

# FLEECING THE LAMBS?

## *The Founding and Early Years of the Vancouver Stock Exchange*

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**G**IVEN THE IMPORTANT, contentious, and sometimes colourful role that the Vancouver Stock Exchange (VSE) played in the economic development of British Columbia, the lack of scholarly attention to the history of the exchange is somewhat surprising.<sup>1</sup> Sources published up to the appearance of key elements in the final chapter of VSE history – the release of the Matkin Commission report in 1994 and transition to the Canadian Venture Exchange in November 1999 – have an overwhelming tendency to emphasize the various, sometimes unscrupulous, individual promoters, investment bankers, and brokers who dominated exchange activity in later years, largely ignoring the economic relevance, implications, and complexities of an exchange that was dedicated to raising and trading equity capital shares in a resource-rich region. Scholarly historical studies that do intersect with VSE history typically focus on a wider Canadian capital market history featuring the role of the Toronto and Montreal stock exchanges, giving only limited attention to the VSE.<sup>2</sup>

Seeking to create a narrative that highlights the role of promoters, investment bankers, and broker-dealers involved in “fleecing the lambs” during the modern era of the VSE, the few available contributions examining the origin and early years of the VSE provide historically distorted and, in some cases, inaccurate accounts. Little attention is given to the place of the VSE in the historical evolution of a multitude of stock exchanges that emerged in the western United States and Canada

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<sup>1</sup> The most widely referenced source on the history of the VSE is David Cruise and Alison Griffiths, *Fleecing the Lamb: The Inside Story of the Vancouver Stock Exchange* (Vancouver: Douglas and McIntyre, 1987). The authors correctly make no claim to scholarly authority.

<sup>2</sup> Christopher Armstrong, *Blue Skies and Boiler Rooms: Buying and Selling Securities in Canada, 1870–1940* (Toronto: University of Toronto Press, 1997); Christopher Armstrong, *Moose Pastures and Mergers: The Ontario Securities Commission and the Regulation of Share Markets in Canada, 1940–1980* (Toronto: University of Toronto Press, 2001). See also Ranald C. Michie, “The Canadian Securities Market, 1850–1914,” *Business History Review* 62 (1988): 35–73.

starting in the 1860s and continuing to the first part of the twentieth century.<sup>3</sup> These “exchanges” played a key role in the financing of, especially, mining ventures and, to a lesser extent, manufacturing, utility, forestry, fish processing, financial, and transportation companies that were integral components of regional commercial development. This history raises an important question: Was the founding and early years of the VSE characterized by the manipulation of unscrupulous promoters trying to fleece the lambs, or was the VSE founded by members of the Vancouver business and social elite with the socially desirable objective of improving for “the better classes” the trading of company shares in Vancouver and, in the process, capturing trade in shares of BC mining companies that were centred on the Spokane exchange?<sup>4</sup>

#### BEFORE THE FOUNDING OF THE VSE<sup>5</sup>

The passage in the BC legislature of a private members bill – An Act to incorporate the Vancouver Stock Exchange (No. 55) – on 25 April 1907 and the commencement of share trading on 1 August 1907 marks the founding of the VSE.<sup>6</sup> This event captures important themes and questions that are relevant to the subsequent evolution and eventual demise of the VSE at the end of the twentieth century.<sup>7</sup> One key theme concerns the role of

<sup>3</sup> Marian Sears, *Mining Stock Exchanges, 1860–1930: An Historical Survey* (Missoula: University of Montana Press, 1973), details more than three hundred exchanges that appeared in the United States, many of which were dedicated to local or regional mining development in the western part of the country.

<sup>4</sup> Using a quote from a British traveller in 1903, Robert McDonald, in “Vancouver’s ‘Four Hundred’: The Quest for Wealth and Status in Canada’s Urban West, 1886–1914,” *Journal of Canadian Studies* 25 (1990): 55–73, observes of the Vancouver social elite: the “better classes” were “very strongly represented” among the predominately eastern Canadian and old country immigrants to Vancouver (69). On Spokane stock exchange history, see John Fahey, “Optimistic Imagination: The Spokane Stock Exchange,” *Pacific Northwest Quarterly* 95 (Summer 2004): 15–25.

<sup>5</sup> Primary sources on the early years of the VSE are: VSE Fonds and files for various companies in the British Columbia Archives (BCA) located at the Royal BC Museum; the less comprehensive VSE Fonds at the City of Vancouver Archives (CVA); relevant Vancouver newspapers – the *Vancouver Daily World* and the *Daily Province* – the *Vancouver Sun* (first published in 1912, purchasing the *World* in 1924); the *Canadian Mining Journal*; *Westward Ho!* *The British Columbia Magazine*, published from 1907 to 1915; H. Boam, *British Columbia: Its History, People, Commerce, Industry and Resources* (London: Sells, 1912); R. Gosnell, *A History of British Columbia* (Chicago: Hill Binding, 1906).

<sup>6</sup> The act is available at [http://www.bclaws.ca/civix/document/id/psl/psl/07062\\_01](http://www.bclaws.ca/civix/document/id/psl/psl/07062_01). Another entity, the Vancouver Stock Exchange, Ltd., was incorporated by general registration on 17 February 1906 with authorized capital of \$10,000 divided into 10,000 shares of \$1 each (BCA, PR-011, Ms 0018.3).

<sup>7</sup> On the financial and economic history of British Columbia during this period, see D.G. Paterson, “European Financial Capital and British Columbia: An Essay on the Role of the Regional Entrepreneur,” *BC Studies* 21 (1974): 33–47; J. Mouat, *Roaring Days: Rossland’s Mines*

the many local and regional exchanges in the raising and trading of equity capital shares in companies primarily involved in resource extraction. This theme raises a host of questions for the subsequent history of the VSE, such as: To what extent did the VSE compete for business with regional exchanges in the United States and exchanges in other parts of Canada and the British Empire? What were the backgrounds and social status of exchange members? What legal methods were used to regulate the exchange and the members? What were the characteristics of the companies being traded? Who was permitted to trade and what objectives motivated the purchase or sale of shares?

The founding of the VSE was propelled by a number of historical processes associated with the growth of British equity capital investment in overseas jurisdictions during the last half of the nineteenth century.<sup>8</sup> While the colonial history of British Columbia is intimately connected to a much older British joint stock company, the Hudson's Bay Company (HBC), the lapse of the HBC Charter of Grant and the proclamation of the Crown Colony of British Columbia in November 1858 marks a new phase in the influence of joint stock companies and limited liability corporations in the evolution of the province. Shortly after the proclamation, in 1862 the English registered and incorporated (New) Vancouver Island Coal Mining and Land Company purchased the original Nanaimo coal mine, machinery, and buildings from the HBC.<sup>9</sup> This development was part of a larger out-migration of British equity capital that was attracted to mining ventures in the western United States, Australia, South Africa, Latin America, and Canada starting around the middle of the nineteenth century. However, the bulk of early mining ventures in the American and Canadian West did not rise to the status of London listing, sustaining the development of numerous "mining" exchanges in the United States and, to a lesser extent, in Canada.

The founding in 1862 and early development of the San Francisco Stock and Exchange Board (SFSEB) captures the evolution of mining in the western United States and British Columbia starting from the

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*and the History of British Columbia* (Vancouver: UBC Press, 1995) examines the role of this important mining district. On the history of Vancouver, see Robert McDonald, *Making Vancouver: Class, Status and Social Boundaries, 1863–1913* (Vancouver: UBC Press, 1996).

<sup>8</sup> See Paterson, "European Financial Capital," on the role of British companies in financing development in British Columbia prior to the First World War. Myra Wilkins, "The Free-Standing Company, 1870–1914: An Important Type of British Foreign Direct Investment," *Economic History Review* 41 (1988): 259–82, examines the role of British companies that operated and were controlled overseas but that were organized as British entities to gain access to British equity capital markets.

<sup>9</sup> The company fonds: BCA, ref. code: CA NCAI.

1848 beginning of the California gold rush, in which mining technology was largely based on small-scale placer extraction.<sup>10</sup> As with early gold mining along the Fraser River and in the east Cariboo starting a decade later, gold in California could be obtained relatively easily, involving panning rivers and streams, followed by relatively simple digging. Such mining could be financed and conducted by the owner(s) of the claim, or those who leased such claims, and did not require substantial amounts of capital. This situation changed substantively with the announcement in 1859 of the Comstock silver lode discovery in the Virginia mountains of northwest Nevada (then the Utah territory). After a brief period in which the surface gold and silver in the Comstock area were easily mined, the major deposits of silver that remained required “the most advanced mining techniques [to] exploit these riches, and such mining had to be financed by large amounts of capital.”<sup>11</sup> Exchange trading of company shares requires ventures with large permanent investments of equity capital, and the Comstock field provided such a situation for the SFSEB, as did later developments in the west Kootenay and the Crowsnest for the VSE.

#### FROM SPOKANE TO VANCOUVER

The history of the Crown Colony of British Columbia is intimately connected to the northern migration of individual prospectors working alluvial deposits found initially along the Fraser River and in the east Cariboo. As readily accessible gold deposits were panned out and more capital-intensive hydraulic mining techniques were adopted, the prospectors’ search for gold eventually extended north into the Klondike. In contrast, initial discoveries and subsequent mining booms in the west Kootenay and Boundary region depended on the progress of transcontinental railways on both sides of the border needed to support exploitation of the rich discoveries of silver, lead, gold, copper, and zinc. Unlike alluvial gold deposits that fuelled the various gold rushes, these minerals required considerable capital to fund lode mining activity. In addition, access to transportation systems – effectively railways and steamships – was essential to bring in materials needed for such lode mining, moving ore out for crushing and smelting, and transporting coal and coke needed to run the smelters.

<sup>10</sup> Charles Fracchia, “The Founding of the San Francisco Mining Exchange,” *California Historical Society Quarterly* 48 (1969): 3–18, details the history of this exchange, from its founding in 1862 until the sounding of its last bell on 15 August 1967.

<sup>11</sup> *Ibid.*, 5.

The evolution of mining in the west Kootenay intersects with the historical dynamic associated with competition between American, British, and Canadian interests following the 1871 entry of British Columbia into Confederation. An essential feature of this dynamic was the drive to complete the transcontinental railway in order to solidify the emergent Canadian state and sustain British influence in the west. This drive struggled against geographical isolation that is epitomized in the west Kootenay, where the watersheds of the Columbia, Slokan, Kootenay, and other rivers of the area create a natural north-south axis extending into the “Inland Empire” of Washington, Oregon, Idaho, and Montana. In opposition to the advantages geography provided to expansion of American influence in the west Kootenay, completion of the Canadian Pacific Railway (CPR) line in 1885 was an essential event that facilitated the extension of Canadian influence south from Revelstoke, allowing prospectors access to the mineral resources of the area. In the face of the efforts south of the border to complete the Great Northern Railway, with Spokane as a key regional hub starting in 1892, the decade of the 1890s featured a plethora of American, Canadian, and British ventures providing the capital that fuelled a sequence of mining booms in the west Kootenay and Boundary regions.

Though initial staking of claims in the Kootenay involving silver-lead deposits occurs as early as 1883, it is the discovery of silver and copper deposits at Toad Mountain in 1886 and silver, gold, and copper lodes at Red Mountain in 1889–90 that marks the beginning of the mining booms in the region. Subsequent discovery of rich copper deposits near Greenwood, which included the “Mother Lode” deposit, was soon followed by the staking of silver lode deposits near Kaslo and Slokan. What followed was a “long territorial battle” between the CPR and the Great Northern “for control of the mining traffic from the rich discoveries of the Kootenay.”<sup>12</sup> A landmark event in this battle was the CPR’s completion of the Crowsnest Pass route from Lethbridge to the Kootenay in 1898. This event altered the advantages of geography and experience with lode mining obtained from previous ventures in Montana and Idaho that favoured American miners and capital. Specifically, John Church finds that it was only after 1897–98 that eastern Canadian and British capital came in fairly large quantities to replace American ownership and control in the Kootenay mines.<sup>13</sup> This transition marks

<sup>12</sup> Robert Turner and David Wilkie, *The Skyline Limited: the narrow gauge Kaslo & Slokan Railway and the Kootenay Lake sternwheeler* (Victoria, BC: Sono Nis Press, 1993), 33.

<sup>13</sup> John Church, “Mining Companies in the West Kootenay and Boundary Regions of British Columbia, 1890–1900: Capital Formation and Financial Operations” (MA thesis, University of British Columbia, 1961).

the first steps towards sourcing capital from the “cities of the British Columbia coast” to support developments in the Kootenay that led, eventually, to the founding of the VSE.

An important impetus for the formation of the VSE began in 1895 when “400 men from Washington, Oregon, Idaho, Montana, and British Columbia met in Spokane to form a professional society, the Northwest Mining Association” and, shortly after, on 18 January 1897, when the Spokane Stock Brokers Association organized an exchange with thirty charter members.<sup>14</sup> Being a railroad and commercial centre of the “Inland Empire,” and corporate headquarters for many of the gold, silver, lead, and zinc mines of a region that extended from Washington to Montana in the United States and north into British Columbia, Spokane was initially a more natural locale for trading of shares for the important early BC mining ventures located in the Kootenay region. The speech given by President C.D. Rand at the opening of the VSE in 1907 addressed the relevance of Spokane to the founding of the VSE:<sup>15</sup>

When the mining districts of Slocan, Rossland, Boundary and West Kootenay were discovered, prospectors endeavoured to interest business men of the British Columbia coast cities in the different properties but received practically no encouragement, and the result was that these same prospectors went to Spokane, and the business men of that city grasped the opportunity, furnished the capital to develop the different portions of our province, and reaped millions as their reward. The millions which were paid into the coffers of the Spokane citizens were reinvested by them in the purchase of real estate and the erection of magnificent buildings and Spokane today owes a very large portion of its present prosperity to the mines of British Columbia.

As such, the founding of the VSE was the culmination of a concerted effort – reflected numerous times in the *Mining Record* – to form stock exchanges in British Columbia to compete with the Spokane exchange.<sup>16</sup>

The founding of the VSE in 1907 took place against a backdrop of previous attempts at forming so-called “exchanges” in different BC locales, stretching back to formation of the BC Mining and Stock

<sup>14</sup> Fahey, “Optimistic Imagination,” 115. The 1920s mark the transition of the original Spokane Stock Exchange into the Standard Stock Exchange of Spokane modelled after the New York Curb exchange.

<sup>15</sup> *Province*, 1 August 1907.

<sup>16</sup> The *Mining Record* (December 1895, 2) discusses plans to form a stock exchange in Victoria and the need for Vancouver to consider such an exchange.

Board in 1877.<sup>17</sup> There are various possible reasons and legal methods for forming an “exchange.” In some cases, mining exchanges were formed close to where the mines were located so that brokers could tap local sources of capital. In other cases, the exchanges were formed in larger centres where those interested could gain access to substantial pools of capital. Like the motives for forming a local board of trade, a stock exchange was often seen as an aid to civic improvement, something to raise the locale “to the status of the flourishing cities that did have active stock exchanges.”<sup>18</sup> There was often a leading citizen or group of leading citizens spearheading the effort. In many cases, the exchange was short-lived, with only a few exchanges surviving for long. Many early exchanges, especially in the United States, were formed as unincorporated “boards” or “associations” that functioned as large partnerships or societies. Except the BC Mining and Stock Board, which was organized as an “association” in 1877, the history of such unincorporated exchanges in British Columbia is difficult to trace. Alternatively, exchanges could be incorporated, either by general registration or by an act of the legislature. Even if the corporate entity failed to commence any trading, in the likely case the jurisdiction of incorporation was British Columbia, a record of such exchanges would appear, at some point, in the Corporate Registry and, for those companies formed by an act of the legislature, the *BC Gazette*. Unlike the “grubstaking” enterprises identified in *Fleecing the Lamb*, such exchanges left a legal paper trail to identify.

As noted, the earliest record of a stock exchange in British Columbia was an “association,” the BC Mining and Stock Board formed in Victoria in 1877. The list of members published on 14 January 1878 numbers fifty individuals. Subsequent efforts to form incorporated exchanges trace back to the mining booms in the west Kootenay. Discussion of such mining stock exchanges in the *Mining Record* does not always correspond with the record from BC incorporations. In some cases, it is apparent that plans for an exchange led to a general registration filing for incorporation but that, in the end, the exchange did little or no trading. Few records from such exchanges have survived. In contrast, there is ample evidence

<sup>17</sup> BCA, MS-0605 has the ledger and roll call of regular and special meetings and register of stocks traded. Formed in Victoria, the Constitution and Bylaws of the “Association,” published in 1878, are available at CIMH 14387. Cruise and Griffiths, *Fleecing the Lamb*, 266 refer to fifteen “stock exchanges” being formed in British Columbia between 1877 and 1910. Some of these so-called exchanges were no more than “grubstaking enterprises often started by the local grocer, blacksmith, hotel proprietor, saloonkeeper or whoever else had money to risk on a man, a mule and a shovel.”

<sup>18</sup> On motives for forming mining exchanges, see: Marian Sears, “Jonathan Bourne Jr., Capital Market and the Portland Stock Exchange ... 1887,” *Oregon Historical Quarterly* 69 (1968): 197–222.

of two exchanges operating in Rossland during the mining boom of the 1890s: the Rossland Stock Exchange of BC, incorporated June 1896 with authorized capital of \$50,000; and, the BC Stock Exchange of Rossland Ltd., incorporated March 1897 with authorized capital of \$5,000.<sup>19</sup> The commercial incentive for these exchanges appears in 1897, in the midst of the mining boom, where the Rossland Business Directory lists forty brokers in the business classifieds, by far the largest number in any business classifieds category.<sup>20</sup> The *Mining Record* indicates substantial trade on these exchanges in August 1898.

The *Mining Record* for December 1895 illustrates the difficulties of identifying “exchanges” that actually did function as exchanges:

Victoria is about to have a stock exchange, which will, no doubt, include dealings in mining shares, and its Board of Trade has a mining committee, so that the capital city is not unmindful of the mining affairs of the province. Surely Vancouver will not allow itself to be behind in so important a matter.

In this, the *Mining Record* is referring to the impending commencement of the trade on the Victoria Stock Exchange of BC, incorporated on October 1895 with an authorized capital of \$2,500. However, the record from *Henderson's Gazetteer* for 1897 lists a BC Stock and Mining Exchange Co. Ltd., incorporated February 1895, operating in Vancouver with an authorized capital of \$30,000. The *Mining Record* appears to recognize this exchange in April 1896. Finally, in the *Mining Record* of August 1898, after duly recognizing the efforts of those seeking to establish an exchange in Vancouver chiefly dealing in mining stocks, it is observed that those who “speak with considerable weight” have concluded: “There is apparently no sufficient volume of business to justify as yet the establishment of a stock exchange in Vancouver.”<sup>21</sup>

As with numerous local mining exchanges in the United States, the exchanges in Rossland sprang up close to an area with a significant number of mining operations. These exchanges thrived in the mining boom years, then slowly died as the large deposits were played out, with capital and people moving elsewhere. Though still active in December 1900, the Rossland exchanges were no longer operating by 1905. In contrast to these local exchanges, the larger cities on the coast – Victoria

<sup>19</sup> See BCA, MS-0475 for a paper examining the history of the Rossland exchanges. The *Mining Record* indicates trading was still active on the exchanges in December 1899, while *Henderson's Gazetteer* for 1905 indicates the corporations were “inactive.”

<sup>20</sup> *Rosland Business Directory 1896-97* (Rossland, BC: Kootenay Publishing Co., 1898).

<sup>21</sup> *Mining Record*, Oct. 1898, 17.



and Vancouver – were not nearby. Like the founding of exchanges in San Francisco and Spokane, the incentives and requirements for creating an exchange in Vancouver were different than those for local exchanges, such as those in Rossland. Following efforts like those in Spokane with the formation of the Northwest Mining Association, a private member's bill in the legislature led to the incorporation of the British Columbia Mining Association, S.B.C. 1901, c. 66. However, unlike in Spokane, this did not immediately contribute to the creation of a functioning stock exchange. While Spokane had a natural geographical and commercial connection with the mining districts in the west Kootenay, Vancouver and Victoria did not. The key feature these large population centres had to incentivize the creation of a stock exchange was capital to invest, primarily by the local business leaders and, to a lesser extent, by the social elite.<sup>22</sup>

Given this, the historical record indicates some efforts prior to founding the VSE that evolved to the stage of incorporating a stock exchange. Ultimately, these efforts either did not trade or did not trade enough. For example, *Henderson's Gazetteer* for 1905 identifies the BC Stock Exchange Ltd., incorporated in December 1900, with authorized capital of \$10,000, operating out of Victoria. Similarly, the *Gazetteer* for 1910 identifies the BC Mining Exchange Ltd., incorporated July 1906, with authorized capital of \$25,000. Included in these ventures is one of relevance to the founding of the VSE: the Vancouver Stock Exchange Ltd., incorporated on 17 February 1906 with authorized capital of \$10,000. The incorporation of an exchange with the same name as the VSE is a situation of considerable legal subtlety. What the motives of the founders incorporating this exchange had in mind is unknown. Whether there was some disguised motive to prevent the VSE from incorporating using the same name is unknown. If a corporation is being formed by general registration, then it would not be possible for two corporations to have the same name. However, the founders of the VSE proceeded by means of a private member's bill in the legislature, which averted this issue. Recognizing that the Vancouver Stock Exchange never assumed operations, the management committee of the VSE did purchase the charter for this corporation in May 1910.

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<sup>22</sup> Detail on this point is provided by McDonald, *Making Vancouver*.

## WHO WERE THE FOUNDERS?

The founding of the VSE in 1907 reflects a temporal moment in the “making of Vancouver.” Class, status, and social boundaries figured prominently in a rapidly growing city that had only recently emerged on the landscape of the British dominions.<sup>23</sup> Fuelled by the ongoing Dominion government’s rejection of a series of acts passed by the McBride government to restrict Asian immigration, the formation of the American-inspired Asiatic Exclusion League in August 1907 led to subsequent destructive attacks on the Oriental quarters of Vancouver by a riotous mob on 8 September. In addition, the extension of the railway, the establishment of the VSE, and the trade in mining products proceeded in British Columbia – unlike in the Prairie west – without treaties or other means of the state acquiring Indigenous title. Against this backdrop, the founders of the VSE possessed backgrounds rooted in the “better classes.” The adoption by the VSE of a constitution and bylaws modelled on the New York Stock Exchange is testament to the American influence on equity market operations.<sup>24</sup> Based on experience of stock exchanges in locales such as New York, Boston, San Francisco, and Toronto, it is to be expected that the bulk of the founders would be “stock brokers” and “exchange brokers” – occupations that also likely included dealing in stocks. Real estate brokers, notary publics, attorneys, and commission merchants could also be among the occupations of founders. Following the experience of the Portland and Spokane exchanges, some key founders could be involved in senior executive positions of listed companies, such as secretary, director, or president. In addition to brokerage, “stock” brokers in larger mining exchange locales could, possibly, also deal in mining stocks, city scrip, and security issues of companies involved in insurance, wharfage, gas, railways, steamboats, telegraph, and water supply.

In comparison with the occupational composition of the thirty-seven founders who, in 1862, formed the stock exchange in San Francisco and the thirty founders of the Spokane exchange, the original twelve founders of the VSE listed in the preamble to the act of incorporation were a smaller number with a somewhat different mix of occupations and backgrounds (see Table 1). Though eight of twelve were involved as brokers and dealers, there is a substantial mixing of real estate and, to a lesser extent, insurance activities for those also involved as stock brokers

<sup>23</sup> Granville-Burrard Inlet was renamed “Vancouver” and incorporated in 1886. The Canadian census reported for Vancouver: 26,133 residents in 1901 and 100,401 in 1911.

<sup>24</sup> The 1907 VSE bylaws are available at CIHM Microfiche [Blue] no. 83259.

TABLE 1

*Vancouver Stock Exchange founding members biographical information\****Totals: (sums to more than 12 due to multiple activities)**

Brokers/dealers	8 (includes MacLean and Maguire)
Bankers	2
Company presidents	2
Accountants	1 (not counting Diplock or Byron Johnson)
Lawyers	1

**Donald Alexander William von Cramer** (born Montreal, QC, 1873)

- Founder, managing director, and secretary of the Vancouver Trust Co.
- Moved to Vancouver 1898 (with Royal Bank as manager)
- Provincial manager, Empire Accident and Surety Co.
- 1908–11, member of Council of Vancouver Board of Trade
- 1910, Vancouver police commissioner

Source: S&H, vol. 3; *WW*; VCD.

**Arthur Bramah Diplock** (born Fulham, London, England, 1862)

- President, Seymour Lumber Co. Ltd.
- President and managing director, Western Corporation
- Moved to Vancouver 1882, started in book and stationery business 1887

Source: *WW*; VCD.

**William Letson Germaine** (born Bristol, England, 1861)

- General manager and director, British American Trust Co.
- Bank of Montreal, 1883 until 1896
- Moved to Vancouver, 1892
- Travelled world, 1897–1903

Source: *WW*.

**Richard Byron Johnson** (born 1868, Vancouver Archives)

- Managing director, Johnson, Edwardes & Co.
- Financial broker, customs house broker, ship broker, stock and share broker
- Voters list, 1898: 729 Nicola Street, accountant, Vancouver, R. Byron-Johnson

Source: VCD; VL; absent at VSE opening.

**John Kendall**, first secretary, later vice-president (born Nottinghamshire, England, 1873)

- Kendall, Sewell & Co., City of Vancouver Auditors
- Chartered accountant, London 1895; moved to Vancouver 1902

Source: S&H, vol. 4; *WW*.

**Charles J. Loewen** (born Victoria 1867, Prussian immigrant parents)

- Loewen & Harvey Ltd. (partnership), started 1905
- Real estate agents, real estate loan and insurance agents, stock brokers;

- President of firm, specializing in first mortgage loans on Vancouver property
  - Also involved in investments in new buildings, erection and management of business and office buildings, and general rental business in commercial buildings
  - Firm is a member of Vancouver and Victoria stock exchanges; Worked in real estate and financial brokerage (1891–93) with H.E. Croasdaile & Co.
  - Started same line of business on own account in Vancouver 1893
- Source:* S&H, vol. 3; *WW*.

**Ewen Wainwright MacLean** (born Nagasaki, Japan – Scottish parents, 1863; died 1923)

- “one of the most prominent capitalists in Vancouver and on the Pacific Coast of Canada” (S&H, 708);
  - Director, Burton Saw Co. Ltd. – later president
  - Director, Dominion Trust Co. Ltd.
  - Director, Pacific Marine Insurance Co.
  - Director, Natural Resources Co. Ltd.
  - Vice-President, Investors Guarantee Corp. Ltd. (erected Weart Building)
  - Organizer of Hendry Land Co. and Riverside Land Co. (1909)
  - Vice-President, Southeast Kootenay Railway
  - Involved in planning Second Narrows Bridge with Burrard Inlet Tunnel and Bridge Co.
  - Vice-President, Exchange Building Ltd.
  - Moved to Vancouver 1890 (to Victoria 1886) – previous ten years in San Francisco
- Source:* *WW* (with picture); S&H, vol. 4 (with picture).

**John Forbes Maguire** (born Dublin, Ireland, 1856)

- From 1892 to 1899 operated on and member of Dublin and Cork stock exchanges
- Made a large fortune and was wiped out by Boer War
- Moved to Vancouver 1905
- Recognized as important for role in founding VSE
- Manufacturing agent representing English companies
- 1910, Anglo-British Columbia Agency Ltd. incorporated in London, licensed in BC with Maguire the managing director of the provincial offices
- *Source:* S&H, vol. 3 (not *WW* but wife Anna is!).

**Frederick James Proctor** (Born Cheshire, England, 1863)

- moved to BC 1894
  - financial broker since 1895
  - Member board of directors London & British North America Co. (formerly Mahon, McFarland & Proctor Ltd.)
  - Vice-President, North Vancouver Land and Improvement Co.
  - Director, Crown Life Insurance Co.
- Source:* *WW* (with picture) – absent at the VSE opening.

**Charles D. Rand** at the first president's desk (born Canning, NS, 1858, died 1914)

- moved to BC 1879, worked as schoolteacher
- entered real estate business 1882
- founded Rand Bros. 1884 – primarily engaged in real estate
- sold interest in Rand Bros. to E.E. Rand 1897
- First president later director of VSE
- Director, Prince Rupert Sash and Door
- Director, Tourist Association
- Real estate and stock broker

Source: *WW*; VCD.

**Herbert E.A. Robertson**, barrister-at-law

- Son of the Hon. Alexander B. Robertson (came to BC in 1864)
- A.B. Robertson member of Supreme Court bench of BC, member of first provincial legislature, mayor of Victoria (died 1881)
- Herbert residing in Dawson at time of Gosnell
- Robertson & Robertson, Barristers

Source: VCD; VL (living in Victoria).

**James Rawlinson Waghorn** (Born Stratford, England, 1859; died 1942)

- Waghorn, Gwynn and Co., Stock Brokers and Financial Agents
- Second president of the VSE (1908–09)
- Referenced under Memorable Manitobans
- Author of *Waghorn's Guide to Manitoba and Northwest* (1st ed., 1894)
- Moved to Vancouver 1905
- Stock and share broker (VCD)
- In Winnipeg, started career with the Canadian Pacific Railway land department in 1883
- Subsequently, secretary for the North of Scotland Canadian Mortgage Company
- Later worked for the prominent brokerage firm of Osler, Hammond & Nanton.

Source: S&H, vol. 3; *WW* (with picture).

\*BIOGRAPHICAL SOURCES:

(*WW*) C. Parker, ed., *Who's Who and Why: A Biographical Dictionary of Men and Women of Western Canada* (Vancouver: International Press, 1913).

(S&H) E. Scholefield and F. Howay, *British Columbia, from the Earliest Times to the Present*, vols. 3 and 4 (Vancouver: S.J. Clarke Pub. Co., 1914).

(VL) 1898 British Columbia Voters List.

(VCD) *Henderson's City of Vancouver Directory* (Vancouver: Henderson's Publishing Company, various years).

and financial agents. Only Waghorn, Germaine, and Maguire were primarily involved as stock broker and financial agent, with Maguire also having previous expertise in stock exchange organization and trading. Loewen was involved as a real estate and insurance agent and in stock brokerage, with Proctor being a financial broker who was also involved in real estate. Charles Rand is identified as engaged primarily in real estate and MacLean is multifaceted, being a dealer in real estate, insurance, and securities as well as serving as a director for numerous companies. Two founders held important positions in companies that were included in the initial “temporary list” of listed stocks (see appendix) – Diplock with Western Corporation and MacLean as director (later president) at Burton Saw.<sup>25</sup> The VSE founders feature Kendall as accountant with Byron Johnson listing notary public as one of his numerous activities. Among the VSE founders only Robertson was an attorney.

McDonald correctly identifies the limitations of relying solely on biographical sources to identify business leaders and the subset of “business elite.”<sup>26</sup> Instead, he uses a methodology that relies on size of company assets, largest value of shares issued, numbers employed, and the like to identify business leaders (66 for 1890–93 and 276 for 1910–13) and business elite (21 of 66 for 1890–93 and 90 of 276 for 1910–13) with only twenty business leaders appearing in both time periods. While more revealing for purposes of identifying business leaders, this methodology is not well adapted to identifying the importance, or lack of importance, of those acting as financial agents and brokers. McDonald identifies such activities as “Promotion: Real Estate” or “Promotion: All Others,” a classification that only captures one facet of the activities for financial agents, brokers, and dealers. Given this, Charles Rand had a leading position as a “promoter” and member of the Vancouver “business elite” during 1890–93 but no status as “business leader” in 1910–13, though his brother Edward E. Rand does qualify as a business leader in both periods. The absence of any other VSE founders in the list of business leaders for 1890–13 is not surprising as, excepting Loewen, who was born in Victoria, all other founders were born elsewhere and either moved to Vancouver after this period or had not, as with Loewen, been in Vancouver long enough to be established.

<sup>25</sup> In this regard, the VSE was like the Portland Stock Exchange and Mining Board formed in 1887 where “most of the members were individuals with a personal stake in the companies whose securities were traded” (Sears, “Jonathan Bourne Jr.,” 197 and Exhibit 1, 208–9).

<sup>26</sup> Robert McDonald, “Business Leaders in Early Vancouver” (PhD diss., University of British Columbia, 1977), app. A; *ibid.*, 5–13 for limitations of biographical sources to identify “business leaders.”

For the 1910–13 period, four of the twelve VSE founders appear as business leaders – MacLean, von Cramer, Proctor, and Waghorn – with MacLean being singled out as a member of the business elite. Comparison of Table 1 with results for 1910–13 illustrates the difficulty of identifying the role that brokers and financial agents played in business activity in early twentieth-century Vancouver. More precisely, while Proctor identifies primarily as a “financial broker” in the biographical sources, he was also a real estate promoter. Similarly, Waghorn worked almost exclusively as a stock broker and financial agent and is identified only as “Promoter: Other.” Though MacLean is correctly identified as a member of the Vancouver “business elite” for 1910–13, classifying him as real estate promoter ignores his substantial contributions in securities trading and investments. As for classifying Charles Rand, despite being classified as a member of the “business elite” for 1887–93, he does not even make the list as a business leader for the later period.<sup>27</sup> After selling out as partner of Rand Bros. to his brother E.E. Rand in 1897, Charles Rand was still active as a stock broker in 1907 with standing sufficient to be prime mover in the founding of the VSE.

Stock brokers, financial agents, and bankers played essential roles as intermediaries in the fluid commercial life of early twentieth-century Vancouver. The largely self-regulatory character of financial and security transactions at that time put essential reliance on character, honesty, and social standing as backstops to provide protection against “chicanery.” With many relative newcomers to the Vancouver business scene, social clubs played an essential role in providing connections for brokers and financial agents to the “new” wealth of the business elite.<sup>28</sup> Table 2 reveals a fascinating correspondence between the Vancouver social elite and eight of the twelve VSE founders, with seven belonging to the social club that, arguably, had the highest status: the Vancouver Club. Of the eight founders recognized as members of the social elite, only von Cramer was not a Vancouver Club member, being a member of the high-status, but newer, Shaughnessy Heights Golf Club, together with Loewen and Proctor. This strong attachment of most founders to the Vancouver social elite raises an important question: Is it possible to sustain a “fleecing-the-lambs” interpretation for the founding and early

<sup>27</sup> It is possible that the business activities of Charles Rand in the 1910–13 period were affected by ill health as Rand died in 1914. His last year of service in an executive capacity at the VSE was 1911. See also Tables 2–3 about social listings.

<sup>28</sup> See McDonald, “Vancouver’s ‘Four Hundred,’” on the social elite, clubs, and high society social activities in early Vancouver. Overview of the clubs is also available in McDonald, *Making Vancouver*, 161–63. McDonald documents that the wealthiest group in Vancouver was composed of the the business elite who were also members of the social elite (data for 1910–13).

TABLE 2

*Local clubs of VSE founders*\* Listed in *Elite Directory* (1908)# Listed in *Vancouver Social Register* (1914)

**von Cramer:** Terminal City, Shaughnessy Heights Golf Club (with wife), Canadian (served as secretary-treasurer; president) \*#

**Diplock:** Terminal City

**Germaine:** Vancouver (wife in Georgian Club) #

**Kendall:** Western, Commercial

**Loewen:** Vancouver, Union (Victoria), Jericho Country, Royal Vancouver Yacht; Vancouver Hunt; Shaughnessy Heights Golf Club \*

**MacLean:** Vancouver, Terminal City, Vancouver Hunt #

**Maguire:** Canadian Club (organizer), Masonic Order (wife in Vancouver Women's)

**Proctor:** Vancouver, Jericho Country; Shaughnessy Heights Golf Club, Vancouver Golf & Country, Vancouver Rowing life member (wife in Georgian Club) \*#

**Robertson:** Vancouver, Western (wife in Georgian Club) \*#

**C. Rand:** Vancouver, Terminal City, Royal Vancouver Yacht (wife in Georgian Club; wife only listed in *Vancouver Social*) \*#

**Waghorn:** Vancouver, Vancouver Golf & Country, Jericho Country (Pres.), Victoria Golf, Union (Victoria) \*#

Others:

**E.E. Rand:** Vancouver \*#

**von Alvensleben:** Vancouver, Union (Victoria), Western, Vancouver Hunt, Vancouver Rowing life member, Shaughnessy Heights Golf Club (wife in Georgian Club) #

*Sources: Who's Who and Why* (1913); *The Elite Directory of Vancouver* (Vancouver: Thompson Stationery, 1908); and *Vancouver Social Register and Club Directory* (Vancouver: Welch and Gibbs, 1914).

Note 1: There is a B. Byron Johnson listed in the *Elite Directory*.

Note 2: In a few cases, one source provides a listing while another does not. For example, MacLean lists Vancouver Club in *Who's Who* but does not appear in *Vancouver Social Register* for Vancouver Club members. A club affiliation is listed if it appears in any source.



years of the VSE when self-serving promotion and “chicanery” would be a serious threat to the hard-earned social standing that was fundamental to the lives of many founders?

#### ISSUING, LISTING, AND EXCHANGE TRADING SECURITIES

The founding and early years of the VSE predates the imposition of provincial “blue sky laws” and, subsequently, Depression-era securities laws. Recognizing that the future evolution of the VSE was intimately connected to the extent and degree of securities regulation in British Columbia, the founding and early years fall into a period dominated by self-regulation, where difficult-to-enforce criminal fraud statutes were the primary legal impediment to “chicanery.”<sup>29</sup> Among the less than obvious problems concerning the types of securities being traded were the intricacies of the initial and secondary public offering process. Another was the mingling of the brokerage, dealing, promotion, and advisory functions in a potpourri of services featured by so-called financial agents, brokerage firms, and investment companies. Against this backdrop, the regulatory environment imposes restrictions on the ability to form corporations and to issue securities that become available for trade in secondary markets. Because corporation law and securities law evolve over time and location, it is necessary to appropriately situate the founding and early years of the VSE. More precisely, the VSE emerged just prior to initial restrictions imposed by “blue sky” laws, starting in Kansas in 1911 and followed shortly by the first such laws in Canada, the Manitoba Sale of Shares Act, 1912, and similar legislation in Saskatchewan in 1914 and in Alberta in 1916. While there was considerable variation across jurisdictions, these laws were aimed at “blue sky merchants” who offered fraudulent securities backed by nothing more than the “blue skies of Kansas.” To what extent the perception of fraud was based on confusion between security issues that were highly speculative and those that were fraudulent is difficult to determine.<sup>30</sup>

The various avenues available for issuing tradeable shares are essential to the context for introducing regulations on such activities. Since 1872, when the corporate registry office was created, companies operating in British Columbia have been required to register with the BC Companies

<sup>29</sup> The *Mining Record* (1895–1904), later the *British Columbia Mining Record* (1904–08), contains numerous accounts of “chicanery” in the issue of mining shares in British Columbia.

<sup>30</sup> Jonathan Macey and Geoffrey Miller, “Origin of the Blue Sky Laws,” Yale Law School Faculty Scholarship Series, Paper 1641, 1991, covers the US history; and Armstrong, *Blue Skies and Boiler Rooms*, the Canadian history.

Registration Office.<sup>31</sup> Beyond this requirement, corporations issuing tradeable shares could choose to incorporate outside British Columbia, though such companies could, and often did, have local control. Similarly, in addition to tapping local sources of capital to fund share issues, initial capital was raised in a variety of other locales, including London, other areas of the United Kingdom, various European countries, eastern Canada, and the western and eastern United States. Each locale had distinct motivations for providing equity and debt capital. The “speculative securities” in mining and other resource sectors that characterized late nineteenth- and early twentieth-century offerings in British Columbia had to be distributed outside the channels used for “blue chip” issues. Elite investment bankers in the capitals of capital – London and New York – would not list such issues, though London did have a “highly organized market in mining shares,” a market in speculative shares that “lurched from one overseas mining boom to another.”<sup>32</sup> In the United States, such listings were traded on the various “mining exchanges,” especially the San Francisco, Spokane, Coeur d’Alene, Los Angeles, and Boston stock exchanges. In Canada, many such issues appeared on the Standard Stock and Mining Exchange (SSME) in Toronto.<sup>33</sup>

Without direct access to traditional distribution channels used for blue chip issues in the capitals of capital, methods of raising equity capital for both speculative and less-than-speculative ventures involved face-to-face solicitation, newspaper advertisements, tip sheets, and mass mailings. Particularly in a resource-rich frontier region such as British Columbia, the regional entrepreneur was central to this process. In the period of self-regulation, reliance on difficult-to-enforce criminal fraud statutes placed considerable emphasis on the personal networks and perceived honesty of those seeking to raise capital for new ventures. As D.G. Paterson documents, this created various situations in which a specific locale in, say, Scotland would be the primary source of equity capital for a regional entrepreneur, originally from that locale, seeking to fund a venture in British Columbia. Once initial capital was secured, potentially successful ventures would become targets for acquisition by entities with

<sup>31</sup> Passage of the Companies Act in 1872 provided for the creation of the corporate registry. There are some company records available for prior years going back to 1860.

<sup>32</sup> Paterson, “European Financial Capital,” 45. In London, a major market for securities of mining companies, mining shares were traded on the floor of the London Stock Exchange even if not listed. This could result in an active market created by brokers and jobbers leading to a subsequent listing.

<sup>33</sup> The history of the SSME commences in 1897 when the Toronto Stock Exchange began trading in unlisted mining issues by having a “call” in such shares after the end of the call for listed stocks (see Armstrong, *Blue Skies and Boiler Rooms*, 44–45).

access to larger sources of capital located in regional centres. In some cases, the ventures would obtain a size and status able to attract interest from investors in international centres such as London and New York.

Given considerable variation in the process of raising equity capital, the development of the LeRoi mine near Rosslund provides an illustration of the process. The claims on Red Mountain were originally staked in 1890 by Bourjouis and Morris. Restricted by provincial law from holding more than two claims each and with limited capital, the LeRoi claim was given to Colonel Topping, who paid the \$12.50 recording fee for each of the five claims. Topping then headed south to secure equity capital investment. “Even before he reached Spokane he had persuaded two fellow travelers – Colonel W.M. Ridpath and George Forster – to consult with friends about the formation of a company to operate the mine.”<sup>34</sup> Subsequently, a syndicate of Spokane businessmen led by Oliver Durant permitted mine development to begin with the first ore shipped in 1891. Initially purchasing 16/30ths of the claim for \$16,000, the syndicate later acquired the complete property, registered in the State of Washington as the LeRoi Gold Mining Company, later renamed the LeRoi Mining and Smelting Company of Spokane. In 1897, the company decided to defer using the Trail smelter to process ore in lieu of a smelter to be built by the company at Northport, Washington. Resulting financial difficulties led to the decision to sell the company to British interests represented by the London-listed British American Company in 1897 for just over \$1 million.<sup>35</sup> Ownership of the LeRoi mine was eventually acquired in 1912 by the Consolidated Mining and Smelting Company of Canada Ltd., incorporated in British Columbia in 1904. Consolidated Mining and Smelting was subsequently one of the fourteen select companies on the “temporary list” of shares called on the first day of VSE trading (see appendix).

The founding of the VSE can be situated in an evolving environment for share capital in which local economic and population growth provided increased opportunity to decrease reliance on foreign investors to fund local investments. In addition, the VSE provided a local venue for brokers to congregate and find credible counter-parties to trade shares without having to gain access to exchanges in eastern Canada, the United States, and Britain, reducing the time for sellers and buyers of stocks to complete a sale and, it was hoped, provide more accurate pricing for BC

<sup>34</sup> Turner and Wilkie, 154. On the LeRoi mine see also Bill Laux, “The Great LeRoi Hoax,” *British Columbia History* 38, 2 (2006): 13–18.

<sup>35</sup> Turner and Wilkie (155–56) for the fascinating drama surrounding the sale of the LeRoi Mining and Smelting Company to the British American Company.

companies. The vetting process for exchange membership and company listing reduced the risks of “unprincipled and irresponsible speculators and company promoters” preying upon legitimate players. In the process, the VSE acted as an extension of the social elite, providing an additional venue within which to strengthen the networks needed for brokers to gain access to “customers” and provide a barrier to entry for those who lacked the financial resources and standing within the “better classes.”

#### EARLY DAYS OF THE VSE

The founding of the VSE in 1907 reflects the trajectory that completion of the trans-Canada railway in 1885 had with regard to commercial development in British Columbia, in general, and Vancouver, in particular. From a population of twenty-seven thousand in the 1901 census, slightly larger than the population of Victoria, Vancouver had grown to seventy thousand in the 1907 census. According to the *Province*, the official list of twelve members at the opening of the VSE on 1 August 1907 at 10:30 a.m. were, “within the bar”: J.R. Waghorn, Ewen W. MacLean, Donald von Cramer, A.B. Diplock, W.L. Germaine, Charles J. Loewen, J.F. Maguire, and Herbert E.A. Robertson with Charles D. Rand at the president’s desk and John Kendall, secretary. Absent were R. Byron-Johnson and F.J. Proctor. All were from the city of Vancouver. Approximately thirty people attended the opening with much applause following the conclusion of the inaugural speech by VSE president Charles Rand.<sup>36</sup> The tenor of the speech is reflected in the following quote: “Many applications to list stocks of doubtful merit have already been made to the Exchange, but have been promptly turned down by your executive, and this policy will be adhered to while we remain in office.”<sup>37</sup>

Consistent with operational procedures at many regional and local exchanges, trading was conducted by the secretary’s “calling of the list” at the opening. On the first day of trade at the VSE, the official list was only temporary, with President Rand optimistically claiming: “in two or three weeks we will have a permanent one.” Only three transactions in listed stocks were conducted on the first day.<sup>38</sup> “Mr. Diplock’s” offer to sell the first stock called, Western Corporation, did not receive any

<sup>36</sup> Both the *Daily World* and the *Province* gave front-page recognition to the opening of the VSE, with the *Province* carrying full text of the speech by Charles Rand and the *World* giving a substantial precis. “Within the bar” refers to the organization of the trading floor where seating for the public and the members was divided into two areas separated by a low fence.

<sup>37</sup> *The Daily Province*, Aug. 1, 1907, 1.

<sup>38</sup> These transactions are recorded in the “Record of Sales,” BCA, PR-011, MS-0018.14. Details of the first day of trading are from the *Province*, 1 August 1907.

bids. With the next stock called, Alberta Coal and Coke, the first trade was made, with Germaine selling a “board lot” of one thousand shares to Rand at forty-three cents a share. An offer by Rand to resell the board lot at forty-six cents received no bids. Following the next two calls on BC Packers ordinary and preferred shares (which were passed with no bid or offer being made), the final two trades were both conducted in Burton Saw, with Rand selling one share to MacLean at \$122 and then another share at \$128. Trading in Burton Saw ended with \$130 bid and \$150 asked. Significantly, MacLean was a director, later president, of Burton Saw. Recognizing that companies were typically the source of “new” shares, this trading in Burton Saw likely reflects an effort by MacLean to establish a price at which the company could issue shares to the public. Similarly, the “ask” for the first stock called was by Diplock, an executive with Western Corporation. Five of the remaining stocks called featured both a bid and an offer but no trade; two stocks had only an offer; and one stock, Canadian Consolidated Smelting and Refining, had no bid or offer (see appendix).

The lacklustre trading on opening day raises an obvious question: How was the VSE able to survive for almost a century and emerge as the only exchange in British Columbia? Such survival depended on the VSE’s being a successful going concern. This required revenues to exceed expenses over time.<sup>39</sup> Initially, expenses included: rental of exchange premises in the Exchange Building on Hastings Street; cost of telegraph and telephone communication facilities to obtain quotes from eastern exchanges and the like; and expenses for sundries, advertising, stationery and furniture. In March 1908, the first exchange employee, Mr. J. Ross, was hired to assume the secretarial duties of John Kendall, who took the title of honorary secretary, generating an expense item for salaries. In turn, exchange revenue originated from various sources: a monthly assessment on exchange members; the assessment of entrance fees for new members; exchange commissions charged on each board lot; company listing fees; and charges for “attorney fees” associated with members’ nominating “attorneys” to act in their place. By far the most important revenue item – “Entrance Fees” – was associated with funds paid to acquire exchange membership.

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<sup>39</sup> An undated statement of receipts and expenditures initialled by Rand, likely prepared for the AGM of 1908, is provided in BCA, PR-0111, MS-0018.4. These expenses include a \$300 item for salary, related to the hiring of Mr. Ross.

## THE BUBBLE IN EXCHANGE MEMBERSHIP PRICES

Examination of receipts and expenditures for the exchange reveals that success of the VSE during the early years depended fundamentally on attracting new members. An excellent step in this direction appears on 15 August 1907 with the application of five new members willing to pay the \$250 entrance fee: H.J. Thorne, A. Thorley, R. Ellis, B. Humble, and P. Williams. Of these: Thorne, Ellis, and Humble were immediately approved; Williams was approved after an investigative delay; and Thorley was rejected – reasons not given. With these additions, the VSE had sixteen members, a situation that remained unchanged until 3 March 1908, when the management committee voted to repurchase the seat of a founder, J.F. Macguire. This commenced a period during which many of the founders either resigned or sold their seat. More precisely: two days after the first AGM on 14 July 1908 both Robertson and Diplock resigned; Germaine, who had just been elected treasurer, sold his seat to R.W. Riddell of Victoria on 5 August; and, on 29 August, von Cramer sold his seat to H.M. Daly. Though no record of reasons survives in the minutes of the management committee, it is possible that the election of new members Thorne as VP and Ellis to the management committee at the AGM had something to do with five of the original twelve founders departing in such a short period of time. It is also possible that the monthly twenty-dollar assessment on members was not providing enough value to those resigning.

With this change and reduction in membership, the VSE entered a new period. Shortly after the first AGM an aggressive campaign was undertaken to contact “acceptable” companies for listing. By this time, the VSE had adopted procedures for two “calls” per day, at 10:30 a.m. and 3:00 p.m. Following the call for listed companies there would be a call for unlisted companies, with the number of the latter – which also had to be approved for the call – being significantly higher than that of the former. These procedures enhanced the attractiveness of the exchange for those with a primary interest in the brokerage business. On 3 November 1908, two new members of note joined the exchange, with Aldo von Alvensleben replacing Humble and J.S. Rankin replacing Proctor, another of the founders. With the addition of J.D. Mather on 26 March 1909 and G.A. Melville on 18 June, the VSE entered a period of increasing membership. The transition of the VSE from a “social club” to a functioning exchange is reflected in: (1) various members obtaining approval for an “attorney” to act on their behalf at the calling of the list and (2) the addition of some companies, mostly unlisted, to the official

call. This transition was reflected at the AGM held on 13 July 1909, at which only Kendall as VP and Rand on the management committee represented the founders from those elected at the AGM. Shortly thereafter, the management committee voted to lower the monthly assessments.

The period from the AGM to 6 November 1909 was fruitful for the VSE, with six new members paying the requisite \$250. As the twenty members allowed in the bylaws had been achieved, at this point the bylaws were amended to allow three more members, and the price of membership was raised to \$500, thus marking the beginning of a remarkable “bubble” in the price of exchange membership. On 19 March 1910, three new members had been admitted, an amendment to the bylaws was again made, and the price of membership was raised to \$1,000. On 4 April, twenty-six members had been reached and the price of membership was raised to \$1,500. By 15 April, the number of members permitted in the bylaws was again reached, and those applying were told there were no seats available. The exchange membership business had become so lucrative that a competing exchange, the Pacific Coast Stock Exchange Ltd. (PCSE), began operation in the Exchange Building, generating complaints from the VSE to the building management and to a new member, C.R. Drayton, that some members in the PCSE were connected to Drayton’s firm.<sup>40</sup> On 19 May, the management committee elected to further expand the membership by accepting a \$1,750 cheque from Robert J. Drayton and, on 1 June, the same from A.R. Waterfall. On 3 June, Waghorn, one of the four remaining founders, transferred membership to his partner, J. Ivor Gwynn. The AGM of 2 July 1910 produced a resolution to increase the number of members to thirty-five and to raise the entrance fee to \$2,000.

The remarkable increase in the price of exchange seats from November 1909 to July 1910 – from \$250 to \$2,000 – in modern times would be described as a speculative bubble. It is not surprising that this inspired an increase in membership transfers on the part of those who had only recently been admitted as members as well as an increase in applications for “attorneys” to represent seat holders. Following approval of a \$2,000 entrance fee for Patrick Donnelly on 22 November, on 29 November 1910 the management committee approved the \$2,000 entrance fee for A.N.

<sup>40</sup> The PCSE was subsequently renamed the Vancouver Mining Exchange (for 1910, J.B. Johnson, president; W. Oliphant Bell, secretary; P.B. Lewis, hon. treasurer). See the investor’s guide at BCA, ref. code: AM1519-, PAM 1902–12. Noted Vancouver broker C.M. Oliver, founder of a brokerage firm of the same name, was president of this exchange in 1912. See CVA, CVAN, Add. MSS. 333. This exchange fell victim to the economic collapse of 1913 and the subsequent start of the Great War.

Wolverton, a new member who was to play a critical role in the post-First World War history of the VSE. With the approval of Wolverton, the entrance fee was raised to \$2,500. Shortly thereafter, on 8 December, the \$2,500 entrance fee for Don M. MacGregor was approved. In a busy December 1910 for the management committee, the Portland Canal Mining and Development Company near Stewart, British Columbia, was struck from the list. Though no reason was given, this was possibly because the mining boom of 1910 in the area was not justified by the quality of the gold, silver, and zinc ores being produced and the stock had become too speculative. The peak of the speculative bubble in entrance fees was reached on 23 December 1910 with the raising of the price to \$3,000.

The dubious distinction of paying \$3,000 on 28 December 1910 – the highest entrance fee during the early years of the VSE – belongs to G.T.J. Bevan of Bevan Bros. & Gore. This purchase was a re-entry to the VSE for Bevan, one of the last to purchase membership for \$250, who subsequently transferred the membership to his partner Charles Gore. Shortly thereafter, one of the last founders and a prime mover in the establishment of the VSE, C.J. Loewen, transferred his membership to B.M. Humble. Though there is no record of the price at which this membership transfer was conducted – as was the case with all but a few such transfers – it is likely that Loewen, demonstrating remarkable insight, did quite handsomely from his time at the VSE. Despite the \$3,000 entrance fee, as late as 23 February 1911, the management committee was still receiving letters of interest in exchange membership. On 5 April 1911, the minutes of the management committee note that J.R. Waghorn, another founder and second president of the VSE, was relocating from Vancouver to England. Following a fifth and final election to the VSE executive, this time as treasurer, the first president and arguably the most important individual to the founding and early years of the VSE, C.D. Rand, nominated an attorney to service his membership on 24 July 1911, likely due to failing health.

The effective departures of Waghorn and Rand in 1911, leaving only two of the remaining twelve founders, MacLean and Kendall, as participating members coincides, approximately, with the collapse of the speculative bubble in entrance fees. The exact timing of the collapse in prices is difficult to determine as the bylaws were not further revised to increase the number of members. Prices paid for membership transferred to a new member are recorded in only a few cases. One such case appears on 29 July 1912, when the seat for a deceased member, N.J. Cavanagh, was sold by his estate to W.H. MacInnes for \$1,200. The complete collapse



of the bubble in entrance fees appears on 27 August 1915, when the seat of Alvo von Alvensleben was sold to pay his still outstanding debts from the financial and economic collapse of 1913. The recorded selling price for this membership was \$125. Oddly enough, on 16 September 1915, the minutes of the management committee refer to the firm of Waghorn Gwynn & Co. wanting to buy seats on the VSE.

#### THE FIRST PROMOTERS

The bubble in the price of exchange membership provides valuable, if indirect, evidence of the role of the VSE in the process of equity capital financing in the rapidly growing BC economy. The economics underpinning the bubble in exchange membership prices raises useful questions about the rationale for A.N. Wolverton's paying \$2,000 or G.T.J. Bevan's paying \$3,000 for an exchange membership. Exchange records indicate that the total value of trades in 1910, the highest annual value in the early years, was \$673,342. If members were able to obtain, say, 5 percent of the value traded from brokerage commissions, net of exchange fees, this translates into \$33,667 in brokerage revenue. Divided among thirty-five members, this translates to an average of less than \$1,000 per member. Reducing this by the \$240 in monthly dues and, where applicable, attorney fees, the rationale for brokerage revenue being the primary economic incentive for membership is muted for many members. Perhaps there was an element of speculation in the price of exchange membership, but the need to obtain management committee approval for a membership transfer and the possibility of increases in number of memberships suggests this was not the primary rationale.

In the absence of detailed financial statements for the firms of individual members, or related useful information, only educated guesses are available to determine factors driving the bubble in membership prices. Given this, upon examining the detailed biographical information on the founders in Tables 1 and 2 it is apparent that revenue from brokerage at the VSE was, at best, a supplement to an array of other business activities for the founding members. Many such activities depended on a network of business connections that, in the fluid commercial milieu of early twentieth-century Vancouver, relied on perceptions of character, financial acumen, and trustworthiness. In this rapidly growing urban environment, with an absence of regulatory oversight, the vetting associated with VSE membership reflected a credible level of social standing and acceptance within the local business community. This had value for the

second- and lower-tier capitalists who were obtaining VSE membership. As was the case with exchanges elsewhere, the VSE provided a venue in which raising equity capital to, say, fund a mining venture or real estate deal could be facilitated through connections that VSE membership provided to gain access to speculative capitalists willing to participate. The influence of such promoters in the later years of the VSE likely has roots in the earliest years of the VSE, suggesting a plausible, if partial, explanation to the bubble in membership prices.

This explanation for the attractiveness of VSE membership is exemplified in the activities of an early member of the exchange, Alvo von Alvensleben, “the VSE’s first full-fledged stock promoter ... a forerunner of the Morris Blacks, the Murray Pezims and the Bruce Macdonalds who have epitomized the exchange in recent years.”<sup>41</sup> Prior to the economic collapse of 1913 and subsequent property confiscation during the First World War due to his status as a German national, the primary activities of von Alvensleben in Vancouver were real estate development and speculation, combined with the funnelling of German equity capital into numerous commercial ventures in which von Alvensleben held senior executive positions. Income from brokerage and stock promotion on the VSE were not essential to the rags-to-riches story of von Alvensleben.<sup>42</sup> Becoming a member in November 1908, von Alvensleben was elected as a member of the management committee in 1909 and again in 1910. An attorney was appointed to his seat on 2 May 1910, just prior to undertaking a position on the executive committee of the newly formed Victoria Stock Exchange. He was not in attendance at the VSE AGM of 2 July 1910.

There are various intersection points between the rags-to-riches-to-bankruptcy story of von Alvensleben and the early history of the VSE. That von Alvensleben was an exceptional promoter is evident. Instead of “fleecing the lambs” with dubious VSE initial public offerings or manipulating share prices of VSE traded companies, using one of his brothers as a go-between in Berlin, von Alvensleben leveraged his family connections in Germany to supply equity capital to fund numerous commercial ventures, emphasizing but not limited to real estate. Though precise details are unavailable, there is evidence that those Germans contributing capital included Field Marshall von Mackensen, Reich Chancellor von Bethmann-Hollweg, Bertha Krupp von Bohlen und Halbach from the leading family of German industrialists, the champagne heiress Emma

<sup>41</sup> Cruise and Griffiths, *Fleecing the Lamb*, 17.

<sup>42</sup> An interview with von Alvensleben by F. Pemberthy, “Alvo von Alvensleben: A Personal Sketch,” *British Columbia Magazine*, December 1911, 1303–12, is concerned with real estate development. No mention is made of stock trading or promotion.

Mumm, and, possibly, even a small amount of capital from the Kaiser. An important vehicle for the brothers von Alvensleben to raise capital was the staging of lavish parties in connection with important German events, such as the Kaiser's birthday, at which guests would be encouraged to invest. The relevance of one such event in Berlin on 27 January 1910 was enhanced by the attendance of BC premier (Sir) Richard McBride to celebrate the birthday of Kaiser Wilhelm II.<sup>43</sup>

The role of the consummate speculative capitalist, von Alvensleben, in the early history of the VSE speaks to an evolution of the connection of VSE membership with the Vancouver business leaders and social elite. As illustrated in Table 3, with a few notable exceptions, the evolution of the VSE membership following exit of the founders involved the ascendancy of speculative capitalists from the second and lower tiers of the business community.<sup>44</sup> For example, only twelve of the thirty members on the eve of A.N. Wolverton's entering the membership were listed in *Who's Who*, compared to nine of the twelve founders. Though VSE members continued to be a gathering of the Vancouver social elite, as reflected in a social register listing and memberships in the Vancouver Club and Terminal City Club, this is expected given the need for networking venues to support the activities associated with typical VSE members. The multiple listings for the speculative capitalist von Alvensleben place him with Mather, MacLean, and Bonthron as the most prominent members of the Vancouver social and business elite among the VSE membership when Wolverton purchased VSE membership.

#### EPILOGUE: BLUE SKIES AND BEYOND

The assumption of the VSE presidency by A.N. Wolverton in 1915 marks the beginning of a new period of transition for the VSE following the economic depression of 1913 and the hostilities of the Great War. Wolverton went on to serve as VSE president many times until 1940 as the VSE evolved from an extension of Vancouver social elite and business leaders represented by the founders to assume the status of a regional exchange with aspirations that extended beyond the confines of BC-related companies. The firm of Wolverton & Co. founded by Wolverton

<sup>43</sup> *Victoria Daily Colonist*, 28 January 1910. In addition to providing details on the lavish parties given by the von Alvenslebens in Berlin, the elite status that Alvo von Alvensleben obtained in Germany is reported by Martin Nordegg, *The Possibilities of Canada Are Truly Great: Memoirs 1906–1924* (Toronto: Macmillan, 1971). Nordegg was skeptical of von Alvensleben's business dealings and claimed von Alvensleben appeared to be making dividend payments for his German investors out of capital, not income – a classic feature of a Ponzi scheme.

<sup>44</sup> McDonald, *Making Vancouver*, chap. 5.

TABLE 3

*List of VSE members and social status, December 1910*

President:	H.J. Thorne†
Vice-President:	J.S. Rankin
Treasurer:	C.D. Rand**
Secretary:	J.D. Mather
Executive Committee:	A. v. Alvensleben, J. Ivor Gwynn, R.B. Ellis

**Legend:**

McD = Robert McDonald, "Business Leaders in Early Vancouver" (PhD diss., University of British Columbia, 1977).

WW = C. Parker, ed., *Who's Who and Why: A Biographical Dictionary of Men and Women of Western Canada* (Vancouver: International Press, 1913).

S = Vancouver Social Register; V = Vancouver Club; T = Terminal City Club.

MEMBERS	BUSINESS ADDRESS	McD	WW	SOCIAL
H.C. Akroyd	325 Homer St.			V
A. v. Alvensleben	500 Hastings St.	X	X	S, V
W.R. Arnold	328 Hastings St.	X		S, T
A.E. Austin	328 Granville St.	X		S, T
Barkley Bonthron	104 Winch Building	X	X	S, V
W. Beaton	of Beaton & Hemsworth	X		
Robt. J. Casement	439 Richards St.			S, V
N.J. Cavanaugh	205 Carter-Cotton Building			
H.M. Daly	728 Hastings St. W.	X		V, T
P. Donnelly	of Canadian Financiers	X	X	S
C.R. Drayton	82 Hastings St. W.		X	S, V
R.B. Ellis†	Mercantile Building		X	S, V
G.M. Gibbs	556 Hastings St.			S, V, T
Chas. Gore	513 Pender St.			S, V
J. Ivor Gwynn	Inns of Court Building			V
W.F. Irwin	801-802 Irwin Building			S, T
A.E. Jukes	513 Pender St.		X	S, V
John Kendall**	Rooms 37-9 Exchange Building	X		
C.J. Loewen*	418-420 Cambie St. (sells seat 6/11)	X		V
E.W. MacLean*	501 Pender St.	X	X	S, V, T
J.W. Manson	Room 315 Winch Building			S, V

J.D. Mather	Dominion Trust Building	X	X	S, V
W. Bruce Joy	115 Cotton Building			
C.E. Merritt	514 Pender St.			S, V, T
C.D. Rand**	450 Granville St.		X	S, V, T
J.S. Rankin	106-107 Carter-Cotton Building			S
R.W. Riddell	Victoria			
H.J. Thorne†	Room 3, Exchange Building			V
J.W. Vaughan	1413 Dominion Trust Building			S
D.G. Williams†	508 Hastings St.	X	X	T
J. Boyd Young	Room 313, Cotton Building			
A.R. Waterfall	Bank of Commerce Chambers			S

Source: *Province*, 8 December 1910 – Payment for publication of members list in financial section of *Province* commences December 1909, ends December 1912.

\* Founding member; \*\* Member of Founding Executive; † Member added 31 August 1907

in 1910 survived beyond the demise of the VSE in 1999 and was involved, perhaps unavoidably, in various promotions that contributed to that demise. The period shaped by A.N. Wolverton encompasses the rise of Isaac “Ike” Solloway and the infamous firm of Solloway and Mills that started business in 1926 and quickly grew to become the largest brokerage firm in Canada, operating in exchanges across the country, including the VSE.<sup>45</sup> The collapse of Solloway and Mills in the face of convictions for bucketing and fraud, for which the principals served jail time, only inflicted a glancing blow on the VSE as the Alberta exchange and SSME were more involved in the chicanery.

The ascendancy of Wolverton to the presidency of the VSE in 1915 signals another essential theme in its history. As a key player in the only important securities exchange in British Columbia, Wolverton exerted considerable suasion on provincial regulators responsible for monitoring the conduct of VSE members. This connects the history of fundamental changes in US federal securities law with similar developments in provincially regulated Canada. As equity markets expanded dramatically across North America following the Great War, the need for structural changes in the self-regulatory model of securities markets increased. The first step towards such changes commenced with the introduction in 1911 of a state “blue sky law” in Kansas and culminated with the passage in the United

<sup>45</sup> Armstrong, *Blue Skies and Boiler Rooms*, 142–43.

States of the federal Securities Exchange Act, 1934. Understandably given the character of VSE membership, Wolverton argued against stringent adoption of securities regulations in British Columbia.<sup>46</sup> The subsequent diversion of trading activity to the VSE, where there was a relative absence of punitive provincial securities regulations, combined with a sometimes cozy relationship between regulators and VSE executives, marks the beginning of an era that culminated in the “fleecing of lambs” for which the VSE is now justly remembered.

## APPENDIX

*First Temporary List of VSE, Vancouver Daily World, 1 August 1907*

<b>TEMPORARY TRADING STOCK.</b>		
	<b>Bid.</b>	<b>Asked.</b>
<b>Western Corporation . . .</b>		<b>125.00</b>
<b>Alberta Coal &amp; Coke Co. 43</b>		<b>46</b>
<b>B. C. Copper . . . . . 9.50</b>		<b>11.00</b>
<b>B. C. P. A., ordinary . . . .</b>		
<b>B. C. P. A., preferred . .</b>		
<b>Burton saw works . . . . . 130.00</b>		<b>150.00</b>
<b>Cariboo Camp McKinney.</b>		<b>05</b>
<b>Canadian Con. S. &amp; R. . . .</b>		
<b>Dominion Copper Co. . . . . 5.00</b>		<b>7.00</b>
<b>Granby . . . . . 120.00</b>		
<b>Imperial Trust Co. . . . .</b>		<b>105.00</b>
<b>Inter. Coal &amp; Coke Co. . . . 90</b>		<b>95</b>
<b>Rambler Caribou . . . . . 25</b>		<b>30</b>
<b>Sullivan . . . . . 12</b>		<b>14</b>
<b>Western Oil Co. . . . . 1.75</b>		<b>2.00</b>

Note: Stocks are listed in the order called. Seven of these stocks were also on the list of stocks actively traded on the Spokane exchange. As VSE trading increased, both listed and unlisted stocks were provided in the pricing information distributed to the press.

<sup>46</sup> A.N. Wolverton, “The Stock Exchange and Blue Sky Legislation,” Vancouver: Vancouver Stock Exchange, 1923, CVA, ref. code: AM1519-, PAM 1923-1. See also Major Mathews Collection, A.N. Wolverton, CVA, ref code: AM54-S23-2-. Established in 1910, Wolverton Securities Ltd. was sold to PI Financial in 2016. See also Wolverton & Co. file, PABC, ref. code: AAAF0533.