

intended. For, if these long established corporations, in measuring strength with the *Sux Mercat*, have to resort to misrepresentation and unfair comparisons, it strikingly shows their high appreciation of its superior position, and their deep-seated jealousy of its growing fame.

VERITAS.

MONTREAL, April 27, 1876.

INSOLVENCY.

LETTER No. 5.

To the Editor of the *Journal of Commerce*,

Sir,

The following remarks refer to the estate of Ireland, Gay & Co.

"The accommodation notes, to the enormous extent of \$120,908.37, shown in the statement of notes under discount are literally based upon misrepresentation, being always expressed in direct contradiction to the truth, as for value received. It must be stated, however, to the credit of the firm, that all these accommodation notes, as far as ascertained, have been specified by memorandums on the Bill Books, and that there appears to have been no attempt at concealment of their real nature in these books."

I remember once meeting with the President of a certain Banking Institution in this city, (the Directors thereof having the name of helping themselves pretty liberally, and thus leaving a rather small balance for Commercial Depositors) on an occasion when I was favored with what they esteemed an enormous discount—viz.: £1500—he, with a very serious face, asked, "what are you going to do with so much money?" I told him that was my business. Had the Directors of the Institutions where Messrs. Ireland, Gay & Co., got the "enormous extent of accommodation" above alluded to—put the question: what are you going to do with so much money?—perhaps they might have answered we have been induced to step aside from our legitimate business and dabble a little in 'Wall street' and as is oftener the case than otherwise have been left to brood over the *oppler shell*.

The subjoined is another sample of book-keeping by single entry:

The creditor of Sparks & Crawford, cattle dealers, Ottawa, held a meeting to-day, at which Sparks was examined. He positively denied that he had any money in his possession, and reiterated the statement that his partner had secretly withdrawn \$20,000 from the business, which he believes he had still in his possession. Crawford was called for examination, but did not file an appearance. An order will probably be issued for his arrest.

I am, Sir,

Your obedient servant,
AN ACCOUNTANT.

THE CASE OF JOHN O'BRIAN.

L'Original, March 20, 1876.

Editor of the *Journal of Commerce*.

Sir.—In your issues of 25th February and 3rd March, under the Editorial heading "History of an Insolvent Case, you make some strictures on my professional conduct of the case, basing your comments on information evidently obtained from some source hostile to me. I can not allow these statements to pass unnoticed, and I now ask you to give the other side of the story.

1. The insolvent carried on business as a lumber broker in the City of Quebec for a series of years, and latterly purchased a saw and grist mill at L'Original, went into lumbering operations in Western Ontario, and was reputed to be doing well. In November, 1871, he applied to the Royal Canadian Bank, in Toronto, to renew the credit which he had there the previous year, and with this application submitted a statement of his financial position which showed a surplus of \$24,000 over liabilities, and on the faith of which the required credit was given, and his lumbering operations were carried on to the close of the year 1872. After that time, as he stated on his Examination, he kept no cash-

book, did no business except commission business, and running the L'Original mills and renewing paper. His business losses were confined to two, made prior to the statement referred to, and, after it, some loss in Western business believed to be about \$15,000 and some loss in wreckage of timber on its way to market; and, when questioned as to certain entries in his private account in the ledger, made when closing his business, he says: "By those entries all the assets appear to have been transferred to my private account, and all the liabilities assumed. The total amount to my debit assets, as counted up, appears to be \$97,348.07, and the total amount of liabilities, including balance of \$7,301.39 from the previous year, is \$81,782.52, shewing a surplus over all my outstanding engagements. The principal items outstanding that year, taken from the journal, page 202, appear to be *Bills payable* for amount transferred, assumed by me, amounting to \$72,568.58. Of the bills receivable shown by entries in the journal in November, 1872, already referred to, and particularized, I do not know that any of them have been dishonored, or still remain unpaid, . . . there seems to be a deficiency somewhere, and it will have to be enquired into."

2. This is the sworn statement of the insolvent. His creditors were getting alarmed, and some had commenced suit. The Merchants Bank obtained judgment, and execution was put into the sheriff's hands marked for the sum of \$1600 or thereabouts, and another by Mr. John Butterfield for Heber S. Bullis, marked for \$131.67. On 14th June, 1873, the insolvent wrote a letter to Messrs. Cook Brothers, who were then threatening him, in which he says: "forced payment I do not think will be wise. I can pay in full all my indebtedness if you do not push me before the end of 3 or 4 months;" another letter was addressed by him to them, dated 18th November, 1873, in which he asks them to make further advances to him, and says: "the principal botheration to me for an immediate payment to-morrow is \$1700 to the Merchants Bank, Ottawa, a telegraph from you would, I suppose, satisfy them for a few days, till you were better secured, if you grant the request at all."

3. The request was not granted, and immediately after all the insolvent's moveable property was sold by the sheriff under execution, including some sawn lumber and other timber, which was purchased at a low figure by Bullis's attorney, Mr. Butterfield. This brought on a crisis. Messrs. Cook Brothers instructed me to proceed in compulsory liquidation, and on 29th December, 1873, the insolvent made an assignment, but unaccompanied by any statement of assets or liabilities, or delivery of books or papers, from which the assignee could prepare the usual statement and take the necessary action at the first meeting. It was not known for some time who were creditors, the latter were, however, preparing for the meeting. On 10th January Mr. Gillies, a creditor by mortgage on the mills to extent of \$15,252, and for \$7,152, not secured, executed a power of attorney to me to represent him and the Bank of British North America in Quebec, Messrs. A. F. Knight & Co., Mr. G.B. Hall, the St. Lawrence Dock Co., The St. Lawrence Tow Boat Company, Messrs. Fry & Co., Mr. J. Connolly and Mr. Walter Smith executed powers of attorney to Mr. James W. Cook of the firm of Cook Brothers, with a power of substitution, and that gentleman subsequently made me his substitute, and his firm made me their own attorney, with full instructions as to the action I was to take. Mr. Walter Burke, Mr. Jas. K. Ward, and Mr. Proctor appointed Mr. Richard Lanigan their attorney. These were the only powers produced, and were unsolicited either by the assignee or by me. The total amount of claims represented by me was \$30,485. Exclusive of the Royal Canadian Bank for \$10,585, who were in communication with me, and Mr. Lanigan represented \$11,400, the claims subsequently filed were but three in number, aggregating \$619, including Bullis's for \$131.67, but no power of attorney to represent any of them was produced.

4. On the 17th January the meeting of creditors took place, but there being no information before them, save a rough memorandum, which the insolvent gave in, of liabilities and assets, the latter consisting of two lots of wild land, and the L'Original Mills, mortgaged far beyond their value, the prospects of the creditors seemed gloomy enough.

5. The wild land produced at public sale \$355, to which was subsequently added \$63.49, collected from book debts and some scattered timber gathered by the assignee, nothing more seemed available for the creditors and the expense of winding-up the estate.

6. At the first meeting on 17th January the insolvent gave hopes of being able to offer a composition, and asked time for the purpose, and an adjournment of the meeting to the 20th February took place to enable him to do so.

7. In the interim the Quebec and L'Original books were looked into, and the appearance of large funds being abstracted was such that I communicated my opinion to Messrs. Cook Brothers and urged that some competent accountant and bookkeeper should be sent up to look into them before the next meeting. Mr. H. W. Welch of Quebec was sent for the purpose. Mr. Welch attended the meeting and examination of the books and arrived at the same conclusion which I did. The examination of the insolvent was commenced that day, continued on the next, and the insolvent having promised to furnish further books and papers, and stated that he still expected to make a satisfactory proposition to his creditors, the meeting was adjourned to 28th March.

8. The insolvent said his Western business was altogether managed by his clerk, Mr. Henderson, who had gone to the Southern States, and whose drafts on insolvent were traced to a large amount. When questioned as to them the answer of the insolvent was "The Bills payable charged Western account" for acceptance of Henderson's drafts, amounting to the sum of \$41,915 have all been paid to the best of my belief, with the exception of balance remaining on the \$14,300 draft already referred to."

9. This meeting adjourned to 2nd April, and was followed by several other adjournments, to receive the promised proposal of the insolvent. On the 14th May the last adjournment was held, and no proposition being made by the insolvent, the meeting closed.

10. When Mr. Welch attended the meetings in February, it was apparent that, if a clue could not be obtained to discover the assets supposed to be abstracted, there were no funds likely to be realised to justify any heavy expense in looking after them, and the creditors were not disposed to contribute anything for the purpose. I was therefore requested to continue my examination of the books and accounts, and it was intimated to me and to the assignee that the creditors were desirous to devolve any possible dividend then apparent to defray the expense which might be thus incurred. It was also considered advisable that the assignee should turn the grist mill to profitable account for the estate, by working it until the foreclosure of the mortgages on it took place, and thus provide a fund towards payment of the heavy taxes on the mill property and other incidental expenses. This he did, and in the two seasons for which it was so worked, under the superintendence of the assignee, the proceeds from grist were \$997.01, and, after deducting wages and other outlay, amounting to \$450.89, left a net gain to the estate therefrom amounting to \$546.12, thus nearly doubling the assets for expenses and dividend.

11. The sale of the land took place in October, 1874. There was no expectation that anything further would be realised, unless some discovery of assets therefrom took place, and it was deemed advisable to wait until the mortgages on the mill property were foreclosed to declare the first and final dividend, settle the remuneration of the assignee, and, after deducting the ordinary expenses in insolvency, apply the dividends of the creditors co-occurring therein to the liquidation of the costs specially incurred under their direction.