POOR DOCUMENT

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TRACING DISPOSAL OF THE RAILWAY BONDS

Central Enquiry Evidence Discloses That Hon. Mr. Pugsley and the Late A. I. Trueman Received Large Blocks for Which Explanation is Yet to Be Made--One Director Who Withdrew Because He Did Not Like Business Methods Followed--More Gifts of Shares in the Central.

The evidence given Tuesday before the royal commission appointed to enquire into the affairs of the Central Railway discloses several new and interesting features with regard to the financial transactions which took place in connection with the road.

The examination of E. M. Shadbolt, manager of the St. John branch of the Bank of Montreal and of the Royal Trust Company, which occupied part of the session, had reference to the disposal of the bonds of the N. B. Coal & Railway Company which were delivered on the order of Hon. William Pugsley as director for the provincial government, and the late A. I. Trueman.

Mr. Shadbolt produced receipts showing that 153 bonds, worth $76,500, had been delivered to Mr. Pugsley, and 241 bonds, worth $120,500, had been delivered to Mr. Trueman. There is no evidence yet before the commission as to how these bonds were disposed of, and further light on the subject will be awaited with interest.

In giving further evidence at the afternoon session Mr. Shadbolt produced a copy of a receipt showing that Messrs. Evans and Elkin paid E. W. Drexel & Co. and Clark & Co., of Philadelphia, $55,800 as full purchase money for both the Central and St. Martin's Railways. For the Central Railway alone it has been claimed the government of the day paid $180,000. Further evidence may disclose what became of the difference.

R. A. Irving and Ernest Hutchinson, who were stockholders and directors, also gave evidence which tended to show that they did not pay for their shares. Mr. Hutchinson told the commission that he resigned because he did not believe in the old company's methods of doing business. F. K. Brown, a clerk in the Bank of New Brunswick, and J. M. Robinson of J. M. Robinson & Sons, were the other witnesses.

A statement prepared by the late Mr. Sharp of the accounts of the N. B. Coal & Railway Company to May, 1904, showed payments of $5,000 to "the managing director," $4,000 to Messrs. Trueman and Skinner, besides other items which may require further information.

The commissioners will sit in Fredericton today and will resume the sessions in St. John tomorrow morning.

Robert A. Irving, barrister, of Buctouche, was the first witness called. He had become a stockholder in the N. B. Coal and Railway Co. at the request of Hon. James Barnes. He did not remember a meeting being held previous to organization. He was one of the original members of the company by act of the legislature and attended a meeting of the company at Fredericton in the summer of 1901, after the close of the legislature. He could not remember if any members of the government attended. Mr. Carvell here asked that Mr. Powell modify the form of his questions.

The witness said he remembered Geo. Allen and Mr. Winslow were present. Adjournment was made to St. John and he thought Mr. Hutchinson, Mr. Bruce, A. P. Barnhill and possibly Mr. Pugsley and Mr. Skinner were present. He did not think Mr. Tweedie was present. He was elected a director of the company and was also a provincial director. He could not remember whether he attended any other meetings or not. He had no recollection of talk of negotiations between the Central Railway and N.B. Coal and Railway Co. as to taking of latter over. He knew nothing of the terms on which the railway was taken over; whether he was a director or not yet he did not know.

He attended his last meeting in 1902. He would not swear that he had spent or had not spent so much as five minutes in the interest of the company. He did not remember subscribing for stock in the company previous to the allotment, but it seemed to him that he did.

Asked as to a subscription in certain terms (read), he said he did not remember it. Mr. Powell read a list of names marked "one share" each. Witness said that he indistinctly remembered such a list. He remembered that the par value of these shares was $100 each. Mr. Powell read an extract from the incorporation act. Witness said he remembered no other subscription list. This $100 par value stock was all he remembered to have been subscribed. He had not paid on it himself and did not know that the others had. Witness said he thought Geo. Allen was the solicitor of the company, Mr. Hutchinson president, and Byron Winslow treasurer. The witness said he remembered no arrangement having been made of a large block of stock. He had received 10 shares himself without payment.

Mr. Powell elicited from the witness that he had in his opinion done nothing to deserve these shares. He said he knew nothing as to a large lot of stock being handed to C. N. Skinner, nor of the latter holding stock in trust for other people. He presumed he was at the time a director. All he did in this capacity was to attend two meetings. He had simply dropped out of the position. Mr. Pugsley Mr. Barnhill and all the other directors took an active part in the company. He knew nothing of a trust deed being executed in 1901 to the Royal Trust Company, nor of any in 1903.

During the last five years he might have received notices of meetings of the directors. He did not attend them at any rate. He knew nothing about Mr. Barnes having a contract with the company, merely of its existence. He knew nothing of a government subsidy of the road. He knew there was some talk of purchasing a "claim" (right of way, etc.), from Mr. Evans. He had never seen the company's books of accounts. As to negotiations between the railway and government as to subsidies he knew nothing. No payments from the funds of the company to witness had been made. He knew of none to anyone.

Commissioner Teed asked the witness if he knew of any duties he was to have as director. The witness said he knew only of the ordinary ones. He had never seen any statements of any kind of the business of the company.

To Judge Landry, the witness said he had a certificate for the ten shares only, which came from Mr. Allen. This did not include the single one.

To Mr. Powell he said he might have been present at the special meeting of June 15, 1903. He thought he was.

To Mr. Carvell the witness said that at the time of the meetings he attended there had been no construction commenced.

Ernest Hutchinson, of Douglastown, was next called and sworn. He remembered the organization meeting of the company. Mr. Tweedie had spoken to witness of a company to develop Queens County coal fields. He had consented to take part in the scheme. He had attended the organization meeting, but had otherwise spent not a minute's time in its interest. He remembered no allotment of shares at the time of organization. He remembered getting a certificate for ten shares at a later time. He thought there were 500 shares in all. The directors got ten shares each and the balance went to Mr. Skinner. He imagined this would be for Mr. Skinner to dispose of for the interest of the company. The witness had remained president of the company for about a year. He would not like to say that Mr. Skinner was given the shares to be disposed of at the latter's absolute discretion. Just why it was given it was not known to the witness. Referred to the minute book by Mr. Powell witness said he remembered having attended every meeting he could possibly spare from his business. He did not hear from any source that Mr. Skinner was to dispose of the stock as he chose. He did not know that he would have objected as he did not consider the stock worth anything.

He had no distinct recollection of the subsidy dealings with the government. He might have signed the Barnes contract as president. He remembered the Wheaton and Barnes tenders being considered, and that the Wheaton tender was lower than the Barnes tender, although the latter was accepted. He did not know that Mr. Barnes was interested in the company, nor that Mr. Wheaton was a man of large railroad experience. He had not learned that Wheaton had had the contract for building the majority of the smaller lines in the province nor did he remember the reasons given at the meeting for accepting Barnes' tender.

He did not know that the incorporation act of the company required that the lowest contract must be accepted, barring good reason. He knew that it was decided to issue bonds on the road, and that he signed the whole $250,000 worth of bonds. The intention then was to put them in the bank as collateral security until the subsidies became due. He knew nothing of how the bonds were to be secured. He thought he had resigned as president and director in 1902.

His reasons for getting out were that the business was not carried on in his way. Things were too slow for him and the getting of the coal which he went in for, and this was not done. He did not think the mines could be worked in the way proposed. No plant was actually obtained for coal mining at the time he was president. In his time Mr. Skinner and Mr. Pugsley were the main men. He himself had kept no oversight over the finances of the company. He had no hand in running them. Arrangements with Mr. Evans as to taking over a right of way, profits, etc., he did not remember. After his resignation he took no further interest in the company. He could not recall any of the negotiations as to the amalgamation or taking over of the road, although he thought it was in his term of office. He presumed a committee had done the work and had reported. The witness could not remember an understanding for amalgamation.

Mr. Powell read from the minute book of May 10, 1901, a resolution by A. P. Barnhill looking toward "amalgamation" with the Central Railway Company. Mr. Hutchinson remarked that this was "early in the game," but he had not remembered it.

Mr. Powell read the bye-law of the company of October 21, 1901, resolving upon the issue of bonds, and the mortgage to the trust company for security. He had signed all the bonds at McMillan's, where they were being printed.

Referring to the minutes of the same meeting, Mr. Powell read a resolution as to the securing of the bonds issued for the building of the first 15 miles of the road. Mr. Hutchinson said he remembered that the bonds were deposited with the People's Bank. This resolution was in accordance with the incorporation act of the company and a later order-in-council. Witness said he had nothing to do with arranging this order-in-council. A committee had made the arrangements.

Mr. Powell called attention further to a resolution of the same day, based on a report of the committee dealing with the purchase option in the Central Railway.

About these resolutions, Mr. Hutchinson said the directors had not been consulted. They had all been handled by committees. Witness could not call to mind any of these resolutions regarding the issue of bonds, or subsidies, or of the purchases of options upon the Central road looking toward amalgamation.

The minutes, as read by Mr. Powell, showed that the witness had been a member of the committee appointed on May 10, 1901, in St. John to "confer" as to the construction of the line from Chipman to Newcastle, etc., and the amalgamation with the Central Railway. A. P. Barnhill, Mr. Pugsley and Hon. L. J. Tweedie were the other members of this committee. The witness said this committee had done nothing. He contended that the committee were only to confer, and had no power to act. There was some little discussion by the court and counsel as to the meaning of the expression used.

The witness said he recollected regulations for the purchase of E. G. Evans's rights of way, profits, etc., and plans of the new road from Chipman to Gibson. He could not remember signing any agreement with Mr. Evans.

To Mr. Carvell, the witness said he knew the company had taken steps towards developing the Queens county coal fields. A man had been sent to Ohio (Fred. Tweedie, son of Governor Tweedie) to inquire into methods of mining coal near the surface. A man named Butler had come here from Ohio and had made proposals as to the coal fields. He had known neither Mr. Barnes nor Mr. Wheaton.

To Mr. Powell, again, witness said he knew of no negotiations with the government as to taking a tract of coal land in Queens county. He knew the company had acquired such a tract.

Edmund B. Le Roy, manager of the Canada Permanent Mortgage Corporation, was next called and sworn. He had been manager in St. John since May, 1905. Some papers relating to the business of the N. B. Coal and Railway Company with the Mortgage Corporation were produced in court by this witness. These formed an application from the N. B. Coal and Railway Co. for a loan from the Corporation This was dated Sept. 16, 1903, and the amount asked for was $45,000. This was to be secured by $50,000 worth of the bonds of the company and by a mortgage upon the plant and rolling stock of the company.

Attached was an hypothecation, under the seal of the company, signed by Messrs. Skinner, Pugsley and Allen, as president, director and secretary, of bonds of the company, guaranteed by the N. B. government. The money was advanced by cheque on the bank of Nova Scotia, payable at the Bank of New Brunswick, for $44,945. The loan was for three years. There was attached, under date of Dec. 23, 1905, a certificate of an order-in-council by which the New Brunswick government was to guarantee the bonds of the company to the extent of $378,500.

The witness stated that the loan was paid off in March, 1905. The rate of interest was 6 per cent., half yearly. The record said that the bonds were surrendered at Toronto to the Dominion Securities Co.

The record showed a later application for a loan made by letter on Sept. 5, 1903, to the manager of the company by A. I. Trueman, as solicitor of the N. B. Coal and Railway Co. This was for $50,000, to be secured by $55,000 bonds of the company, principal and interest to be guaranteed by the government. For this loan $60,000 worth of bonds of the company were hypothecated. A cheque in form like the first for $49,964 was given.

In all this made $110,000 worth of bonds hypothecated.

A letter was in the papers brought in by the witness from Manager Stavert of the Bank of N. B. to Mr. Pugsley, giving the numbers of N. B. Coal and Railway Co. bonds held by the bank.

A letter also appeared from Geo. McAvity to the Canada Permanent Mortgage Corporation asking for the delivery to the Dominion Securities Corporation of the hypothecation instruments of the $110,000 worth of the N. B. Coal and Railway Co. bonds, on the payment of $97,986.96 and an additional bonus of $2,500. This bonus was given because the bonds were to be taken up before they were legally entitled to be called for it.

The amount of the two cheques given by the corporation to the company was $94,909, as against the $97,986.96 paid for the surrender.

E. M. Shadbolt, manager of the N. B. branch of the Royal Trust Co., was first called and sworn. To Mr. Powell he said he would not say he had dealings with the N. B. Coal and Railway Co. He had had dealings regarding their securities. In 1903 he had become trustee for an issue of bonds of the company. He knew there was a previous issue for $250,000 at 3 per cent. These were cancelled when the new issue was made. This new issue was for $450,000 and the trust deed securing them bore date June 30th, 1903. The old issue of $250,000 passed through witness' hands, and he handed them to Weldon & McLean, as notaries, to be burned. They were burned. Both old and new bonds were with the witness' company.

He had received $70,000 of the $250,000 (old bonds) from the Bank of Montreal branch in Fredericton; $20,000 from the Bank of B. N. A. at St. John, and $160,000 from the Bank of New Brunswick at St. John, totalling the whole issue of $250,000. These were all $500 bonds. Bonds of the new issue, 900 of $500 each, bearing interest at 4 per cent. were handed to witness about the time the old issue was withdrawn. These bonds were afterward delivered up to different parties.

Before the bonds were handed out by witness, 667 of them were endorsed by the government. The balance, he understood from Dr. Pugsley, would be endorsed afterward. Dr. Pugsley signed the orders for handing out of most of the bonds, A. I. Trueman for the rest. To the Bank of Montreal, at Fredericton, 40 bonds, amounting to $20,000, had been expressed; to the Bank of N. B., St. John, 54 bonds, amounting to $27,000; to the same bank, for the People's Bank, Fredericton, 140 bonds, worth $70,000; to the same bank, 132 bonds, worth $66,000, on account of the N. B. Coal and Railway Co. To the Bank of B. N. A., 40 bonds, value $20,000, had been given, and to A. I. Trueman, 171 bonds, value $85,500. For these transfers receipts were produced by witness. The old bonds were 3 per cents and the new bonds were 4 per cents. After this he had distributed all of the 900 bonds.

On 6th November, 40 bonds, worth $20,000, were given to A. I. Trueman, for which he had a receipt. On Nov. 16, 1903, there were delivered to Dr. Pugsley 46 bonds, worth $20,000, against his receipt, for the N. B. Coal and Railway Co. On 17th Nov., A. I. Trueman received 30 bonds worth $15,000. On Jan. 20, 1904, 8 bonds, worth $4,000, went to Dr. Pugsley, representing the provincial government. On 29th June, 1904, Dr. Pugsley received 105 bonds, worth $52,500, as director of the N. B. Coal and Railway Co.

One o'clock adjournment came at this point.

On resuming after lunch, Mr. Shadbolt's examination was continued. In reply to Mr. Powell he said that E. W. Clark & Co., of Philadelphia, in 1901 deposited with the Royal Trust Company, certain bonds and certificates which were to be held by the company in escrow and delivered on payment of $50,000, $5,000 and interest on the latter sum. These amounts were subsequently paid by Messrs. Evans and Elkin. The trust company did not retain the documents after the money was paid. They were sent on request to the parties interested.

Mr. Shadbolt produced a letter from E. W. Clark & Co., dated Oct. 18, 1901, in which it was stated they were sending certificates and securities by express and a power of attorney executed in blank. The securities were enumerated as follows:—

$540,000 first mortgage bonds on the Central Railway of N. B., with coupons attached.

$145,000 Hampton and St. Martins first mortgage bonds.

10,000 shares of Hampton & St. Martins Railway stock.

6,365½ shares in the Central Railway of N. B.

It was stipulated that on Mr. Evans paying all expenses and the sums named within the time mentioned in the contract, the securities, the property of Drexel & Co., and E. W. Clark & Co., were to be delivered. If Mr. Evans failed the securities were to be held subject to E. W. Clark & Co's. order.

Replying further to Mr. Powell, Mr. Shadbolt said he only had the letter of instructions. Under the terms on which the securities were held by the trust company, the option was carried out on Aug. 6, 1903. The money was paid and the bonds and stock delivered to Messrs. Elkin and Evans.

The receipts were about to be read when Mr. Barnhill objected to going into anything relating to the Hampton & St. Martins road, as it had no relation whatever to the Central. He could not understand, he said, why the trust company produced the document under their suppoena.

It was claimed by Mr. Powell that the affairs of the two concerns at this stage were so intermingled that the receipts could not be separated. He wanted to show, he said, whether all or only part of the $55,000 paid was for the Central Railway.

Mr. Barnhill contended that the dealings between Drexel & Co., and Mr. Evans were private business.

After some further discussion, in which all the lawyers took part, the matter was amicably settled and the receipts were read.

The receipts for 10,000 shares in the St. Martins Railway, and for bonds for $145,000 in the same road, were signed by Messrs. Elkin & Evans. The receipts for 540 bonds of $1,000 and 6,365½ shares in the Central Railway, were given by the late A. I. Trueman.

Replying further to Mr. Powell, Mr. Shadbolt said the money received, including $800 interest, was remitted to the Merchants National Bank, Philadelphia, to be surrendered to Drexel & Co., and Clark & Co., on their signing a receipt.

A copy of the form of receipt was put in after some objections by Mr. Carvell, on the ground that it might have been changed.

Mr. Shadbolt said the original was in Montreal, but he believed the document was a copy of the receipt, as it came back, otherwise it would not have been accepted.

Mr. Barnhill also objected to only half the documents being put in, the letter of Clark & Co., dated Sept. 18, being missing.

Mr. Shadbolt said it had been sent to Clark & Co., Aug. 27, 1903, at their request, as the transaction was closed.

A letter to Mr. Shadbolt from Hon. William Pugsley dated July 15, 1903, was put in evidence. It requested that all the stocks and bonds should be delivered to the Bank of Montreal as security for a temporary loan of $65,000 which the New Brunswick Coal and Railway Company was making and for which the bank would hold the securities as collateral.

In reply to Mr. Powell, Mr. Shadbolt said he had several conversations with Mr. Pugsley at the bank but not as far as he could remember with regard to this matter. He did not deliver the whole amount of bonds but $70,000 worth was sent to the Fredericton branch in exchange for the old issue. He knew of no advance being made.

This concluded Mr. Shadbolt's evidence.

F. Kenneth Brown, an employe in the Bank of New Brunswick, was the next witness. He testified to making a true copy from the bank books, of the current account of the New Brunswick Coal & Railway Company, from August 7, 1903 to March 2, 1905, when the account was closed. The copy was put in evidence.

Replying to Mr. Powell, Mr. Brown said the style of ledger used by the bank did not give the names of persons to whom the debits were paid. Except in a few cases in which the bank still held the checks it would be impossible to fill in the names.

In reply to Mr. Carvell, Mr. Brown said the checks were surrendered on August 26, 1904. He thought it was on the order of Mr. McAvity. The system in use applied to all accounts and not only to that of the railway company.

This finished Mr. Brown's evidence.

Mr. Barnhill said he wished to make it clear that the New Brunswick Coal & Railway Company bought the property and not the option from Messrs. Evans and Elkin, who paid Clark & Co. out of the money which came to them from the transaction.

The records of the meetings of the directors of the company and of the meetings of the shareholders were handed in by Mr. Powell and put in evidence.

J. M. Robinson, of the firm of J. M. Robinson & Sons, bankers, Prince William street, was the last witness examined. In reply to Mr. Powell he said his firm handled the bonds of the company in joint account with the Dominion Securities Company. They purchased the bonds from the New Brunswick Coal & Railway Company in March, 1905. He did not remember who were the holders but they were banks and financial institutions. He could ascertain from his books. The amount purchased was $368,000. They took delivery at their office in St. John.

At the request of Mr. Powell, Mr. Robinson went to his office and returned with a list of the banks and other institutions from which the bonds were received.

The names and the amounts paid in March 1905 were as follows:

Canada Permanent	$101,469.20
Additional interest	16.80
Bank of Montreal	62,089.99
Bank of B. N. A.	18,183.51
Peoples Bank	70,000.00
Bank of N. B.	84,729.04
Bank of N. S.	6,345.97

To Mr. Powell, Mr. Robinson said the $84,000 paid to the Bank of New Brunswick was for $92,500 bonds of the Company.

Mr. Powell pointed out that the item did not appear in the bank book.

Mr. McDougall suggested that as they had no statement of the liability account of the company in the Bank of New Brunswick it would probably appear there.

Mr. Powell called Mr. Robinson's attention to the fact that, while the sale of $368,000 worth of bonds at 97½ amounted to $358,000 and was all accounted for there was nothing to show who received the benefit of the accrued interest. The interest was payable in January and July and as the sale took place in March the interest for January and February should have been credited to the company.

Mr. McDougall after working the figures out, said it would amount to about $3,680. It did not seem to appear in the books.

Mr. Robinson said his firm bought the bonds with accrued interest, but he was unable to say from memory who paid the money to the company.

It was arranged that Mr. Robinson should look the matter up, and submit a statement on Thursday.

This concluded his evidence.

A number of reports from E. G. Evans, the engineer of the company, being progress estimates of work done under the Barnes Construction Company to November, 1903, were submitted by Mr. Powell, and put in evidence.

Mr. Carvell served notice for the production of Mr. Sharp's audit which was passed by an order-in-council in July, 1904.

The audit was subsequently found among the papers already prepared, but not yet in evidence.

Before adjournment, Mr. Powell read a lengthy statement dated June 27, 1904, prepared by Mr. Sharp, showing the accounts of the N. B. Coal and Railway Company to May 31. Among the payments were the following items:

Interest on bank advances, about	$33,000
Managing director's salary and fees	5,000
Secretary's salary and expenses	3,500
J. J. F. Winslow, salary, etc.	2,000
A. G. Blair, fees	2,500
H. H. McLean	300
Messrs. Trueman and Skinner	4,000

The commissioners then adjourned.

Fredericton, N.B., July 22.—The Central commission held two sessions here today and got through with a large amount of work. The witnesses examined included: O. H. Sharpe, manager, Bank of B.N.A.; Willard Kitchen, director of N. B. Coal & Ry. Co.; George Massey, manager, Bank of Montreal; J. W. Spurden, ex-manager, Bank of Montreal; A. H. Fitzrandolph, late president People's Bank; Deputy-Surveyor-General Loggie; W. T. Whitehead, and Sheriff Sterling.

Several of the witnesses who were expected to throw considerable light on transactions of the N.B. Railway & Coal Co., were very reticent. It was 7 o'clock when the last witness had been examined and the commissioners left for St. John by the 9 o'clock train and will take evidence there tomorrow.

At the afternoon's session, Geo. Massey, manager of the Bank of Montreal, was examined. He has only been occupying his present position for a few months and had little personal knowledge of the matter under inquiry. He produced the books of the bank and briefly explained the accounts for the benefit of the commission.

J. W. Spurden, formerly manager of the People's and more recently of the Bank of Montreal, next gave testimony. He told of advances made by the People's Bank at different times to the James Barnes Construction Company on account of N. B. Coal & Railway Company. The notes were endorsed by Senator Thompson and W. T. Whitehead and were payable on demand. The total amount advanced by the bank was $169,000. The bank was secured by order-in-council giving assurance that bonds would be issued to cover the amount. The bonds were ultimately issued and turned over to the bank.

Allen H. Fitzrandolph, who was president of the People's Bank prior to the merger with the Bank of Montreal, testified re the bank's transactions with the N. B. Coal & Railway Company. He explained that the bank made advances to the company on the strength of an order-in-council promising legislation authorizing a bond issue.

Deputy Receiver General Babbitt was recalled and questioned re some payments on behalf of the N. B. Railway Company through the People's Bank. These included notes in favor of James Barnes amounting to $19,878 and one in favor of A. George Blair amounting to $920.

J. Howe Dixon, clerk of the executive council, identified a batch of orders-in-council relating to matters under inquiry by the commission and copied from the records for their benefit.

Chairman Landry promised that copies of the orders-in-council would be made available for the inspection of counsel.

Deputy Surveyor General Loggie was next called and examined by Mr. Powell about the mining leases to the New Brunswick Coal & Railway Company. The company made application for mining leases in Queens and Sunbury Counties on November 16, 1901 and October 10, 1902, and received leases for sixty-five square miles. Contrary to the usual custom no licenses to search were issued to the company. The leases were for a period of twenty years and were authorized by an order-in-council. They gave the exclusive right to mine coal on an area of sixty-five square miles. There was nothing on the records of the department to show that the conditions of the leases were ever complied with. He could not say who conducted the negotiations for the leases but the application was signed by George W. Allen. The company carried on no mining operations so far as he knew and returned no royalties to the department. The conditions of the leases called for an output of 900 tons of coal per day, and on one occasion he had written to the surveyor general calling his attention to the fact that the conditions of the lease were not being complied with. The company continued to hold the leases down to the 8th of June of this year when they were cancelled by Surveyor General Grimmer. The company was to pay 15 cents a ton royalty on all coal mined on crown lands and 10 cents on that mined on private lands. He did not know that the company had mined any coal but they had collected royalties for the government from other parties.

Mr. Loggie promised to prepare a statement of the amount of coal raised and royalties collected and hand the same to the commission.

W. T. Whitehead was next examined. He said that he had no connection with the N. B. Coal & Railway, but endorsed its notes along with Senator Thompson. He was to receive one half of one per cent. commission for this but never got it. He was a member and director of Jas. Barnes Construction Company, which had a contract from N. B. Coal & Railway Company. He took no part in the negotiations carried on with the government for a settlement in connection with the company's contract. He presumed that negotiations were conducted by Barnes and Secretary Evans. The company never declared any dividends and the stock holders paid nothing for their stock. It was true that at one time he was an endorser of the company's paper to the amount of $160,000.

Witness was asked by Mr. Powell if he did not know that the N. B. Coal & Railway Company was absolutely worthless from a financial standpoint, and he replied that he relied on the whole corporation to protect him.

Witness denied that he had any understanding with members of the government in regard to his endorsements and did not remember having discussed the matter with them.

Mr. Carvell protested against this line of examination, claiming that Mr. Powell had practically told the witness that he did not believe him.

The chairman said that the examination was permissable, but counsel had no right to say that he doubted witness' word.

Mr. Whitehead admitted that he might have spoken casually about matters to Messrs. Tweedie, Pugsley and others. He did not remember a committee of directors of the N. B. Coal & Railway Company asking him to endorse for Mr. Barnes. He thought that it was Senator Thompson who arranged the matter with him. The government guarantee and subsidies were ample security for him. The notes were usually presented for endorsement by either Barnes or Allen. He never felt uncomfortable over the endorsements. Many years ago he was secretary of the Central Railway Co., but was not a stockholder.

To Judge Landry the witness said he did not remember giving his consent to endorse for the company but presumed he must have done so. The Barnes Construction Company was composed of Jas. Barnes and Son, Senator Thompson, witness, F. A. Barbour and Willard Kitchen. They were allotted fifty shares of stock each, but Mr. Kitchen declined to accept his. Witness here produced company's minute book which was briefly examined by Mr. Powell.

To Mr. Carvell, witness said that he went into the Barnes Company with the hope of making money, and had been disappointed. Senator Thompson was vice president of the People's Bank at the time the endorsements were made, and witness relied absolutely on his judgment. He received no commission for endorsing for the company and never received a dollar out of either N. B. Coal & Railway Company, James Barnes Construction Company, or from the government on account of these companies.

Commissioner McDougall said that if Senator Thompson had so much faith in the security it was surprising he should want an endorser.

M. G. Teed — Banks generally want everything in sight.

Mr. McDougall—Where they have good security they don't want an endorser.

Mr. Carvell— I wish we had you in Woodstock for a little while.

Sheriff Sterling was next called to the stand, but had scarcely got more than started with his testimony before Mr. Carvell entered a protest. He claimed that Mr. Sterling was being examined in regard to a private transaction of twenty years ago, which was beyond the scope of the commission. He quoted from the act of assembly creating the commission to show it was not supposed to go back further than 1901.

Mr. Powell said that the commission had a right to enquire into all matters appertaining to the cost of the road.

The chairman was satisfied that the commission had a right to examine Sheriff Sterling in regard to his connection with the Central Railway but as the question had been raised by Mr. Carvell he was willing, if the witness desired, to take time to look into the matter.

Mr. Sterling said he was quite willing to give testimony to set himself right before the public. He then read a carefully prepared statement giving a brief history of the Central Railway and showing his connection therewith. He and Senator Thompson, he said, each had twenty-one shares of stock and sold it to E. R. Burpee and A. E. Killam for $28,500 with the understanding that the amount was to be paid out of subsidies. They were treated by the government just as the banks are treated. Government Engineer Beckwith reported that the work had been satisfactorily performed by the contractors and the subsidies were paid. He quoted figures to show that the company had put $148,000 into the road besides the Dominion and local subsidies. He had secured one share of stock as trustee of his brother's estate and had purchased twenty from a man named White. The stock cost him altogether about $1,000. Later on Hon. A. G. Blair was employed by Senator Thompson and himself as solicitor, after a bargain had been made with Burpee and Killam. He could not recall what amount was paid Mr. Blair for his services.

Mr. Powell undertook to question the witness further on the point but Messrs. Barnhill, Teed and Carvell all objected on the ground that the matter was one between attorney and client and should not be disclosed.

Chairman Landry said that it was not an ordinary matter as Mr. Blair was leader of the government at the time. This very properly made it a subject for further inquiry.

Mr. Barnhill said that the reason he objected was that Blair was not present to speak for himself and explain the nature of the service rendered.

Chairman Landry said that perhaps, under the circumstances, it would be better for the commission to take time to consider the question.

Mr. Sterling, continuing, said that $26,000 had been paid to himself and Thompson and he had received one-half of it. He could not, for the life of him, tell what amount had been paid to Mr. Blair.

To Mr. Carvell the witness said that he presumed Messrs. Killam and Burpee already held stock in the company and the forty-two shares purchased from himself and Thompson would give them a controlling interest in the road. This concluded Mr. Sterling's testimony and he was stood aside to be recalled if wanted.

J. F. Winslow was recalled and identified some documents he had prepared for the New Brunswick Coal & Railway Company.

At 7 o'clock the commission adjourned to meet in St. John tomorrow.

Those present at the opening of the session were Judge Landry, the chairman; A. I. Teed and Fulton McDougall, commissioners; H. A. Powell, counsel; O. H. Sharpe, manager of the Bank of B. N. A.; Willard Kitchen, contractor; W. T. Whitehead, ex-M.P.P.; A. A. Sterling, sheriff; F. B. Carvell, A. H. Barnhill and M. G. Teed, private counsel.

Mr. Sharpe, who had been manager of the Bank of B. N. A., since October, 1902, was the first witness called. He produced his ledger to show the first transaction on April 14th, 1903, entered in the security book of 3 per cent. bonds No. 281-330, of $20,000, of N. B. Coal & Railway Co., guaranteed by the province. These were hypothecated for an "on demand" note for $18,000, signed by E. B. Winslow, Wm. Pugsley and Geo. W. Allen. The amount was placed to their credit and drawn out by two checks, on April 14th, for $16,481.70, and one on April 15th for $1,581.30. The note was paid on March 1st, when the bonds were handed to the People's Bank, when $18,000 and the interest at 5½ per cent. was paid. This was done on instructions from Mr. W. E. Stavert, of the Bank of New Brunswick. The note was probably returned to the company. The checks were given up, a voucher was received for them. Commissioner McDougall said the date was the same that $278,000 of bonds were distributed at St. John. This was the Bank of B. N. A.'s only transactions on this business, except for that done by the government on the N. B. Coal & Railway Co. business. Returning to the bonds spoken of before, Mr Sharpe said that Mr. Stavert had wanted to pay the $18,000 in Toronto funds, but the witness did not take this. The bonds had been replaced by 4 per cent. bonds before they were taken out. Returning to the account with the government for the N. B. Coal & Railway Co., Mr. Sharpe said the account was opened in September, 1905, and was closed out by the proceeds of a loan from the Bank of Montreal on treasury bills by a payment of $320,362.97 as part of $1,289,000 deposited on August 16th, 1907. This left a balance of $110, which was squared up on Sept. 11th, 1907. The ledger used by Mr. Sharpe was the ledger used for government accounts. The first item was a payment of $250,000 on Sept. 11th, 1905, on account of bonds. This was for 10 bonds of $25,000 issued as a temporary expedient in view of anticipation of legislation to allow the commissioners to issue bonds which was never acted upon, and has lately been taken over by the government, which will handle the bonds instead of the commissioners. The loan was made by the bank's branch in Montreal from the Credit Foncier.

In November, 1906, the bank made a loan, Mr. Sharpe said, to retire bonds amounting to $250,000. The bonds were returned from Montreal and handed over to the government. All checks against the account were issued by Mr. George N. Babbitt, deputy receiver general, and all checks were marked "N. B. Coal & Railway Company." There were a number of transfers of money to Mr. George McAvity, at St. John. In January, 1907, an order in council passed on December, 1906, was handed over to the bank, and on that authority the $250,000 loan was made. Mr. Sharpe said that in case of large transactions the bank required order in council as authority for payments. The credit and debits for interest on government accounts were all kept as one big account, and were not shown on the separate accounts.

Mr. Kitchen was next called and sworn. He was examined by Judge Landry and did not remember if he was one of the original incorporators of the N. B. Coal & Railway Co. The judge read the act, which showed that he was. He was later a director, but did not remember being elected a director. He had no recollection of any organization work for the company and was not a promoter of the company, but could not remember being induced by anybody to go in. All he remembered was being a director and could not remember being asked to become so or subscribing stock. He submitted a stock certificate for 10 shares of stock of N. B. Coal & Railway Co., with par value $100. It was signed by E. Hutchinson, president, and G. W. Allen, secretary. He did not remember having previously got a certificate for one share. Mr. Kitchen knew he paid nothing for the stock and did not remember where he got it. He could not even recollect thanking anybody for it. He could not remember the act calling for giving shares to the founders of the company. He did not suppose that he assumed any cash responsibility. He did not know of anybody else getting stock certificates. He attended meetings at St. John, but could not remember any disposition of the stock by the directors. He did not remember Hon. C. N. Skinner getting 430 shares. Mr. Kitchen did not think he had any special expenses, nor had he given any services which would call for any reimbursement in the way of stock. He had no remembrance of the directors authorizing 430 shares to be held by Mr. Skinner. He did not remember attending a meeting in St. John on August 16th, 1901, when he was notified of the receipt of tenders for the contract of building the road. He did not remember as director that Mr. Wheaton's tender was $109,700 and that Mr. Barnes' tender was $117,000, nor did he remember any discussion on the granting of the contract nor of seconding a resolution at the meeting. Mr. Kitchen was asked if he had not just lent his name to some friends in a generous mood and took no interest in it. He felt that the government was lending money for the enterprise and was represented, so that they would not want any advice from him.

Judge Landry read from the minutes of the meeting in question, several resolutions, one of which was seconded by him, and another appointing him on a committee, in order to refresh Mr. Kitchen's memory. He could not remember having passed a resolution stating that certain cement should be used and purchased from certain persons, to the exclusion of all others. Mr. Kitchen said that he did not even remember the meeting having adjourned. He knew that Mr. Barnes then a member of the legislature, carried out the contract. He thought that the chief idea of the enterprise was to develop the coal mines. He did not remember just when he thought that the coal development part of the company was a complete failure. After he felt that his services were of no use he stopped attending the meetings. He did not study the conditions under which the company was to get the money from the government and in fact he took practically no interest in the company. He looked upon it as a government enterprise and felt that it was being looked after by the then premier and attorney-general, Hon. L. J. Tweedie and Hon. Wm. Pugsley, who represented the government in the matter.

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BROWN-TAIL MOTHS ON BRIER ISLAND

Nova Scotia Expert Thinks They Flew Across Bay from Maine.

Halifax, July 22.—Principal M. Cumming, of the Agricultural College, who has returned from Yarmouth, says that brown-tail moths in considerable numbers had been discovered about lighthouses and electric lights in Yarmouth. He had also been sent a number of brown-tails from Brier Island, Digby county, indicating that they have flown across the Bay of Fundy from Maine.

The new pipe organ in the Auditorium at Ocean Grove (N.J.), is said to be the most powerful instrument of its kind in the world. It is valued at $40,000.

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