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TWENTY-SEVENTH YEAR TWENTY PAGES SATURDAY MORNING NOVEMBER 17 1906 TWENTY PAGES

CHIEF CLERK SHOCKED DIRECTORS REVELATIONS CAME AS COMPLETE SURPRISE, HE SAYS FIRST VICE-PRESIDENT NOT TOLD

Government Statement Signed as a Matter of Safety Without Informing Donald McKay of True Condition of Affairs—Manager McGill's Holiday Proved His Undoing.

BANK'S INSPECTOR EXPOSES WEAKNESS OF THE SYSTEM

The last days in Ontario Bank history, days intervening between the time of the complete realization by the directors that a crash was inevitable, and the fateful morning on the stock exchange when the collapse of the shares conveyed to the world the knowledge, hitherto jealously guarded, within the inner circles, were made known to the public at large for the first time yesterday in the proceedings before Magistrate Denison.

Frank H. Pope, chief clerk of the head office, and most trusted of all the staff by the general manager, since it was he who was assigned by McGill to deal with his correspondence while the manager was absent, gave to the light that which had, up to then, been a hidden chapter.

It was on Sept. 1 that the directors, or some of them, at least, were confronted with a crisis in the affairs of the bank. To the emergency meeting called purely on the initiative of Mr. Pope and Transfer Clerk Chenoweth, there came Directors Fleet, Harcourt, Garry and Walton, President Cockburn and Director Donald McKay were absent from the city.

Mr. Manager McGill had not taken any vacation last summer, it is more than likely that the Ontario Bank would still be holding up its head among the banking institutions. There would have been no break in the market price, no closing of the doors, and no absorption into the hands of a financial institution.

Mr. McGill would still be manager, and would be free to come and go, not permitted to move about solely by virtue of \$100,000 of assets.

But Mr. McGill took an extended holiday during July and August, and while he was high-rolling at New York and Saratoga, investigation into his security ledgers, for months back, blossoms, Pope and Chenoweth had nursed suspicions that had been aroused thru casual glimpses into the accounts. In the absence of the manager, they had time and opportunity at their command.

The Revelation.

What they discovered confirmed their belief that all was not well under the consulship of Charles McGill. A number of New York brokers, firms were debited with large amounts, had been for years; yet there was nothing to show that any securities were held, or that interest or dividends had been paid. The sums totaled well on to a million dollars, and included \$485,500 debited to Ladenburg, Thalmann & Co., and \$222,000 to Cuyler, Morgan & Co.

The directors professed themselves astounded, and would not believe. Inspector and bank inspectors as well close its doors if indications did not belie matters. And so it was decided to wait for the return of President McGill.

The government report for August was prepared for signature about Sept. 16. It was agreed that it be signed, or a premature collapse would ensue. The directors would only acknowledge suspicion, and required verification. Donald McKay had been kept in ignorance of the situation because it was thought it would prove too heavy a blow, and he signed the report, unaware, so Mr. Pope declared, of any possible falsification.

Then came a conference between the board and McGill, of which no details have come out. The writing off of \$136,000 as "bad debts," and the subsequent developments.

Robert B. Caldwell, inspector of the Ontario Bank for years, was examined at length, and the significant facts drawn forth that there had been practically no inspection whatever of the head office books. Before two annual meetings, at least, the inspector asked McGill to allow him to look over the books. The manager put him off with excuses, and Mr. Caldwell reported to Mr. Pope, who promised to see McGill. But, apparently, nothing was done.

The whole trend of Mr. Caldwell's inspection indicated that the system of bank inspection is of the lowest order, and some ironical comments were made thereupon by the court.

Inspector's Evidence.

P. B. Caldwell, for a number of years Continued on Page 7.

THE AWAKENING.

From the evidence of Frank H. Pope, chief clerk in the Ontario Bank.

I submitted to the board certain books and certain accounts for which there had been no entries for a number of years. As the bank from the statement appeared to Mr. Chenoweth and myself to be in a dangerous condition, we felt that it was our duty to call the attention of the directors to these books. I sent out notices to the directors, excepting Mr. McKay and Mr. Cockburn, who were not in the country, to attend a board meeting.

They said before they would believe any such statements they must be furnished with more information. The inspector was then called in and asked to go over the books and verify. Their view was that they could not lay a charge without knowing more than they did. It was decided that nothing should be done till the president returned, and that the general manager should not be spoken to in the meantime, but a request was made of Mr. McGill that he submit the books.

It was agreed we had to sign the government statement of the facts would become known to the public before arraignment could be made. It was got ready about Sept. 10, and Donald McKay was asked to sign it, but was not enlightened as to the suspicion entertained because he was too old to be told of it. He most certainly did not know it was false. Mr. McKay's weight of years had brought mental feebleness so that he would sign statements without questioning their nature.

To my knowledge the directors had no knowledge of the bank's difficulties. The directors often came into the office to ask about accounts that were thought to be shaky.

Toronto to Hudson Bay! Govt. Railway is Needed

World's Proposal is Endorsed by Leading Business Men and Representatives of the Legislature—No Time Should Be Lost.

The World's proposal for a government-controlled railway from Toronto to Hudson Bay with three telegraph and telephone systems, is being commented on freely by business men, many of whom urge that the government should proceed without delay to carry it into effect.

It was endorsed yesterday, among others, by Thomas Crawford, M.L.A., and W. K. McNaught, M.L.A., expressed himself in sympathy with the World's position. He thought that for the present running rights for the provincial railway over the G.T.R. from Toronto to North Bay would be sufficient, and then build right on to Hudson Bay.

Edin. De. Fyne, asked to be excused from making any statement at this time, as the matters involved would no doubt be taken into consideration by the government.

It has been suggested that the Toronto Board of Trade organize a businessmen's excursion to Cobalt and White Lake, to visit the lumber and manufacturers from the other cities of Ontario.

MAJORITY OF MEMBERS OWNED BY RAILWAYS

Hernt Bourassa Advocates Election of Labor Candidate.

Montreal, Nov. 16.—(Special).—Henry Bourassa, M.P., spoke this evening in favor of Mr. Ainey, the labor candidate.

He said he believed the majority of the members in parliament were controlled either by the C.P.R. or by the G.T.R. or the Canadian Northern, and although he did not agree with all the planks in Mr. Ainey's platform, he wanted to see a body of men in the house of commons beyond the influence of these companies.

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Smoke No. 7, very cool. Try it and you will have no other. Alive Bolland

BAVARIAN STILL FAST.

Quebec, Nov. 16.—(Special).—The second attempt to float the Allan Line in Baviaria was made this afternoon, but failed. The tide is still high, and a third trial will probably be made tomorrow.

Roll top desks in oak and mahogany with drawers, at Kay's, 36 and 38 King Street West.

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THE BEAR (as he reaches cover): He never saw me—but say, watch him soak the squi!

CARS RUN; NO DISORDER TWO ARRESTS FOR MINOR OFFENCES POLICE AWE STREET MOB

Sheriff Ready to Read Riot Act on City Hall Steps—Mayor Biggar Reports No Progress Towards Settlement, and Strike Leader Hopes for Nothing Thru Railway Board's Intervention.

Hamilton, Nov. 16.—(Special).—For the second time since the strike the street railroad operated its cars this afternoon. Crowds gathered out of curiosity, but there was no repetition of Monday's disorders.

Forty policemen under Sergeant-Major Prentice were paraded on James-street, the calculation evidently being that such a display would strike terror in the hearts of the rowdies even in the suburbs.

This proved to be a mistake, for although everything passed off quietly in the centre of the city, stones were being thrown in the outlying districts, and the windows of several cars were shattered.

Only two arrests were made, Patrick Quinn, 259 Mary-street, was nabbed at the corner of James and Barton-streets by the special officers of the company, and dragged onto a street car and brought up to the city hall. He was the only passenger of the car carried. He is accused of shying a stone thru the windows of a car.

Fred Farr, 45 King William-street, a youngster who was handing out "We Walk" cards, was also arrested.

Sheriff Middleton stood on the city hall steps ready to read the Riot Act, but he was not called upon to act for there was no trouble. The company ran the cars from 10 to 5 o'clock, but took them in before dark. They will be started out Saturday morning at 9 o'clock, but will not be operated after night fall. To-day they were loaded with strike-breakers and detectives. No constables rode on the cars.

"No progress" is the only thing Mayor Biggar was able to report to-night, after handing out a statement with reference to the company in a statement says: "The company in a statement says it is willing to take back 90 per cent of the strikers. The strikers say all or none will go back."

The board was in session from 2 till 6 o'clock this afternoon with the officials of the company, and when the official's intervention of each side should appear before the board and discuss the matter. The company has declined so far to accept that suggestion. The company in a statement says it is willing to take back 90 per cent of the strikers. The strikers say all or none will go back.

Union Make Offer.

In an official statement this evening the official criticized the company for handing out a statement with reference to the proposition the men were said to have made to the board. The men say that it was agreed, and they

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STEEL COMPANY STILL FIRM TO MAINTAIN RIGHTS UNDER CONTRACT

Nothing Settled, Says Senator Forget, Except Company Will Buy Coal in Open Market Until Validity of Contract Has Been Determined in Courts.

Montreal, Nov. 16.—(Special).—Senator Forget, vice-president of the Dominion Steel Company, gave out the following statement this morning:

"It is to be regretted that the articles appearing in the newspapers of yesterday afternoon and this morning are of a nature to mislead the public as to the true state of affairs between the Steel Company and Coal Company. No settlement of the difficulties has been reached. The only negotiations which have occurred between the two companies are those disclosed by the letters which have been published."

"A reference to these letters will show clearly that the Steel Company has simply offered to buy coal from the Coal Company in exactly the same way as it has been buying coal from outside sources since the Coal Company fell short in its deliveries, and since it stopped supplying coal."

"In other words, the Steel Company is buying its coal in the open market to the best possible advantage until such time as its rights under the contract with the Coal Company can be determined, and until such determination of its rights, the Steel Company will charge any loss it may sustain to the Coal Company, and damages arising out of the Coal Company's breach of the contract."

"The Steel Company has not relinquished any of its rights under the contract. On the contrary, the directors of the Steel Company were unanimously of opinion that its rights under the contract must and will be fully maintained and enforced."

Hon. George A. Cox said: "Yes, the Steel Company has given away to a certain extent in the present difficulty, and I am pleased that they have done so."

"Then the whole question is settled?" the senator was asked.

"No, not exactly. We are willing to pay an advance for our coal, but the validity of the contract will have to be determined by the courts. I think I am safe in stating that the Steel Company will hold the coal people responsible for any loss incurred since the trouble began, and I believe that the courts will demand that the Coal Company make a refund to the Steel Company of the difference between the contract price and the amount we are now paying."

"The Steel directors," continued Senator Cox, "have every reason to await the outcome with confidence."

SNOW TO-NIGHT.

Lower Lakes and Georgian Bay.—Strong winds and rains, southeastern and easterly; rain, raising to sleet and snow to-night.

THE BAROMETER.

Time.	Ther.	Bar.	Wind.
8 a.m.	24	29.66	10 N.W.
Noon	28	29.57	10 " "
4 p.m.	28	29.57	10 " "
8 p.m.	28	29.57	10 " "
10 p.m.	28	29.61	10 " "
Mean of day, 31; difference from average 5 below; highest, 39; lowest, 22.			

STEAMSHIP ARRIVALS.

Nov. 17.	At	From
Virginian	Halifax	Liverpool
Lucania	New York	Liverpool
Campania	Quebec	New York
Nunlith	Glasgow	London
Gr. Waldener	Hamburg	New York
Kaiserin A.V.	Cherbourg	New York

FORCED TO MAKE HALIFAX CALL BY TERMS OF ALLAN CONTRACT

C.P.R. Expresses Required to Make Roundabout Route in Delivering and Receiving Mail.—Efforts to Give Fast Service Frustrated by Government.

Montreal, Nov. 16.—The facts about the winter arrangements for the transport of the Atlantic mails are given out by the C.P.R., as follows:

The government entered into a contract with the Allan Line for carriage of the mails. Subsequently when the Canadian Pacific put its two new Expresses into service they became a party to the arrangement under an agreement made with the Allan Line as sub-contractors.

It was quite understood by the parties to this agreement that during the winter months the Express of Ireland and the Express of Ireland would run between Liverpool and St. John, receiving and delivering the mails at the latter port. Were it not for this understanding the Canadian Pacific would not have participated in the contract, because if these vessels are to be kept on the Atlantic route they must serve ports reached by the Canadian Pacific Railway lines.

However, the local influence at Halifax was apparently sufficient to induce the government under a technical clause of the original agreement between the government and the Allan Line to rule that the Expresses must go from St. John to Halifax to receive the

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