

TERRIBLE ARRANGING OF CENTRAL RAILWAY TRANSACTIONS BY ROYAL COMMISSIONERS UNDER THE CONDUCT OF MR. WEEBLE AND MR. PUGSLEY APPEAL TO GRAVE OFFICERS; NEARLY \$1,000,000 TOSSED ABOUT WITHOUT SPECIAL GUIDANCE; \$134,033.35 APPROPRIATED; RESPONSIBLE FOR ACCOUNTING; WHY THE TRUTH WAS CONCEALED

Fredericton, April 7.—Today Hon. J. D. Hazen laid on the table of the House the report of the Commissioners Judge Landry, F. McDougall and A. I. Teed appointed to investigate the transactions respecting the Central Railway. It is a printed volume of 30 pages, and with it is handed in a large box containing the report of the evidence and the exhibits.

The report begins with a historical statement from 1871, when the Central Railway was incorporated to construct two lines, one from Fredericton to Grand Lake, and the other thence to the I. C. R. In 1882 a Provincial subsidy was granted of \$3000 per mile for both these lines, and in 1883 (August) a subsidy contract was made by the Blair Government with the Central Railway Company. A Federal subsidy for the Chipman to Norton line was voted in 1884 and subsequently renewed.

In 1887, the Provincial subsidy was assigned to Dr. De Bertram, who began construction and practically completed the road to Chipman in 1890.

Grant of Subsidy.
In connection with a transfer to De Bertram the Commissioners make the following interesting statement:—
"Before the Provincial Government would sanction the transfer the COMPANY WAS COMPELLED TO ASSIGN \$28,500 of the subsidy to Messrs. P. A. Thompson and Sheriff Sterling, claimed by them to be for stock they held in the company. \$25,000 of this subsidy so assigned was paid by the Government to Messrs. Thompson and Sterling. Mr. Blair, then leader of the Government, being satisfied that Messrs. Thompson and Sterling, assisting them in getting the money out of the subsidies and was generously paid, the exact amount was unable to determine."

Concerning this transaction the commissioners say in a later part of their report that it bears the imprint of **WILFUL GRAFT, OR OF AN UNWARRANTABLE HOLD-UP**, participated in on the part of the then leader of the Government.

The Central Railway in 1890 had cost between \$410,000 and \$450,000 of which the province had paid \$124,000, and the Dominion \$142,000. De Bertram had expended \$11,800 on the Chipman to Fredericton section. The Government estimate was lower and he accepted \$5000.

Meanwhile the Central Railway Company bought the St. Martin's Railway.

The 15 mile Section.
In 1894 R. G. Leckie promoted the Colonial Iron and Coal Company, and proposed to take up the construction of the 15 mile section from Chipman to the coal fields. An arrangement was made to revive the De Bertram construction contract for the line from Chipman to Gibson, De Bertram paying \$1426 to Mr. Skinner, solicitor of the Chipman Railway.

Here the Commission find:—
"On October 4th, 1895, a contract was entered into by the New Brunswick Government with the Central Railway Company for the construction and granting of the subsidy of \$3,000 per mile. The following day \$7,000 of this subsidy was assigned by De Bertram to the HONORABLE WILLIAM PUGSLEY AND MR. SKINNER. On November 1st, 1895, \$26,500 of the subsidy was assigned to James Barnes for the building of the fifteen mile section. And on the 4th of the same month \$1,000 was assigned to Mr. W. T. Whitehead."

"So far as the records show, the work done by the Central Railway Company on the fifteen mile section amounted to \$23,000, and on account of this outfitting of the subsidy was paid by the Government and distributed as follows: \$2,200 on the orders given as aforesaid to the Honorable William Pugsley and Mr. Skinner, \$300 on the order given to Mr. Whitehead and the balance apparently on the order given to James Barnes. The Central Railway Company failed to complete its contract."

A New Phase.
This brings the history to 1900, when the Central Railway was held by bondholders as security for \$540,000 bonds in the hands of Philadelphia parties who also held about two-thirds of the stock. These firms had operated the road at a loss with Mr. E. Evans as manager, and proposed to quit."

They gave an option to Evans and E. C. Elkin for \$50,000.

MR. PUGSLEY BEGINS THE GUARANTEE

E. Byron Winslow, Franklin Stetson, A. P. Barnhill, E. Hutchinson, C. A. C. Bruce, R. A. Irving and Willard Kitchen were elected Directors in 1901. They each held one \$100 share on which they paid nothing—HON. L. J. TWEDDIE AND HON. WILLIAM PUGSLEY WERE MADE DIRECTORS EX OFFICIO. Ernest Hutchinson became president, Franklin Stetson, vice president, and E. B. Winslow, Treasurer. Five meetings of directors were held in 1901, which four or five directors attended. Mr. Tweedie was at two. DR. PUGSLEY ATTENDED ALL. There were no directors' meetings after June 11, 1902.

NO ACCOUNTS NO VOUCHERS ALL CHAOS

The Commissioners remark on the record as showing "a complete abandonment of corporate action, and the ASSUMPTION OF INDEPENDENT CONTROL on the part of a few."

They add: "Notwithstanding the fact that by statute the salaries of the officers of the company and the amount of wages paid its workers should be subject to the approval of the Lieutenant Governor-in-Council, none of the books, papers or documents, which were available show WHAT SALARIES THE PRESIDENT, SECRETARY, TREASURER, DIRECTORS AND SOLICITOR WERE TO GET, what services they performed or, with the exception of a few payments, what remuneration they received. What salaries were paid with Mr. McGee's consent was not known."

THE FIRST DIRECTORS

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buy off Mr. Wheaton, it does not appear whether or not any member of the Government was cognizant of them."

The Barnes Company worked until 1903, and threw up the contract, making a new one under which the contractor was paid his actual output plus 15 per cent. In April 1904 the 15 mile section was reported completed. The Central Railway Company bought the Central Coal Company Buy the Central. The New Brunswick Coal and Railway Company purchased from Mr. Evelyn Elkin for \$150,000 all the interests of the Central Company in the rights and plans &c. of the Chipman-Gibson Railway, and later obtained from Evans and Elkin for \$180,000 the option on the Central. This was the option officially stated, but THE ACTUAL PRICE WAS NEARLY \$400,000 LESS.

The original government contract with the Coal and Railway Company defined the conditions on which the \$250,000 guarantee was to be given. The guarantee was not to be given until the whole Chipman to Norton road was completed, and a coal plant provided to produce 600 tons per day.

Smashing the Safeguards.
In 1902 this condition was modified, and guarantees were signed as work progressed. In 1903 the rate of interest on these bonds was raised 3 per cent. to 4, and \$200,000 additional bonds were authorized, making \$450,000 in all. Of the last issue Mr. McGee had the company to buy the old Central (which cost \$340,000) and \$20,000 to reimburse the N. B. Company for betterments on that road.

In 1904 the Government advanced the N. B. Company \$50,000.

CENTRAL UNDER PROVINCIAL OWNERSHIP

In 1905 the province took over the whole system, with George McAvity and Senator King, Commissioners to manage it. They operated the line from July, 1905, to March, 1908, when they resigned, and F. S. Archibald, C. E., and J. R. Stone were appointed in their place.

The Commissioners say that they met "GREAT DIFFICULTY IN TRACKING THE ACCOUNTS." An attempt had been made at one time to prepare a ledger covering the financial affairs of the company down to 1904. The necessary records and information, however, have been BARE and INCOMPLETE, and all the accounts cover only 7 1/2 pages. A cash book, so called, was prepared in July, 1904, which shows the expenditure which has been advanced by the Government after that time.

Business Without Books.
"Outside of these books," say the Commissioners, "strange as the statement may seem, NO BOOKS OF ACCOUNTS were kept by the Railway Company OR BY THE COMMISSIONERS IN CONNECTION WITH THE RAILWAY, although the financial transactions conducted with it involved the expenditure of over \$900,000."

The minute books are equally useless, the Commissioners say. "The shareholders' minute book begins with the minutes of the Provincial Commissioners' meeting at Fredericton 7th May, 1901. The second meeting was in St. John, May 10th, 1901."

At one recorded meeting of the shareholders, at St. John, June 25th, 1903, between the above dates only two meetings or adjourned meetings were held. At one meeting in 1901, a resolution was passed authorizing the issue of 500 paid up shares, 10 to each shareholder for their services as promoters, and the REMAINING 430 SHARES TO C. N. SKINNER in equal TRUST TO DISTRIBUTE TO ALL THE same to such persons as might in his opinion be entitled to receive the same as promoters of the company, and in consideration of services rendered to the company; and the acting of the said Charles N. Skinner according to his own judgment and discretion should be at all times consistent, a complete fulfilment of the trust."

WHAT THE COMPANY SECURED THEY FIND MISSING \$134,033.35

Statement to show the amount of provincial subsidies, advances and guarantees to the road since 1901:

Bonds main line, Chipman to Gibson	\$7,000
Bonds for 15 mile section	250,000
Guaranty of liability for rails etc.	89,488
Guaranty for purchase of Dominion Railway	180,000
Cash loans to company	50,524
Guaranty for improvements	20,000
Cash expenditures, July, 1905, to April, 1908	295,905
Loan, balance of \$9,000	5,760
Total	\$917,344

THEY FIND MISSING \$134,033.35

Carefully prepared statements (B. and C.) show:—
Money which was paid after April 1901 to Government besides loans, expenditures, advances, &c. \$36,759.55.
Expenditures of money mentioned in the other statement, \$824,764.40.
Balance unaccounted for, \$134,033.35.

THEY FIND MISSING \$134,033.35

The Commissioner tried to find what the 15 mile section cost. Evans submitted a methodical statement making it \$214,628. Mr. Shannon, who reported on the cost for federal subsidy purposes made it \$277,096. Dr. Pugsley prepared a statement as a basis for double subsidy from Ottawa, which omitting outside items was \$291,502. Mr. Sharp, the auditor of the company made a statement which with omissions, was \$316,789 or nearly the same as that of Evans which the Commissioners accept.

THEY FIND MISSING \$134,033.35

This leaves the excess of MONEY RECEIVED OVER EXPENDITURE ON ACCOUNT OF THE 15 MILE SECTION \$39,883, so the Commission says.

Cost Statement.
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subsidy on account of these ties. The ties were never used for this unconstructed portion, although undoubtedly they were used in connection with the Central Railway. No refund was ever made to the Government for the advance of \$7,000. Of this \$25,000 subsidy, \$8,500 was, as it appears by the documents in evidence, paid on account of the order to Mr. Pugsley, Mr. Skinner, who had been vice president and solicitor, GOULD TELL US PRACTICALLY NOTHING."

All Known Nothing.
Mr. Kitchen, former director, knew nothing. Mr. Tweedie claimed to know nothing of the finances, saying he LEFT THESE MATTERS TO DR. PUGSLEY AND THE OFFICERS."

Mr. Pugsley, who apparently had the entire management of the company's affairs, KEPT NO ACCOUNTS AND DID NOT GIVE US MUCH DEFINITE INFORMATION. He said he-kept the accounts of the accounts to Mr. George Allen and Mr. J. C. Freeman, both of whom had died before the investigation. On inquiry, we were satisfied that Mr. Freeman kept no books, and that Mr. Allen, we believe that Mr. Allen were the alive could furnish little more than what Winslow could give little information.

Mr. Corbett, one of the auditors, swore that he was not given sufficient data to make a complete audit. Mr. James Barnes, a former director, who came with the company, but his books could not be found.

THEY FIND MISSING \$134,033.35

The history of the \$250,000 guarantee recites the original enactment that not a cent was to be paid until 40 miles of new road was completed to Gibson, and a plan of 500 tons per day capacity installed, and tells how the scheme was modified so that payments could be made as the work progressed. The Government, by undertaking to reserve \$50,000 to secure the mining plant, and becoming security to the Federal Government for \$40,000 worth of railway bonds, which have left at most only \$60,000, which the Government could deliver to the company on the 15 miles. "Notwithstanding the fact that the Commissioners' reports are DELIVERED TO THE COMPANY UP TO THE SIXTH DAY OF AUGUST, 1903."

THEY FIND MISSING \$134,033.35

Mr. Corbett's Commission.
It is shown that Mr. Tweedie sold \$50,000 bonds in Chatham and retained 1 per cent, or \$500 COMMISSION. The Commissioner did not see that he had a right to it.

Mr. Scovill's Gravel Pit.
Mr. G. G. Scovill bought 100 acres of land with buildings for \$2500 and sold 30 acres of this to the company for \$3000. The Commissioner thinks that he was sure of the sale of the pit before he bought the farm. HE HAD TALKED WITH MR. PUGSLEY ABOUT IT.

THEY FIND MISSING \$134,033.35

Does Not Speak Well.
Here the Commissioners say:—"It did not speak well for the credit of the province that Messrs Skinner, Pugsley and Trueman had to tie up Bonds guaranteed by it for three years at a rate of interest as high as 6 1/2 per cent. It was good business for the Loan Company, but the manager explained, saying they were not philanthropists. This is further evidenced by the fact that when the \$268,000 bonds including those hypothecated to the Canada Permanent Loan Company were sold to Robinson & Sons, March, 1905, the company, through Mr. Pugsley, had to pay a BONUS (or commission) of \$2,000 to the Loan Company and accept prepayment of the loan and give up the bonds."

THEY FIND MISSING \$134,033.35

Singular Discrepancies.
"In January, 1903, Mr. Pugsley and Mr. Barnes began to discount the notes of the company to the extent of \$40,000. The report says:—"Proceeds of these notes were not placed to the credit of any current account, but were taken from the bank in cash, sometimes by Mr. Barnes and sometimes by Mr. Pugsley, the assumption being that the money was used in making payments to the James Barnes Construction Co. but could not turn to the books of the Construction Company to see if this money was credited in order BECAUSE THESE BOOKS HAD NOT BEEN PRODUCED BY MR. BARNES, but we did find Mr. Barnes' account showing a sheet of paper in the before mentioned ledger shown up by Mr. Winslow at Fredericton which purported to give a statement of the money received by the Barnes Company from the Railway Company. These credits therein DID NOT CORRESPOND with the amounts of the notes discounted by the bank. One or two illustrations: On October 6th 1903, the company's note for \$13,500 was discounted by Mr. Pugsley and Mr. Barnes and on reference to Mr. Barnes' statement on that date HE ONLY CREDITED \$6,000. On November 23rd another note was discounted with interest added, for \$17,611, a larger part of the proceeds went to the Barnes Construction Co. but some amounts were deposited by G. W. Allen, Secretary TO HIS PRIVATE ACCOUNT in the Bank of Montreal and disbursed by his private cheques NO TRACE OF THESE CHEQUES COULD BE FOUND, and the destination of the money is unknown."

THEY FIND MISSING \$134,033.35

Where is This \$39,140?
Between November, 1901 and the end of 1902, the People's Bank discounted the company's notes for \$112,644, while Contractor Barnes received on progress estimates \$73,501. What got the other \$39,140? The Commissioners account for it by three notes: One for \$1250 discounted January 22, 1902, marked on account "A.G.B. OF THE PROCEEDS OF WHICH THERE WAS NO TRACE."
One for \$25,000 on account of Evans.
One for \$10,000 discounted November 19, 1903, marked "E.P.T." The Commissioners said "NOT TRACE WHAT BECAME OF THE OTHER \$9,690."

THEY FIND MISSING \$134,033.35

Mere Mysteries.
The Evans \$25,000 cheque was placed to the credit of the company and drawn out by seven cheques:—
Four of these for \$2,223.48 were made payable to Geo. W. Allen and the Commissioners "COULD FIND NO TRACE" of what became of the money.
Two for \$19,000 were made payable to E. G. Evans. Evans and Elkin account for \$8,500 of this, but Evans could not account for or explain the other \$10,500.
Three years after these transactions George McAvity as president of the Coal and Railway Company gave notes to the bank for \$15,875, which were afterwards paid by the province.

THEY FIND MISSING \$134,033.35

The Commissioners were very hard up from 1902 and their troubles became more acute during the latter part of 1903, the intervening period being one of MANICIAL CHAOS. Nearly every acceptance of the company, and the Evans' money, was protested and protest fees added, and in many cases other legal costs. Much litigation appeared to be going on, creditors were pressing for payment, etc. At this stage, we say without hesitation that it is our firm opinion that had the large resources provided by the province including the \$450,000 issue of bonds BEEN HONESTLY USED all the liabilities COULD HAVE BEEN PROMPTLY MET AS THEY WERE

It is supposed this money was paid to Contractor Barnes, though McAvity's cash book CONTAINS NO ENTRY about it.
This was all that could be learned at the People's Bank.
Inquiry at the Bank of Montreal, Fredericton, showed that the company had borrowed \$60,800 there on security of Government guaranteed bonds. The bank could not tell who got the money, which was repaid when the bonds were sold.
In the same way \$18,000 was obtained from the Bank of B. N. A., in two cheques the proceeds of which COULD NOT BE TRACED.

MORE DIRECT PUGSLEY REGIME

For some two years before Mr. McAvity became president in June 1904 the company had no president. The Commissioners say that during the interim the company's affairs were MANAGED BY MR. PUGSLEY, MR. TRUEMAN, MR. MC AVITY, and to some extent by Mr. Skinner. All the transactions WERE USED UP, WITH ABOUT \$400,000 OF THE GUARANTEED BONDS, and large debts remained unpaid when McAvity took charge in June 1904.

The St. John Chase.
Now follows the account of the Commissioners' search for information in the St. John banks. These accounts were kept in the banks of N. B. and B. N. A., but \$50,000 guaranteed bonds were hypothecated with the Canadian Permanent Loan Company, 1,903 for a 6 PER CENT. LOAN OF \$44,945. This money was placed in the Bank of New Brunswick and checked out by the Railway Company. Further destination of the money COULD NOT BE TRACED.

MORE DIRECT PUGSLEY REGIME

The President Effaced.
"When recalled Mr. McAvity stated in his evidence that he SIGNED THIS CHECK BLINDLY BECAUSE HE WAS INSTRUCTED TO DO SO BY HIS SUPERIOR, MR. PUGSLEY. He did not look at the proceeds of the company of which he was president, and seemingly treasurer combined, owed a dollar of the money. Besides as president he had the superior excuse kept his directors meeting in formal secret. He acted in this matter simply as an under-clerk assuming no responsibility, although as it will be seen later he drew the salary of RESPONSIBLE GENERAL MANAGER, and consummate man of affairs."

MORE DIRECT PUGSLEY REGIME

Turning to the bank account he had received from the General Receiver on April 1st and December 31st, the December account shows an average credit balance of \$3,380.19, and the January account shows a debit balance of \$5,400.19. The difference between these two accounts is \$2,019.99. This amount, it is stated, was not paid to Mr. McAvity as salary, but was paid to the Receiver General on November 22nd, 1905. Mr. McAvity's salary was \$2,000 per month, or \$24,000 per year. The balance of \$2,019.99 was paid to the Receiver General on November 22nd, 1905.

MORE DIRECT PUGSLEY REGIME

It will be noticed that the above cheque total \$9,220.
As they have drawn eighteen months previous to the payment of the \$5,000, Mr. Pugsley could not be certain that they represented advances to the New Brunswick Coal and Railway Company by his company, but from the fact that the cheques existed together with Mr. Trueman's statement that the Railway Company owed his company upwards of \$5,000 he concluded he was justified in drawing this \$5,000. It was of the eve of his departure for Europe, and matters were somewhat hurried. THERE WAS NO RECORD ON THE BOOKS OF THE RAILWAY COMPANY to show that loans from the Loan Company which were made from the Loan Company and Mr. Pugsley stated that HIS COMPANY KEPT NO BOOKS.

MORE DIRECT PUGSLEY REGIME

On reference to a statement prepared by the late Mr. Sharp, auditor, found among the papers, which purport to be a schedule of amounts owing by the New Brunswick Coal and Railway Company on the 31st of May, 1904, we do not find the name of the Loan and Real Estate Company appears for any amount. This statement was made up one month previous to the payment of the \$5,000 to Mr. Pugsley. The above mentioned \$5,000 to Mr. Pugsley, Mr. Pugsley thought that the payment of \$5,000 each, made on November 11th and 17th, 1902, to Messrs Evans & Elkin, respectively, would be advanced to those gentlemen on behalf of the Railway Company on account of

MORE DIRECT PUGSLEY REGIME

When Mr. Carvell presented some days after Mr. McAvity's statement after J. M. Robinson & Co. shown the amount was paid credit was included, and TO THE ACCOUNT IT WAS CHARGED TO MR. McAVITY AS SALARY, and Mr. McAvity, when re-examined, though he had no recollection of the matter, admitted that the amount must have been taken by him, as was, to say the least, returned to Mr. McAvity as salary, and that \$5,000, and that \$5,000 is deducted from the total, leaving a balance of \$4,720.19. Nowhere else in the book is this item produced. The cheque had been drawn for \$5,000 and paid from Mr. McAvity's cheque book.

MORE DIRECT PUGSLEY REGIME

Following statement payments to Mr. McAvity of him to be on account of salary:
Dec. 23, 1904:—
T. McAvity & Sons,
(Claimed to be repayment advanced to George McAvity previously.)
April 17, 1905:—
Accrued interest on bonds (taken by Mr. McAvity per his evidence).
Nov. 22, 1905:—
Salary for July 1, 1905 (Paid by Receiver-General per Order in Council).
Bad Memory.
Mr. McAvity became president of the company June 30th, 1904. On the 28th there was an audit of the cash book as payment to Mr. McAvity explained that the amount of his salary, having a few days previous to him that amount as the way was short, or might be funds.
Turning to the bank account he had received from the General Receiver on April 1st and December 31st, the December account shows an average credit balance of \$3,380.19, and the January account shows a debit balance of \$5,400.19. The difference between these two accounts is \$2,019.99. This amount, it is stated, was not paid to Mr. McAvity as salary, but was paid to the Receiver General on November 22nd, 1905. Mr. McAvity's salary was \$2,000 per month, or \$24,000 per year. The balance of \$2,019.99 was paid to the Receiver General on November 22nd, 1905.

the option. Mr. Elkin stated no books and did not remember the transaction was, and I did not credit the \$2,000 in amount of moneys received of the option.
MR. McAVITY'S VARIOUS SALARIES
Parsing from the "W.P." Commissioners find another \$2,380 omitted from the book, but received by the Commissioners say:—
"Mr. McAvity when first on this point had no recollection as to the matter or a had become of the \$2,380. MR. McAVITY AS SALARY, and subject."
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"Mr. McAvity on being examined DID NOT KNOW ANYTHING about this item whatever. He had no recollection and could give no explanation of the payment of \$5,000 MEANT. Mr. Carvell, who was acting as counsel for the company, on making up his statement presented to the Commission, included this \$5,000 "W. P." item producing the cheque. It was dated June 30th, the day Mr. McAvity became president, was filled out in MR. PUGSLEY'S HANDWRITING, and signed by Mr. McAvity, as president, and was made payable to the New Brunswick Real Estate Loan and Trust Company, which owns the Pugsley building, so called, in St. John. It is a close corporation, THE SHAREHOLDERS BEING MR. PUGSLEY AND FAMILY.
The President Effaced.
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