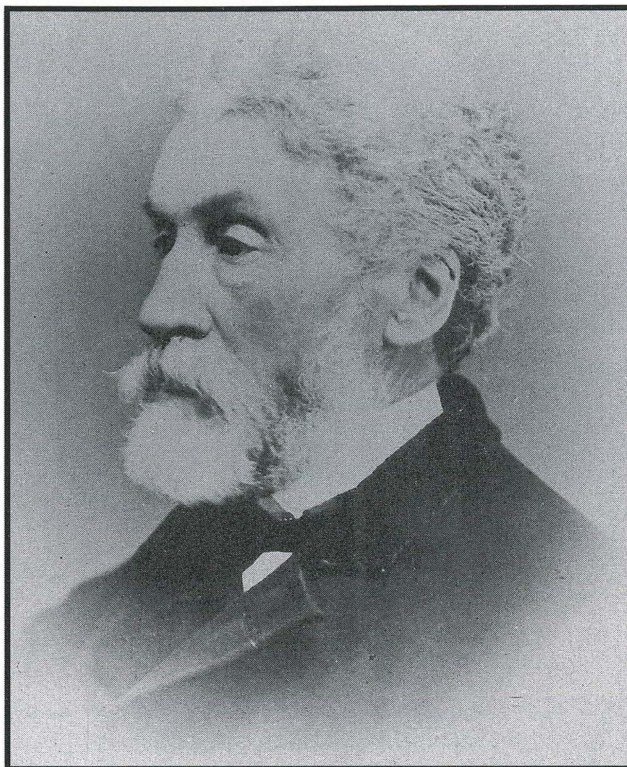
<sup>8</sup>Bouchette 1866a.

<sup>9</sup>Smillie 1866a.

<sup>10</sup>Blackmore 1865a.

<sup>11</sup>Smillie 1866a.

<sup>12</sup>Blackmore 1865b.



Portrait of William Cumming Smillie (1813-1908)(courtesy W D Allan).

This kind suggestion was occasioned by remarks of Mr. Matthews on the fact that I had been experimenting for a length of time in bringing my Geometric Lathe to perfection, and at considerable cost. About this time at the request of Mr. Galt an offer was made to Burland Lafrican [sic] & Co. to join our Co., which was declined by the said gentlemen on the ground of their being for two years from that time the agents of the American Bank Note Compy.<sup>13</sup>

It was not until March of 1866 that the Canadian Government took any concrete action with respect to Smillie's proposals. This is noted in the Board's report of 11 June 1866:

It was pending the consideration of these matters that Mr. W.C. Smillie's overtures for the establishment in Canada of a *British American Bank Note Company*, wholly unconnected with any American Company, were seriously taken up. One of his first communications on the subject addressed to the Finance Minister bears date in Nov. 1865 but it was not until March last, when the propositions of Messrs. Smillie & Mathews [sic] were formally referred to the Board, that the question was fully entered into & that the Board found that men of skill, capital and character, were prepared to meet all the requirements of the Govt. in reference to the *Engraving*, as well as the printing & furnishing within the Province itself, all Stamps, Debentures and other work of a like description which might thereafter be required to much larger account when greater extension would be given to the stamp tax. The proposition of the Gentlemen

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<sup>13</sup>Smillie 1866a.





Vignette of George B Burland appearing at lower right in a perpetual calendar of the British American Bank Note Company (courtesy British American Bank Note Company, photo by W D Allan).

appeared to the Board most opportune. They came to supply a [illegible word] which it was thought impossible to realize under the circumstances of the Country, an opinion which seems to have been entertained by Messrs. Burland & Lafricain themselves.

Messrs. Smillie & Matthews were therefore called before the Board, and on the 6th of March last they submitted the written propositions which were canvassed, weighed and naturally considered by the Board & by it unanimously adopted and recommended in a Report to the Minister of Finance, by whom the Report was approved.<sup>14</sup>

Significant in this report is the implication that Smillie's letter of 7 September 1865 had not been referred to the Board, as Galt's secretary had previously claimed.

The Finance Minister's approval of the Board's March report was known to Matthews and Smillie, but they did not deem this a sufficient assurance of the government contract. In his memo of June 1866, Smillie described the events following Galt's approval as follows:

This paper was submitted to and favorably reported upon, but as I had made a number of visits to Canada without any very obvious advantage being gained and the season in which it would be absolutely necessary to decide on moving into the Province [illegible word] being near at hand, I begged, having been informed the Council had not met for 10 or 12 days that some moral assurance might be given me. I was promised an interview with Mr. Galt; the day and hour were fixed. I waited the arrival of the Hon. Minister, but it so happened that a telegram from Montreal requiring his immediate presence there, prevented the interview, the Hon. Minister expressing regret, requested me by the means of his private secy. to see Mr. Bouchette with which he had conferred on the subject of our contract, and saying that, whatever Mr. B. said, that was his mind.

I at once proceeded to Mr. Bs. room, who informed me the Minister desire him to say, our proposition as reported on by the Bd. of Customs "had his entire concern and that the paper wd. be acted upon at the next meeting of Council. That the way was entirely clear for collecting together the men and machinery necessary for our enterprize [sic], and as soon as we had a suitable vault constructed for the safe keeping of the plates eng'd for the gov't by the Am. Co., they shd. be called and put in our charge."<sup>15</sup>

Smillie evidently considered Bouchette's assurances to be a guarantee that the contract would be granted in the very near future. With this verbal promise, Smillie and his associates then proceeded to purchase and commence renovations of a building, and to import the equipment and supplies they required for the anticipated work.<sup>16</sup> The extent of Matthews and Smillie's preparations were likewise noted in the Board's report of 11 June 1866 as:

Messrs. Smillie & Matthews who are it is understood so far advanced in their arrangements in Ottawa in the anticipation of the closing of their contract with the Government that they will be ready in a comparatively few months to supply the Govt. with such stamps as may be required on the spot, & the Board are now aware that Bill & other Stamps of the various classes & denominations will speedily be wanted to the [illegible word] demand.<sup>17</sup>

However, at the same time as Matthews and Smillie were assembling their equipment and staff, Burland-Lafricain, in conjunction with certain members of the government, were taking steps to redirect the venture in their favour.

As part of the March meeting between Matthews, Smillie and the Board, the latter indicated that it thought it "desirable" that G B Burland be included in the formation of the British American Bank Note Company. For unknown reasons that may have included a sense of prior obligation, the fact of their established business, or political pressure, the Board directed Matthews to approach Burland's group once again with such a proposal. The Board's June report noted:

<sup>15</sup>Smillie 1866a.

<sup>16</sup>For a list of equipment and supplies see p. 10 and *Ibid*.

<sup>17</sup>Bouchette 1866a.

<sup>14</sup>Bouchette 1866a.





Die proof of a BABN letterhead (courtesy W D Allan).

Although aware that the views which Messrs. Smillie & Matthews entertained as to the establishment & success of a British American Bank Note Co. in Canada, upon the basis proposed, were not shared by Messrs. Burland & Lafricain it was nevertheless thought desirable that those Gentlemen should be afforded an opportunity of reconsidering the subject, and Mr. Matthews was desired to mention to them the proposed formation of the Canadian Co. & to invite them to form part of it.<sup>18</sup>

This probably occurred in March or April of 1866. Matthews' invitation was again rejected. This time, however, Burland-Lafricain then sought to usurp the Matthews-Smillie proposal with one of their own. The Board considered the validity of Burland-Lafricain's proposal, given their previous assertions, to be somewhat dubious. The June report continued with,

These overtures it would appear were declined and on the 14th May last, Messrs. Burland Lafricain & others, purporting to represent "The British American Bank Note Co." sent in the "Tender" which has been referred to the Board. This tender is nearly a transcript of that furnished by Messrs. Smillie & Matthews, with the exception of the privilege alleged to exist in Burland & Lafricain as to the use of a Patent Colour, and the underbidding for the Government Contract, by offering to do the work for 5% less than Messrs. Smillie & Matthews, that is to say, for 25% instead of 20% under the present prices, a proposition on the part of Messrs. Burland & Lafricain difficult to reconcile with a former statement of theirs in which they speak of such an undertaking as that proposed by Messrs. Smillie & Matthews as most hazardous & unremunerating even with other Govt. work. This tendering therefore for 5% less under such circumstances can not but be considered as somewhat anomalous.<sup>19</sup>

Further indication of the low esteem with which the Board held Burland's tender is given by their statement that the Board was "unable to discover upon what tenable ground

they could set aside the recommendations of the 6th of March last accepting of the propositions in writing of Mr. George Mathews [sic] and Mr. W.C. Smillie."<sup>20</sup>

Not only did Burland and associates appear to have copied the terms and conditions of the tender quite closely but, as noted by the Board, they sought to appropriate the very name of BABN itself. This appropriation was initiated on 23 April 1866, only a short time after Matthews' visit, when the following notice was filed and subsequently published in the *Canada Gazette*:

Notice is hereby given that George Bull Burland, George Lafricain, Nathaniel Barber, Engravers, Brown Chamberlin and John Lowe, Printers and Publishers, all of Montreal, will apply to His Excellency the Governor General in Council, after the expiration of one month from the publication of this notice for a charter to incorporate a Company under an Act of the Legislature entitled: "An Act to authorize the granting of Charters of Incorporation to manufacturing, mining and other Companies," to be called "The British American Bank Note Company," for the purpose of carrying on the manufacturing, mechanical and chemical operations and business required in the engraving and printing of Bank Notes, Debentures, Bonds, Postage and Bill Stamps, and Bills of Exchange, and the carrying on of all other branches incidental thereto at the city of Montreal, in Lower Canada, and the city of Ottawa, in Upper Canada, the places where the operation of the Company are to be carried on. The amount of the Capital Stock of the Company is to be \$100,000 in 1000 shares of \$100 each, the amount subscribed being \$100,000 and \$5000 is to be paid in before the Charter is granted.<sup>21</sup>

In this notice, the group, with established operations as Burland, Lafricain & Co. in Montreal, now proposed to establish a second plant in Ottawa.

<sup>18</sup>*Ibid.*

<sup>19</sup>*Ibid.*

<sup>20</sup>*Ibid.*

<sup>21</sup>*Canada Gazette*, Vol. 25. 28 April 1866, p. 1512.



The Matthews-Smillie group, ignorant of Burland's application, filed their own application on 15 May. This item listed the intended principals as: George Matthews (of Hudson, Quebec), William Cumming Smillie, Henry Earle, Francis Bourne, William Smillie Gillelan (all listed as residents of Ottawa), Alfred Jones (of Yonkers, New York), and Thomas Johnson Gillelan (of New York City). In their notice this group proposed to establish a single plant in Ottawa.<sup>22</sup>

It appears that Smillie's group may have first become aware of Burland's machinations after the publication, on 19 May 1866, of their own 15 May notice. In a letter dated 21 May 1866 to the Provincial Secretary, Smillie noted:

The undersigned on behalf of the parties embraced in the accompanying advertisement begs leave most respectfully to call your attention to the fact that other parties under publication in the *Canada Gazette* of April 23 have usurped the title under which we have been negotiating with the government for some months back, proof of which fact are in possession of the honorable Members of the government.<sup>23</sup>

On 26 May, the Provincial Secretary replied as follows. I have the honour to ackl. the rect. of your letter of the 21st Inst. & in reference thereto, to inform you that no official inform'n is possessed by this Dept. of the intention of the parties refered [sic] to in the advertisement enclosed in your letter, to apply for a Charter of Incorp'n under the Act 27&28 Vic. ch. 23.

It will be necessary, therefore, for any Company which may have been legally incorp'd under the name of "The British American Bank Note Co." previous to the date of the appln. of the parties who are now in a position to be incorp'd under that name, to file immediately in this office evidence of the fact of such previous incorp'n, as otherwise the Letters Patent will [be] issued in favor of those parties as prayed for by them.<sup>24</sup>

On 28 May, Smillie clarified his inquiry:

... Neither of the applicants for Charter under the name of "British American Bank Note Company" assume to have a legalized existence as yet. The object of our addressing you on the former occasion was simply to state the fact that Burland and associates (representing an American Company) having appropriated the title under which we have for months back been negotiating with the government (proof of which are inpossession of the Board of Customs) have under such usurpation anticipated us in their advertisement and consequently in their application for Charter.

We fear therefore that from such accident they may obtain an advantage over us as regards a grant to them, until we have the opportunity of a hearing.<sup>25</sup>

In a response on 30 May the Provincial Secretary advised, In reference to your remarks resp't the proposed applns. of two distinct parties to be incorp'd under the name of "The British American Bank Note Co." it is only necessary to state that so long as any particular name is not appropriated by any incorp'd

Co. there does not appear to me to be anything to prevent any parties otherwise entitled to be incorp'd from assuming that name & being incorp'd under it.<sup>26</sup>

Based on the advice of the Provincial Secretary, Smillie's group then sought to preempt Burland's application by applying for incorporation as a "Joint Stock Company."<sup>27</sup> The method of incorporation did not involve the issue of a Charter by Letters Patent. The formation of a joint stock company simply required that the interested parties make a formal declaration containing specified details of the proposed company. Such a company came into official existence upon the registration of the declaration in the local registry office and the filing of a copy with the Provincial Secretary. Unlike companies chartered by Letters Patent, joint stock companies existed for only a limited period of time not exceeding 50 years.<sup>28</sup>

Matthews' and Smillie's declaration was signed on 6 June by George Matthews, William Smillie, Henry Earle, Francis Bourne, and William Gillelan. The paper was witnessed and registered by the Deputy Registrar of the City of Ottawa on the afternoon of that same day. The declaration was then registered at the Carleton County Registry Office on the morning of 7 June and filed with the Provincial Secretary's Office that same day.<sup>29</sup> The Provincial Secretary acknowledged receipt of the declaration on 11 June.<sup>30</sup> An official certification of compliance with the requirements of the law was issued on 13 June and published in the 16 June issue of the *Canada Gazette*.<sup>31</sup>

The 6 June date of Matthews and Smillie's declaration is very significant as it was on this very same date that the Executive Council issued its Order to approve the grant of a Letter Patent Charter of Incorporation to Burland's group.<sup>32</sup> This Charter was not issued until 16 June, nine days after Matthews and Smillie's declaration was filed and three days after the Provincial Secretary's official certification.<sup>33</sup> What is more, Burland's Charter was issued by the Provincial Secretary, who was well aware of the competing applications and had previously certified Matthews-Smillie's incorporation under the name of BABN.

Thus Burland's group had apparently been incorporated under the very same name as a company already in existence. This appears to be in blatant violation of the statute under which the Letters Patent of Incorporation had been issued. This law stated,

Before Letters Patent are issued, ... the applicants therefore must prove to the satisfaction of the Minister, or officer to

<sup>22</sup>*Canada Gazette*, Vol. 25. 19 May 1866, p. 1765.

<sup>23</sup>Smillie 1866b.

<sup>24</sup>McDougall 1866a.

<sup>25</sup>Smillie 1866c.

<sup>26</sup>McDougall 1866b.

<sup>27</sup>Matthews *etal* 1866.

<sup>28</sup>Canada, *Consolidated Statutes*, 1859, chap. 63.

<sup>29</sup>Matthews *et al.* 1866.

<sup>30</sup>McDougall 1866c.

<sup>31</sup>McDougall 1866d.

<sup>32</sup>Executive Council Orders, 1866.

<sup>33</sup>McDougall 1866e.



whom the duty of reporting thereon may be assigned,—that the proposed corporate name is not that of any other known Company....<sup>34</sup>

Smillie's company was certainly known to the Provincial Secretary at the time of the patent's issue.

The Provincial Secretary was also certainly aware of the Order in Council of 6 June when he later certified Matthews and Smillie's incorporation as a joint stock company. This awareness is evident in the Order, which states,

On the Petition of George Bull Burland, George Lafricain and Nathaniel Barber, Engravers, and Brown Chamberlin and John Lowe, Printers and Publishers, all of Montreal, praying for a Charter of Incorporation under the name of "The British American Bank Note Company." The Hon. the Provincial Secretary reports that having examined the papers submitted in connection with and in support of the above application he finds that the requirements of the Act 27 & 28th Vic. cap. 23. and Orders in Council with reference thereto have been complied with. He therefore recommends that the necessary Order in Council may pass directing the issue of such Letters Patent....<sup>35</sup>

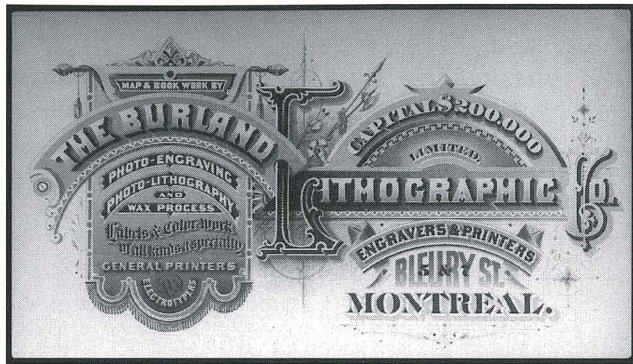
This would seem to indicate that, at the time of the Provincial Secretary's 13 June certification of Smillie's incorporation, the 6 June Order did not take precedence over Smillie's declaration (as filed on 7 June) or its official certification. Yet on 16 June, a Charter by Letters Patent was issued to Burland's group. Thus the government apparently permitted Burland's group to incorporate itself under the very same title as a company already in legal existence. This was of questionable legality and suggests collusion between Burland's group and members of the government.

In spite of the Board's recommendations and aspersions cast by its report on the validity of Burland-Lafricain's competing tender, the machinations of the latter caused the Government to renege on the Finance Department's promise to Smillie. Subsequently, the Government made further — this time successful — overtures to the two competing groups to merge. Evidence of this continued effort to accommodate Burland-Lafricain occurs in the first paragraph of the joint tender, dated 7 August 1866:

The undersigned having amalgamated their respective interests in compliance with the express wishes of the Government, and made application for "Letters Patent" of incorporation, under the name and style of the British American Bank Note Company, for the purpose set forth in the advertisement of application....<sup>36</sup>

The merger agreement, signed on the same day as the joint tender, read,

The undersigned having merged our respective interests into one Company to be operated under the Charter issued to the British American Bank Note Company or under a new Charter as may be decided upon, hereby agree to, and bind ourselves



*Burland Lithographic Co business card (courtesy WD Allan).*

to abide by the following preliminary articles of association as submitted to Mess. Burland and Lowe, representing themselves and associates on the one side and Mess. Smillie and Bourne for selves and associates on the other, at Montreal and confirmed at a general meeting held in Ottawa this day.

First. Mess. Burland & Co. to have Five hundred shares of stock,

Mess. Smillie & Co. to have Five hundred shares of stock.

Second. Mess. Burland & Co. to receive [One] hundred shares of stock as paid in full for the goodwill &c. of their business and use of the Patent Colors. The rights to use of the Patent Colors to be transferred to the New Company. Mess. Smillie & Co. to receive Three hundred shares of stock as paid in full for the Machinery, Presses and other property as per inventory and goodwill which they contribute to the business.

Third. The new Company to be organized under the following Board of Directors viz: W.C. Smillie, Geo. Burland, Henry Earle, Francis Bourne, Brown Chamberlin, and Geo. Lafricain from whom the following officers shall be chosen to serve for the first year

Prest. W.C. Smillie

V.Pr. & Mang. G.B. Burland

Secy. & Treas. Francis Bourne

Fourth. Mess. Burland & Co. to discontinue their business connection with the American Bank Note Company of which they are to give them immediate notice.

Sgd. B. Chamberlin, for self & associates.

Sgd. Francis Bourne, for self & associates.<sup>37</sup>

While the merger agreement provided for an even split of the original 1000 shares of BABN stock, the provision with respect to the allotment of the 400 paid-up shares clearly indicates the extent to which Smillie's group had acquired the necessary equipment and facilities. Likewise, the agreement shows that Burland's group had made no such preparations.

<sup>37</sup>Chamberlin and Bourne 1866.

<sup>34</sup>Canada, *Statutes*, 27-28 Vic., 1864, chap. 23.

<sup>35</sup>Executive Council Orders, 1866.

<sup>36</sup>Smillie and Chamberlin 1866.



A subsequent agreement on 10 August among the members of Burland's group detailed the distribution of their 500 allotted shares, namely: Burland 150, Lafricain 150, Barber 100, Lowe 50, and Chamberlin 50.<sup>38</sup> The share distribution in Smillie's group has yet to be determined. However, one significant item is Matthews' reported exit from the venture. In two documents that Smillie prepared in the 1890s he comments that Matthews, a supporter of the opposition party in 1866, withdrew from the enterprise prior to the 7 August merger as part of the effort to secure the government contract for Smillie and his associates.<sup>39</sup>

The merger agreement, the Board's report of 11 June and Smillie's June memorandum, all clearly show that Smillie and his associates had acquired and imported a substantial quantity of equipment. They had done this on what they felt was the Finance Minister's guarantee of the government contract. Smillie described this state of affairs and expressed his feeling of betrayal at the attempt to usurp his enterprise and destroy his efforts of 17 months in a memo of June 1866:

It should be noticed here also that about this time, a building deemed suitable to the practical wants of our business and the Gov't, had been looked at, and with Mr. Bouchette's approbation purchased for our Compy. at an expense of \$12,000 to which amt... we have had to add largely since in extensive alterations, among which is a large and safe vault for the safe keeping of plates and impressions.

As a natural [con]sequence to the foregoing, and for which a special provision was made in the paper submitted to the Board of Customs &c. for exempting our machinery from customs duties, we have brought into the Province and have in readiness to use on our premises on Wellington St. our Geometric Lathe (a rare and expensive tool), Nine Printing Presses, One Hydraulic Press, One Numbering Press, Two Perforating Machines, [and] a full stock of Stamp, Bond, India & printing papers, Gums, Inks and Oils. In addition, we cannot fail to call attention to what we regard as not the least considerable fact in our case, involving the comfort and wellbeing [sic] of a large number of individuals, ourselves and families numbering forty-five souls. We have broken up our houses and business connections, on the faith of assurances given us, and we cannot think those who made them will fail to maintain the correctness of our expectations. Thus we are told that a charter has been granted to Burland and others constituting them a Company under the name of the British American Bank Note Co. when we under the same title had complied with the Law of Canada as certified by the Provincial Secretary 9 days before.<sup>40</sup>

As noted previously, the Provincial Secretary's certification had been granted on 13 June 1866.<sup>41</sup> This dates Smillie's memorandum to the 22nd of that month.

A discussion of the annulment of the Finance Department's promise to Smillie and the reasons behind the government's

persistent efforts to accommodate the Burland-Lafricain group occurred in Parliament on 10 August 1866. As the pro-government newspaper, the *Toronto Leader*, reports the exchange, Luther Holton said,

The story, as he heard it, was, the Government had agreed to give the contract to Matthews & Co., but afterwards strong political and journalistic influences were brought to bear in favor of other parties, which had led first to a contest and then to this amalgamation. He knew both parties, both Mr. Matthews and Mr. Burland, who were very respectable citizens of Montreal and personal friends of his own. But these were not all the partners of the latter. There were other very respectable men, publishers of no less than three Ministerial journals. Since their appearance on the scene the battle-field was all changed, and the previous understanding with the Government was broken off.

Mr. [A T] GALT said the Government had not promised the contract to either of these parties, or any other. Tenders had been put in by both of them successively and had been considered by the board of stamps; but had never been definitely before the government for decision. For his part he thought that public interests were best consulted by the formation of a strong company able to do the work efficiently. He must confess he feared that neither company alone would have been able to do the work. The Government required the work to be done here at Ottawa, so as to be under Government inspection; but Government work was not alone sufficient to maintain the company, and this was not the best place, like Montreal, to get private work. He had, therefore, thought a union very expedient, if not necessary, to secure at once the most reasonable prices, and the greatest celerity in doing Government business.<sup>43</sup>

The accusation of political influence or pressure is supported by the documentary evidence presented earlier in this paper, not the least of which was the entire tone of the Board's June 1866 report. This would include the strong implication that the Board did not deem it necessary to include the Burland-Lafricain group and the aspersions cast upon the validity of their May tender. Another damning item is the government's dubious act of permitting the simultaneous incorporation of the two competing groups under the very same title.

Further in respect to political pressure are documents that indicate that Galt was not entirely truthful when he, according to the *Leader*, stated that the individual, pre-amalgamation tenders "had never been definitely before the government for decision." A register of submissions to the Executive Council (in effect, the Government) indicates that the Board's report of 6 March, as approved by Galt himself, had indeed been submitted for consideration on 8 March 1866. This submission remained with the Council for well over a month before being "referred to the PMG" on 20 April. This would have left more than ample time for a thorough evaluation and for a copy of the tender to be quietly supplied to Burland, who obviously

<sup>38</sup>Burland *etal* 1866.

<sup>39</sup>Smillie 1891; 1896.

<sup>40</sup>Smillie 1866a.

<sup>41</sup>McDougall 1866d.

<sup>42</sup>Provincial Parliament. *Toronto Leader*, 11 August 1866, p. 2; Provincial Parliament. *Toronto Globe*, 13 August 1866, p. 1.

<sup>43</sup>Provincial Parliament. *Toronto Leader*, 11 August 1866, p. 2.



had seen a copy of the papers. Similarly, the June report was submitted on the 12th of that month and was immediately (the 13th) referred to the Attorney General for Lower Canada.<sup>44</sup>

While these events transpired, it was this very same Council that granted Burland-Lafricain its 6 June Charter for the title of BABN, despite the prior use of this name by Smillie's group.

Galt's assertion that neither of the two competing groups was fully capable of performing the required work is certainly true of Burland-Lafricain. This group possessed no apparent expertise in steel engraving, despite their earlier notice of April 23rd describing three of the principals as "engravers." In addition, this group, as evidenced by the merger agreement, had made no initial contributions in the way of machinery or other equipment to the newly formed BABN. The only factors in Burland's favour were the patent colours and an established and self-sustaining printing business in Montreal.

Galt's expressed views are far less tenable with respect to Matthews-Smillie as this group possessed more than ample expertise as steel engravers and, in the person of George Matthews, a member with years of experience in operating a printing firm. Galt's view of this group was certainly not shared by the Board who had investigated Matthews' and Smillie's backgrounds regarding both their ability and their financial viability. Further in this group's favour was their acquisition and importation of a substantial quantity of equipment.

## The Building

What remains unclear is the status of the building to which Smillie refers in his memo of June 1866. In the combined tender of 7 August 1866, the newly merged groups requested,

Should the Government require the work to be done in Ottawa, the undersigned would propose that suitable building, free of cost be provided by the Government, and furnished with the necessary safeguards for the due execution and protection of the same.<sup>45</sup>

This request, which was not part of either of the two earlier proposals, was declined by the government, and the Toronto *Globe's* Ottawa correspondent, under a dateline of 14 August, reported that BABN had "commenced to prepare a building here."<sup>46</sup> Government work by BABN began on 22 October 1866, with its first product, notes of the new provincial currency, being shipped by the Receiver General's Office to banks on 30 October.<sup>47</sup>

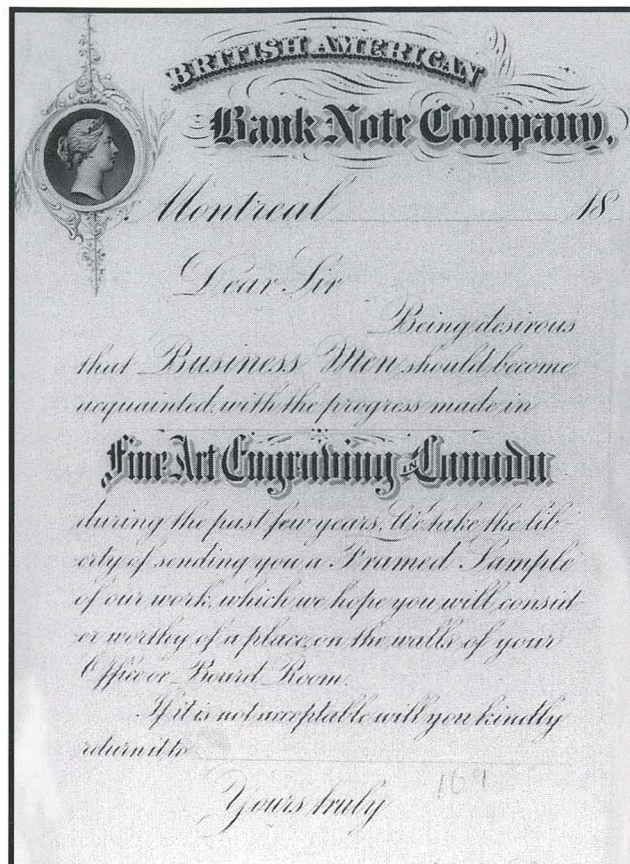
A search of the Land Registry Office records yielded the following transactions with respect to the BABN property at the corner of Wellington and Kent Streets.

<sup>44</sup>Submissions to the Executive Council, 1866.

<sup>45</sup>Smillie and Chamberlin, 1866.

<sup>46</sup>Latest from Ottawa. Toronto *Globe*, 15 August 1866, p. 2.

<sup>47</sup>Canada, *Public Accounts*, 1866/67, p. 41; Harington 1866; Howland 1866.



The proof of a cover letter for an early BABN sample sheet (courtesy W D Allan). The text reads, "Dear Sir, Being desirous that Business Men should become acquainted with the progress made in Fine Art Engraving in Canada during the past few years, We take the liberty of sending you a Framed Sample of our work, which we hope you will consider worthy of a place on the walls of your Officer Board Room. If it is not acceptable will you kindly return it to .... Yours truly, ... Pres!"

2 May 1866 — Sale of land and building by John Gilmour to Allan Gilmour for the sum of \$1. Registered at 1:20 PM on 12 May.<sup>48</sup>

8 December 1866 — Sale of land and building by Allan Gilmour to W C Smillie for the sum of £3000 (\$12,000). Registered at 11:40 AM on 18 December.<sup>49</sup>

14 December 1866 — £2000 (\$8000) mortgage at 7% on the property given by Allan Gilmour to W C Smillie. Registered at 11:45 AM on 18 December.

— \$4100 mortgage at 7% on the property given by George Matthews to W C Smillie. Registered at 11:50 AM on 18 December.

— Sale of land and building by W C Smillie to BABN for the sum of \$1 and assumption of the mortgages held by Gilmour and Matthews. The agreement states, "whereas

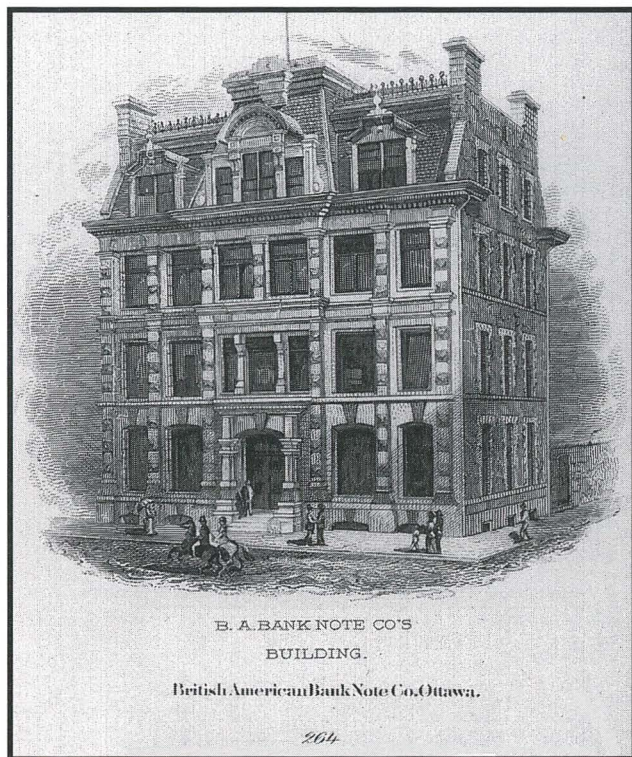
<sup>48</sup>Gilmour and Gilmour 1866.

<sup>49</sup>Gilmour 1866.





*Specimen for a \$20 note of the Province of Canada, dated October 1st 1866, printed from plates taken over from American Bank Note Co., New York (courtesy W D Allan).*



*Die proof vignette no. 264, ca 1889, depicting the British American Bank Note Company's Building in Ottawa (courtesy W D Allan).*

such Lands are so held by the said William Cumming Smillie subject to the said Mortgages in trust for the said British American Bank Note Company." Registered at 11:55 AM on 18 December.<sup>50</sup>

Consideration of all available information suggests the following scenario. In May of 1866, Allan Gilmour furnished Matthews and Smillie with the land and building at the corner

of Kent and Wellington Streets. This was likely done with a view to serving as an investment on Gilmour's part in as yet unissued BABN stock. Equipment, supplies, and personnel were acquired and renovations begun in anticipation of the promised contract. However, upon the exposure of Burland's scheme, a halt was ordered to the renovations in June or July.

Prior to the merger, Matthews and Gilmour withdrew from the venture, while Gilmour allowed BABN's continued use of his building and land. With the exit of Matthews and Gilmour, two significant sources of capital were potentially lost. To compensate for this loss, the merged group then asked the government to cover the cost of the existing land and building.

Once it was clear that the government would not pay for the land or building, Gilmour formally sold the property to Smillie. The sale was followed shortly thereafter by mortgages that Matthews and Gilmour provided in lieu of their previously intended capital investment.

## The Contract

As noted previously, the amalgamated groups submitted a joint tender to the government on 7 August 1866. The items in this proposal were as follows.

[We] beg respectfully to submit proposals for the execution of all work arising out of the engraving and printing of Notes, Debentures, Postage, Excise, Bill, Law and other Stamps, for the term of ten years from the date of contract,—

FIRST.—[We] are prepared to execute all Government work in Canada, either in Montreal or at Ottawa as the Government may determine, employing a staff of skilful artists in all its various branches.

<sup>50</sup>Smillie and Smillie 1866.



SECOND.—If desirable the work may be under the supervision of such Government Officer or Officers, as may from time to time be appointed for that purpose.

THIRD.—Whenever it is desired dies of vignettes, or lathe work, may be reserved for the exclusive use of the Government, subject to any extra cost which may be incurred in production.

FOURTH.—The work done to be fully equal in every respect, to anything heretofore supplied to the Government and at the rates corresponding to those heretofore charged or as low as the price of material or compensation of artistic skill will justify.

FIFTH.—To that end [we] propose to use on Debentures and other work of a like kind, as also for cancelling Postage and other stamps, the patent colours, for the use of which in Canada and the other British North American Provinces, Messrs. Burland, L'Africain [sic] & Co., have the exclusive right reserved by Letters Patent, this being the only absolute protection against counterfeiting and altering Notes, Postage Stamps, Debentures and other Documents.

We also guarantee to introduce from time to time any improvement in the arts of engraving and printing, which experience may hereafter develop.

SIXTH.—Should the Government require the work to be done in Ottawa, the undersigned would propose that suitable building, free of cost be provided by the Government, and furnished with the necessary safeguards for the due execution and protection of the same.

SEVENTH.—As this project is entirely new and hazardous in Canada, and the enterprise a very expensive one, it is respectfully requested that the machinery, paper, and material of all descriptions used in this business may be admitted free of duty.<sup>51</sup>

In this new proposal, the discount prices previously offered had disappeared.

A government counter-offer, approved by an Order in Council of 16 August 1866, was officially made on 17 August. Quoting from this Order,

On a Report from the Board of Customs, Excise and Stamps, dated 10th August 1866, submitting a Tender hereunto annexed from the amalgamated companies under the name of the British North American Bank Note Company for the Engraving and printing of Notes, Debentures, Postage and other Stamps for a period of ten years.

The Board report that this Tender differs in many material respects from those previously made by Messrs. Matthews and Smillie, and Messrs. Burland and L'Africain [sic].

1. That they now tender to do all Government work at the rates heretofore charged, or as low as the price of materials and compensation of artistic skill will justify. That even putting out of the question the vagueness of the last words which really amounts to no price at all being fixed, the original Tender of Messrs. Matthews & Smillie proposed to do all the work at twenty per cent below the prices of the American Bank Note Company, and that of Messrs. Burland and L'Africain [sic] proposed twenty five per cent below those prices.

<sup>51</sup>Smillie and Chamberlin 1866.

That even if the Tender were satisfactory otherwise in respect to price, the Board is of [the] opinion that a comparison with the rates of the American Bank Note Company would be an inconvenient way of fixing this important element in the Contract. The Board has therefore called upon the Company to submit a detailed Schedule of prices at which they are willing to execute the work....<sup>52</sup>

The Order also specified:

That until some modification is made in the terms offered, the Board is not prepared to recommend that the Government should enter into a Contract with the Company but as the necessity for preparations being made for performing Government work is very pressing, and as, if any Contract is made in Canada, it would be very desirable that it should include the work now to be undertaken, the Board recommends that the Government should make a proposition upon which they will enter into a Contract...<sup>53</sup>

On 17 August, the same day the government presented its counter-proposals, BABN accepted the terms, and a report of the agreement appeared in newspapers. The *Toronto Globe*, under a dateline of 17 August, noted,

An arrangement has been concluded with the British American Bank Note Co. for printing the new debentures, and also all postage, law, and bill stamps, to be used in the country, — the company to do the work at the prices charged by the American engravers.<sup>54</sup>

However, a decision by the government to enter formally into such a contract was not authorized until 22 October 1866. An Order in Council of that date read,

On the memorandum of the Hon. the Minister of Finance the Committee advise that the annexed minute of the Board of Customs, Excise & Stamps proposing that a Contract be entered into with the British American Bank Note Company according to the terms therein set forth, and recommending and defining certain Rules and Regulations to be established for the superintendence, custody and disposition of Provincial Notes, Debentures and Stamps be sanctioned and adopted, and that a Contract be entered into accordingly.<sup>55</sup>

The minute of the Board attached to this Order in Council read as follows.

An Order in Council having been passed on the 16th of August, offering certain terms to the British American Bank Note Company, upon which [the] Government was prepared to enter into a Contract for the execution of Government work in the preparation of Debentures, Notes, Stamps &c., and the offer of [the] Gov't having been accepted by the Company, a letter dated 17th August, it appears advisable that a Contract should be prepared and executed in accordance with the Order in Council.

A schedule of the prices at which the work is to be charged for forms part of the proposal of [the] Government and should be embodied in the Contract. The exact rate was not settled by the

<sup>52</sup>*Sessional Papers*, Vol. 1, 31 Vic., 1867/68, Paper no. 47, pp. 4-5.

<sup>53</sup>*Ibid.*

<sup>54</sup>Latest from Montreal. *Toronto Globe*, 18 August 1866. p. 2.

<sup>55</sup>*Sessional Papers*, Vol. 1, 31 Vic., 1867/68, Paper no. 47, pp. 7-8.



**THE BRITISH AMERICAN BANK  
NOTE COMPANY,  
Montreal and Ottawa,—Capital \$100,000.  
Capital paid up \$56,995.**

**W. C. SMILLIE, President; G. B. BURLAND,  
Vice-President and Manager; F. BOURNE,  
Secretary-Treasurer.**

This COMPANY has now engaged in its service men of the most eminent talent in America in the engraving business; and is now prepared to receive orders from all parts of British America, from the Governments of Provinces, Banking Institutions, Railway Companies, Corporate bodies, and Mercantile houses.

The COMPANY having received the patronage of the Canadian Government, has entered into a contract with it for the execution of its work, viz. : Postage, Excise, Bill and Law Stamps, Debentures, Provincial Currency and all such engraving and printing.

It has the sole right to use in these provinces the PATENT COLOURS, which constitute the only absolute protection known against altering bank notes or counterfeiting by means of photography.

It is now prepared to execute Bank Notes, Bonds, Debentures, Bills of Exchange, Certificates of Stock, and Postage Stamps, in a style not to be surpassed in any country. The promoters of this Company being well known to most of the Banking institutions of Canada, and being desirous that British America should have a Bank Note Engraving Company of its own, now appeal with confidence to those institutions to sustain them in their enterprise.

*Advertisement of November 1866 announcing the readiness of the British American Bank Note Company (Lowe and Chamberlin 1866).*

Order in Council, but the Board is of [the] opinion that the prices named in the schedule submitted on behalf of the Company to the Receiver General by Mr. Smilie [sic] are fair prices, and are not higher than the current rates of the American Bank Note Company, and would recommend that they be adopted as the schedule of prices in the Contract....<sup>56</sup>

This date, 22 October, corresponds to the one given in the *Public Accounts* as the when the government work and superintendence began at BABN.<sup>57</sup>

Secure in the view that they were guaranteed the contract, BABN placed an advertisement in a November 1866 publication in which it claimed to have “entered into a contract” with the Canadian government for all of its security printing.<sup>58</sup>

However, despite BABN’s optimism, the contract materialized neither at this time nor in the near future. Its preparation began only after 20 December 1866, when an

<sup>56</sup>Bouchette 1866b.

<sup>57</sup>Canada, *Public Accounts*, 1866/67, p. i41.

<sup>58</sup>Lowe and Chamberlin 1866.

Order in Council again directed that such documents be drawn up:

The Committee have had before them a memorandum from the Hon. the Acting Minister of Finance, recommending upon a Report of the Board of Customs, Excise and Stamps respecting the superintendence on behalf of [the] Government over the work to be executed by the British American Bank Note Company. That a Contract be immediately prepared to be executed by the Company in accordance with the terms laid down in the Orders in Council of 16th August and 22nd October 1866, and that such Contract shall clearly specify that the Company shall adopt such regulations for the proper checking of the work as shall be approved of by the Minister of Finance, and shall make such arrangements in the building as shall in the judgement of the said Minister of Finance be necessary for the safety of the Government property and of the work in process; and further recommending that trimming and separating machines be procured by [the] Government, the cost thereof not to exceed one thousand dollars.

The Committee submit[s] the above recommendations for your Excellency’s approval.<sup>59</sup>

At some unknown date after 23 January 1867, a draft of the proposed contract was finally presented to BABN.<sup>60</sup> However, BABN did not accept some of the details and refused to sign.<sup>61</sup> There then followed months of negotiations before the two parties could come to agreement. The points of contention between BABN and the government with respect to the fine details of the contract were summarized in a Treasury Board Minute of 28 January 1868:

1st. Shall the contract be terminable at six months notice or be for a term of ten years, or for what other term?

2nd. Shall the Government reserve the right to assume the performance of the work itself, and if so on what terms as regards the outlay of the Company?

3rd. What prices shall be settled for the work? Shall these prices be subject to revision, and if so on what principle?

4th. What provision shall be made for the proper supervision of the work, and what shall be the stipulations as to the Government having the advantage of any Patents now existing or to be obtained hereafter which the Company or any of its numbers may own or control?

On the first point, vizt: the term of the contract, the Government would appear at first to have contemplated the extension of it for a certain definite period. In the offer of the Company in August 1866 they propose to do the work under a ten year contract. The report by the Board of Stamps of that date leaves the number of years blank, and the order in Council authorizes a contract to be terminated at the option of either party by giving the other six months notice.

In this reference the Board of Stamps again report (October 1866) stating that there was no schedule of prices submitted on the original offer but that those then submitted were reasonable. There is no allusion in this report for the proposed term of the contract but a second order in council is passed (October 22) again authorizing the execution of a contract.

<sup>59</sup>*Sessional Papers*, Vol. 1, 31 Vic., 1867/68, Paper no. 47, p. 9.



In December 1866 a further report [was] made by Sir Narcisse Belleau, limited apparently to provide for the exercise by the Government of a close supervision of the plates and work, and on this report a new order in council is passed, again authorizing a contract.

The draft contract prepared under this order in Council makes it terminable at six months notice, but this appears to have been protested against and refused by the Company.

The negotiations from this time (December 1866) to December 1867 appear to have been chiefly verbal, but the whole question having been again referred to the Board of Stamps, they submit (January 1868) the draft of a new contract....<sup>62</sup>

Reference to the lengthy negotiations is also made in a letter of 10 January 1868 from the Finance Department to Smillie. The copy in the letterbook is unsigned but judging from the content and date it was probably written by John Rose, the second Finance Minister of the new Dominion having replaced A T Galt in November of 1867.

I have the honor to acknowledge the receipt of your letter of yesterday's date, and to inform you that the various negotiations which have taken place between you and the government are now engaging my attention, and I hope to be in a position to report to the Treasury Board upon them at its first meeting, which however cannot I fear be before the 20th inst.<sup>63</sup>

The compromises, as discussed in the Order and embodied in the contract of 8 February 1868, can be simply summarized. In the place of the desired ten years a four year term was agreed upon, to be followed by an indefinite period in which the contract became terminable by either party at six months notice. Within the four year term the contract also gave the government the right to give thirty days notice in the event of: breach of the contract by BABN, unsatisfactory production quality, or a government decision to have their own officials perform any or all of the work. With respect to the last point, the agreement provided for the purchase by the government of any portion of BABN's plant and machinery in Ottawa acquired for the purpose of fulfilling the contract.<sup>64</sup>

The price schedule in the contract was made subject to revision in January of each year with the basis for comparison being the then current prices in New York City. Further with respect to prices, the government was not liable for extra charges in instances where a patented item owned by BABN or its members was used. The detailed inclusion of this provision in the Order implies that BABN had previously argued in favour of such extra charges. It should also be noted that the schedule of prices in the 1868 contract provided separate, higher rates for the printing of denominational or tint plates on bank notes with the "patent green" colour. Thus, the "patent green" was partially excluded from the general prohibition against extra charges. In 1873 the exclusion of

<sup>60</sup>Smillie 1867.

<sup>61</sup>Rose 1868b.

<sup>62</sup>*Ibid.*

<sup>63</sup>Rose 1868a.

<sup>64</sup>Rose 1868b. Kenny and Stuart 1868.

this ink was included as a general provision in the main text of the contract. This was in addition to the higher rates provided in the schedule for the printing of bank notes.<sup>65</sup>

The October 1866 rules for the supervision of the work done for the government required that all dies and plates no longer required by BABN for daily use be delivered to and remain in the custody of the Receiver General. The 1868 contract makes the application of this provision optional and at the discretion of the Receiver General. The contract also deleted the word "daily" from this provision.<sup>66</sup>

With the conclusion of these negotiations and the signing of the first contract on 8 February 1868, the long journey to establish a Canadian security printer, begun by the government in 1864, was finally completed.

It is evident that the government of the Province of Canada played no small part in the formation and shape of the British American Bank Note Company. This involvement ranged from the initiation of the very idea of a Canadian steel engraving company to the political obstructions placed in the way of Matthews and Smillie's attempt to fill this role. The motivations for the government interference in Matthews and Smillie's endeavour appear to have been a combination of political influences and machinations and of concern for the economic vitality of the new company.

Whatever the reason, the result was the inclusion of Burland-Lafricain in the nascent steel-engraving company. British American Bank Note was thus established as a company with roots in both Montreal and Ottawa, rather than being concentrated in Ottawa alone.

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<sup>66</sup>Bouchette 1866b; Kenny and Stuart 1868.



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# The Troubles of the St. Stephen's Bank

R J Graham, FRNS, FCNRS

The St Stephen's Bank was founded in 1836 and failed in 1910. Four of the presidents were Todds: William Todd (died 1873), his brother, Freeman H Todd (died 1885), and Dr W H Todd, who died in October 1894, when Frank Todd became the last president of the bank. Other presidents, known from their signatures on notes, were N Marks (signed in 1836) and S H Hitchings (signed in 1873). The cashiers (general managers), in order, were David Upton, Robert Watson, John F Grant and Julius T Whitlock. John F Grant worked for the bank for 53 years. At the time of his death in 1906 he had not had a vacation in the previous 30 years, nor missed a day's work.<sup>1</sup> It will later be seen that poor old Grant was so deeply mired in debt he could not afford to take a holiday, much less retire.

This bank was unusual in Canadian banking history in that it evolved toward the American model of unit banks, having one office only and no system of branches. Initially the bank operated in a more conventional manner, eventually establishing an agency in Saint John. An agency fulfilled many of the functions of a branch, but in conjunction with some other occupation pursued by the agent, there being too little bank business to sustain him. The officer in charge of this agency from its establishment about 1852 to 1862, and perhaps later, was Benjamin Smith.<sup>2</sup> This appears not to be the Benjamin Smith who issued the well-known scrip, since he died in 1857.

## The Bank Suspends Payment — 1868

In 1868, and presumably for some time previous, the bank's agency in Saint John was under the management of S J Scovil. During the turmoil which attended the collapse of The Commercial Bank of New Brunswick in November of that year, the rumour somehow became current that The St



*One-pound note of the St. Stephen's Bank's first issue, 1836 (courtesy of the National Currency Collection, Bank of Canada, photo by J Haxby).*

Stephen's Bank was also unsafe. Mr Scovil was besieged by note holders demanding gold for their St Stephen's Bank notes. Perhaps in an ill-advised attempt to slow down the run on The St Stephen's Bank, Scovil very imprudently decided to charge a one per cent commission for redeeming the notes. From that moment the bank was in real trouble. Other banks would no longer accept its notes, and of course the panic intensified. Scovil shut down his office, and posted a notice that notes would only be redeemed by the bank in St Stephen. Until this point the directors were completely unaware of the danger, and learned of it only by chance.

Scovil had been engaged in other business beyond his official task of circulating and redeeming the notes of The St Stephen's Bank at Saint John. He was involved in a large brokerage, exchange and insurance business, and received deposits (on his own account, not the bank's) on which he allowed an interest rate of six per cent, which was very high for the time and indicative of a weak or risky business. He closed up shop on a Saturday, and the St Stephen's cashier and directors arrived the following Tuesday. There they discovered that Scovil was in default to the bank to the extent of an estimated \$60,000. Further, all the deposits entrusted to him, estimated at between \$150,000 and \$200,000, had been lost through speculation in gold in New York.

<sup>1</sup> *The Monetary Times*, 10 Nov. 1906 p 669. Some printed sources give the name as Brant, but Grant appears to be the correct version.

<sup>2</sup> Metropolitan Counterfeit Detector, 1860, p 35, and others.





Note of the St. Stephen's Bank for \$5 in US funds, with vignette of F O C Darley's "Indian Camp" at lower left and portrait of William Todd at lower right.

These disclosures were hardly helpful, but the directors went back to St Stephen believing that the bank would hold up. The cashier had been left behind to monitor developments in Saint John, and had another discussion with Scovil. What was learned in this interview we do not know, but as a result of it, the cashier telegraphed the directors in St Stephen and advised them to suspend payment.

The panic then became general, reaching a crescendo on Thursday and Friday. The other banks were confronted by excited and uninformed members of the public wanting notes redeemed in gold. Many travellers in Saint John were inconvenienced when even notes of banks in Nova Scotia and Prince Edward Island were refused.

On Saturday the Saint John newspapers carried a reassuring telegram received from the President of The St Stephen's Bank which calmed matters considerably. Notes of the bank which had been transacting as low as sixty per cent of face value earlier in the week shot up to eighty or ninety per cent.<sup>3</sup> The crisis wound down, confidence was restored, and the bank was able to resume payment.

The episode seems to have decided the bank to have no more to do with any form of branches or agencies. It was later content to have its interests in Saint John placed under the management of The Bank of New Brunswick, and, later on, The Bank of Montreal as its correspondent bank.

## The Bank Fails — 1910

When The St Stephen's Bank suspended payment again, on 7 March 1910, its failure was complete and inescapable.

<sup>3</sup> *The Monetary Times*, 26 Nov. 1868 p 233

<sup>4</sup> *Charlton Standard Catalogue of Canadian Bank Notes*, 2nd edition, page 24

<sup>5</sup> *The Monetary Times*, 17 July 1874 p 58

<sup>6</sup> *Bankers Directory of the US and Canada*, 1880

<sup>7</sup> NAC RG 19 vol 482 file 616.8. R B Kessen report to CBA., 17 Mar. 1910, p 2

<sup>8</sup> *The Monetary Times*, 9 July 1910 p 217

<sup>9</sup> Kessen report to CBA., p 4

The larger question of whether a local bank with no branches could survive in the Canadian banking system might be debated. But, in a nutshell, the immediate cause of the failure of The St Stephen's Bank was competition which forced it either to undertake an inferior and risky class of business or go out of business by liquidation or merger. It made the wrong choice.

The bank seems to have had the limited field of the St Stephen banking business to itself in its early days. Available documents studied up into the 1860's fail to show any competing bank in St Stephen. The Bank of British North America operated in the town in the 1870's but did not stay long. A proof of a \$4 note dated 1872<sup>4</sup> and an advertisement for the branch from 1874<sup>5</sup> are known, but an 1880 list of branches<sup>6</sup> does not include it. Bank premises, including a house, were built by The Bank of British North America and subsequently sold to The St Stephen's Bank.<sup>7</sup> After the failure of the latter in 1910, The Bank of British North America submitted the highest tender for the property, and returned once more to St Stephen.<sup>8</sup> The Bank of Nova Scotia opened its St Stephen branch in May 1882, and remained.

Thereafter the quality of the assets of The St Stephen's Bank deteriorated, and the capital of \$200,000 became impaired long before its 1910 collapse.<sup>9</sup> In 1901 rumours became current that The St Stephen's Bank, as well as The Peoples Bank of New Brunswick, might amalgamate with The Bank of New Brunswick.<sup>10</sup> Neither merger happened of course, but The Bank of Montreal did pick up The Peoples Bank of New Brunswick in 1907. The St Stephen's Bank was in an unfit condition for sale or merger, which The Bank of New Brunswick officers would have discovered upon investigating its books if, in fact, such a takeover was considered. Rumours concerning a pending deal whereby a large unnamed bank would absorb The St Stephen's Bank again hit the financial pages in 1906, but were denied by the bank.<sup>11</sup>

Early in 1910 the directors found it difficult to continue the business of the bank and applied to the President of The Canadian Bankers Association, Sir Edward Clouston, for the appointment of a curator. The General Manager of The Bank of New Brunswick, R B Kessen, was appointed as the C B A representative and instructed to go to St Stephen to take charge. The St Stephen's Bank suspended payment on 7 March 1910, after a board meeting at which Kessen was given charge of the assets. A special meeting of shareholders was called, at which it was agreed to liquidate the bank with Kessen as curator.

## The Bank in the Hands of the Curator

R B Kessen opened a branch of The Bank of New Brunswick temporarily in the offices of the suspended bank to look after

<sup>10</sup> *The Monetary Times*, 1 Mar 1901 p 1121

<sup>11</sup> *The Monetary Times*, 31 Aug. 1906 p 288



the business of its customers as best he could, bringing down a couple of Bank of New Brunswick clerks and a solicitor with him from Saint John. Notes of The St Stephen's Bank were still good, backed by the bank note redemption fund of the federal government, and were readily accepted by all banks. They are still redeemable.

Kessen prepared extensive records which survive, and from which the following paragraphs will give an overview of the final arrangements for the deceased bank, and the spirit in which they were performed.

A large part of the Bank's assets was locked up in loans that proved to be unrealizable. In large part they were for the financing of American gold mines, none of which had been successful. Directors and an official of the Bank were personally interested in these ventures. The remaining loans were of poor quality, and it soon became evident that all the Bank's capital was lost and probably some part of the deposits.

Investigation showed that the Bank's resources had been drawn upon for private speculation and for the support of losing business enterprises. It was also found that several who were responsible to the bank for various amounts, had safeguarded their interests and put them out of reach. In these circumstances it was a choice between troublesome and uncertain lawsuits and negotiation. The latter course was adopted.

One of the Directors<sup>12</sup> had purchased from the Bank some timber lands which he included in a sale with some of his own, and a large profit on the Bank's lands was made by him. He had also been a guarantor, or endorser, in connection with loans made by the Bank to a company in which he was interested, but this recourse had been surrendered by the bank, and it was going to lose part of the advances. As this Director had means, suit was threatened and he paid \$100,000 in full settlement of all claims against him.

When it became apparent that the double liability of the shareholders must be called up, I wished to withdraw from the liquidation, and allow the Bank to be wound up by someone else, but this same Director came forward and offered to assist in some way. Negotiations resulted in an agreement with him to the following effect:-

- ★ That he lend the Bank \$180,000
- ★ That the loan bear no interest
- ★ That the loan be repayable only when and as assets were realized
- ★ That the double liability of the shareholders should not be called up.

When this money was advanced the last and full payment was made to the creditors of the bank, and an amount was deposited at Ottawa to meet unrepresented circulation and other outstandings.<sup>13</sup>

Kessen sent a report dated 17 March 1910 to the CBA in which he outlined the state of the suspended bank. He found



*Proof of \$5 note of St Stephens Bank, 1860 (photo, W D Allan).*

that the books had always been kept in "a most unsatisfactory and amateur manner" but discovered no evidence of outright dishonesty except in the returns submitted to the federal department of finance. No liability ledger was kept, nor any proper discount register written up. The cash and accounts were seldom, if ever, balanced, and the cash was not kept in the sole custody of any individual. As far as Kessen could determine, the bank had never had a clerk with "real bank training." The condition of the books made his work difficult and slow.

Kessen's report contained some candid and interesting remarks about the bank's five directors. The president, Frank Todd, was described as a man of wealth, but erratic and not in good health. He gave the impression of knowing little of the bank's affairs. His family holdings of capital stock were not large, and his firm, F H Todd and Sons, sold forty-eight shares in 1909. Half of these were taken up by the cashier, J T Whitlock, and the other half went to an unnamed party said to be good for the double liability. The vice-president, J D Chipman, took an active interest in the bank. J G Murchie only recently had become a director. His financial standing was undoubted, but he seemed to take little interest in the bank. His firm was a borrower, one of the few that could be relied upon for payment as its promissory notes fell due. Philip Breen, another recent addition to the board, was deaf and probably took no interest in the bank. He was a man of means and had no debt to the bank. The cashier, Whitlock, "by training and temperament quite unfitted to manage a bank", was also a director. When he took charge the condition of the bank was not likely good. "With his sanguine disposition and embarrassing friends and relatives, he and the Bank have been easy victims of importunate borrowers." The cashier was trusted implicitly by the directors, and was apparently given a free hand in the conduct of the business.

Kessen also gave details in his report of large accounts which had resulted in losses or were likely to do so. Heading the list was J T Whitlock, who owed the bank \$90,000. Of this, it was expected that the bank could recover \$10,000 to \$15,000 with the securities it held. Whitlock's loans were made to himself or to relatives or whom he stood as surety. A brother, C C Whitlock, was a grocer in Calais, Maine. He borrowed a large amount before assigning when his business

<sup>12</sup> This director was Frank Todd

<sup>13</sup> NAC RG 19 vol 482 file 616.8, R B Kessen, undated memorandum

<sup>14</sup> Don Olmstead, personal communication



failed. Little of the loan was considered to be recoverable. Another brother who was responsible for part of the debt, W H Whitlock, a liveryman, also failed and assigned, and no dividend was expected from his estate. A joke current in St Stephen after the Whitlock debts were disclosed was "Too many Whitlock's - not enough padlocks".<sup>14</sup>

Two Americans, Messrs Davis and Soule, had liabilities to the bank of \$12,500 which were considered uncollectable. They came to the St Stephen area to promote certain American gold mines, and many people became involved to their sorrow. The bank held \$5000 in bonds of the Gold King Mines, which were given a fair chance of proving good, and \$15,000 in bonds of Gold Prince Mines, estimated to be worth up to fifty per cent of face value. These bonds were purchased in 1905, and thought to be worth the money paid at the time. Crystal Lake Mines owed the bank \$80,000. The property was put up for sale and considered to be of some value, but less than the price asked. Negotiations were begun with the hope of selling the mines for enough to pay the bonds and debt, and were given some prospect of success.

The cashier, J T Whitlock, had become a stake holder in these mines some years before the bank failed, when they presented a more prosperous appearance. In 1907 Whitlock was believed to have realizable assets of \$100,000, but in a short time this evaporated as shares in the mines became of little value. The president, Frank Todd, and vice-president, J D Chipman, also had personal interests in the mines, which received considerable loans from the bank to keep them in operation.

The St Croix Jewelry Co., composed of J T Whitlock and J D Chipman, was also granted loans freely by the bank, although it lost money steadily. At the time the bank failed these loans amounted to \$32,000. The company was then liquidated, and some repayment was expected. Chipman then guaranteed that he would stand good for the whole amount.

Another liability due to the bank and which revealed a further conflict of interest was \$120,000 owed by the A I Teed Co., Limited. Frank Todd was president of this business as well as of the bank, although he did not seem to know much about its business and he had avoided making himself personally liable for the debt. The company had done a good business but had become extravagant, and had also made some unfortunate purchases. It was about to go into liquidation, but the loss on the account could not be estimated when Kessen was preparing his report of 16 March 1910 to the C.B.A.

There were of course other bad and doubtful debts which need not concern us, although one interesting account was \$25,000 owed by the late cashier, J F Grant. This debt had been owed for more than ten years and was acknowledged to



\$5 note of St Stephens Bank, 1852 (courtesy Bank of Canada, National Currency Collection, photo, J Haxby).

be bad.<sup>15</sup> Grant appears ultimately to have received some compensation for having been overworked!

R B Kessen opted to allow the debtors time to repay whatever they could, rather than forcing immediate settlements. In so doing he spared the region further hardship while collecting much more for the bank. Overdue and maturing loans were collected if possible, and additional security was obtained in other cases. Locally the failure of The St Stephen's Bank came as a shock. A New Brunswick newspaper broke the news, reporting that "there had been no previous hint that the bank was in trouble - very few persons could have had any idea that its affairs were in such a condition that it would be necessary to close its doors . . . It is too soon to speak of the consequences of the disaster, but it must have a bad effect on the border towns, to the people of which places the bank has been a great accommodation."<sup>16</sup>

The *Monetary Times* in contrast could barely suppress a yawn: "No excitement occurred, and the proverbial run on deposits was lacking. Probably the biggest shareholders knew which way their institution was heading. Few Canadian bank failures have come as a surprise to bankers or to the well-informed public. Whispers fly around that such and such an institution is doing this or that, militating against a successful career, asking for financial trouble. The wise man does his business elsewhere."<sup>17</sup>

Since the point came up in the previous paragraph, this may be an opportune place to list the leading shareholders. The bank had a capital of \$200,000, divided into 2000 shares of \$100 par value. These were distributed among 152 persons, chiefly in New Brunswick, with some in Nova Scotia, London, Boston, New York, Brooklyn, Cincinnati, and, particularly, in Calais, Maine. The various Murchie's, of Calais, held 134 shares altogether. In St Stephen, major shareholders were Philip Breen, 74; J F Grant estate, 62; S H Blair, 50; J W Smith, 50; A T Young, 74, and J T Whitlock, 72.<sup>18</sup>

<sup>16</sup> Saint John *Globe*, 7 March 1910

<sup>17</sup> *The Monetary Times*, 12 March 1910 p 1109

<sup>18</sup> *The Monetary Times*, 12 March 1910 pp 1115-1156

<sup>19</sup> *The Monetary Times*, 30 Apr. 1910 p 1811

<sup>15</sup> R B Kessen report to CBA





\$1 note of St Stephens Bank, 1860 (courtesy Bank of Canada, National Currency Collection, photo, J Haxby).

## Progress of the Liquidation

The creditors of the bank, mainly note holders and depositors, were paid in full in a relatively short time. The two large contributions from Frank Todd greatly facilitated this happy outcome. Shortly after the failure he contributed \$100,000 toward liquidation proceedings. For this Todd received much praise although the payment was motivated by his aversion to a lawsuit rather than philanthropy. While admitting feeling some moral responsibility for the losses which brought down the bank, he did not acknowledge any legal liability with respect to them. Cited the *Monetary Times*, "This is a refreshing change from the procession of litigants and the labyrinth of litigation seen and traversed by shareholders and directors of Canadian banks which have failed in recent years. Mr. Todd has set a worthy and generous example. By his action he maintains the reputation of the Maritime provinces for business and professional honour."<sup>19</sup>

Todd's interest-free loan of a further \$180,000 enabled the final payments to be made to the creditors, and money was deposited in Ottawa to meet all of the outstanding circulation. This was achieved without the need for making any calls on the shareholders under the double liability provision. As funds trickled in through the slow process of liquidation Todd was partially reimbursed.<sup>20</sup> By 1923 Frank Todd was long dead and his estate, the last unpaid creditor, was still owed about \$100,000. The only remaining assets were a few small parcels of real estate of estimated value \$3000 to \$4000. Kessen's mandate did not give him authority to sell the properties, so they were eventually allowed to be sold for taxes and bought in by N Marks Mills, Todd's lawyer. They were then available for resale for the benefit of Todd's estate. There was, of course, no dividend for the shareholders, who lost their entire investments but were spared from double liability contributions to the liquidation.

<sup>20</sup> R B Kessen, undated memorandum

<sup>21</sup> NAC RG 19 vol 482 file 616.8, letter, R B Kessen to CBA, 30 Apr. 1923

<sup>22</sup> St. John *Globe*, 8 March 1913, *The Telegraph* 8 March 1913, *Montreal Gazette*, 12 March 1913, *St. Croix Courier*, 13 March 1913

The unpaid portion of Todd's loan plus the \$200,000 of capital represented the loss in the failure of the bank.<sup>21</sup> The rest fund of \$55,000 claimed in the bank's return of 31 Jan. 1910 and any undivided profits were of course completely lost also.

## Criminal Proceedings

There remained the matter of submitting false returns to the government, a criminal offense, and Todd was not able to avoid the courts altogether. Action was brought against him, and the cashier, Whitlock, by disgruntled shareholders. Both cases were heard in March 1913. Charges against Whitlock were dropped amid rumours of an agreement being reached between the parties. The outraged police magistrate has no option but to dismiss the case. It was alleged that charges had been brought against Todd with the object of "extorting" a further contribution of \$25,000 to \$30,000 from him. His attorney, N Marks Mills, moved for dismissal. Although Mills stated that no further payment was forthcoming from his client, the informant acting for the committee of shareholders withdrew his charge. Thus the prosecutions of the bank officers ended, apparently the result of secret negotiations.<sup>22</sup>

## Records of the Bank

Kessen accumulated a vast mass of records, about half a railway car lot, during his work as curator, which were in the custody of lawyer N Marks Mills subject to Kessen's control. Kessen became anxious to ship the records to some suitable authority or else destroy them. With his work as curator and liquidator nearing an end, and now having a career in The First National Bank of Boston, Kessen sought instructions for disposal of the records from the CBA in 1923.

That body evidently did not want the records so in 1925 he contacted the federal department of finance. The reply received was not particularly helpful either: "There does not appear . . . to be any object in our taking over the voluminous records of such defunct institutions; nor are we authorized to do so." This letter did not give leave for the destruction of the documents but unfortunately that is probably what happened to them. The CBA kept its own records of The St Stephen's Bank in a vault not easily accessible in the Maisonneuve Branch of The Bank of Montreal. These may have consisted of little more than Kessen's reports, but there is perhaps a chance that they may survive.<sup>23</sup>

<sup>23</sup> NAC RG 19 vol 482 file 616.8, various documents.

<sup>24</sup> Consolidated Canadian Bank Act, Revised Statutes of Canada, 1906





Proof of \$5 design of final issue for the St Stephens Bank, 1892 and 1903 (photo, W D Allan).

## Redemption of the Note Circulation

The St Stephen's Bank, whatever uncomplimentary remarks might be made about its accounting practices, and its business acumen, generally issued quite attractive and desirable notes. All of the notes are now very scarce, and most are rare. It may be in order to mention that The St Stephen's Bank retained the right to issue notes in denominations of less than five dollars after most banks in the country had to surrender that right to the department of finance under the Bank Act of 1871 and its 1881 revision. This was because the bank continued to operate under its provincial charter. Eventually it too lost the privilege of small note issue when it came fully under federal legislation.

Legislation allowed the bank to issue notes to the extent of its paid up capital of \$200,000, but in its latter days the bank was unable to keep up its circulation. Some of its customers required US notes to pay their workers, contributing to the reduction in circulation.

The notes of the bank were rapidly withdrawn from circulation. The \$163,592 in circulation on 15 March 1910 was slashed to \$29,990 within two months. According to the Bank Act, notes of a failed bank possessed first lien on the assets, and were to bear five per cent interest from the date of suspension until the day named for their redemption.<sup>24</sup> Interest ceased to accrue on St Stephen's Bank notes on 2 May 1910.<sup>25</sup> By June 1911 the circulation had been further reduced to \$15,559. Kessen added sufficient to funds already standing at the credit of the bank in the bank note redemption fund to provide for the remaining note circulation. With accrued

interest and "other outstandings" this amounted to \$16,033.67. Thereafter the notes became the responsibility of the department of finance.<sup>26</sup> Of course most of this sum represented notes long lost or destroyed, which would never be presented, and to this extent the government would profit.

By 1 June 1927 a total of \$4724 had been redeemed, leaving a balance of \$11,309.67 in the bank note redemption fund. One each of \$1 and \$2, and two \$3 notes were presented over the subsequent eleven months, and cremated on 9 May 1928. A few more notes trickled in later, reducing the outstanding balance to the current figure of \$11,066.67. Only a small fraction of this is represented by notes surviving in collections. The department of finance had the foresight to save a few of the notes it redeemed as "specimens" in the currency branch. The sheet numbers of the rescued notes were recorded, without further details. These are

\$1	29919	\$5	4591; 9502
\$3	9505; 16337	\$10	2015; 8114 <sup>27</sup>

The notes retained by the currency branch were probably all punch cancelled. That was the fate of the \$5 and \$10 of the final issue illustrated in the *Charlton Standard Catalogue of Canadian Bank Notes*,<sup>28</sup> which owe their continued existence to finance department intervention.

## Acknowledgement

The author wishes to thank Don Olmstead for his helpful suggestions and for reviewing the manuscript, the National Currency Collection, Walter Allan and J Haxby for photos.

<sup>25</sup> *The Monetary Times*, 21 May 1910 p 2140

<sup>26</sup> NAC RG 19 vol 482 file 616.8, letter, R B Kessen to deputy minister of finance, 28 June 1911.

<sup>27</sup> NAC RG 19 vol 3485.

<sup>28</sup> W D Allan (ed), *Charlton Standard Catalogue of Canadian Bank Notes*, 3rd edition, Charlton Press, Toronto, p. 409.



# The Canadian Patents for the Printing Tints of Thomas Sterry Hunt

Christopher D Ryan

In documents associated with the formation of the British American Bank Note Company (BABN) reference is made to certain "patent colours." These "colours" were the Canada Bank Note Printing Tint and the Patent Lake Tint invented by Thomas Sterry Hunt, Chemist of the Geological Survey of Canada.

Hunt's tints were patented in this country on his behalf by George Matthews of Montreal in 1857 and 1864 respectively. Later in 1864, the rights to use the tints were transferred to Burland and Lafricain as part of the sale of Matthews's lithographing and engraving firm. In 1866, when government pressure forced W C Smillie to combine his nascent Canadian steel-engraving firm with Burland's competing enterprise, the transfer of the rights to Hunt's tints was an important part of the merger agreement. However, this transfer did not occur despite the significant compensation given to Burland and his associates in exchange for these rights.

As far as it has yet been determined, Burland-Lafricain retained the rights to Hunt's tints up until the expiry of the respective patents.

Thomas Sterry Hunt was the Chemist of the Geological Survey of Canada from April 1847 through June 1872.<sup>1</sup> He had attained this position shortly after his graduation from Yale University. Hunt was an industrious and highly regarded chemist. Between 1846 and his death in 1892 he published or presented more than 350 papers. The majority of these papers dealt with various aspects of geology and geochemistry.<sup>2</sup>

On 2 March 1857, the president of the City Bank in Montreal wrote to Hunt asking for his advice with respect to

the prevention of the photographic counterfeiting of bank notes. The letter stated:

The attention of the Board of this institution having been directed to the necessity of some further protection against the possibility of counterfeiting, altering or photographing banknotes, I beg most respectfully to ask your opinion as to the various tints, colors, and chemical agents which have been and are now employed, as a means of protecting against these frauds.

As your deep research in all that pertains to chemistry and your high reputation as a chemist will give to your opinions on this important subject a character for reliability, which cannot fail to be valuable on public grounds, may I beg the favor of your consideration of this matter at your earliest convenience?<sup>3</sup>

Inspired by the bank's request, Hunt undertook an investigation of the anti-counterfeit techniques then in use. These techniques included the use of one or more tint colours in combination with the standard carbon-based black inks. The use of the tints was intended to act as a guard against photographic counterfeiting by appearing black in the prints. Unfortunately, the tints then in use had failed in this task as they could be removed by chemical means. This left significant portions of the bank note designs — printed in the chemically inert black ink — vulnerable to photographic counterfeiting.<sup>4</sup>

Hunt's solution to the problem was the use of the green sesqui-oxide of chromium ( $\text{Cr}_2\text{O}_3$ ) as a tint for an otherwise standard printing ink. This pigment was as chemically inert as the carbon-based black ink and could not be removed or altered by chemical means without destroying the paper to which it had been applied.<sup>5</sup>

<sup>1</sup>Canada, *Public Accounts* 1847; 1871/72; 1872/7; McQuade 1981.

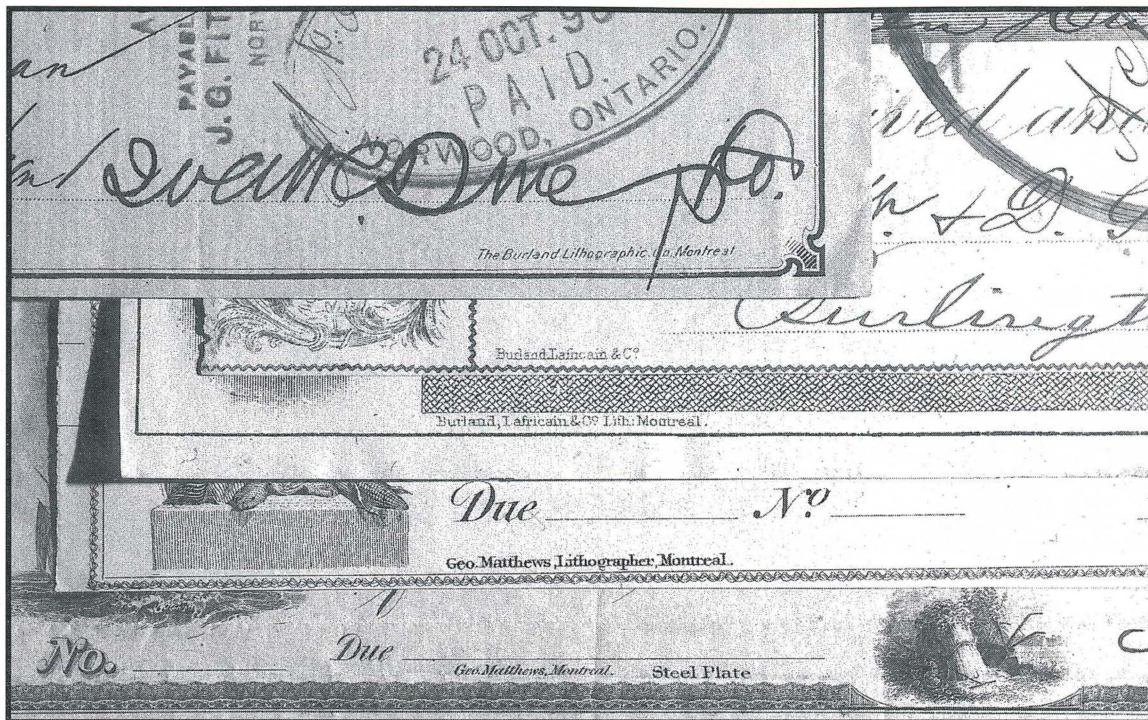
<sup>2</sup>Thomas Sterry Hunt, *New York Times*, 13 February 1892, p. 5; The Late Dr. T. Sterry Hunt, *Montreal Gazette*, 15 February 1892, p. 4; Douglas 1898; Duchesne 1990.

<sup>3</sup>Workman 1857.

<sup>4</sup>Hunt 1857a; Rawdon, Wright, Hatch and Edson 1858.

<sup>5</sup>*Ibid.*





Imprints of Burland Lithographic, Burland, Lafrcain & Co, Geo Matthews, on various cheques and drafts (courtesy W D Allan).

On 24 March 1857, George Matthews, a commercial lithographer, engraver and copper-plate printer based in Montreal and RWH&E's Canadian agent, applied for a patent for a printing ink which used Hunt's pigment and was entitled the Canada Bank Note Printing Tint. In his application, Matthews (not Hunt) swore that he was the inventor of the new tint. Matthews' petition for the patent read:

The petition of George Matthews of the City of Montreal in the County of Montreal in that part of the Province of Canada formerly known as Lower Canada Engraver.

Humbly sheweth, that your petitioner is a British Born Subject and a resident of this Province to wit at Montreal aforesaid. That he hath Invented a new Bank Note Printing Ink consisting in the use & application of a permanent & indestructible Color for printing Bank Notes & other documents either alone or in connexion [sic] with the ordinary Copper or Steel Plate Printing Ink thereby preventing the possibility of altering or counterfeiting such notes or documents by any known photographic process or chemical alterations, such ink or invention not known or used in this Province by others before his invention thereof & not at the time of this application in public use or for sale with his consent or allowance. Specifications whereof in duplicate, with specimen of the ingredient or composition thereof, have been deposited with the Bureau of Agriculture pursuant to the Statute in such care made & provided.

Your petitioner therefore humbly prays that Your Excellency will be pleased to direct that Her Majesty's letters patent may be granted to your petitioner under the name of "The Canada Bank Note Printing Tint" for the term allowed by law.<sup>6</sup>

Following his petition Matthews swore an affidavit to the effect:

George Matthews of the said City of Montreal Engraver hereby solemnly declares and saith that he very believes he is the true inventor of the new Bank Note Printing Ink for which he solicits a patent by his foregoing petition to his Excellency the Governor General.<sup>7</sup>

The patent specifications of the Canada Bank Note Printing Tint were:

The color or composition of this ink is the calcined green oxyd of chromium from which the ink is prepared in the manner usual with Printers or Engravers of Bank Notes. It is unalterable by the action of Air, Light or Sulphurous Vapors; insoluble in Nitric, Muriatic or other Acids, or in Caustic Alkalis & [is] only soluble in Boiling Oil of Vitriol. Unlike all colors heretofore used for a similar purpose it resists every known agent which can be employed to dissolve it from the paper or change its color & can only be effaced by destroying the appearance of the note or document. What I claim as my invention is the use of the above named oxyde of chromium for the purpose of making such ink.<sup>8</sup>

The patent — number 715 — was issued to Matthews on 1 April 1857. The royalties arising from the patent were paid into a trust entitled "Matthews Bank Note Trust". Hunt evidently benefitted from his invention through a part ownership in this trust.<sup>9</sup>

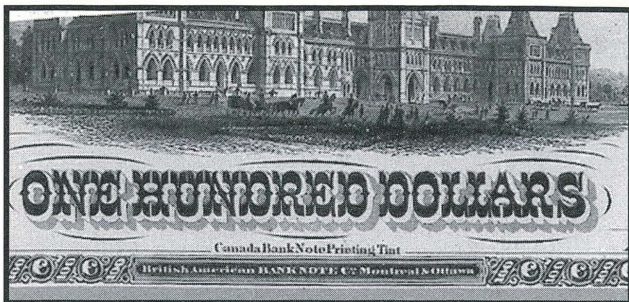
<sup>6</sup>Matthews 1857.

<sup>7</sup>*Ibid.*

<sup>8</sup>*Ibid.*

<sup>9</sup>Hunt 1857b.





Bottom of \$100 Dominion of Canada note, 1872, showing "Canada Bank Note Printing Tint" (photo, W D Allan).

The application and issue of the patent in Matthews' name, as opposed to that of Hunt, was probably a result of the then existing patent laws. The statutes permitted only individuals who were British subjects and residents of the Province of Canada to receive a Canadian patent.<sup>10</sup> Hunt, a native of Norwich, Connecticut, was a US citizen at the time of the application and as such he would have been ineligible to patent the Canada Bank Note Printing Tint in Canada under his own name.<sup>11</sup>

The use of Canadians by foreign inventors as a mean of patenting their inventions in Canada was a common, though illegal, practice in this period. This is noted by an editorial in the 22 May 1862 issue of the *Toronto Leader*:

If there is one thing in our Legislation of which we have reason to be ashamed, it is the disgraceful state of our patent laws. They amount in fact to a violation of the comity of nations...

The law of exclusion is, no doubt, to a very great extent, inoperative. To the unscrupulous it offers no barrier at all. To the honest and the conscientious alone does it offer any real obstacle. We have not the least doubt, that of all the patents of inventions issued in this Province as Canadian, fully nine-tenths are of foreign origin, and are obtained in fraud of the law. The process is equally simple and immoral. An American inventor, for example, induces some Canadian to make oath, that he is the inventor of the thing for which a patent is required. The forms of the Law are complied with, through the intervention of perjury, and you cannot penetrate the veil [sic] of fraud which covers the transaction...<sup>12</sup>

On 18 December 1863, Hunt completed an application to patent a second printing ink which he named the Patent Lake Tint.<sup>13</sup> Unlike the 1857 application, Hunt now petitioned for the patent in his own name. This was now possible due to his naturalization, on 16 December 1863, as a British Subject.<sup>14</sup> With respect to the specifications of the Patent Lake Tint, Hunt's application gave,

The basis of said Ink is a compound of peroxyd of tin (stannic acid) with a small proportion of oxyd of chromium forming what has been called mineral lake. I also use modifications of this lake produced by a partial or complete substitution of the oxyd of chromium by one or other of the following oxyds, viz: gold, uranium, copper, lead, cobalt, nickel, iron, manganese, or cerium, and finally claim the use and application for the purpose above specified of all colored compounds having a basis of peroxyd of tin combined with a metallic oxyd.

I prepare these colors by various methods, one of the best of which consists in heating to redness the hydrated peroxyd of tin previously mingled with the nitrate of chromium or other metal. Another process which I employ in the case of chromium is to oxydize metallic tin with nitric acid to which has been added bichromate of potash equal to from three to five hundredths of the weight of tin. From this there results a greenish compound of hydrated peroxyd of tin with oxyd of chromium, which is to be washed and dried at a gentle heat and then heated to redness in a close crucible, when it assumes a fine purple colour and forms the mineral lake of superior quality. This lake or the others prepared by the processes before indicated is to be reduced to a fine powder and then to be incorporated with boiled oil or varnish as in the making of other printing inks.

The colour of the Ink thus obtained is permanent and when employed in conjunction with ordinary black copper plate printing ink or any other permanent copper plate ink used in any kind of printing affords a great protection against counterfeiting by photography, by transfer, the anastatic process, et cetera.

What I claim is not the discovery or invention of the above mineral lakes or colours nor the herein described or any other special mode of obtaining them, but their use and application in the manner aforesaid for the production of a new printing Ink, the colour of which I claim to be insoluble and indestructible.<sup>15</sup>

Unlike the Canada Bank Note Printing Tint, the Patent Lake Tint was capable of producing a variety of colours. The production of the Patent Lake Tint was analogous to the colouring of glass (silicon dioxide) through the addition of minute quantities of metal oxides.

Hunt's application for the patent in his own name was current for only a few days. Sometime between the 18th and the 21st of December, 1863, he transferred the rights to the Patent Lake Tint to George Matthews. As indicated by the following December 21st letter from Matthews attorney to the Minister of Agriculture, this had been done prior to the submission of the patent application:

Sir. We Enclose herewith Petition of T.S. Hunt for a Patent for a new printing ink to be called "The Patent Lake Tint", also specimens of the material, together with the usual fee. We enclose also a copy of transfer from Mr. Hunt to Mr. George Mathews [sic] in whose name it is requested the Patent may be issued.<sup>16</sup>

<sup>10</sup>Canada, *Statutes*, 14-15 Vic., 1851, chap. 79; *Consolidated Statutes*, 1859, chap. 34.

<sup>11</sup>Citizenship and Immigration Canada.

<sup>12</sup>The Patent laws. *Toronto Leader*, 15 May 1862, p. 2.

<sup>13</sup>Hunt 1863.

<sup>14</sup>Citizenship and Immigration Canada.

<sup>15</sup>Hunt 1863.

<sup>16</sup>Robertson 1863.



The patent — number 1641 — for the Patent Lake Tint was issued on 13 January 1864 in Matthews's name as the assignee of Thomas Sterry Hunt. A notation on the papers held in the Patent Office in Hull, Quebec, indicates that a copy of the patent was not mailed to Matthews until 9 February 1864.<sup>17</sup>

It has not yet been determined why Hunt — as a duly naturalized British Subject and longtime resident of Canada — would have transferred the rights to the Patent Lake Tint to Matthews. It may be hypothesized that there was some provision in the 1857 trust agreement that required such a transfer. The text of the trust agreement has not yet been found.

On 27 January 1864, George Matthews sold his lithographing, engraving and copper-plate printing business to Burland, Lafricain and Company.<sup>18</sup> This new co-partnership included George B Burland (of BABN fame), George Lafricain, Nathaniel Barber, and George Bishop. The sale price was \$9000, of which \$4000 was paid immediately. The remaining \$5000 was to have been paid in semi-annual instalments of \$500 each. The first instalment was due on 1 February 1865.<sup>19</sup> Public notice of the sale appeared one month after the sale in the *Montreal Gazette*:

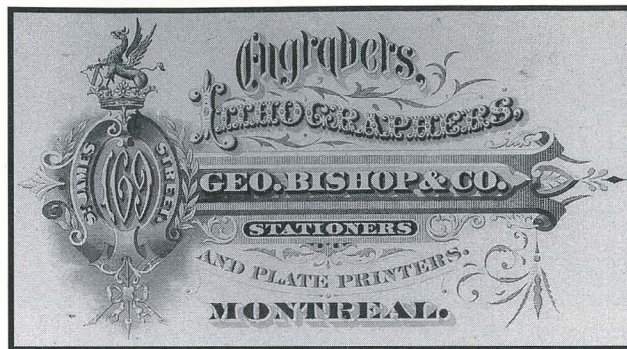
NOTICE.—GEORGE MATTHEWS, Engraver, Lithographer, and Copper-Plate Printer, hereby informs the Public that he has disposed of his Business to Messrs. BURLAND, LAFRICAIN & Co., who have been connected with his Establishment for a great many years, and whom he most respectfully recommends as his Successors, believing them in every way worthy of confidence, both as men of strict integrity, and as workmen of the highest order.

NOTICE OF CO-PARTNERSHIP.— Notice is hereby given that the undersigned have entered into a Co-Partnership as ENGRAVERS, LITHOGRAPHERS, and COPPER-PLATE PRINTERS, under the name and style of BURLAND, LAFRICAIN & CO., and will carry on their Business, in all its branches, at the Old Stand, No.66 St. Francois Xavier Street (opposite the Post Office), formerly occupied by G. MATTHEWS, Esq.

GEORGE B. BURLAND  
 GEORGE LAFRICAIN  
 NATHANIEL BARBER<sup>20</sup>

Included in the sale of Matthews firm were the rights to use both the Canada Bank Note Printing Tint and the Patent Lake Tint. Ownership of the patents themselves as well as the rights to any fees arising from their use were retained by Matthews. With respect to the tints the sales agreement for the firm stated:

The said party of the second part [Burland-Lafricain] shall have the right and privilege at all times, to use or to sell the right



*Business card of George Bishop & Co. (courtesy W D Allan).*

to use the said patent tints in any way that they may deem advantageous to their interests, but in all cases of such sales, or in any case of transfer by the said party of the second part of such right to use, the said party of the second part shall first give to the said party of the first part [Matthews], ample security to his satisfaction for the payment of the foregoing fees or rates to the said party of the first part and for all work done or to be done by persons for whom such right to use said tints shall be conveyed & that all the rights of the said party of the first part in the said patents and to the said patent fees shall be in no way interfered with.<sup>21</sup>

In addition to the main agreement, an assignment of the patents was made on 27 January and registered with the Patent Office on 4 November 1864. Extracts of this assignment stated that Matthews,

... shall reserve and hereby reserve, the right to all the patent fees under his said patents, and as now collected...

[Burland-Lafricain shall have] the sole right and privilege to use in the said Province of Canada and in all the other British North American Provinces, the patent colors of the said vendor, known as the Canada Bank note printing tint, for which the said party of the first part has a patent, and also the lake tint for which he expects shortly to obtain a Patent...<sup>22</sup>

Unfortunately, neither the extracts of the sales agreement as filed with the Patent Office nor the extracts of the patent assignment include the fees payable by Burland-Lafricain for the use of the tints.

As noted in another paper, the terms of the agreement of 7 August 1866 between Burland's and Smillie's groups to merge under the title of the British American Bank Note Company required the transfer to the new company of Burland's and Lafricain's rights to Hunt's patent tints. In compensation for this transfer Burland-Lafricain was to have received 100 or \$10,000 worth of paid-up shares of BABN stock.<sup>23</sup> This constituted one-tenth of the total capital stock of the company. However, as will be shown hereafter, this transfer did not occur and Burland-Lafricain retained the rights to the patent tints in violation of the merger agreement.

<sup>17</sup>Hunt 1863.

<sup>18</sup>Matthews, Burland, *et al.* 1864.

<sup>19</sup>*Ibid.*

<sup>20</sup>*Montreal Gazette*, 27 February 1864, p. 2.

<sup>21</sup>Matthews, Burland, *et al.* 1864.

<sup>22</sup>Taché 1870.

<sup>23</sup>Chamberlin and Bourne 1866; Smillie 1892; 1897.





*BABN die-proof vignette no 69, with portrait of J Bull Burland (photo courtesy BABN by W D Allan).*

The terms of Matthews' assignment of the patent tints permitted Burland, Lafricain to apply in Matthews name for an extension of either of the patents. This application was to be made at Burland, Lafricain's own expense and for their own benefit.

The patent for the Canada Bank Note Printing Tint was set to expire on 1 April 1871. Thus, in April of 1870 Burland and Lafricain availed themselves of their rights as Matthews assignees and applied for the permitted seven-year extension.<sup>24</sup> For technical reasons this initial application was returned and Burland was forced to re-apply in June of 1870.<sup>25</sup> The revised application, as made in Matthews's name but not by Matthews himself, notes,

That owing to the limited demand for the use of the said ink, and its great cost of production being about four times greater than that of any ordinary colored ink, an adequate remuneration has not been realized from its employment.

That were it not solely used for the protection of Bank Notes, Bonds &c. against alterations and photographic counterfeiting, the invention would not be used for any other purpose, but use [would] be made of a similar colored but dealeable [sic] ink which would be cheaper and less destructive to the engraved plates and therefore yield a regular business profit.

That the benefit and advantage to the Banks and to the public in the Provinces of Ontario and Quebec from the discovery of the invention have doubtless been and will be of much greater value to the Banks and to the public than the pecuniary profit which will be derived by your petitioner or to those to whom he has assigned the Letters Patent.

That the estimated net profit has been almost if not altogether derived from the royalty received from the assignees of your petitioner.

That the sole interest and property in the said Letters Patent now lies in the aforesaid George Bull Burland and George Lafricain now carrying on business as printers and engravers....<sup>26</sup>

In addition to the application Burland included a separate statement that testified,

<sup>24</sup>Chamberlin 1870a.

<sup>25</sup>Bernard 1871; Chamberlin 1870b.

<sup>26</sup>Burland and Lafricain 1870.

I George Bull Burland of the City of Montreal engraver and Lithographer make oath and say.

First. That I was in the employ of George Matthews as manager of his business establishment from and before the first day of April A.D. 1857. That from the said first day of April 1857 to the month of January A.D. 1864 this deponant [sic] verily believes the net profit derived by the said George Matthews from the use of "The Canada Bank Note Printing Tint" did not exceed the sum of fifteen hundred dollars.

Second. That since the month of January A.D. 1864, the said George Matthews has been paid for royalty for the use of the said "Canada Bank Note Printing Tint" a sum of about about [sic] six thousand one hundred and eighty six dollars and fifty seven cents and which sum has been paid through [the] deponant [sic] on account of himself and partner to the said George Matthews as the assignees of the said George Matthews.

Third. That no profit has been derived by the assignees of the said George Matthews by and from the use and employment of the said "Canada Bank Note Printing Tint", but a loss of a large proportion of the royalty paid to said George Matthews.<sup>27</sup>

The validity of Burland's claim that he had not profited from the use of the Canada Bank Note Printing Tint is unclear. Under the terms of the 1868 contract with the Canadian government an extra fee was charged whenever the "patent green" colour — that is, the Canada Bank Note Printing Tint — was used in the printing of bank notes. This fee was \$5.00 per thousand impressions whenever a tint plate bearing four bank notes was used and \$2.50 per thousand impressions whenever a tint plate bearing a single or two notes was used.<sup>28</sup>

It is possible that the extra fees charged by BABN may have been just sufficient to cover the patent fees payable to Matthews and thus provided no direct profit to either BABN or Burland, Lafricain. Yet even if no extra profit had been derived from the printing itself, the use of the Canada Bank Note Printing Tint still should have increased, not decreased, the overall profits of BABN (and Burland, Lafricain) by generating additional work in engraving new plates. Due to the tint's abrasive nature the government contract required that only 10,000 impressions be taken from a plate before retouching and a further 10,000 thereafter. This was in contrast to 25,000 and 15,000 impressions, respectively, whenever other inks were used.<sup>29</sup>

Further aspersions are cast on Burland's claim by his neglect to mention that he and his associates had evidently received 100 shares or \$10,000 worth of paid-up BABN stock in exchange for the rights to both of Hunt's tints. This paid-up stock should have more than adequately compensated Burland, Lafricain for the monies paid to Matthews.

The most significant aspect of Burland-Lafricain's application for an extension of the patent protection is the implication that the rights to the Canada Bank Note Printing

<sup>27</sup>Burland 1870.

<sup>28</sup>Kenny and Stuart 1868.

<sup>29</sup>*Ibid.*



Tint continued to be held by them in 1870 and had not been transferred to BABN as was required by the merger agreement of 7 August 1866. In the absence of a subsequent or subsidiary agreement, this apparent violation of the accord suggests that Burland and his associates had received one-tenth of BABN free of charge.

The files currently held by the Canadian Patent Office contain no later documents regarding the disposition of the patents for either the Canada Bank Note Printing Tint or the Patent Lake Tint. This would suggest that, unlike the case of the Canada Bank Note Printing Tint, no application was made for an extension of the protection given to the Patent Lake Tint. It can only be conjectured why Burland-Lafricain did not seek an extension of this patent, which otherwise expired on 14 January 1878. Perhaps unknown difficulties of a chemical or technological nature limited or even prevented its use as Hunt had envisaged. It should be noted that no Canadian banknotes are known to bear the name in caption form of the Patent Lake Tint as is commonly found in the case of the Canada Bank Note Printing Tint.

## Acknowledgements

My thanks to Walter Allan for providing a copy of the Rawdon, Wright, Hatch and Edson (1858) publication and many of the illustrations for this article.

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# Corporation Notes of the Cobourg Board of Police

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An interesting series of Canadian municipal notes — really circulating debentures — appeared as an experiment in Cobourg in April of 1848. The exact circumstances of these notes, however, and particularly the number of each note printed, remain somewhat mysterious. I have attempted to unravel some of these circumstances, and the preliminary results of that attempt appear here.

## The Board of Police

The issuer of the Cobourg notes, the Board of Police, was simply the town's council. Its origin is in 7th Wm. IV. Chap. 42, "An Act to establish a Police in the Town of Cobourg, and to define the limits of the said Town," passed on 4 March 1837 (Statutes of Upper Canada 1837). The Act declared it "to be a body corporate and politic, in fact and in law," by the name of the "President and Board of Police of Cobourg," and stipulated that, "for the purpose of electing the members of the said Corporation, the said town shall be divided into three wards," South, East and West. The East and West Wards were each to elect two Board members annually, and the South Ward only one, from among their inhabitants. Candidates for election were to be "freeholders [in the town] to the assessed value of sixty pounds." The town was made up of two villages that were formerly known as Hamilton and Amherst, the latter corresponding roughly to the West Ward of the new town, where the district courthouse and jail were located.

A major impetus to incorporating the town of Cobourg along these lines appears to have been the danger of fire. In a quickly growing settlement of frame buildings a house fire could spread rapidly, with disastrous consequences. Likewise, disease could also spread quickly in crude settlements frequently augmented by immigration from Ireland and elsewhere. Early in 1832, citizens of the villages of Cobourg and Amherst organized their settlements as "Police Villages,"

giving District Magistrates legal authority over their inhabitants with respect to prevention of fire and epidemics, and founded the Cobourg and Amherst Fire Company. This arrangement continued until 1 July 1837, when the town's incorporation came into effect and the fire companies came under the Board of Police's administration.

Another of the Board of Police's functions, until 1847, was responsibility for public education. After Egerton Ryerson's Education Act of 1846 was amended, municipalities elected school boards, but the President of the Board of Police, Asa Burnham, also served as Chairman of the School Board.

As we will see, the Board was also involved in making infrastructural improvements to the town, including the construction of bridges and plank sidewalks. In 1846 the Board's powers were expanded to include responsibility for construction of sewers and storm drains, and the first brick-vaulted storm drain was built under King Street in 1847 (Climo 1985: 134).

In 1848 the Town of Cobourg's population stood at 3444, according to a summary of the town census that the Clerk of Police published in *The Cobourg Star* on 9 August of that year. This included four bakers, four butchers, four brewers, 18 blacksmiths, a customs collector, seven farmers, 15 grocers, a harbour master, a judge, 14 innkeepers, 20 merchants, seven ministers, a revenue inspector, a postmaster, and 24 "Gentlemen." Significantly, for our purposes, it also included two bank agents, four printers and 134 labourers.

The President of the Board of Police, effectively the town's mayor, during the time of the note issue was Asa A Burnham (figure 1). Burnham was born in Cobourg in 1808, son of Asa Burnham, Sr, who had come to Upper Canada with his parents from New Hampshire in 1797, and Sarah Lovekin. The younger Burnham received some of his education in New York and, in 1832, married Elizabeth Wilmot, with whom he raised eight daughters and two sons.



He served as member of the Board of Police in 1841 to 1844, and as its President in 1845 and from 1847 to 1849, representing the West Ward where one of Cobourg's major streets now bears his name. This was the beginning of a long political career. When the Board of Police was disbanded in 1850 to be replaced by a town Council, Burnham was a Councillor from 1850 to 1851. Burnham became warden of the United Counties of Northumberland and Durham in 1851 and served in the Legislative Assembly as representative of West Northumberland from that time until 1854. In 1861/62 Burnham returned to municipal politics as Cobourg's mayor and, in 1863, he was elected as Newcastle's representative to the Legislative Council. From October 1867 until his death in 1873 he was a Senator of the new Dominion of Canada, but he continued to be active in Cobourg's affairs. Among these activities, he was a Director of the Northumberland and Durham Savings Bank and, later, of the Bank of Toronto, which absorbed the former bank late in the 1860s. Burnham died in 1873 in Ottawa.

The Clerk of Police at the time of the note issue was David Brodie. He replaced Kenneth Mackenzie as Clerk some time between 1838 and 1843, and continued in that office until the Board of Police was dissolved to make way for the new town Council, for which he also served as Clerk, in 1850. From 1846 to 1852, Brodie was School Superintendent and Inspector of Cobourg Common Schools (Calnan 1976: 199). Later he would serve as returning officer for the west riding of Northumberland County.

### The Impetus for a Note Issue

Like most towns in Canada West, Cobourg frequently suffered from a want of specie and, in particular, the means with which citizens of modest means could pay taxes and with which the town could pay for public works, such as sewers, roads and boardwalks. Contemporary documents suggest that this was an impetus for the issue of paper scrip. In addition, it is important to mention that the Province, indeed most of the western world, was in the throes of a depression in 1848, aggravated in Canada by Britain's railroad mania of 1847, the abolition of Britain's preferential treatment of colonial imports of grain and flour, and the construction costs of the Welland Canal (Shortt 1986: 453).

In December 1848, Brodie noted in a letter to Bryce McMurrich Company that "we find it almost impossible to collect taxes this year without causing great hardship, which we are desirous to avoid" (*Nelson Papers*, cited in Calnan 1976: 190). The poverty of Cobourg at the time had been exacerbated by the landing of 5393 Irish immigrants at Cobourg in 1847, for whom the Board of Police had to provide temporary shelter in barn-like "immigrant sheds," and by the outbreak of cholera and typhus that followed:

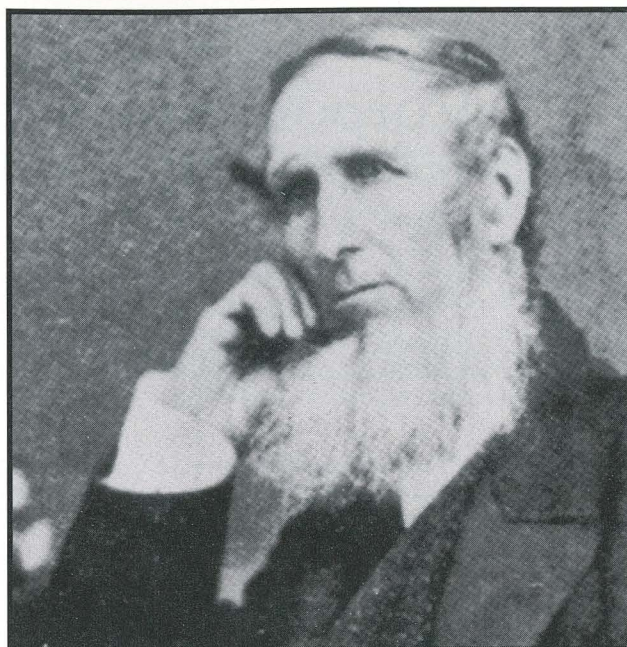


Figure 1. Asa A Burnham, President of the Cobourg Board of Police in 1845 and from 1847 to 1849.

Several steamers plying between Toronto and Kingston have lately deposited numbers of sick and helpless emigrants on our wharf, although their passages were paid to Toronto, Hamilton and other places. It is preposterous that a small town like this should be deluged with these poor people while the wealthy cities turn them off.... We say it is a disgrace to any government to pocket the funds provided for the sick or to distribute it among the few large cities while the small towns are being ruined by the continual demand on the inhabitants. At the present time, Quebec, Montreal, Kingston and Toronto all have their establishments for the sick paid out of the Provincial chest while Cobourg... is obliged to provide for them from the very small sum annually collected for local improvements (*Cobourg Star*, 25 July 1849).

Municipal notes would be one way that the town could pay its creditors and labourers on public works, who could in turn use the notes to pay taxes.

One important resource for any research into the early history of Cobourg is its newspaper, *The Cobourg Star*, founded in 1831 with Richard D Chatterton as its editor. Fortunately, it provides several insights into the origins and use of the Cobourg notes.

An editorial of 29 March 1848 in the *Star* comments at length on the conditions that encouraged the municipal issue:

It is with truth said that to the tokens representing metals, nature has set bounds. When, therefore, they are run out, new ones must be created, or trade must stop. Without a constant supply of currency of some sort, protective industry cannot exist, since it is the circulation alone which constitutes riches, and without a multiplicity of changes industry falls to the ground. The object, then, which public bodies like our Board of Police ought to have in view, is to favour circulation....



Now everyone must acknowledge the absolute want of tokens to carry on the improvements begun in this town. Nay, there are not even enough to enable the poor labourer to pay his taxes; the consequence has been, that within the past week, nearly two hundred warrants have been issued to seize and sell; and in most cases, while the tax is under 5s., the cost is 7s.; this is frightful, and should, if possible, be remedied. It can be remedied by multiplying the token, and raising it to the height of Town property; this will relieve us all. It will, besides, enable us to go on with our improvements, and free industry from its stagnation.

The editorial goes on to suggest just how the Board of Police could carry out this remedy:

This can be done by issuing notes to their creditors, payable twelve months after date. For security, they can give that which is better than gold or silver, namely, the Town itself. What other value indeed can be offered, when a panic, avarice, or want of patriotism, causes the specie and its representatives to disappear?

We say to our Board of Police, Give us tokens to carry on our business, and riches will spring up; — multiply bargains and sales, no matter with what token, provided it be acknowledged by the whole of Society, and it will effect a real payment in one way or another.

Multiply money, and no matter what kind of money it be, say to your labourers, this you must take, and three and a half-fourths of them will not only take your money, but be glad to get it. With this thriving and prosperous town for security, our Merchants will not refuse your tokens; because they know that for want of them everything languishes, — that thousands of things that are offered for sale do not sell, — that hundreds of bargains which can and ought to be made, will not be made, — that hundreds of our labourers will remain without employment, — that public and private undertakings will be put a stop to, — that those who possess will not enjoy what they have, and those who might be comfortable will disturb Society for want of employment.

We know that shin-plasters, as Corporation notes are called, are terrifying to those who do not see in circulation a remedy for our commercial stagnation; but such skeptics are few and far between. The great majority of our tradesmen see that movement, — MOVEMENT — is needed! It matters not what the stimulus be, multiply the token, and if it revives trade, it saves the credit of the town....

These tokens will replace, to a considerable extent, the specie and its representatives, which have so mysteriously disappeared. They will create riches by the simple movement of circulation, and will decompose the terrifying mass of accumulated merchandize [sic]. We say to our Board of Police, Go on, — multiply tokens as far as carrying out projected improvements in the Town be necessary, and not only will your money be eagerly taken, but you will receive the hearty thanks of your fellow Townsmen for this great crowning act of your administration.

Lest we accept the editorial's claims too uncritically, Adam Shortt notes that similar municipal issues of 1848, as well as Hincks's proposal for Provincial notes, were actually

motivated, not by a shortage of currency in circulation, but by shortages of government funds:

Critics of the ... expedient were able to point out that just at a time when business was exceedingly dull and the Canadian banks were curtailing [note] circulation, government paper money was to be added to the currency of the country, not on the ground that there was any extra need for currency, but simply because the government was in want of funds (Shortt 1986: 455).

The City of Toronto had already been depending on this expedient since 1837, the Town of Kingston had begun to fund public works with debentures in 1842, and Cobourg and Guelph were simply the latest to adopt the measure in 1848.

Other district councils would undoubtedly have followed in this seductive line had not the Baldwin Municipal [sic] Act of the following year, 1849, prohibited all municipal authorities of issuing small paper debentures intended to circulate as currency (Shortt 1986: 455).

Indeed, Cobourg's citizens already had had experience with proposals for local note issues. Early in 1834, when James Bethune failed to get a charter for the Cobourg Bank, a private bank that Robert Henry had founded about 1830, he proposed that the local farmers would benefit from the issue of post-notes payable twelve months after date, and secured by agricultural land. A year later, under the name of the Newcastle District Accommodation Company or The Newcastle Banking Company, the proposed local bank, with Bethune and Zaccheus Burnham as principals, was to furnish the farmers with capital in the form of \$1, \$2 and \$4 post-notes, the size of the issue being precisely equivalent to the size of the loans to the farmers. The Amherst mentioned as the notes' place of issue is simply one of the villages incorporated as part of Cobourg in 1837. A similar scheme is known to have been undertaken a year later in the form of the Accommodation Bank (Shortt 1986: 321-22; Allan 1989: 520-10).

Chatterton's editorial of 29 March describes so closely what the Board of Police was soon to put into effect that it is tempting to conclude that it was planted by Asa Burnham himself. Whether the writer of the editorial had some inside information (the *Star* was to print the note issues and Chatterton, its editor, appears to have been a political supporter of Asa Burnham and his colleagues on the Board<sup>1</sup>) or was simply influential, the Board of Police was quick to adopt just the measure suggested, for, only two weeks later, on 12 April 1848, *The Cobourg Star* reported,

<sup>1</sup> In an editorial of 13 December 1848 that discusses upcoming elections for the Board of Police, the writer suggests the possibility "that the turning out of any of the present Board would have an injurious tendency on the prosperity of the Town. For instance the present Board have issued a considerable amount of notes, which have been of vast service to the town in carrying out improvements, and these notes they are prepared to redeem if continued in office, but if a new Board gets in, it will, in all probability not take measures to preserve the credit of the Town, and will consequently embarrass the holders of the Corporation notes."



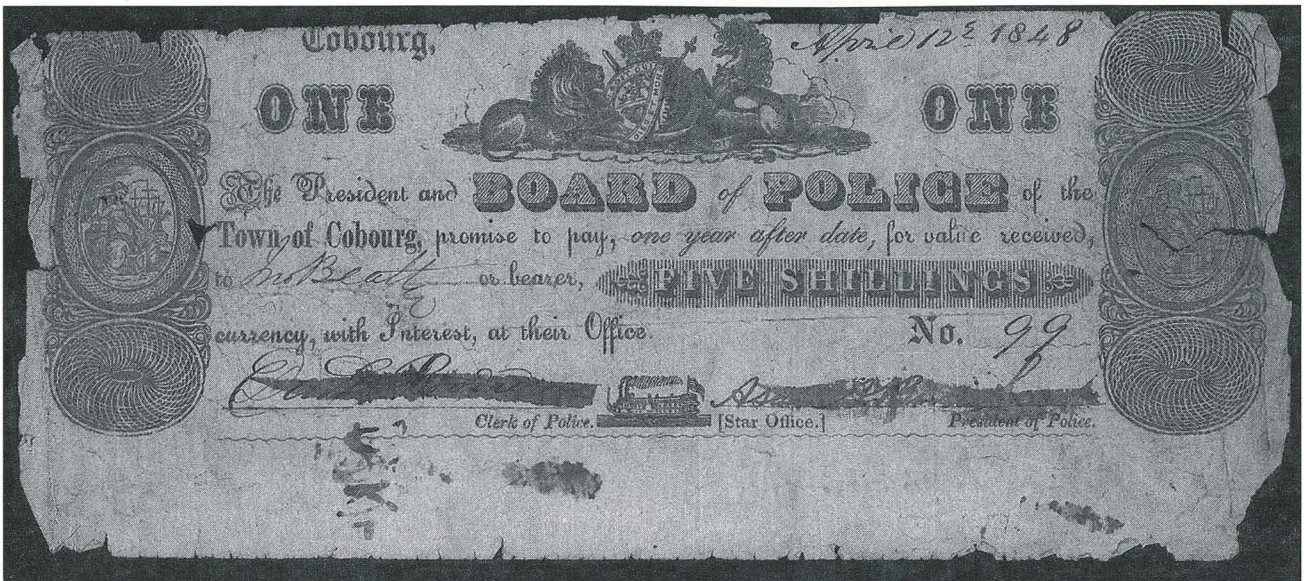


Figure 2. \$1 note of the Cobourg Board of Polices "Arms" issue, serial number 99, dated "April 12th 1848," and with the imprint, "(Star Office..)" below Burnham's signature (E Banning).

We are happy to find that our Corporation have come to the conclusion to issue a small amount of Notes to their creditors, who being of the poorer class, have been very much cramped for the want of the small sums due them for labour. But while we congratulate, our duty as a public journalist also bids us to forewarn, — to remind the Board that they must be careful to issue no more than the imperative necessity of the case requires, in order that when the year expires and their notes become due, they may without difficulty take them up. If our present excellent and industrious members can be induced to devote their talents to the Town for another year, we shall have no fears ; but if they retire and less competent persons take charge of the Banking Department, we dread they will be led into some extravagances calculated to injure the credit of the Town.

## The Arms Issue

That same day, the "Royal Arms" issue of \$1 and \$2 notes appeared (figures 2-3; Allan 1992: MU-2, MU-3, 47). The notes, with plain backs, both show the arms in the upper centre, and a crude vignette depicting the personification of Commerce seated on a crate, with a sailing ship in the background, amid scrollwork at left and right on their faces. Word counters (denominated in dollars) appear to left and right of the arms. The date at upper right, above the counter, is in manuscript except for the first three digits of the year, "184," which are printed. Surviving notes that I have seen are all dated in April and May of 1848. The text, apparently typeset in a variety of fonts, reads, "The President and BOARD OF POLICE of the Town of Cobourg, promise to pay, one year after date, for value received to \_\_\_\_ or bearer, FIVE [or TEN] SHILLINGS currency, with Interest, at their Office." Below, David Brodie's signature appears over "Clerk

of Police" and Asa A Burnham's over "President of Police." A tiny vignette of a steam ferry steaming to left separates the signatures. The steamboat is definitely not the *Cobourg*, built in 1833 (figure 7), and may be intended to represent the *North King*. On only one of four examples of the \$1 that I have been able to examine, the imprint, "(Star Office.)," appears next to the ferry, just below the "Asa" of Burnham's signature. This implies the printing of at least two \$1 notes per sheet (1,1,2, 1,1,1,2 or 1,1,2,2), so that one-third or half of the resulting \$1 notes should show the imprint. None of the \$2 notes I have seen show the imprint, although I have not seen very many (see table 1). The manuscript serial number appears just above "Burnham."

The imprint found on some of the \$1 notes makes it clear that the printer of the notes was *The Cobourg Star*, the town's weekly newspaper, whose editor, Richard D Chatterton, was apparently a staunch supporter of Asa A Burnham and his fellow Board members. It is possible that the vignettes engraved for the issue were by J D Greenleaf, who is listed as the town's only engraver in the "List of Merchants, Mechanics, Etc., In The Town of Cobourg" that *The Cobourg Star* published on 1 January 1848.

The notes were actually debentures, repayable one year after date with interest (probably 6%).

All the notes of the "Arms" issue that I have been able to examine are payable to one of two individuals. These are Dr John Beatty (figure 4) and F Burnet.

Dr John Beatty, son of Rev John Beatty, the town's Wesleyan minister and Steward of Victoria College from 1833, was one of the notables of Cobourg. The younger Beatty set up a medical practice, and quickly earned a reputation for intelligence and integrity. From 1846 to 1848, Dr Beatty was School Superintendent and Inspector of





Figure 3. \$2 note of the Cobourg Board of Polices "Arms" issue, serial number 145, dated "May 3d 1848," without imprint (E Banning).

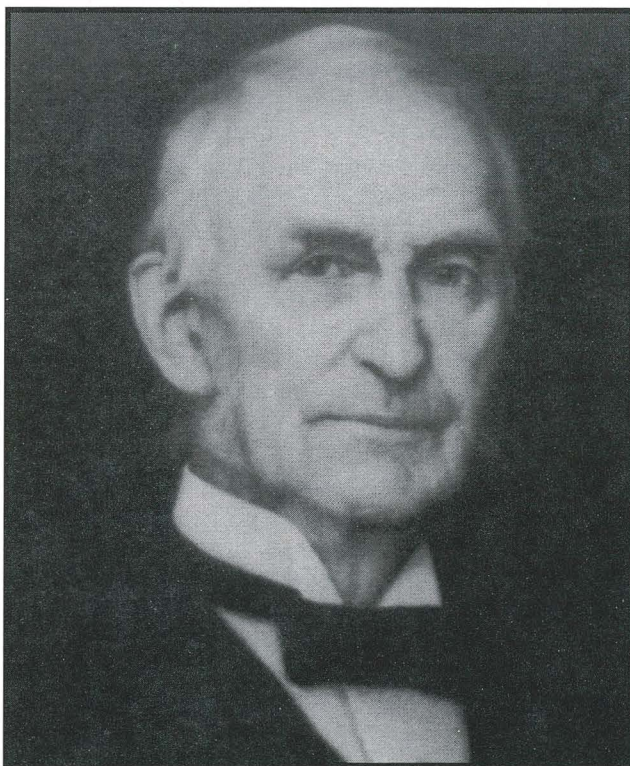


Figure 4. Dr John Beatty, member of the Cobourg Board of Police from 1847 to 1848 and Cobourg's first elected Mayor in 1858.

Cobourg Common Schools (Calnan 1976: 199). He represented the East Ward on the Board of Police from 1847 to 1848, and of the Town Council from 1851 to 1854. He became the first elected Mayor of Cobourg in 1858 and continued in that capacity until Asa A Burnham replaced him

in 1861, but returned to the Mayor's office in 1866 and 1867 (Guillet 1948a: 253). He also served as a professor of chemistry at Victoria College (Spilsbury 1981: 22).

Francis (Frank) Burnet, Jr was a building contractor and carpenter, responsible, among other things, for construction of Cobourg's Market Building in 1839-40 (Climo 1985: 127, 101), who had come to Cobourg in the early 1830s with his brother, James. The brothers had a sawmill on Factory Creek and, in 1840, Frank purchased the John Connell farm at the corner of King and Ontario Streets at the west end of Cobourg for £700, surveyed it, and divided it into lots to sell to employees and others. On four of these lots on Ontario Street were built brick houses for himself, his sons, David and William (who later built Cobourg's Victoria Hall), and the postmaster, Thomas Scott (Guillet 1948a: 17). He was a member of the Board of Police, representing the South Ward, in 1842, 1845, and 1847 to 1849, and one of the first nine members of the new municipal Council that replaced the Board of Police in 1850 (Guillet 1948a: 253; Climo 1985: 139). He returned to the town Council in 1852. He was one of the signatories to the charter of the Cobourg and Peterborough Railway in 1852 (Satterly 1976: 88; Statutes of the Province of Canada 1852, 16 Vic 40).

### The Ships Issue

Later in 1848, the Board replaced the Arms issue with a new issue of corporation notes with a central vignette depicting two brigs and a schooner under sail and, at left, the lighthouse built in 1840 (figures 5-6; Allan 1992: MU-4, MU-5, 48). Beehives on the \$1 and \$2, lyres on the \$1 and fruit baskets on the \$2 are used to decorate the counters at left and right. Like the Arms issue, the notes are partly typeset and all have



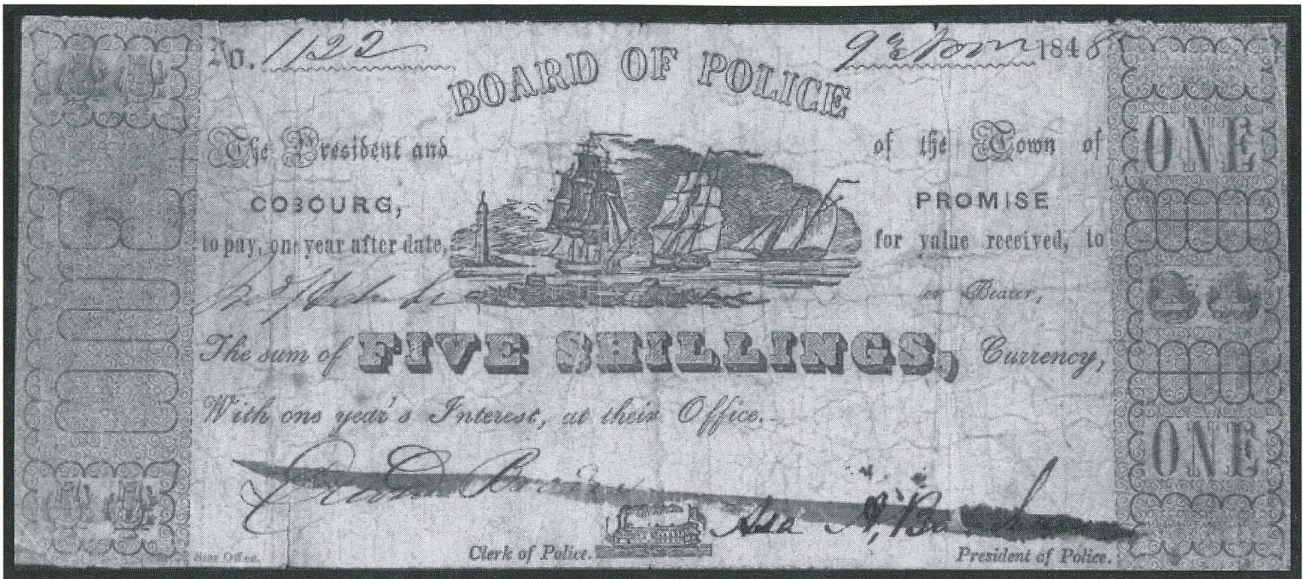


Figure 5. \$1 note of the Cobourg Board of Polices "Ships" issue, serial number 1122, dated "9th Nov 1848," and with the imprint, "Star Office" at lower left (E Banning).

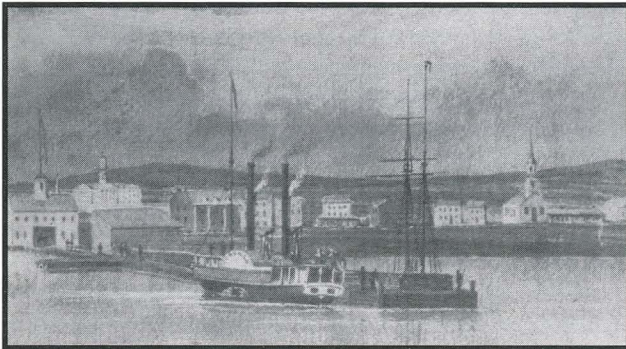


Figure 7. Watercolour of Cobourg's harbour by Bainbrigg, painted in 1840 (from Guillet 1948a).

the imprint, "Star Office," at lower left, indicating that the newspaper was again their printer. The date is again partly manuscript, with "184" typeset. The same steam ferry vignette separates the signatures, which are the same as on the Arms issue, and we see the names of J[ohn] Helm Sr and A[ndrew] Milne written in as payees.

John Helm, Sr, is identified in a list of Cobourg's professions, dated 1 January 1848, as a founder (Climo 1985: 127). In 1833 John Helm is mentioned as a member of a committee to establish reasonable working conditions for labourers in the village, and among the committee's accomplishments was the declaration that the work-day was not to exceed ten hours (Guillet 1948a). The success of Helm's iron foundry led to the opening of another, run by his son, in Port Hope (Spilsbury 1981: 14). Election results published in *The Cobourg Star* on 10 January 1849 show that Helm was one of the Board of Police's two members from the East Ward. He served on the Board in 1848 as well (Guillet

1948a: 253). Like Burnet, Helm was also one of the first nine members of the new town Council in 1850 (Climo 1985: 139), having already served on the Board of Police. Like Burnet, he was a signatory to the charter of the Cobourg and Peterborough Railway (Satterly 1976: 888; Statutes of the Province of Canada 1852, 16 Vic 40).

Andrew Milne appears in that same list of 1 January 1848 as a tailor (Climo 1985: 128). Milne was a member of the Board of Police in 1844 and 1847 to 1849, like Burnham, representing the West Ward, and was another member of the 9-member Town Council in 1850 and 1852, (Climo 1985: 139). In 1847 he was elected to Cobourg's Board of Common School Trustees (Calnan 1976: 188).

Again, *The Cobourg Star* printed the notes, and the unnamed engraver of the "Ships" vignette may have been J D Greenleaf.

The date of this second issue remains to be determined, but seems to have been in October, six months after the first issue. The reason for the change to a new design is also obscure, although continued research in the minutes of the Cobourg Board of Police, many of which are still kept at Victoria Hall in Cobourg, may turn up some reference to it.

## The Use of Notes

The primary use of the notes appears to have been payment of labourers who worked on roadwork, bridge construction and other public works. Brodie's financial report for the year 1848, as published in *The Cobourg Star* on 3 January 1849, gives some hints as to what these expenditures may have been. Statements in the minutes of the Board's meetings provide others.



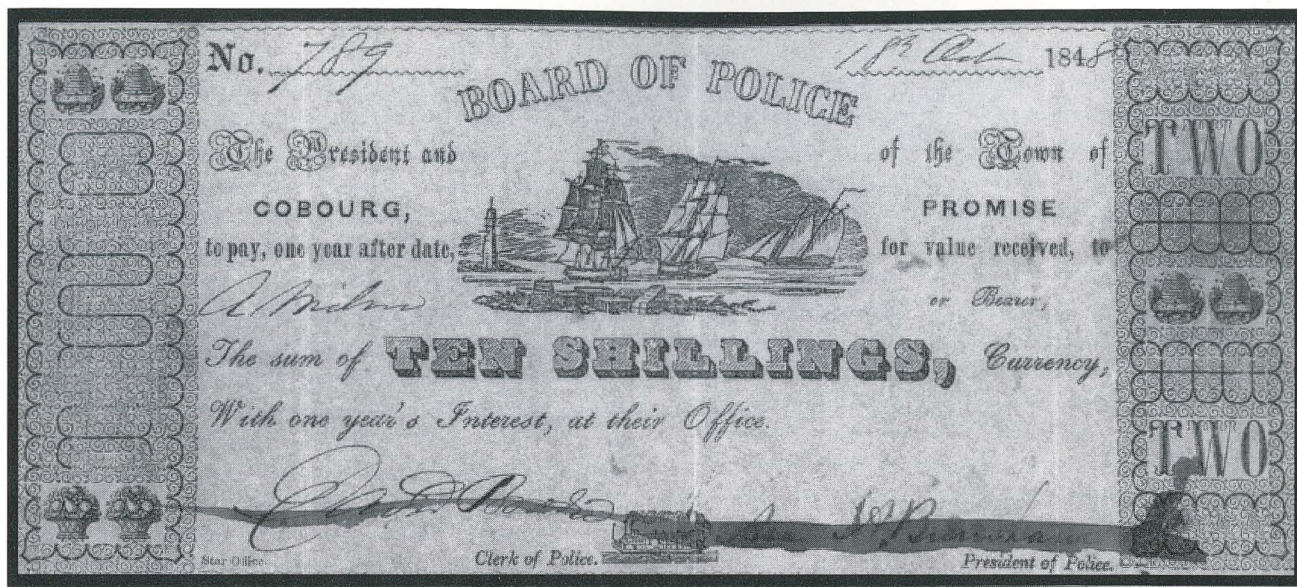


Figure 6. \$2 note of the Cobourg Board of Polices "Ships" issue, serial number 789, dated "18th Oct 1848" (E Banning).

One might expect the town's accounts to give us some indication of how the notes were spent, particularly on labourers. The balance sheet, at least, does not provide much detail and, in fact, there is no mention in them of the payees on the notes. There is one mention on 30 December 1848 of "additional labour in Corporation Note" for £10 and, on 18 October 1848, of a payment of £87.18.0 to "Wm. Burnet for bridge,"<sup>2</sup> no doubt referring to construction of the bridge over Factory Creek at King Street, but none of expenses that can be directly related to note issues. There are various expenses for fire pumps, road grading, and the like, but no indication that these were necessarily met with Corporation notes.

An interesting pattern is detectable among the notes that have come to my attention, however. Not only are there only four payees indicated on the notes, as indicated above, but each payee is associated exclusively with one of the four note issues. Specifically, Beatty is listed as payee on the \$1 Arms, Burnet on the \$2 Arms, Helm on the \$1 Ships, and Milne on the \$2 Ships. Although my sample size is still very small, it is also notable that the \$1 Arms are all dated from 12 April to 22 April (to serial number 533), the \$2 Arms on 2 and 3 May (serial numbers 111 to 151), the \$1 Ships from 9 November to 26 December and the \$2 Ships from 29 November to 26 December. This suggests the possibility that Board members rotated responsibility for disbursing scrip, and that associating a particular denomination and issue with each Board member made it easier to keep track of these expenses.

<sup>2</sup> William Burnet was the son of F Burnet, payee on the \$2 notes of the "Arms" issue in May of 1848.

Although the financial report does not mention which expenses may have been paid in scrip, apart from the vague reference to "additional labour" already cited, matching dates on the notes with references in the financial report is somewhat helpful. Relatively large expenditures in notes appear to have been made on 17 April (at least \$257) and 26 December. The financial report notes that on 18 April, six days after the issue-date of the Arms issue, the Board paid debts of £23.8.7 (\$93.72) to M Williams, £10.17.7 (\$43.52) to HJ Ruttan, and £6.8.4 (\$25.67) to Adam Wilson, to a total of about \$162.91. In December, in addition to the £10 for labour specifically mentioned as having been paid in "Corporation Notes," we have £16.11.9-1/2 (\$64.59) paid to Peter McGuire and D Donegan on 27 December for "grading," presumably road-work, £14.16.4-1/2 (\$56.82) for "Sundry accounts paid by Collector, last years" on 28 December, £1.8.4-1/2 (\$4.82) for "Wood,, cutting wood, cleaning Town hall" and £299.15.1/2 (\$1196.75) for "Sundry accounts for labour and paid by Clerk and Collector" on 30 December. It is likely that these primarily labour costs were paid in corporation notes. It is also possible that salaries of £75 (\$300) to the Superintendent and Collectors, £1.3.4 (\$4.17) to the Returning Officer, and \$25 (\$100) to the Clerk were paid in scrip. The total of these expenses is \$1362.98 excluding, or \$1767.15 including, the salaries. However, 2 and 3 May account for more than one-third of the \$2 notes, but the accounts show no expenses at all in May that can be identified specifically as labour; for 2 May we see £12.13.9 (\$48.69) to JF Hurst "Per Account" and on 3 May £79.1.7 (\$316.08) for "Note to Clarke & Dean," £20 (\$80) for "Note to Acct of Note," and £86 (\$344) on "Note to Montreal Bank." Indeed, payments to banks on notes (loans) are the most common



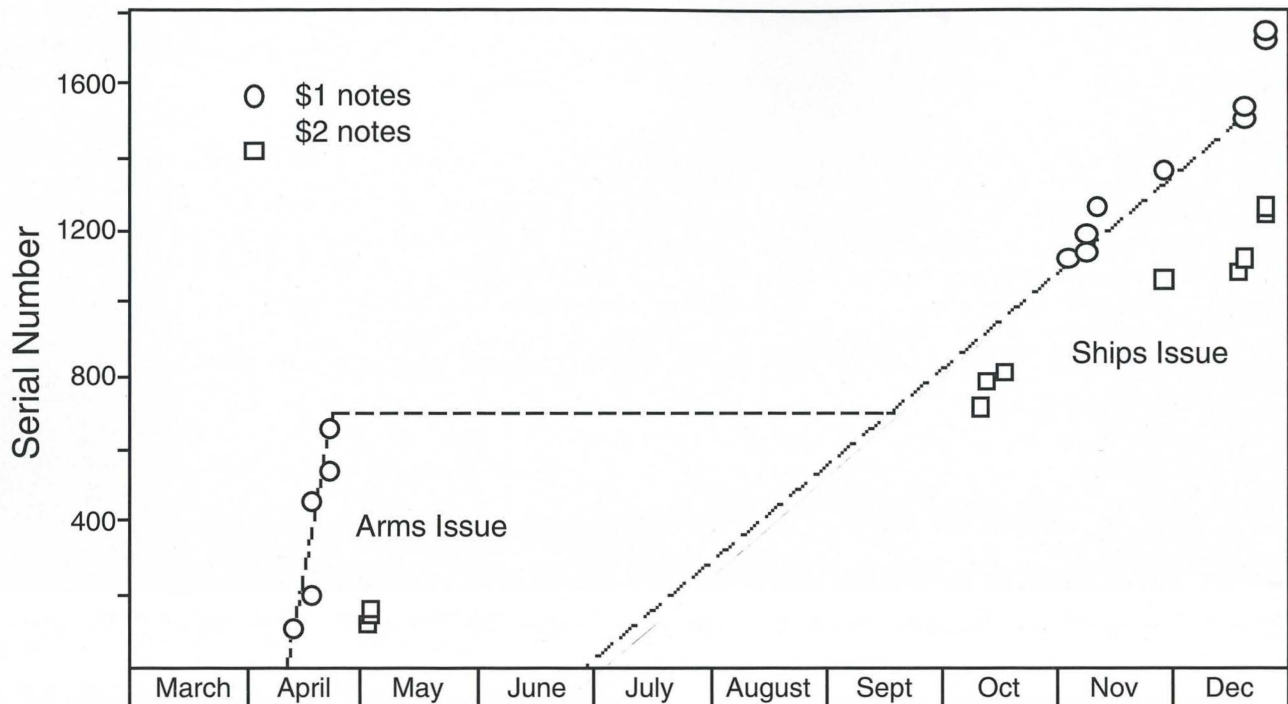


Figure 8 Graph showing the distribution of known serial numbers over the course of 1848. The dashed lines indicate possible models for either continuous numbering from one issue to the next (plateau), or a second issue beginning at #1 in late June or early July (slope).

entries throughout the account. It is doubtful that the banks would accept the Corporation notes for these debts.

Although there may have been a need for the Corporation notes, there are also hints of problems with the issue. *The Cobourg Star*'s claim that "skeptics are few and far between" was probably not very accurate, as many of *The Cobourg Star*'s readers probably remembered the recent problems with Kingston's municipal debentures. In 1842 Kingston issued £2,000 in \$1 and \$2 notes. Like the Cobourg notes six years later,

the notes bore interest and were repayable after one year, but were not uniformly well received by the townfolk. In 1846, when the town had amassed such a debt load that no further accommodation from the banks was obtainable, a further issue of £5,000 was proposed but had to be abandoned in the face of strong opposition (Allan 1992: 51).

An editorial in *The Cobourg Star*, again rushing to the support of Burnham's Board, comments on "Depreciating Corporation Notes" on 20 December 1848:

Some persons have been amusing themselves lately, by attempting to depreciate the notes issued by the Board of Police. Those who suffer themselves to be gulled by such busybodies, must be very soft indeed. Do they know that the members of the Corporation who issue these notes, are liable for them, both individually and collectively? And do they know that the President has from 10 to 15,000 pounds of estate lying within the Corporation, and that all the Board are gentlemen of property. [sic] Is not this of itself sufficient

security for the 150 Pounds of notes afloat? We only wish that our subscribers who have not paid for the past year, would offer them to us.

Of course if the Board were men of straw, the case would be different, and we would be among the first to cry them down. As it is we know of no sane man who would refuse the notes of gentlemen possessing such large properties as the present Board.

The estimate of £150 of notes in circulation is not, however, borne out by the Town's accounts. In the financial statements for January 1848 to January 1849, David Brodie reports the value of "Corporation small notes" outstanding as £924.5.0 (or \$3697) as of 30 December 1848, only ten days after the editorial was published.

One of the things that remain for me to discover in the Board's records is whether or not the notes were redeemed in full within a year, and whether the record of redemption tells us the size of the original issue along with how many were destroyed. Unfortunately, the Board of Police minutes for 1849 appear to be missing from the municipal offices at Victoria Hall in Cobourg. The abrupt discontinuation of the note issues at the of 1848 could be a direct result of the disallowance of circulating municipal debentures in Baldwin's Municipal Act of 1849 (Shortt 1986: 455). Perhaps the hint in *The Cobourg Star* editorial of 20 December 1848 that the notes were beginning to lose public support, however, is equally relevant to the end of the note issue.



## The Size of the Issue

Serial numbers make it relatively easy to estimate the numbers of notes in each denomination and with each design, at least roughly, although not without some assumptions. If, as is possible, the notes were numbered consecutively through both issues (Arms and Ships), the total number of notes is easy to calculate for each denomination, while the estimated changeover numbers provide a only a rather large range of maximum and minimum issue size for the Arms and Ships issues. The highest and lowest known serial numbers provide only a minimum for the size of each. The alternative is that the Arms issue was quite small, perhaps 700 \$1 notes and 200 or 300 \$2 dated in April (\$1) and May (\$2), but the Ships issue began shortly thereafter at serial number 1 rather than 1001. This scenario, with fairly constant expenditures in notes over the course of the year (figure 8) instead of two short bursts of spending, depends on the first 1108 \$1 "Ships" notes and the first 770 \$2 "Ships" notes being destroyed upon redemption. The implication of this last scenario is that the Ships issue was at least twice as large as the Arms issue. Since there is no overlap in the surviving serial numbers of the two issues, however, we so far cannot rule out that numbering was consecutive throughout, either. No doubt Brodie, as Clerk, had little interest in what design there was on the notes he was signing and numbering, as long as he recorded accurately the serial number of each note issued.

Surviving notes show that by 22 April 1848, 10 days into the issue, the \$1 Arms had been issued at least up to number 653. But something strange is happening with the \$2 Arms issue; we seem to have number 911 issued to F Burnet on 2 May (NCC P16602) but number 143, also issued to Burnet, on the following day. Probably 911 is a misreading of 111 (the manuscript numbers sometimes have unusual flourishes), and I have treated it as such in this analysis. No \$1 notes of the Arms issue, to my knowledge, survive with numbers greater than 653, or \$2 with numbers over 151.<sup>3</sup> It is possible that 200 to 500 sheets of these notes were printed with at least two \$1 notes per sheet (to account for the presence of the imprint on some, but not all, notes), possibly in 1,1,1,2 or 1,1,2,2 format. In view of the low serial numbers of surviving \$2 notes of this issue, and particularly the ratio of the highest \$1 serial number to the highest \$2 one (about 4.3:1), the 1,1,1,2 format is likely. Unless our sample is biased in favour of notes with lower serial numbers, the numbers issued may have been as little as \$750 in \$1 and \$200 to \$500 in \$2, which could result from printing just 250 sheets at 1,1,1,2.

The \$1 Ships goes at least to number 1736 by 26 December, while the \$2 Ships goes at least to 1250 on the same date, but, as mentioned above, neither seems to have surviving notes with numbers below 699. If the "Ships" notes were printed

1,1,2,2, and numbering began at 0001, it seems likely that the original printings were 1000 sheets, totalling \$6000. If instead the numbering was consecutive with the first issue, the total would of course be smaller. If, for example, the lowest issued number for this series was around 750 for the \$1 and, say, 500 for the \$2, then there was probably about \$1000 in \$1 and about \$2000 in \$2. This could result from a printing of 500 sheets at 1,1,2,2.

Since the balance sheet already mentioned indicates that some £924.50.0 (\$3697) in Corporation notes was outstanding on 30 December, the total issue had to be more than this, but possibly not much more, since many of the notes had just been paid out in the preceding few weeks and would not be likely to be redeemed for almost a year, unless paid in as taxes. Given that the town's entire annual revenue in 1848 was about £587 for \$2348), that its annual expenditures in salaries, interest, etc. was about £123 (\$492), that the balance sheet for 1848 totals no more than £4955.13.4-1/2 (\$19822.61), we should prefer an estimated total issue of some \$4000 to \$5000 in Corporation notes. This would tend to favour consecutive numbering of the notes across both issues, given that our highest serial numbers for the two denominations are 1736 for the \$1 and 1250 for the \$2, implying a minimum total of \$4234, not much greater than the total reported outstanding. By this reasoning, our fairly conservative estimates for the size of the Arms issue as about \$750 in \$1 and \$500 in \$2 (250 sheets at 1,1,1,2) and that of the Ships issue as about 1000 notes of each denomination seems reasonable, providing a total of \$4250.

## Withdrawal of the Notes

The relative scarcity of the Arms notes presumably results from relatively complete redemption of this first issue, although it was probably also a slightly smaller issue. It is worth noting that the complaints about discounting the notes date from the period after the second issue began, perhaps indicating that the townspeople had lost confidence that the notes would be redeemed. The details of this withdrawal, I hope, will come out of my further readings in Cobourg's archives.

One of the things worth mentioning about the withdrawal, however, is that most of the notes in collectors' hands (indeed all that I have seen), are cancelled by a black stroke through the signatures. This indicates that the Board allowed at least a portion of the cancelled notes to survive, rather than destroying them all. It is perhaps no coincidence that these surviving notes cluster by date and serial number, something that could happen if the surviving notes were all redeemed on the same occasion. It is also interesting to note that the two groups of notes are separated by a period of about six months. If the apparent gap did not result from an anomalous rescue from destruction of a small group of notes redeemed at the

<sup>3</sup> The only possible exception is the \$2 of 2 May that seems to be number 911, but is probably actually 111 with a flourish.



same time, it is possible that the Board was using Ships notes to redeem Arms notes after six months as a way to delay redemption in cash, promised after period of one year).

## Surviving Notes

Although these notes are not extremely rare, and occasionally notes of the Ships issue turn up in rather attractive condition, they do seem to be scarcer than most people realize.

My attempts to locate specimens of these notes have not been as thorough as they should be, but have resulted in the distribution shown in table 1. The fact that my admittedly small sample contains tight clusters of serial numbers (e.g., 1713, 1723 and 1734 for the \$1 and 1233, 1244, 1247 and 1250 for the \$2) in spite of coming (somewhat randomly) from disparate sources suggests that the lack of examples with numbers in the 654 to 1108 range for \$1 or the 152 to 770 range for \$2 is not simply due to sampling error. It is possible that surviving cancelled notes came from particular groups of notes that, for whatever reason, were kept in their entirety as souvenirs, while others were destroyed. Thus the probability of survival may not be random even if the sample of surviving notes is. In any case, the repeated appearance of the same notes in sales and publications suggests that there really are not very many surviving examples. The \$1 "Ships" note illustrated in Guillet (1948a: 64), for example, is the same note illustrated in the *Transactions of the Canadian Numismatic Research Society* in 1989. Two of the notes in my own collection are the same notes illustrated in the Charlton Catalogue (Allan 1992: MU-2 and MU-3). It is likely that some of the notes recorded in auction catalogues, but without serial numbers to identify them uniquely, are the same notes reported elsewhere in the table. If we assume that half of these incompletely identified notes are redundant and the remainder are mainly of the Ships issue, then there are at least five extant examples of each of the \$1 and \$2 Arms, 12 of the \$1 ships and nine of the \$2 ships. This would make the notes, especially those of the Arms issue, rather scarce.

Table 1. List of known Corporation Notes of Cobourg's Board of Police. Note that notes mentioned in auction catalogues without serial numbers may be the same notes listed elsewhere. In particular, notes with the same recorded grade are probably the same.

I would appreciate any information on additional notes that readers may be able to provide, especially if it sheds light on the issues' size by adding to the range of serial numbers.

## Acknowledgements

I would like to thank W D Allan, Dick Dunn, R J Graham, and W H McDonald for information about notes that have been in their possession and G Esler's assistance in my viewing of notes in the National Currency Collection of the Bank of Canada in Ottawa. Other examples were spotted in

publications cited. Walter Allan and especially Bob Graham were very helpful with their comments on the manuscript as well.

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- (1971). *Torex Fall Sale*. Toronto: Frank Rose Enterprises.



Denomination and Type	Date	Serial Number	Payee	Grade	Source
\$1 Arms	12/4/48	99	Beatty <sup>‡</sup>		Banning
	17/4/48	190	Beatty	F-VF	Rose 1971; McDonald
	17/4/48	447	Beatty	F damaged	Hoare 1994: 1201
	22/4/48	533	Beatty*		NCC; Allan 1992: MU-2
	22/4/48	653	Beatty	F+ pce msg	Graham; Allan I: 229
Ships	4/11/48	1109	Helm	VG	Graham
	9/11/48	1122	Helm		Graham; Banning
	9/11/48	1176	Helm	F	Hoare 1994: 1203
	11/11/48	1249	Helm	F	Allan I: 231
	29/11/48	1346	Helm		NCC
	20/12/48	1495	Helm		Guillet 1948as; CNRS 1989
	20/12/48	1502	Helm		NCC
	20/12/48 <sup>◆</sup>	1522		F	Kump & Smith 1975: 1557
	26/12/48	1713		AU	Ritter 1973: 1246; McDonald
	26/12/48	1723	Helm	EF	Hoare 1994: 1202
	26/12/48	1734	Helm	AU	Allan 1992: MU-4
		1736		abt EF	Charlton 1974: 727
		?		G	Rose 1972: 1516
		?		G-VG	Charlton 1967: 1827
	?		G-VG	Charlton 1969: 1332	
	?		F-G	Rose 1972: 1517	
\$2 Arms	2/5/48	111 <sup>‡</sup>	Burnet		NCC #P16602
	3/5/48	120	Burnet	F+	Hoare 1991: 1147; Allan
	3/5/48	143	Burnet	VF	Allan 1992: MU-3
	3/5/48	145	Burnet	VG	Graham
	3/5/48	151	Burnet	EF	McDonald
Ships	11/10/48	699	Milne	F+	Allan I: 232
	13/10/48	771	Milne	VG	Kump & Smith 1975: 1558
	18/10/48	789	Milne	VF	Graham; Banning
	29/11/48	1047			McDonald
	18/12/48	1072	Milne	VG	Taylor & James 1962: 182; Allan IV: 593
	18/12/48	1112	Milne	F	Hoare 1994: 1203
		1225		AU	Charlton 1974: 728
	26/12/48	1233		AU	Ritter 19733: 1247; McDonald
	26/12/48	1244	Milne		NCC
	26/12/48	1247	Milne	AU	Graham
	26/12/48	1248	Milne	EF	Charlton 19775: 492
	26/12/48	1250	Milne		Allan 1992: MU-5; NCC
		?		F	Charlton 1964: 1158
		?		F-VF	Rose 1970: 1609

Table 1. List of Cobourg Board of Police notes that are known to the author.

—(1972). *CNA/CPMS Joint Convention Sale*. Toronto: Frank Rose Enterprises.

Satterly, P (1976). *The Cobourg-Peterborough Railway*. Destiny denied. Pp. 85-107 in J Petryshyn (ed.), *Victorian Cobourg: A Nineteenth Century Profile*. Belleville, ON: Mika Publishing Company.

Shortt, A (1986). *History of Canadian Currency and Banking, 1600-1880*. Originally published in the *Journal of the Canadian Bankers' Association*. Toronto: Canadian Bankers' Association.

<sup>‡</sup> Shows "(Star Office)" imprint right of steam ferry.

\* Endorsed "A. Hammond" on back.

◆ Incorrectly described as 20 Jan 1848 (Kump and Smith 1975).

‡ Looks like 911, but first digit probably has a flourish.

Spilsbury, JR, ed (1981). *Cobourg. Early Days and Modern Times*. Cobourg, ON: Cobourg Book Committee.

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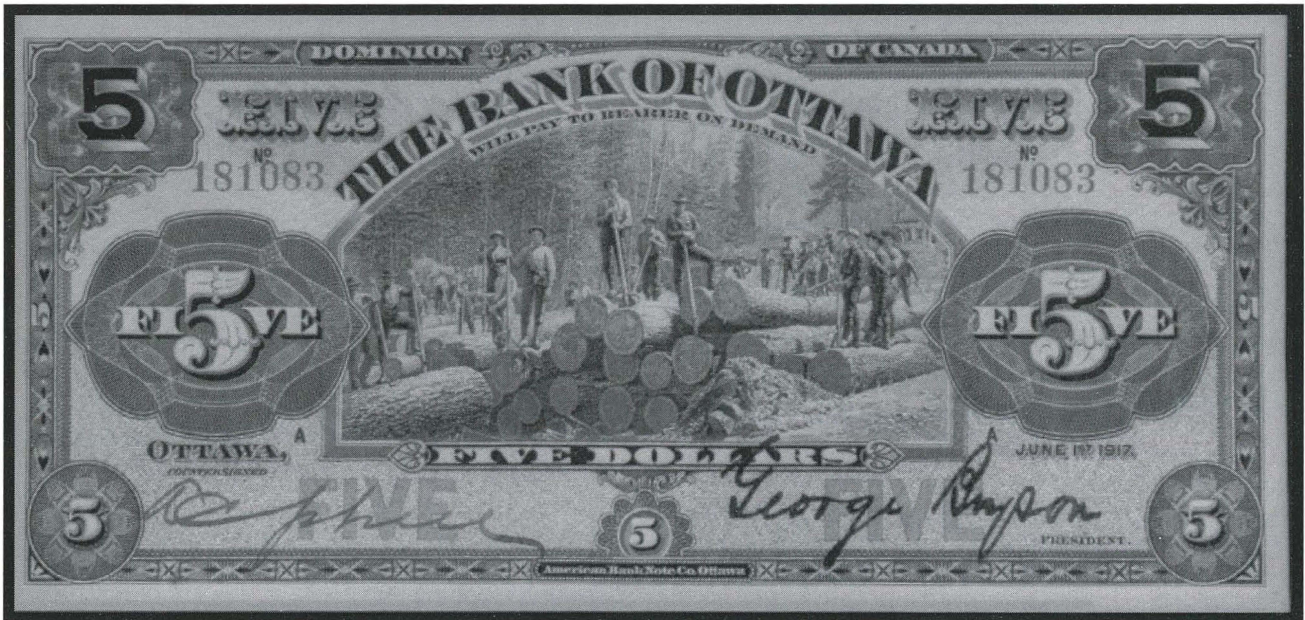


## NATIONAL CURRENCY COLLECTION

In this regular feature, with the help of J Graham Esler, Chief Curator, we present recent acquisitions by the National Currency Collection of the Bank of Canada in Ottawa. Photos are all by Zagon.

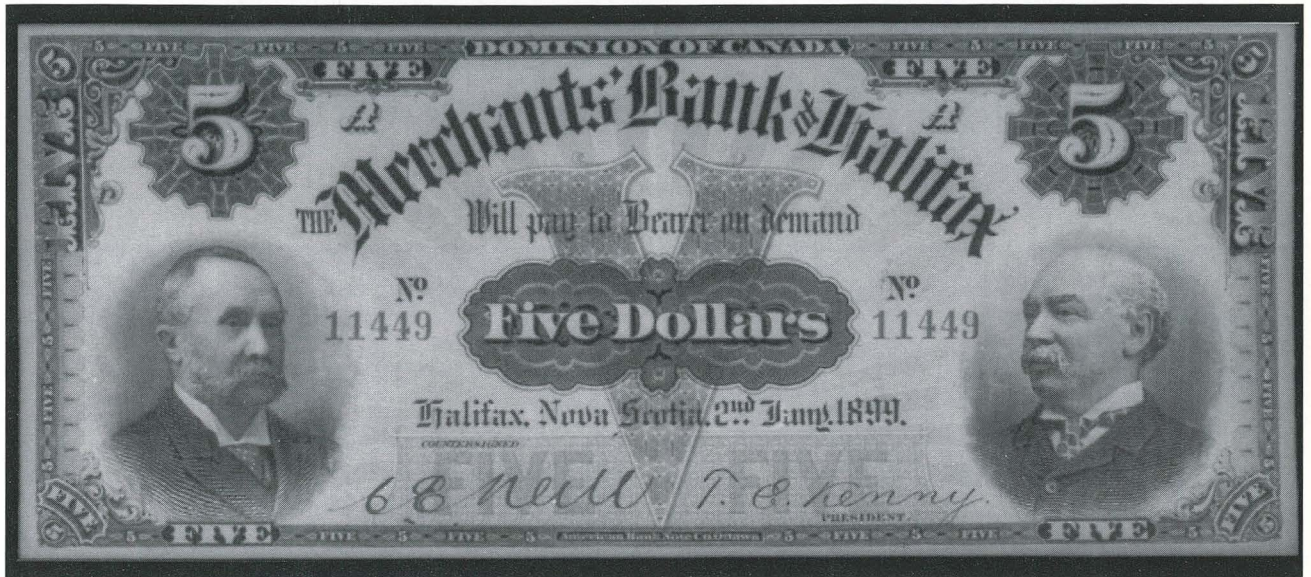


\$4 note of the Bank of Montreal, Jan. 1<sup>st</sup> 1849. Only known example of this note.



\$5 note of the Bank of Ottawa, June 1<sup>st</sup> 1917, with a logging scene. Previously unrepresented as an issued note.





\$5 note of the Merchants' Bank of Halifax, 2<sup>nd</sup> Jany. 1899. Previously unrepresented as an issued note.



\$10 note of the Banque Internationale du Canada, Oct. 17<sup>th</sup> 1887, with the overprint, "QUEBEC." Previously unrepresented in the National Currency Collection.



## Origin of Bank Note Vignettes XI

### Art Wins the Heart

Walter D Allan, FCNRS  
Research Director, CPMS



Paintings by various artists through the ages have long been the inspiration for engravers when producing their miniature artistic masterpieces.

Love, the grand theme of the artist, novelist, sculptor, playwright and poet, knows no bounds of place or time. Since the days of the Romans and Greeks the subject has been depicted in every form. The painting, *Art Wins the Heart*, shows a young man painting an amphora while a pensive young woman looks on (Johnson 1894). C Stuart Johnson states that Paul Thumann, the artist of this painting (figure 3), is one of a group of artists who were “masters of expression” (Johnson 1894).

His marked power of vivifying an idea has kept his brush busily engaged in illustrating the classics of literature: “Midsummer Nights Dream,” “Enoch Arden” and the poetry of Goethe and Heine.

He was also versatile in illustrating a wide range of historical and genre paintings. His subjects were often drawn from social and family life and were treated with great feeling and truth of characterization (Johnson 1894).

Friedrich Paul Thumann was born in Tschacksdorf in 1834. He studied at the Berlin Academy and later at Dresden. He was a student of Julius Hubner (1856-60). His next few years were largely devoted to designs for engravings. In 1866 he became a professor in the Art School in Weiner, and held a professorship at the Berlin Academy from 1875 (Reed ca. 1860: 72).

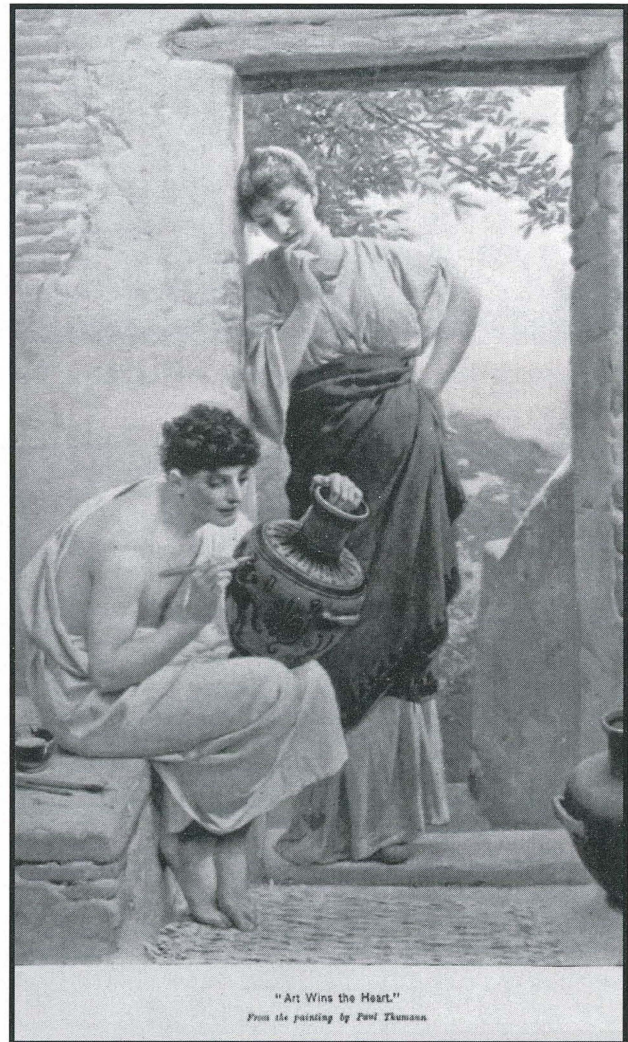


Figure 1 (upper left) Vignette die 329, Cerame.

Figure 2. Back of the 1907 Merchants Bank of Canada \$100.

Figure 3 (above). Paul Thumann's *Art Wins the Heart*.



# Origin of Bank Note Vignettes

## XII and XIII

### Empress Eugénie

Walter D Allan, FCNRS  
Research Director, CPMS



Figure 1. Portrait of Empress Eugénie, entitled "Le Chapeau de Paille," by Franz Winterhalter, 1857.

The subjects of this paper are two paintings by the well known artist, Franz Xaver Winterhalter. Winterhalter was born 20 April 1805 in Menzenschwand, Germany, sixth child of Fidel Winterhalter. He left home in 1818, aged 13, to study drawing and engraving with a Freiburg artist, Karl Ludwig Schuler. Schuler had made his name as an illustrator and printmaker. Schuler became director of the Institute for the Arts, established by Herder. Here he worked on copper plate engravings of peasant scenes and religious subjects, and on lithographic reproductions of famous works of art. Baron Eichtal encouraged Winterhalter to leave the Herder Institute, which he did in 1823, moving to Munich. Here he worked as a lithographer and joined the studio of the fashionable portrait painter, Joseph Stieler, where he was greatly influenced by Stieler's neo-classical style. In 1825 Winterhalter was painting a portrait of the Grand Duke of Baden. In 1834 he left Germany for Paris, realizing that his favoured style of painting was in the French style and that his prospects for patronage were far better in the French capital. His paintings were well received by both the public and the nobility. He received many commissions from King Louis-Phillippe and, in 1844, was asked to record the Louis-Phillippe's reception at Windsor Castle. This opportunity led

to work in England as well, as, in 1846, he painted the well known pictures of the British royal family (Queen Victoria, Prince Albert, and their five children) and the Prince of Wales in a sailor suit (Allan 1995: 42). These two paintings and other royal commissions were exhibited in 1847 at St James Palace where, over two months, more than 100,000 people visited the exhibition.

Winterhalter fitted easily into court life and became a friend of Queen Victoria and Prince Albert. He gave the Queen her first lesson in painting. His paintings of royalty during the 1840s made him an international celebrity and he became equally at home in the courts of England and France (Ormond and Blackett-Ord 1987). The honours bestowed upon Winterhalter are numerous, perhaps the greatest distinction being the Légion d'Honneur in 1857. During the 1850s and 1860s, he came into his own as a portrait painter. The luxury and relaxed moral atmosphere of the age was evident in the sophistication and elegant fashions of the period.

The engraving, based on Thumann's painting, that is the subject of this article was engraved by an unknown engraver at the British American Banknote Co about 1892. It is die number 329 and was given the name *Cerame* (figure 1), which refers to the pot or jar or the material used to produce it. The only use of this engraving known to me is for the central vignette on the back of the 1907 \$100 note of the Merchants Bank of Canada (figure 2; Allan 1994: CH-460-16-10). It is described as "Greek woman watching youth painting jug" (Pick et al 1995: S1164). The discovery of an illustration of the original painting and its title sheds an entirely different light on the scene depicted. I hope readers will enjoy this further insight into the continuing series on the

origins of banknote vignettes.

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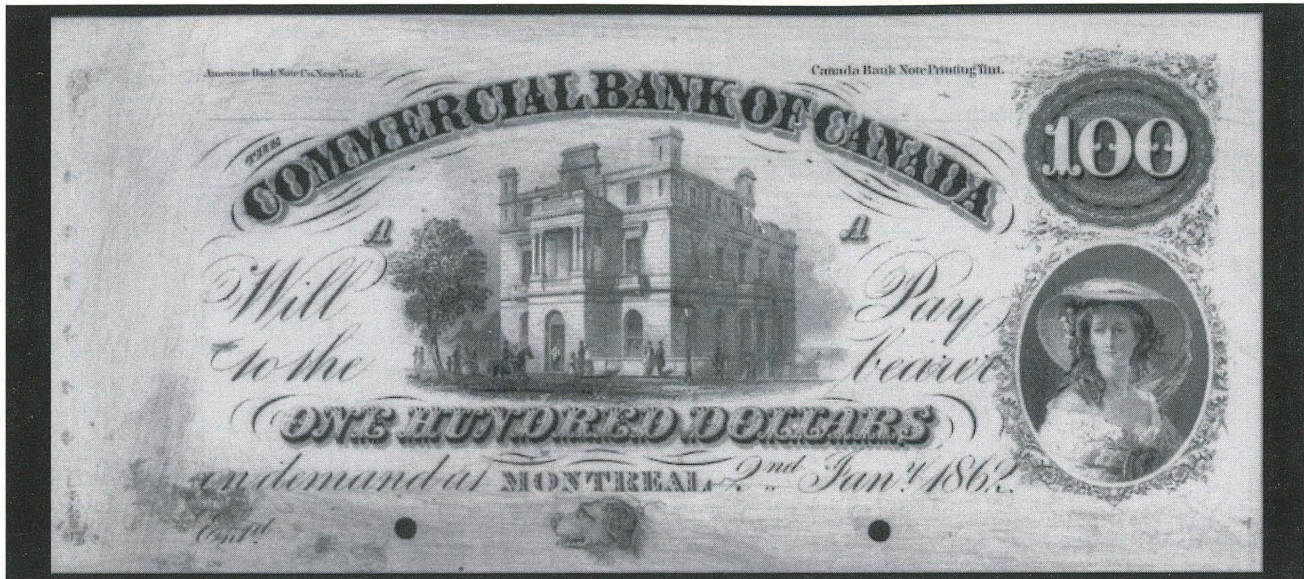


Figure 2. Eugénie on a \$100 note of the Commercial Bank of Canada, 1862 (photo by Zagon, courtesy Bank of Canada, National Currency Collection).

In 1848 another French revolution brought the abdication of one of Winterhalter's patrons, Louis-Phillippe, and the election of Louis-Napoléon as President of the Republic. Louis-Napoléon became Emperor Napoléon III on 2 December 1851 by an overwhelming vote of the public to restore the Napoleonic empire. A young woman of exceptional character and beauty soon attracted the attention of many people in the courts of Paris, including Napoléon himself. She was Eugénie de Montijo, Comtesse de Teha. The countess was born in Spain on 5 May 1826. Her father was Cipriano Palafax, Count of Theba and Montijo, the younger son of an ancient Spanish noble family. Her mother was Doña Maria Kirkpatrick, the daughter of a Scottish wine merchant, William Kirkpatrick. Before long, Napoléon III proposed to Countess Eugénie and they were married in January of 1853. This union produced a son, Napoléon Eugéne Louis Jean Joseph, in 1856 (Abbott 1869; Kurtz 1964; Duff 1978).

By 1853, Winterhalter was invited to Paris by the Empress Eugénie to paint for her. The Empress was very taken with his portraits and set up a studio for him. In 1855, Winterhalter, now in his studio in Paris, painted one of his masterpieces, "The Empress Eugénie surrounded by her Ladies in Waiting." In 1857, the empress commissioned Winterhalter to paint informal portraits of both her and Napoléon III.

The portrait of the Empress (figure 1) is the first subject of this article. It shows the Empress seated out-of-doors, wearing a straw hat and an elaborate, beautiful gown, exhibiting her charm and dazzling the onlooker. It is titled, "Le Chapeau de Paille" (the straw hat). This painting of 1857 is based on a sketch that Winterhalter had done for the 1855 painting mentioned above, in which the empress was originally wearing a straw hat. In the final version of the 1855 painting, the straw hat was removed.

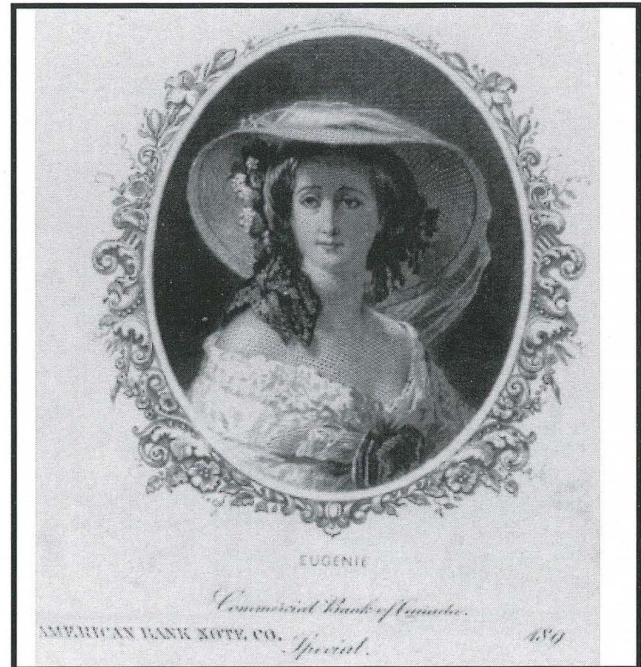


Figure 3. Die proof vignette, "Eugenie," no 189 of the American Bank Note Co (photo by W D Allan).

Some time in 1861, an engraver at the American Bank Note Company copied the top part of this beautiful painting as a special for the Commercial Bank of Canada, die no 189, titled "Eugénie" (figure 3). At a later date, a vignette number, V46826, was given to the engraving. This lovely engraving has been found on a partly completed proof of a \$100 note of the Commercial Bank of Canada dated "2nd Jan'y 1862" (figure 2), and described as the portrait of a young woman



wearing a hat (Allan 1996: CH155-16-12P). Pick et al (1995: S985, S982) describe the portrait as that of “Princess Eugenie,” with no picture shown. Both catalogues should correct their descriptions to identify the picture as that of Empress Eugénie.

The second painting of Eugénie will be familiar to some students of banknote vignettes. It was described in a monograph by the late Dr John Muscalus (1969) on *Portraits and Paintings of Eugenie, Napoleon I, and Marie Louise on American Paper Money*. There he attributed the source of the

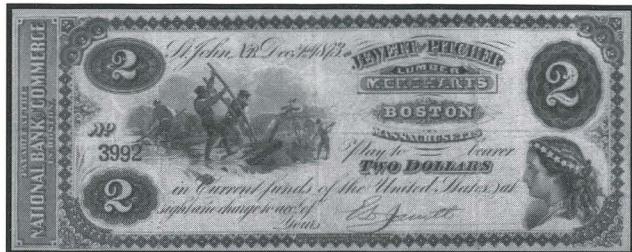


Figure 4. “Star of Empire” on a \$2 note of Jewett & Pitcher, Lumber Merchants, 1873 (photo by Zagon, courtesy of the Bank of Canada, National Currency Collection).



Figure 5. Painting of Empress Eugénie by Franz Winterhalter.

vignette to a German lithograph that reproduced the painting, but did not reveal the identity of the artist. Muscalus (1969) also illustrates several US obsolete notes and the Canadian Jewett and Pitcher notes of St John, New Brunswick (figure 4). Several references about Napoléon III and Empress Eugénie illustrate the original painting (figure 5), and one shows the painting reversed, with Eugénie facing right. A larger steel-plate engraving of the painting was also found (figure 6). Three sources show the Empress looking to the

left, so I will assume that that is the orientation of the original painting, as none of the references indicate the location of the source painting for us to compare. Furthermore, there is no evidence for the date of the original painting, other than that it must be older than its first use in these reproductions and vignettes.

The die proof portrait engraved at the American Bank Note Company also faces left and is no 228, titled “Star of Empire.” The engraving includes nine stars as a headband or wreath (figure 7). The engraver of “Star of Empire” was Joseph Ives Pease, who joined ABN in 1858 (Hessler: P237). This portrait was used on several notes from South America, several US obsolete notes (e.g., figure 8), and some early, engraved US cheques (e.g., figure 9). All the items seen with this vignette are later than 1858.

Yet another engraving of Empress Eugénie was produced by Toppen, Carpenter and Company (figure 10). It can be seen on several other notes of the Commercial Bank of Canada’s 1857 and 1860 issues as well as on a \$2 note of La Banque Jacques Cartier’s 1862 issue. The location of the



Figure 6. Engraving by G E Perine and Co of the painting about 1862.

painting on which this engraving was based has not been discovered to date.

To finish briefly the story of Napoléon III and Eugénie, the emperor was defeated by the Prussian army during the Franco-Prussian war, and the empress escaped on a yacht to England, where, with Queen Victoria’s aid, she found a residence at Camden Place, Chislehurst. The emperor was released from prison and exiled to England in 1871, where he lived at Chislehurst until his death on 9 January 1873. The





Figure 7. "Star of Empire" die proof no 228 of the American Bank Note Company.



Figure 8. "Star of Empire" in the lower right corner of a \$1 note of the State Bank of Newark, 1864 (W D Allan).

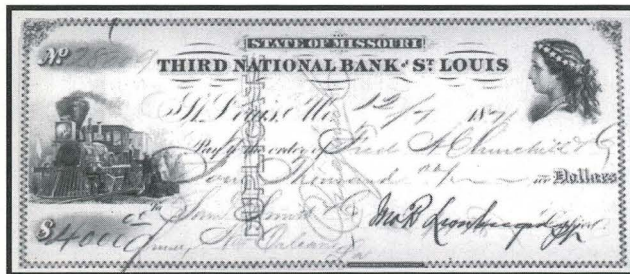


Figure 9. "Star of Empire" in the upper right corner of a cheque of the Third National Bank of St Louis, 1871 (W D Allan).

empress spent many years in England but, while on a trip to Spain, became suddenly ill and died on 11 July 1920. Her body was returned to England where her funeral took place at Farnborough on 20 July.

We have then a brief glimpse into the lives of Emperor Napoléon III, Empress Eugénie, and the artist, Winterhalter, in these two engravings of the empress that were used on banknotes.

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Figure 10. Engraved portrait of Empress Eugénie by Toppen, Carpenter and Company (photo by W D Allan).



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