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CLEVER FRAUD AT WINNIPEG

Story of Manipulations of Joseph X. Hearst Reads Like a Novel
FOOLED THE AUDITORS
Books and Documents Manipulated to Show Genuine Transactions

The story of the Hearst Music Publishing Co., which blew up recently, shows in an extraordinary manner how a clever rogue can hoodwink hundreds of trusting souls and separate them from their savings, says the Financial Post. Joseph X. Hearst, regarded as a musical and financial genius, who is the culprit in the case, is a fugitive from justice with a reward of \$1,000 offered for his apprehension. Shareholders, who have been accustomed to congratulate themselves on the ownership of shares paying enormous dividends, face a loss of from \$500,000 to \$750,000. Gradually details of an amazing swindle is being revealed, in which shareholders, government bodies, company directors, employees, and a firm of chartered accountants were duped by a series of faked and forged documents, representing a business apparently successful to an extraordinary degree, and deposits of large amounts of money which were entirely mythical.

Without Funds
Hearst appears to have arrived in Winnipeg without any funds about four years ago. Within a short time he had acquired a reputation as a musical and organizing genius, was believed to have an enormous income, and seems to have had little difficulty in separating prosperous citizens of Winnipeg and farmers of the surrounding country from amounts varying from a few hundred to forty thousand dollars each.

Hearst Music Company was incorporated with a capital of \$25,000, mainly contributed by Hearst and his relatives. They were understood to be engaged in the business of publishing sheet music in the United States, and Hearst was supposed to be the writer of a certain amount of popular music, and to be in receipt of large royalties from publishers. A short time after, the capital stock of the company was increased.

Large Dividends Paid
Notices of large dividends being paid appeared from time to time in the newspapers. Hearst's name appeared as subscribing \$7,000 in a municipal charity drive last December for the Federal Budget, and his was the largest individual subscription recorded. A large amount of stock was sold, sometimes by Hearst himself, sometimes by agents. A good deal of this was represented as being Hearst's own stock which he was selling, in spite of the enormous dividends paid, because the income tax ate up such a large part of his income that he was transferring a lot of it to income tax free securities. The company had a local board of directors, his affairs were audited by a firm of local chartered accountants, and a former employee of that firm was acting as secretary-treasurer. Most of its business was carried on in the United States, and a very large volume of business was being transacted according to invoices and other documents which passed through the office. It is now believed that a large number of these were forged, that the business was mainly fictitious, and that while some music was published, there was no real business at all to correspond with the documents.

The books of the company, and apparently there were documents to support them, showed that enormous profits were being made, and that hundreds of thousands of dollars were on deposit in the United States. Hearst disclosed to his business associates a plan he had on foot to get control of practically the whole sheet music business of the United States, and apparently they were full of confidence in his ability to swing a big deal. The only complaint the local directors had was that they wanted the big bank account of the company transferred from New York to Winnipeg, and this was promised them. There was no

doubt about the existence of such an account. The books of the company showed that the money had been earned, and a firm of chartered accountants had audited the books and confirmed the deposit.

Probe Bank Account
When the auditors, in pursuit of their duties, came to checking the deposit in New York, they wrote a letter to the Chase National Bank there, asking for detailed confirmation of certain transactions, and Hearst endorsed the letter to show that the information could be furnished. A reply came back on the stationery of the Chase National Bank, addressed, it is true, not to the auditors, but to Hearst at his home, confirming all transactions in detail, according to the books. In addition the letter referred to large transactions apparently being carried on by Hearst, to large oil wells in which he was interested; offered him money for his financing and repeated an offer previously made of a seat on the board of the bank. If that did not interest Hearst the bank would be glad to get him a place on the board of a Canadian bank, their correspondents in this country. The letter was accepted by the auditors, and it seems also to have been accepted by some of the members of the company as confirming their opinion of their president as a financial genius. The bank has since repudiated all knowledge of Hearst, of his company, or of his letters. A million dollars, or thereabouts, shown in the letter to be carried in various accounts owned or controlled by Hearst, was non-existent, so far as they were concerned. Of late, Hearst was supposed to be pushing from one city in the United States to another in pursuit of business of the company and his forthcoming amalgamation. Local directors became uneasy when his return was delayed, and J. W. Wilton, vice-president, undertook some investigation on his own account. Then came the exposure that the half-million dollar bank account was non-existent, and the whole enterprise fell open like a book.

May Have to Repay
Shareholders received large dividends, anywhere from 15 to 50 per cent, to offset the amount they paid for shares. Now it is claimed that if the dividends were improperly paid out of the capital, they may have to be refunded to meet liabilities. Ordinary liabilities probably do not amount to a great deal, as its business was probably not really extensive. But what worries the shareholders is the fact that Hearst just recently discounted notes of the company to an amount of \$175,000, or more, signed by both himself and secretary.

Losses of shareholders are in many cases very large, and in some cases represent the entire savings of elderly and retired people. He and his agents made a particular drive in the country on farmers known to possess bank stock, who after the Home Bank episode were readily persuaded to trade in their shares. Many others sold Victory bonds. Just recently it is understood that fifty or sixty thousand dollars was secured from new shareholders in London, Ont. The exact state of affairs is being unravelled with some difficulty, because when many records have so obviously been falsified, it is impossible to know what can be relied on, until information is checked and rechecked. Possible confederates in other cities are being looked for, who may have helped build up the gigantic fiction of the great and flourishing business of the Hearst Music Publishers Ltd.

VEGETABLES ARE SCARCE

Flour and Feed Market is Very High, Living up to Predictions—Sugar and Eggs Down
Root vegetables are scarce and market prices are firm. Such vegetables as carrots, beets, cabbage, and turnips, etc., is expected, will advance even higher. Potatoes in the south are worth \$50 per ton wholesale at Vancouver and landed here cost \$3.00 per sack wholesale. The canned goods market is also firm, particularly canned vegetables. There are short

packs in practically every line and there is a possibility of shortage of supply. Retail prices of corn, peas, tomatoes and beans will probably be 25c per can in from 30 to 60 days' time.

The tea and coffee market is still maintaining its 1924 strength and no immediate decline is in prospect. United States coffees are retailing today at higher prices than leading Canadian blends. The best United States blends cannot be sold here at less than 85c per pound as against 65c for best Canadian coffees. The flour and feed markets have advanced considerably of late and there is no prospect of lower prices for some time. Predictions to this effect in these columns proved well founded and those who bought when they were made have found themselves justified and have saved money. Several months ago, it was predicted that the price of flour would go to \$12 per barrel. It is now selling at \$11 and there is a temporary lag before another advance is made.

The sugar market is weak and shows a decline of 20c in the past month.

The little brown hen is getting busy again and there is a general reduction in egg prices.

Local retail prices today are as follows:

Butter	
Brookfield, Shamrock and Woodland, lb.	45c
E. C. D.	45c
Vanderhoof	45c
Lard	
Pure	21c
Compound	20c
Cheese	
Alberta solids	25c
Ontario solids	30c
Stilton, lb.	35c
Kraft	45c
Norwegian Goat	60c
Napoleon Limberger	70c
Roquefort	75c
Edam, lb.	45c
Swifts' Buttercup, lb.	45c
Gorgonzola, lb.	75c
Eggs	
B.C. Fresh Pullet	55c
B.C. Fresh Firsts	60c
B.C. Fresh Extras	65c
Local Pullets'	65c
Local New Laid	75c
Vegetables	
Green Peppers, lb.	50c
Sweet Potatoes, 2 lbs.	25c
Potatoes, Woodcock, 100's	\$3.00
Potatoes, Moricetown, 100's	\$3.00
Potatoes, Smithers, 100's	\$3.00
Potatoes, Terrace, 100's	\$3.00
Walla Walla Onions, 5 lbs.	25c
Walla Walla Onions, sack	\$4.00
Beets, 4 lbs.	25c
Beets, 100's	\$1.50
Carrots, 5 lbs.	25c
Carrots, 100's	\$3.50
Turnips, 6 lbs.	25c
Rutabagas, 100's	\$2.50
Cauliflower, head	40c to 50c
Cabbage, B.C.	8c
California head Lettuce	45c-25c
Garlic, imported, per lb.	50c
Mexican Outdoor Tomatoes, lb.	40c
Hubbard Squash, lb.	8c
Celery	15c and 20c
Brussels Sprouts, B.C., lb.	20c
Brussels Sprouts, Washington lb.	30c
Fruit	
Apples, Yellow Newtowns	\$3.50
Apples, Delicious	\$4.25
Apples, Jonathon, 3 lb.	25c
per box	\$2.85
Apples, Winesaps	\$3.50
Grapes, Spanish Almerias, lb.	40c
Oranges, Sunkist, doz.	25c to 90c
Lemons, Sunkist, doz.	40c
Bananas, lb.	17 1/2c
Grapefruit, Arizona	10c
Grapefruit, Florida, 3 for	35c
Comb Honey	40c
Extracted Honey, per lb.	25c
Cranberries, imported, lb.	35c
Coconuts, each	25c
Dried Fruits	
Dates, bulk, 3 lbs.	40c
Dates, Fard	40c
Dates, Dromedary	25c
Glaced Cherries, lb.	75c
Raisins, bulk, 2 lbs.	25c
Raisins, package, lb.	20c
Spanish Cluster Raisins, lb.	45c
Sunnmaid Cluster Raisins, lb.	25c
Lemon and Orange Peel	35c
Citron Peel	50c
Black Cooking Figs, 25c and 30c	25c
White Figs, 2 lb. for	35c
Currants	22 1/2c
Prunes	20c-25c
Apples	25c
Peaches, peeled	25c
Apricots, lb.	30c
Nuts	
Pecans	45c
Almonds	25c
Almonds, shelled Valencia's	60c
Almonds, shelled Jordans	\$1.00
Brazils and filberts	25c
Walnuts, California-No. 1	50c
Walnuts, Manchurian	25c
Walnuts, broken shelled	50c
Walnuts, shelled halves	65c
Chestnuts, lb.	40c
Peanuts, roasted	20c

Is your wife wiser than you?

IF YOU read only the stock and sporting pages, and your wife is like other women, she is wiser than you. She reads the shopping news.

She likes to hear you jingle money in your pockets. She likes to stretch money to the limit, so she won't have to ask for more. She likes to shop strategically. Know what she does.

Comfortably at home in a cushiony arm-chair, she scans advertising columns. She compares, judges and selects the goods she desires; maps her route; with least effort and minimum time, goes direct to the planned store and buys.

She obtains what she wants at the lowest price it is offered. She is certain of full satisfaction, for she knows advertised goods live up to their claims. She saves time and steps, and returns sufficiently alert to enjoy new advertisements--and to prepare you an appetizing dinner.

These advertisements are written for your benefit too. Read them. Help her help you save.

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ONE WEEK ONLY
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Value \$1.55 for ... \$1.00
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Phone 45-574 or Blue 428.

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Mazie Baking Powder, 2 1/2's ... 85c
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Green Peas, 4 lbs. ... 25c
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