

APPENDIX No. 1

Ry. inclosing cheque for \$87.05 was received, and we beg to thank you very much for the reduction in prices of envelopes.'

That is very kind of you giving away the Munroe Commission Company's money. You had made a bargain with the Munroe Commission Co., and now you are thanking Barber & Ellis for reducing prices which you had agreed to pay to the Munroe Commission Company?—A. No, we had not anything to do with it; it was a matter between the Munroe Commission Co. and the Barber & Ellis Co.

Q. We are not discussing that now, however.

'We are returning your cheque, and would ask——'

You had been told to send the cheque to the accountant.

'And would ask you to forward us a sufficient number of No. 8 envelopes to meet the amount of the cheque. Our reason for doing this is that we would have to deposit the money to the credit of the Receiver General, and our appropriation would be out just the amount of the cheque, as moneys received cannot be placed to our account, but must be paid in to the Receiver General. Envelopes to be the same quality as those previously submitted.'

By what authority did you divert that cheque and sent it where you were told not to send it?—A. I considered that was the wiser thing to do. We were getting the envelopes very very cheap, below cost.

Q. And you were getting the envelopes instead of putting the cash into the Receiver General and by that means covering up this transaction?—A. There was no intention of that kind at all.

Q. Eh?—A. There was no such intention.

Q. By the method you adopted it would have been covered up by taking these envelopes instead of paying the cash in to the Receiver General?—A. I never thought of any such thing.

Q. However, that is the letter you sent after having had a request from the secretary to send that cheque to the accountant; you did not do that, but you sent it back to the Barber & Ellis Co. and you asked them to send a batch of envelopes that you had no order from the commissioners to get or contract for, is that it?—A. Yes.

Q. You had no authority to order those envelopes and you did not require that quantity?—A. We required them, we are out of the No. 8's again, we have not any left.

Q. Yes, but apparently, as a matter of business routine, you had to get an order from the commissioners before ordering them?—A. No, we were not expending any money, there was no outlay except some 73 cents.

Q. If you could have bought the 125,000 for \$87 less, why not do it? When you took more envelopes you had to spend that \$87, and was not that spending money?—A. We could not have bought them that cheap elsewhere.

Q. That is another phase of it. The Barber & Ellis Co. received that letter of yours, and they say this in reply; on January 6, 1906—this is addressed to you:—

'We have your favour of the 3rd and will be quite pleased to supply you with the No. 8 envelopes to the value of \$87.05. We might point out to you that we have none of the Empire Bond paper in stock out of which to make the goods, and further the mill that makes this grade of paper has been shut down, putting in a new machine, and we cannot get any at present. We will make these out of our Hercules Bond, which is the same grade of paper exactly, but with a different water-mark. We will give you the same weight, namely 20-lb. If this is not satisfactory, you might kindly advise us by return mail.'

So that there the bargain you had made with the Monroe Commission Company was absolutely wiped out, and you ignore Mr. Gorman, you ignore the Monroe Commission Company, and you enter into an entirely different transaction with the Barber & Ellis Co., and you ordered a large number of envelopes more than you had been authorized to order?—A. No, the Munro Commission Co. had their rights just the same.

Q. But you had wiped them out entirely——

Hon. Mr. FIELDING objected.