

FRAUD AND MISREPRESENTATION IN THE WEST SHORE RAILWAY

Gross Negligence and Calculated Cunning Charged Against
J. W. Moyes in Railway Board's Finding — Legal
Proceedings Expected.

[Special to The Advertiser.]

TORONTO, May 12.—In strong language, charging fraud, misrepresentation, gross negligence, shifty evasion, reiterated falsehood, shameless cynicism and calculated cunning, against John W. Moyes, promoter, D. McIntyre, chairman of the Ontario Railway and Harbour Board, handed out the finding of that body this afternoon on the investigation into the affairs of the Ontario West Shore Railway. The full weight of the board's finding is directed against Mr. Moyes for his attitude at the inquiry, his failure to give adequate or accurate testimony, and his manipulation of the funds secured from the sale of bonds of the railway company guaranteed by the municipalities of Goderich, Kincardine and Huron.

The tenor of the judgment is no surprise to those who followed Mr. McIntyre's attitude during the course of the investigation, although the comments he makes are probably as strong as have ever been delivered in a judicial pronouncement. This concludes the first inquiry conducted under the special power conferred by the Legislature two years ago, and is an added impetus to the many powers already possessed by the board, which is more easily available than the lengthy procedure required by procuring a royal commission.

It is stated in Toronto that the municipalities affected by the default of the railway and the fraud of Moyes will take legal proceedings against him as soon as the necessary arrangements can be made.

Findings of the Board.

The summarized conclusion of the board is given as follows:

(a) That John W. Moyes, by the false and fraudulent representation that \$12,500 had been paid into the Dominion Bank, Toronto, on account of the capital stock, procured the Ontario West Shore Railway Company to be permanently organized.

(b) That no permanent capital was contributed to the undertaking beyond the proceeds of the sale of the bonds guaranteed by the applicants, although fifteen of the unguaranteed bonds of a par value of \$15,000 appear to have been taken by the Provincial Steel Company in part payment of rails.

(c) That John W. Moyes, in breach of the Ontario Railway Act, procured a colorable agreement for the construction of the railway, to be entered into between the railway company and the so-called Huron Construction Company, which latter was, in fact, John W. Moyes.

Engineer Aided Moyes.

(d) That by procuring the issued false and fraudulent progress certificates, John W. Moyes withdrew from the Toronto General Trusts Corporation the proceeds of the sale of the bonds guaranteed by the applicants, amounting with interest to the sum of \$402,837.37, and Vaughan M. Roberts, the railway company's engineer, by his gross negligence and breach of duty, aided and abetted Moyes in his fraudulent design.

(e) That owing to the fact that no books of account of the company's business were kept, and that many vouchers for payments are missing, the board cannot report with exactness how much of the amount so fraudulently withdrawn by Moyes was properly expended. This much is clear, that while several thousands of dollars were applied to purposes foreign to the railway, the sum of \$228,272.06 was properly expended in railway construction and materials.

(f) That the assets of the company consist of the right-of-way (which for

the entire distance, except some twelve parcels, has been acquired), and construction work and material, all according to the corrected valuation of Mr. Middlemist, C. E., is worth \$276,021.21.

(g) That all the liabilities of the company known to the board are the bonds guaranteed by the applicants of a par value of \$400,000, and a parcel of unguaranteed bonds of the par value of \$15,000, both of which are secured by a mortgage on all the company's undertakings, and besides these there are outstanding unsecured accounts amounting to some \$2,000.

Bonds Guaranteed.
The finding itself is a lengthy document, covering twenty-eight typewritten pages, in which the board has prepared a careful and thorough summary of the whole case, commencing from the organization of the railway in 1902 as the Huron, Bruce and Grey Electric Railway Company, and changed the next year to the Ontario West Shore Railway Company.

On a basis of consideration there is a reference to the guarantee of \$400,000 bonds, as follows: Goderich, \$150,000; Kincardine, \$150,000; Ashfield, \$125,000; Township of Huron, \$75,000. The company was given bonding powers of \$15,000 per mile, under which it was estimated \$600,000 bonds would be issued, as was afterwards the case, and a capitalization of \$500,000. The deed of trust and mortgage securing the bonds provided that the trustees should pay out of the funds derived from the sale of the guaranteed bonds two-thirds of the amount of work done and material supplied.

Payments to Moyes.

Certificates were issued for an aggregate amount of \$538,548, and upon these the trustees paid over to John W. Moyes, representing the railway company, two-thirds of 90 per cent, namely \$383,969, which exhausted the avails of the guaranteed bonds except \$30.68. The abandonment of the uncompleted line from Goderich to Kincardine, and the default of the railway company to pay interest on the guaranteed bonds brought demands from the shareholders upon the municipalities. These incidents are referred to in passing along with the investigation of W. H. Middlemist, C. E., in the fall of 1912. Allowing five per cent for engineering expenses, fifteen per cent for profit, Mr. Middlemist estimated the value of the work and materials done and furnished at \$305,200. On that basis two-thirds of 90 per cent would be \$183,120, while, in fact, there had been paid to the company \$383,969, or an over-payment of \$200,849.

Discussing the progress of the inquiry the judgment comments on the severe adjustments in 1912, and the subsequent sittings up to the first of the present month. The evidence of the bank and trust company officers is dealt with briefly, the conduct of Mr. Moyes, the judgment proceeds, was procured with some difficulty, and after a long delay. The evidence of H. J. McEwan, secretary of the company, and V. M. Roberts, the engineer, pointed to Mr. Moyes as the custodian of the books and documentary records of the company.

Board's Comments Severe.

At this point comments of the board are most severe, and the words of the chairman require no explanation. The hope that Mr. Moyes would assist the inquiry was not realized.

While his memory refused to recall with accuracy individual transactions recorded in the bank ledgers," says Mr. McIntyre, "even the application of a check for so large an amount as \$15,000, the totally unexpected and disconcerting turn which his testimony took when asked to produce the company's books and papers, promised to land the investigation in an impasse from which there seemed no escape. A few excerpts from the notes of evidence will best illustrate this, and show the unsatisfactory character of

Moyes' testimony, which throughout was characterized by shifty evasion, and a subsequent development proved, by bold, reiterated falsehoods."

After citing some pertinent portions of Moyes' testimony, Mr. McIntyre refers to his attempt to evade responsibility for the disappearance of the books and papers of the company by declaring that he delivered them into the custody of Mr. Smoke, vice-president of the company, who died on May 21, 1913. A search revealed none of the papers in possession of Mr. Smoke's executors or of the members of his firm. All members found there were the minute books and papers covering the formal organization of the company, but no trace of anything connected with the disbursements of \$400,000.

An Infamous Fabrication.

Here the judgment proceeds: "The board's inquiry had been piloted in this cul-de-sac by Moyes, and there is no doubt he intended it should end. And yet, as afterwards appeared, this story so solemnly affirmed and reaffirmed by Moyes, was an infamous fabrication. Dead men tell no tales; and appreciating this, with shameless cynicism and calculated cunning, Moyes sought to unload upon the dead vice-president, Mr. Smoke, the vanished books and papers, with all the odium attaching to their disappearance."

Referring to the examination by A. C. Neff, chartered accountant, after the discovery of the trunk of papers last January, it is shown that no systematic record of the company's business had been kept. "This amazing fact is all the more incredible when it is borne in mind that during the years 1909, 1910 and part of the year 1911 the major part of the work of construction was carried on by the company and the cash disbursements had amounted to \$357,959. Yet during this period of three years, not a single entry was made in the books of the company to show what was being done with this large sum of money. Mr. Neff's difficulties were further increased by the confusion and uncertainty arising from the fact that Moyes had opened eight separate bank accounts—some at Toronto and others at Goderich—no less than five being in his own name—to each of which some part of the railway company's money was traced."

Thousands Unaccounted For.

From the ledger leaves of these bank accounts, along with vouchers, cheques and payrolls, Mr. Neff sought to make out a book of accounts, which as far as possible, with a properly conducted company, would have been the subject of a daily contemporaneous record. "Evil chance is still wanting of the destination and legitimate disbursement of many thousands of dollars."

The sitting on May 1 was arranged to enable Mr. Moyes to have an opportunity for further explanation, his counsel having stated that he would attend. His failure to do so on the pretext of ill-health leads to the conclusion that he never showed any disposition to assist the board in the inquiry.

False Statement.

The detailed summary of the salient facts of the case, the situation is discussed under seven headings. With regard to the organization of the company, it is known that Moyes' statement that \$12,500, representing 10 per cent of the \$125,000 of subscribed stock, had been procured from Mr. Smoke and deposited in the Dominion Bank to the credit of the railway company in accordance with the provisions of the act, was false. The deposit was secured through a manipulation of Mr. Pattinson's cheque. "Apparently," says Mr. Neff, "no permanent capital whatever has been furnished, outside of the proceeds of the guaranteed bonds."

Huron Construction Company.

Dealing with the arrangements for construction of the railway, the finding declared that the terms of the contract between the Huron Construction Company and the Ontario West Shore Railway Company were that the contractor should receive the stock and bonds of the railway company, nominally a consideration of \$1,100,000. "Owing to the evasive and untruthful answers of Moyes, much confusion arose in the early stages of the inquiry, and before possession was had of the books and papers, as to the identity of the Huron Construction Company. Notwithstanding Mr. Moyes' denial, it is shown that the Huron Construction Company, Limited, was incorporated by Mr. Road, under instructions from Moyes, although this company never got beyond the stage of provisional organization. The Huron Construction Company was not incorporated, and was really Moyes," says the board. "He was the sole initiating, efficient actor throughout, the others appearing, Roberts, the

engineer; MacEwen, the secretary, and Pattinson, the accommodating broker, being admittedly mere agents, moved by him and doing his will."

The finding then goes on to declare that under section 16 of the railway act, 1906, "no director or promoter of the company shall enter into or be directly or indirectly interested or concerned in or participate in the profit of any contract with the company not relating to the purchase of land necessary for the railway, nor become a partner of any contractor with the company."

Breach of Railway Act.

"It thus appears that the contract made by the Huron Construction Company, which was John W. Moyes, with the Ontario West Shore Railway Company, controlled by John W. Moyes, was in breach of the express terms of the railway act. In support of this it is shown that Moyes owned \$121,000 of the \$125,000 subscribed stock of the railway company."

Mr. Roberts, engineer, in issuing the certificates as he did, "failed grievously in his duty as certifying engineer." "This means that Roberts, under instructions from Moyes, adopted the contract price as the basis of the progress estimates and not the value of the service or materials done or supplied in the construction of the railway, which was the true basis as laid down in the trust deed. The application of such an erroneous method might explain, but could never justify, a result of which work and materials appraised by Mr. Middlemist at \$305,200 were certified to be of a value of \$353,910."

Moyes' Financial Necessities.

"In a word, the financial necessities of Moyes, not the deserts of the company, determined the quantum of his demand."

Continuing, the judgment adds that Mr. MacEwan's statement of the amount spent out of the funds of the company approximates Mr. Neff's estimates. To Mr. MacEwan's knowledge, the payments amounted to \$228,272, which leaves to be accounted for \$174,555. "And the board places the burden of accounting for this where it properly belongs, upon the shoulders of John W. Moyes. This burden he has so far signally failed to discharge. How much of this large balance was legitimately applied to the purpose of the railway the board is unable to say from the material at its command."

Securities Held by Moyes.

As to the securities of the company, the investigation has demonstrated to the belief of the board, that \$165,000 of an issue of \$200,000 of unsecured bonds are in the possession of Moyes, to which, under the law, he cannot make title. The visible assets of the company at the present time are shown to be \$276,021, made up of right-of-way work done and material supplied, engineering, etc. The liabilities to the public, which of course do not include the \$200,000 of unsecured bonds, are placed at \$147,000. Stock to Moyes and his associates and \$270,000 to the Huron Construction Company, but the report states "it is clear that no real ability exists to pay the debt."

May Prosecute Moyes.

Wm. Proudfoot, K. C., M. P. P., who was counsel for the township of Ashfield at the investigation, when interviewed by "The Advertiser" recently expressed by the corporation is that as soon as the report is issued, it would be placed in the hands of the Attorney-General. "The opinion is that the matter was of such public interest to the Province that it should be taken hold of and Moyes prosecuted by the department."

When asked about the whereabouts of Mr. Moyes, Mr. T. Herbert Lemoine, K. C., who appeared on his behalf before the board, said last night: "The last I knew of Mr. Moyes was that he had left Kingston, P.Q., since then I have heard nothing."

CANADA WILL NOT HELP SUPPORT NAVY TO FIGHT ULSTER

Says A. H. Musgrove, M. P., in
Speech at Clinton—Dodges
the Liquor Question, but
Touches Bilingual.

[Special to The Advertiser.]

CLINTON, May 12.—"If England opens any fight in Ulster, then Canada's interest in England will very suddenly change. The one thing is absolutely sure, there will be no Canadian contribution towards an English navy."

Such was the declaration of A. H. Musgrove, of Wincham, Conservative member for North Huron, at a big "at home" held under the auspices of the local Orangemen here this evening.

He gave it as his opinion that the British Parliament should not take any steps to force anything on the people of Ulster that they did not want. "Avoids Temperance Issue." While most carefully avoiding any reference to the temperance issue which is the talk of all Huron since Mr. Hanna's recent breach of faith, Mr. Musgrove touched upon the bilingual question. He declared that while under the Dominion statutes the French language has a status under the provincial law it has none. "What the French people really want, he said, is to have their language taught. What the law desired, said Mr. Musgrove, is that every student on leaving the public school should have a working knowledge of English. This many of the French people did not favor."

Law To Be Amended.

"The Government," he said, "proposes to amend the law shortly so that in schools where English is not being taught as it is thought it should be, the grant will be withheld."

Mr. Musgrove also mentioned the temperance decree, stating that in his opinion marriage should be a civil rite which could not be set aside by any church or sect, but only by the Government.

In speaking of the Orange Order he mentioned that 23 Orangemen are members of the Ontario House.

CAPTAIN ROBERTSON

ARRIVES AT GODERICH

Asks That He Be Allowed To Charter a Tug To Search For Vessels.

[Special to The Advertiser.]

GODERICH, May 12.—Captain Robertson, of the Government cruiser Vigilant, arrived here today, and it is understood that a thorough search will be made shortly, with a view of locating any of the vessels lost in the recent storms, which may be in this vicinity.

Captain Robertson tonight wired to headquarters asking that he be allowed to charter a tug suitable for the work, or that the Vigilant be sent.

The keenest interest is being taken in the matter all through this district, and many mariners are confident that one or more of the missing lake freighters will be discovered.

Suit Sale

EVERY new style is represented, embracing the latest New York and Paris creations. Pretty Etons and Boleros, short fancy-tailored models, or cut on simpler lines. Stylish trimmings, fancy collar effects, ruchings of cloth, silks or laces. New skirt effects; tunic, double-tier and ruffled. Materials—gabardines, wool poplin, mannish serge, crepe cloth, shepherd checks and pretty novelty weaves. ALL Suits reduced.

\$33.75 Regularly to \$55.00

\$27.75 Regularly to \$35.00

\$18.75 Regularly to \$25.00

\$29.75 Regularly to \$40.00

\$23.75 Regularly to \$30.00

\$14.75 Regularly to \$20.00

\$11.75 Regularly to \$15.00

"All
Raphael
Advertising
is
Absolutely
True."

RAPHAEL and COMPANY

236-238 Dundas Street

BLYTH INSTITUTE IS MAKING FINE PROGRESS

[Special to The Advertiser.]

BLYTH, May 12.—At the annual meeting of the Women's Institute, held at the house of Mrs. John Emigh, gratifying reports were received.

This society was organized four years ago with but a few members, but has been steadily increasing in popularity and in membership.

During the past year twelve meetings have been held, with an average attendance of fifty. Many subjects of interest to the home-maker have been discussed, subjects both practical and ethical, and altogether 27 addresses have been given.

During the year the total receipts

have amounted to \$129.90, the expenditures \$91.46, leaving a balance in the treasury of \$38.44. The members of the institute have taken an interest in local affairs.

The society gave liberal prizes at the fall fair, aided local charity and allows \$1 each month for flowers to the sick.

The officers elected for the coming year are: President, Mrs. H. Gardiner; first vice-president, Mrs. R. Richmond; second vice-president, Mrs. C. H. Beese; third vice-president, Mrs. Duncan Laidlaw; secretary-treasurer, Mrs. R. Wightman; assistant secretary, Miss Odell; press correspondent, Mrs. E. Bender; representatives to district meeting, Mrs. Bender, Mrs. Gidley, Mrs. Cockertine, Mrs. Gardiner and Wightman; district directors, Miss Gardiner; board of directors, Mrs. H.

Young, Mrs. J. Hoss, Mrs. J. Carter, Mrs. Pratt and the officers.

ASK BOARD TO TAKE OVER CATHOLIC SCHOOL

Winnipeg, Man., May 13.—New developments in Manitoba's school controversy seem likely to be the result of a letter from the trustees of St. Mary's Catholic school to the Winnipeg Public School Board. It formally requests the school board to take charge of St. Mary's school and manage it under the terms of the public school act. The chairman was empowered to choose a committee to go into the matter. No intimation was given at the meeting as to what the decision will be.

An Author's Experience WITH DR. CHASE'S NERVE FOOD

Shock and Overwork caused Nervous Breakdown—Never found anything to compare with Dr. Chase's Nerve Food as a Restorative.

Miss Innes is widely known in New York, Toronto and other large centres as a Teacher of Dressmaking and as author of the most complete work on this subject: "Scientific Dressmaking and Millinery." This book has been ordered by the government for use in Women's Institutes throughout this province, and is being put into practically all Public Libraries. The experience which Miss Innes has had with Dr. Chase's Nerve Food is told in such an interesting manner in her letter that we shall quote it in full.



MISS I. INNES

Miss I. Innes, 245 Huron St., Toronto, writes:—"I have a strong constitution and do not neglect the health as many do whose strenuous lives of overwork lead to breakdown of the nervous system. Consequently when, on receipt of a telegram announcing the death of a brother who was very dear to me, the nerves failed me, I went to my doctor and his prescription acted beautifully and restored the nervous system for a time. Again in New York I felt the need of a tonic and had the doctor's prescription filled but to no avail, and just here I want to emphasize the necessity of going to a reliable druggist who you know will use only the best and purest drugs. I was benefitted to some extent by trying a prescription which is used extensively by stock brokers on Wall Street, where fortunes are made and lost in a day, and the nerves give way under the enormous strain."

This helped me but I am writing this letter to say that nothing I used could for a moment be compared to Dr. Chase's Nerve Food. This treatment restored my exhausted nerves, gave me new vigor and energy, and banished the many distressing and disheartening symptoms which only nervous people will understand.

I know there are authors, journalists and business men with whom I come in contact daily who should know about this great nerve restorative. I know there are women in the home straining the last nerve to make the best use of the income in these times of high prices and whose nerve cells have been sapped by worry and anxiety until they live in misery and do not understand the reason. It is because I know this that I want to tell these nervous, worn out people about Dr. Chase's Nerve Food. From my own experience I know just how they feel and just as certainly know that Dr. Chase's Nerve Food will prove a wonderful blessing to them."

Dr. Chase's Nerve Food, 50 cents a box, 6 for \$2.50, all dealers or Edmanson, Bates & Co., Limited, Toronto.

Ask Your Druggist for Three Months' Treatment; 12 Boxes for \$5.

B. I. S. N. Co., Ltd.

R. M. S. "ELLENGA"
BREAKFAST

Collected Oats, Grape-Nuts, Raisins, Apples, etc.

On S.S.
between
Calcutta and
Rangoon, India
in all orders
"Grape-Nuts"
W. H. Boyce

Wherever the white man goes—for fun, fame or fortune—wherever maximum food value and minimum bulk are prime factors—there you'll find this sturdy, appetizing food, made of whole wheat and barley.

Grape-Nuts

is probably the longest baked, the most thoroughly dextrinized, and the most easily digested of cereal foods. (Digests generally in about one hour.)

Because of this quality, Grape-Nuts produces great energy with little effort in digestion, and so furnishes a most admirable diet for hot weather or tropical climes.

Ready to eat from the package, fresh and crisp. Served with cream, milk or fruits, and sugar if desired. Keeps indefinitely anywhere.

"There's a Reason" for Grape-Nuts

sold by Grocers everywhere.

CANADIAN POSTUM CEREAL COMPANY, LIMITED, WINDSOR, ONT.