

## **The Bronfman Family in Yorkton: Finding the Loopholes in Prohibition Legislation**

*by Kathy Morrell*

The time was Prohibition, the place Saskatchewan. On July 1, 1915 a provincial statute banned the serving of alcohol in hotel bars. On December 31, 1916, the law closed down government-operated liquor stores as well. The Province was dry – at least in theory. In practise, entrepreneurs including the Bronfman family took advantage of loopholes in new prohibition legislation to market a much-desired product.

In the first two decades of the last century, the Bronfman family income was derived from their many hotels. Most of that income came from bar profits. In 1905, Abe and Harry Bronfman had purchased the Balmoral Hotel in Yorkton as well as hotels along the C.P.R. line at Sheho, Saltcoats, Leslie and Wynyard.<sup>1</sup> Jean (nee Bronfman) and her husband Paul Matoff operated the hotel in Sheho. Sam ran the Bell Hotel in Winnipeg and his brother-in-law, Barney Aaron, the Wolseley Hotel in the same city. With the closure of the drinking establishments in Saskatchewan, Harry moved to Winnipeg to manage the Alberta Hotel. Finally with the closure of bars in Manitoba on June 1, 1916, the family's hotel revenue was cut even more drastically.<sup>2</sup>

The first solution to the Bronfman financial shortfall was the package trade. The sale of liquor within the province was illegal. However, its export to other provinces was not. And so began the mail-order business. Customers would order their alcohol from a business outside the province. The case of whiskey, “the package”, would arrive on their doorstep. All completely legal. In general, the Bronfmans imported whiskey from Scotland and Quebec for the inter-provincial trade. Then the Dominion government closed that loophole banning the manufacture and importation of alcohol completely until one year after the end of the First World War.

The Bronfman lawyers then found a second loophole. Provincial statutes allowed for the sale of alcohol for medicinal purposes. The Bronfmans acquired a wholesale drug licence from the Province of Saskatchewan and the family set up the Canada Pure Drug Company. Harry moved the operation into the warehouse next to the family's Balmoral Hotel in Yorkton.

With the end of World War One, the Bronfmans found a way to revive the package trade as well. The federal government was caught in a conundrum. Even though many of the other provinces wished to see a continuation of prohibition legislation at the federal level, Quebec refused and the Senate supported that province's stance. The government decided on a compromise; the ban would continue in those provinces where a provincial referendum in support of Prohibition passed. The federal ban on alcohol would end in December, 1919. The Saskatchewan referendum would not be held until October of 1920. In that ten-month period, the Bronfman mail order business revived. The importation of alcohol and its export to another province were once again legal. The Bronfmans took advantage of the gap in the legislation and imported cases and cases and cases of booze - 360,000 bottles in all.<sup>3</sup>

In 1920, the American government passed its own prohibition act banning the sale and manufacture of alcohol in the United States. In the same year, Sam Bronfman made the contacts south of the border that would open the huge American market to the whiskey trade. Never afraid of risk and ever in search of further profit, Sam and Harry entered into the blending of whiskey in the little warehouse located next door to the Balmoral Hotel in Yorkton. And it was this new enterprise, The Yorkton Distributing Company, that resulted in the civil case between the Brewers' and Bottlers' Supply Company of Winnipeg and Sam and Harry Bronfman. The transcript revealed much about the Bronfman business genius that was to produce the family fortune.

Sam and Harry Bronfman established The Yorkton Distributing Company on January 20, 1920. When asked during examination for discovery to name the partners in the firm, Harry replied "practically the whole of the Bronfman family are interests in it."<sup>4</sup> Harry, younger than Abe but five years older than Sam, provided the capital that allowed the family to fill its warehouses for the package trade. He had established a sound reputation with the Bank of North America in Yorkton, later to be taken over by the Bank of Montreal.<sup>5</sup> Harry had started and successfully operated a number of businesses in the city: two hotels, rental office space, a billiard hall, a garage, and a theatre. In addition, he had purchased 200 lots within the city limits.<sup>6</sup> He paid his loans at the bank on time. He was known in the community as a prosperous businessman. As a result, he was able to borrow the money necessary to fill the warehouses at Yorkton, Kenora, Vancouver and Montreal.<sup>7</sup>

The conflict between the Bronfman family and the Brewers' and Bottlers' Supply Company played itself out in two parts: the problems associated with the purchase and installation of the blending and bottling plant and the resulting law suit.

### **Purchase and Installation of the Plant**

During Examination for Discovery, Thomas Moore, manager and secretary-treasurer of the Brewers' and Bottlers' Supply Company described the negotiations that led to the purchase of the used bottling plant the firm had for sale. The Company had acquired the equipment from the George Benz Company of Saint Paul, Minnesota. The firm was unloading the machinery no longer usable in the United States with the introduction of Prohibition.

In the first step in the Bronfman purchase, Moore met Philip Bronfman (some testimony referred to this person as Brotman). Philip realized that this was exactly the type of equipment the family was seeking to establish their own blending facility. He contacted Sam, travelling in Eastern Canada in search of a bottling plant and informed him he had found the necessary equipment closer to home.<sup>8</sup>

During the next step, Moore met with Sam who indicated the family would have "considerable bottling" to do – 500 cases a day - to furnish the branches they were about to establish. The branches were, of course, their warehouses in Vancouver, Montreal, Kenora, and Yorkton as well as the boozoriums<sup>9</sup> they were to build in Gainsborough, Bienfait, and Carnduff, towns close to the American border. The Bronfmans thought it cheaper to have one bottling plant for their product rather than have each warehouse bottle its own supply of alcohol from the keg. As a result of the negotiations, Moore was to reserve the bottling plant for three or four weeks until the family had come to a decision.

In the third step, Allan Bronfman completed negotiations with the Brewers' and Bottlers' Supply Company over the telephone.<sup>10</sup> Moore was to travel to Yorkton, set up the plant and instruct a Bronfman employee on its operation.<sup>11</sup>

On April 4<sup>th</sup>, 1920 (Easter Sunday)<sup>12</sup> Sam and Allan Bronfman, and William Reid, manager of the Yorkton Distributing Company, met with

Moore at his home to complete the deal. The equipment arrived in Yorkton a number of days later and Moore and a carpenter travelled from Winnipeg on April 16<sup>th</sup> to set up the plant. Speed was a priority. Prohibition came to an end across the country in December of 1919. Saskatchewan would hold another referendum in October of 1920. In the intervening ten months, the Bronfmans wished to blend and distribute as much alcohol as possible while the moratorium on Prohibition was still in place.

When Moore and his carpenter arrived at the Yorkton warehouse on April 16<sup>th</sup>, 1920, neither of the Bronfman brothers was present. Sam was lining up customers in Eastern Canada and establishing contacts for the lucrative American market. Harry was in Estevan – likely supervising the warehouses in Bienfait, Carnduff and Gainsborough. Mr. Reid had been left in charge. The equipment was hauled from the railway freight sheds across the street even though the warehouse was unfinished. At one end, laundry equipment was stored on the one piece of cement flooring in the building. The remaining floor was hard-packed dirt; concrete had not as yet been poured because the earth was still frozen.

As a result of the unfinished state of the building, Moore determined they could erect only two tanks and requested the assistance of a local carpenter. The crew worked through the first day setting up the two tanks. They cut one of the five tanks in half thereby creating two 1000-gallon vats. On April 17<sup>th</sup>, Reid arrived late and according to Moore, he “was badly intoxicated.”<sup>13</sup> In addition, Reid said “he did not understand anything about (the plant) and did not know what they were doing.”<sup>14</sup> Neither Sam nor Harry Bronfman appeared during the two-day installation period. In his testimony Moore claimed he told Reid he would return to complete the process when the floor was finished.

Moore returned to Winnipeg, called Allan Bronfman and suggested that the Yorkton Distributing Company hire an experienced man to install and run the operation. In cross-examination, he insisted that the plant worked properly “for anyone who knew how to operate it.”<sup>15</sup>

In May, Mr. Daley, a sales representative with the Brewers’ and Bottlers’ Supply Company called on the Yorkton firm only to meet an irate Harry Bronfman who “said the machinery is no good and Moore need not think that he can send out a bunch of junk like that to me.”<sup>16</sup> Harry explained that his brother, Sam, felt taken in by the Winnipeg firm.<sup>17</sup> Moore

then made enquiries of other Winnipeg merchants who had had dealings with the Bronfmans and learned – so he claimed – that he was likely to have trouble.<sup>18</sup>

Bronfman returned the bill for the bottling plan on May 26<sup>th</sup>, 1920 and Moore sent off an immediate reply accepting Harry Bronfman's implied threat of a law suit. Despite the conflict, Moore continued to try and solve the problem by finding an experienced worker to run the plant. This individual, John W. Scott from the George Benz distilling firm in Saint Paul, wrote a letter to Harry Bronfman offering his services. However, his offer in the letter appeared ambiguous. In the main body of his letter, he indicated he would come. However, in a postscript, he said he might not be able to come because travel costs to Yorkton would be too high. The Bronfmans took this as a withdrawal of offer. Moore claimed it an indication Scott wanted travel expenses if he were to come.

The Bronfmans thought themselves capable of operating the plant themselves. Under cross-examination at trial, Sam Bronfman indicated that the family's long-time experience in the hotel industry gave them the needed expertise to run a blending operation although he admitted never having worked in one. It was difficult for some in the court to appreciate how experience in the hotel business would carry over to the blending of whiskey. However, Sam was always confident he could undertake a new venture if it was to lead to profit.

## **The Lawsuit**

On June 8<sup>th</sup>, the Winnipeg law firm of Machray, Sharpe and Company attempted to resolve the problem by sending a letter offering to send a man to install the equipment. When this last missive met with no resolution, the Brewers' and Bottlers' Supply Company launched a lawsuit against Sam Bronfman and Harry Bronfman for the unpaid debt of \$3370.00 with interest of 5% and costs. The Company hired C. H. Locke and G. T. Killam, Yorkton lawyers, to represent them in the action. The Yorkton firm of McPhee, O'Regan and Lawton represented the Bronfmans with O'Regan acting as counsel.

Examination for discovery was held January 20<sup>th</sup>, 1921 in the Yorkton Courthouse with the trial set for the spring sitting of Court of King's Bench. However, Harry, unable to reach his brother, Sam, applied for a

postponement of the trial phase until fall. The affidavit in support of his request reveals much about the family's expanding business operation. Sam had left on a business trip two months earlier, "business being incidental to the carrying on of business of the Yorkton Distributing Company." He had left Montreal and was to arrive in Saint John, New Brunswick; however, he "had not had occasion yet to visit St. John [sic] since leaving Montreal." Harry had sent numerous wires to places where he thought he might be and received no reply. In other words, salesman Sam was looking for customers. It is interesting to note as well that Sam's end destination was Saint John, a port from which the Bronfmans were to export their product to ports along the Eastern Seaboard of the United States.<sup>19</sup>

Harry made it clear as well that Sam's presence at the trial was imperative. He had carried on most of the negotiations, knew about the installation, and the condition of the equipment and its suitability for a modern, high through-put blending operation. It is clear from the tone of the affidavit that Sam had become the driving force behind the thriving Bronfman enterprises.

## **Evidence and Argument**

In both the examination for discovery phase and the trial itself, W. B. O'Regan, counsel for Sam and Harry Bronfman, argued that the plant was not suitable for the task intended. In addition, the lawyer argued that the Brewers' and Bottlers' Supply Company failed to install the equipment and instruct an employee of the Yorkton Distributing Company in its operation.

One piece of equipment, the Airmold Labeller, would apply two labels to the body of the bottle and one label around the neck. However, Sam had explained during negotiations with the company that he wanted to apply a strip over the top of the cork and down both sides of the neck as well. Moore denied knowing of the requirement. The Bronfmans – he claimed - were to send the labels so they could ensure the labeller would meet their requirements. In addition, Moore continued - they kept the labeller even though they now say it was unsuitable for their needs.<sup>20</sup>

When Moore and his employee arrived from Winnipeg, they found that the motor on the pump "was not the proper vertical motor for Yorkton." Moore took it off and sent up a new pump on his return to Winnipeg. Reid, Harry's bookkeeper, claimed they called on their mechanic who worked at

City Garage (a Harry Bronfman enterprise) to repair the pump.<sup>21</sup> He changed the sprocket, the belt and built a stand required to make the pump operational<sup>22</sup>.

In his testimony, Sam Bronfman claimed that the filter did not work – that dust and impurities were left in the alcohol. William Reid explained that after looking through the Karl Kiefer catalogue they found the missing parts to the filter, ordered same and that the filter worked satisfactorily afterwards. In reply, the plaintiffs questioned the credibility of the defendants. This evidence regarding the missing parts was not revealed during examination for discovery, a hearing held prior to trial. Instead, Sam Bronfman and Reid came up with this problem only at trial. C. H. Locke claimed that this newfound evidence was questionable because it was not part of the Bronfmans' original claim. As a result, the lawyer for the Brewers' and Bottlers' Supply Company said in written argument that "...the evidence of the Defendant S. Bronfman and the witness Reed, whenever it may clash with the Plaintiff's evidence, be held unworthy of belief."<sup>23</sup>

The bottling apparatus – the Bronfmans claimed - was ineffective and inefficient. The filler would leak product over the sides of the bottle and the sixth and last bottle would fill only half-full. The Plaintiff explained that the problem lay with the inexperience of Harry Bronfman in operating the equipment. "No doubt anyone with experience could have solved any difficulty in regard to it by a few simple adjustments. Moore was available to do anything of this kind and was prepared to go if requested, but no such request was ever made."<sup>24</sup>

The most serious problem was the fact that in the blending process the alcohol (rye in this case) turned a dark bluish colour. The Bronfmans claimed that the vats made of California redwood were responsible. George Bentz ran a series of tests and found no discolouration from contact of alcohol with redwood.<sup>25</sup> At trial, Bentz testified that "only through certain acids burning up the structure of the wood: that might give a black or bluish colour but pure alcohol could never give a black or bluish colour." Sulphuric acid, he testified, a common ingredient used to 'age' the brew, "will destroy the structure of the wood and make it black."<sup>26</sup>

In their counterclaim, Sam and Harry submitted the following:

Total Damages: (Amount to be subtracted from the bill owed because the equipment was defective.)

|                |                 |
|----------------|-----------------|
| 10 Tanks       | \$1000.00       |
| 1 Filler       | \$ 650.00       |
| 1 Filter       | \$ 111.65       |
| 1 Labeller     | \$ 750.00       |
| 1 Other Filter | <u>\$375.00</u> |
|                | \$2876.65       |

Balance owed by the Bronfmans to the Brewers' and Bottlers' Supply Company: \$493.35.<sup>27</sup>

However, the Bronfmans, also, claimed damages for labour they paid for installing tanks, the platforms to hold the tanks, and other installation work, costs to be assumed under the agreement they had reached with the Winnipeg Company. In addition, they asked for compensation for dealing with the 800 gallons of discoloured alcohol. Harry had stored the blue-black alcohol in barrels and added it to new stock at a ratio of five or ten gallons per 100 gallons of product. This involved extra labour costs. In addition, the product, now of an inferior nature, would be sold for less.

Total Damages:

|                             |                 |
|-----------------------------|-----------------|
| Work on tanks and equipment | \$720.00        |
| Deterioration in liquor     | \$400.00        |
| Labour re-handling          | <u>\$ 80.00</u> |
|                             | \$1200.00       |

This sum would extinguish the sum of \$493.35 owed to the Brewers' and Bottlers' Supply Company. In addition, the defendants asked for costs.

In his judgement issued December 29<sup>th</sup>, 1921, Justice Donald Maclean found that Sam and Harry Bronfman were liable for payment for all the equipment except the filler. He allowed the defendants the full price of this piece of equipment and, since it was not in use, he ordered it returned to the plaintiff in Yorkton.

Sam and Harry Bronfman were ordered to pay \$2720.00 (the remaining owed the Brewers' and Bottlers' Supply Company) and costs of the action.<sup>28</sup>

The trial revealed much about the early Bronfman operations. The ingredients in the brew made in the Yorkton plant cost \$5.25 a gallon, while



the family sold that same gallon in bottled form for \$25.00. The Yorkton business produced an average of 5000 gallons a week producing a monthly profit of \$500,000 and an annual profit of \$4,692,000.<sup>29</sup>

Testimony revealed that Sam was constantly on the road, acquiring - we might suspect - customers on both sides of the border for the whiskey trade. Harry's trip to Estevan during April of 1920 confirmed his role in the operation of the boozoriums located just north of the Canadian-American border. But, most importantly, testimony revealed that the Bronfman family was unafraid of hard work, long hours, confrontation and risk. They saw the danger in transporting alcohol into the United States and hence, set up warehouses in Canada to avoid the violence associated with Prohibition south of the border. When C.H. Locke asked Sam if he wanted the plant set up now (in January, 1921), Sam's answer – "I don't know, you had better ask the Government how long we can run."<sup>30</sup> And this was after all the crux of the matter. The Bronfmans ran their blending and supply business to the changing tide of provincial and federal legislation. The market was lucrative; it fell to the Bronfmans to find the loopholes in the law to take advantage of that market. And so they did.

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### Endnotes

<sup>1</sup> Lefebvre Prince, Terri, *The Whiskey Man*, (City of Yorkton) 2003, p. 18, 19.

<sup>2</sup> Newman, Peter C.; *Bronfman Dynasty, The Rothschilds of the New World*, (Toronto, McClelland and Stewart) 1978, p. 77.

<sup>3</sup> Ibid, p. 81.

<sup>4</sup> *Bottlers and Brewers Supply Company Limited v. Harry Bronfman and Samuel Bronfman*, Transcript of the Examination for Discovery of Harry Bronfman, January 20, 1921, (Yorkton: Court of King's Bench) p.2.

<sup>5</sup> Newman, op. cit., p. 81.

<sup>6</sup> Lefebvre Prince, op cit., p. 18.

<sup>7</sup> Newman, op. cit. p. 80.

<sup>8</sup> *Bottlers and Brewers Supply Company Limited v. Harry Bronfman and Samuel Bronfman*, Transcript of the Examination for Discovery of Thomas J. Moore, January 20, 1921, op. cit. p. 3.

<sup>9</sup> Boozorium was a slang term for the liquor warehouses the Bronfmans established in Bienfait, Carnduff and Gainsborough.

<sup>10</sup> Ibid. p. 5.

<sup>11</sup> Ibid. p. 8.

<sup>12</sup> The date was April 6<sup>th</sup> according to Moore's testimony.

<sup>13</sup> *Brewers and Bottlers Supply Company Limited v. Harry Bronfman and Samuel Bronfman*, Trial Transcript, November 12, 1921 (Yorkton: Court of King's Bench) p. 200.

<sup>14</sup> *Brewers and Bottlers Company Limited v. Harry Bronfman and Samuel Bronfman*, Transcript of the Examination for Discovery of Thomas J. Moore, January 20, 1921, op. cit. p. 13.

<sup>15</sup> *Brewers and Bottlers Supply Company Limited v. Harry Bronfman and Samuel Bronfman*, Trial Transcript, November 21, 1921, (Yorkton: Court of King's Bench) p. 13.

<sup>16</sup> Ibid. p. 24.

<sup>17</sup> Ibid. p. 48.

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<sup>18</sup> Ibid. p. 25.

<sup>19</sup> *Brewers and Bottlers Supply Company Limited v. Samuel Bronfman and Harry Bronfman*, Affidavit of Harry Bronfman, (Yorkton: Court of King's Bench) May 10, 1921. pp 1-3.

<sup>20</sup> *Brewers and Bottlers Supply Company Limited v. Harry Bronfman and Samuel Bronfman*, Written closing arguments for the plaintiff, November 21, 1921, (Yorkton: Court of King's Bench) p. 14.

<sup>21</sup> *Brewers and Bottlers Supply Company Limited v. Harry Bronfman and Samuel Bronfman*, Trial Transcript, November 21, 1921, (Yorkton: Court of King's Bench) p. 16.

<sup>22</sup> Ibid. p. 56

<sup>23</sup> Ibid. p. 9.

<sup>24</sup> *Brewers and Bottlers Supply Company Limited v. Harry Bronfman and Samuel Bronfman*, Written closing arguments for the plaintiff, November 21, 1921, (Yorkton: Court of King's Bench) p. 16.

<sup>25</sup> Ibid. p. 20.

<sup>26</sup> *Brewers and Bottlers Supply Company Limited v. Harry Bronfman and Samuel Bronfman*, Trial Transcript, November 21, 1921, (Yorkton: Court of King's Bench) p. 21.

<sup>27</sup> *Brewers and Bottlers Supply Company Limited v. Harry Bronfman and Samuel Bronfman*, Written closing arguments for the plaintiff, November 21, 1921, (Yorkton: Court of King's Bench) p. 16.

<sup>28</sup> *Brewers' and Bottlers' Supply Company Limited v. Harry Bronfman and Samuel Bronfman*, Written judgment, December 29, 1921, (Yorkton: Court of King's Bench) p. 6.

<sup>29</sup> Newman, op. cit. p. 86.

<sup>30</sup> *Brewers and Bottlers Supply Company Limited v. Harry Bronfman and Samuel Bronfman*, Transcript of the Examination for Discovery of Samuel Bronfman, January 20, 1921, p. 10.

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