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Romance of trade and politics :
(an object lesson for the young) /
by Victor M. Braund.

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Dedicated to the Colonial Bank Shareholders.

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A ROMANCE OF TRADE AND POLITICS

(An Object Lesson for the Young)

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IN TWO PARTS

--○--

Part I.-- THE WAY TO KNIGHTHOOD

Comprising 15 chapters and 122 pages;

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Part II.-- THE COLONIAL BANK TRAGEDY

Comprising 13 chapters and 77 pages.--

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By

VICTOR M. BRAUND.--

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Price- TWENTY SHILLINGS.

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Cyclostyled and Published by the Writer, Victor Maurice Braund, Accountant
4, Featherston Street, Wellington, New Zealand.

---○---

1905.

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TO MY FRIENDS.

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In order to help the sale of this work, you are asked to favor me by not lending your copy before, say, one month after the date of purchase. If a perusal of its contents will, meantime, permit you to recommend it to your friends, you will confer a further favor upon me by recommending it and will at the same time assist the cause which I am advocating.

V. M. Braund.

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PREFACE

This work is in two parts- Part 1 entitled "The Way to Knighthood" was written in the year 1901 and Part 2 entitled "The Colonial Bank Tragedy" has just been written. The whole is entitled "A Romance of Trade and Politics".

The first portion has not previously been published because it has not been possible to find a printer willing to print the work. The reason given for the printers' refusal was invariably that they would lose more by offending valued customers than they would make out of the job.

It was not until the advent of the Cyclostyle that the writer could see his way to produce this work. The whole has had to be typewritten on wax sheets and then cyclostyled. The process has been very laborious and expensive having occupied the writer and a staff of assistants the best part of three months.

Directly and indirectly Sir Joseph Ward is the hero of this "Romance", and the following letter to him speaks for itself:-

31st May 1905

Sir Joseph Ward K.C.M.G.

Wellington.

Sir,

I have made arrangements for the early publication of a work dealing with the affairs of the Colonial Bank, the Ward Farmers' Association, the Ocean Beach Freezing works, the Southland Freezing Company, Nelson Bros. Ltd., and other concerns with which you were more or less connected. I desire to be perfectly frank and fair, and to afford you an opportunity of perusing the book and of correcting any statements contained therein which you may be able to prove are inaccurate. In the compilation of the narrative I have endeavoured to be strictly accurate and just, and to confine myself to legitimate comment. In this, I believe, I have been successful. I am now engaged completing the revision of the work and bringing it up to date by the inclusion of a final chapter dealing with the various phases of the Colonial Bank liquidation up to and since the passing of the Companies Act of 1901, and with the attitude of the Government, Parliament, and the Official Liquidators (including the Official

Assignee, Dunedin) towards the shareholders of the Bank, particularly the last phase as to the destruction of the books and papers after the expiry of six months from the date of the dissolution order. In view of my correspondence with the Official Assignee (which is all set out in my book), I am very indignant at that Government official's omission to give me notice of his intention to move for an order dissolving the Bank.

If you desire to avail yourself of my offer to afford you an opportunity of reading, and maybe correcting, my work, you may see it, or your duly-authorized agent may see it, by appointment, at my office, as above, at any time before Thursday, 8th prox., on one condition only, that you first agree in writing not to take any legal proceedings before the work is published which might have the effect of delaying its publication. After publication you would, of course, be free to take any proceedings you might think advisable.

I feel that the time is ripe for the circulation of the history which I have compiled, and which I hope will have the effect of arousing public attention to the present serious state of things.

I am, Sir,

Your obedient servant,

V. M. Braund."

The fact that Sir Joseph Ward did not accept the offer made to him, but chose instead to describe the above as a "blackmailing" letter from his Ministerial seat in Parliament and under cover of privilege, will no doubt be correctly interpreted by the reader.

The difficulty experienced in producing this work has been followed by a difficulty in advertising it.

In 1901 the newspapers freely advertised "The Way to Knighthood", but in 1905 the following newspapers have refused to advertise the same work under the title "A Romance of Trade and Politics":-

Auckland Herald, Auckland Star, Evening Post (Wellington), Christchurch Press, Lyttelton Times, Otago Daily Times, Dunedin Star, Southland Times and Southland News.

Out of ten leading newspapers that were asked to insert a perfectly

harmless advertisement, only one-The New Zealand Times- inserted it, and,
strange to relate, that paper is the official organ of the Government!

As the gag has been so effectively applied to the writer, in order to prevent the exposure of this banking and commercial crime, the reader is asked to help the circulation of the full history of it, by making known the fact that " A Romance of Trade and Politics" is out and can be procured either direct or through any bookseller or newsagent from the publishing office as at foot of this page.

Wellington. 13th December, 1905.

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Cyclostyled and Published by the Writer, Victor Maurice Braund, Accountant,
4, Featherston Street, Wellington,
New Zealand.

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The Imperial distinction of "Knight Commander of the Most Distinguished Order of St. Michael and St. George" has been conferred upon Mr. Ward, notwithstanding the oft repeated assurances of the Premier that Mr. Ward had not been recommended for the honor. With Mr. Seddon's conduct in this matter, it is not the writer's intention now to deal: the object of this work is not political, but is to express a feeling of intense disgust - which is doubtless shared by every right-thinking person in the colony - that the Imperial distinction of Knighthood, or indeed any honor of the kind, should have been conferred upon Mr. Ward. The effect must inevitably be to cheapen all Imperial honors; in fact to lower them almost to the same level of appreciation as that of the Colonial J. P.-ship, which honor (for it was originally intended to be one) is now almost wholly reserved for political supporters.

It is asserted that Mr. Ward was recommended for knighthood because of his services to New Zealand in giving her penny postage, and for his efficiency as Minister of Railways. These are mere pretexts, for there are many public men who are far more deserving on all grounds. Penny postage for this colony is no new idea, and it is the purest accident that the prosperity of New Zealand, with its attendant surpluses, at the time Mr. Ward was pitchforked into office warranted - indeed called for - the experiment. Any other Minister would have been forced by the exigencies of the moment and by public pressure to take a similar step. As for Mr. Ward's claim to Imperial distinction as Minister of Railways, what has he done beyond cheapening certain (but only certain) passenger fares and freights and cutting rates against the Manawatu Railway Company? The effect of this was to cause a heavy fall in the market value of the Company's shares and so enable a clique of unscrupulous individuals behind the scenes to buy them up at a mere song in anticipation of Mr. Ward's confident count at the very close of last session with the Manawatu Railway Purchasing Bill, which device was fortunately seen through by Capt. Russell (the late Leader of the Opposition), who imposed such conditions upon the passage of the measure as at least prevented any damage to the colony's interests during the recess.

In Mr. Ward's knighthood can be logically defended on the ground of his services to New Zealand, then his Royal Highness the Duke of Cornwall and York, on behalf of the Sovereign, would have rewarded a greater service to the colony than can be credited to Mr. Ward, had the knighthood conferred upon Mr. Ward been conferred upon Capt. Russell, for his timely action just mentioned saved the colony about £350,000. The figures justifying this statement are on record in Hansard.

Mr. Ward has not only done no good service to the colony specifically attributable to his own merit, but he has positively injured it in the eyes of the community both here and in London, for it must not be thought that the exposures of 1896 - which by the way the N. Z. Times has been pleased to describe as "private misfortune that threatened once to blast his career" - have been forgotten just because those papers which in 1896 had the courage to write according to their convictions are now either silent or raising their voices in fulsome adulation under the influence of a painful consciousness that as Colonial Secretary Mr. Ward has the sole privilege of compiling the "list" of papers which heads of Government departments are allowed to advertise, as well as the sole privilege of issuing Press passes (available at all functions and everywhere) on such high occasions as the Royal visit and at all times.

Although this work may, and probably will, be the only protest recorded in New Zealand against the conferring of Imperial distinction upon Mr. Ward, it is not the writer's intention to shirk an obvious duty. The reason for the protest is that the facts elicited at the hearing in June before Mr. Justice Williams, at Dunedin, of a proposal made by two of Mr. Ward's friends to buy from the Colonial Bank liquidators, at some £20,000 under their real value (as shown in this work), the debts of the Ward Farmers' Association and of Mr. Ward to that Bank, were of such a surprisingly shameful character as to evoke from the Judge strictures so severe as to render Mr. Ward entirely unfitted for any position of trust or honor - at any rate until such time as he has sufficiently atoned for the wrong inflicted by him upon the Colonial Bank shareholders, and for the distress and ruin which he has carried to so many homes. No amount of service to the colony will alone blot out this stain upon Mr. Ward's character - not if he should live to the age of Methuselah.

The Imperial authorities are not in the circumstances to be blamed for recommending the Sovereign to confer a knighthood upon Mr. Ward. The colony helped the Mother Country at a really critical moment, and the Imperial authorities desired to show their appreciation of the spontaneous act by placing certain honors at Mr. Seddon's disposal. The Premier - in spite of his bold assurances to the contrary - recommended, among others, Mr. Ward for knighthood, and the Sovereign accordingly knighted him, relying of course, upon Mr. Seddon's good faith that in recommending Mr. Ward he was not recommending an undeserving person. It may be that the Imperial Government assumed that as Mr. Ward was occupying such high positions as Colonial Secretary, Minister of Railways and Postmaster-General in this colony he was held deserving of those positions by the people of the Colony. But this was not so - Mr. Ward was pitchforked into office by the Premier, not by the colony. Further, the people of the colony did not even return him to Parliament, but only a very small proportion, namely the Awarua electors who are shown by this work to have so benefited financially from Mr. Ward's manipulation of the Colonial Bank's shareholders' money as to be entirely disqualified from expressing an acceptable opinion as to whether Mr. Ward's moral character is such as to admit of his occupying even a seat in Parliament much less such high positions of responsibility and trust as those he is now filling.

The writer cannot be accused of want of loyalty to the Sovereign in questioning the conferring of a knighthood upon Mr. Ward, for his reasons are here given: he rather claims that the recording of this protest against the act during the present "Reign of Terror" is practical proof of a stronger loyalty to his Sovereign and his country than is shown by Mr. Ward accepting the honor, knowing as he must how unworthy he is. If the effect of "The Way to Knighthood" is only to put the Imperial authorities more on their guard in the future, and present "an object lesson for the Young", its goal will have been reached. The assistance in the production of the work is acknowledged of perhaps the cleverest, most hard-working and enthusiastic journalist that this colony has so far known, and who, unfortunately for the colony, has passed away. To this gentleman - whose name for special reasons is not here mentioned - the writer is indebted for much of the information, and documentary evidence in support, upon which the earlier

portions are based.

The public are asked to accept "The Way to Knighthood" as the outcome of an honest desire on the part of the writer to offer to the colony as complete and reliable a history as possible of the stirring events of the past decade 1892-1901, insofar as they relate to the extraordinary public career of the Honorable Sir Joseph George Ward, Knight Commander of the Most Distinguished Order of St. Michael and St. George, and the two now famous institutions with which he was so intimately connected - the J. G. Ward Farmers' Association of New Zealand Limited, and the Colonial Bank of New Zealand.

"THE WAY TO KNIGHTHOOD"

A Romance of Trade and Politics,
And

An Object Lesson for the Young.

Chapter I. - Launching the barque.

Honesty's a fool, and loses that it works for. Shakespeare.

No hard and fast line has ever been drawn by which the uprightness and incorruptibility of the statesman could be held to absolve the improbity and commercial laxity of the private individual. When the Hon. A. J. Mundella and his associates on the directorate of the New Zealand loan and Mercantile company in London were found to have been guilty of certain laches against the high standard which British politicians are expected to maintain, they were compelled to resign their seats in the Cabinet. Unhappily this unwritten law does not prevail in the Colonies, otherwise we would not have had the ex-Colonial Treasurer making such mournful history, nor would the Premier's speeches in defence of his colleague be now seen to be something more to be deplored than if they had been the mere special pleading of an advocate.

The records of the Ward Farmers' Association furnish the most discreditable story of headlong plunging ever dragged out of unwilling witnesses and participators. The report of the official liquidators tells in terse and explicit terms the rise, progress, decline, and fall of the overdraft-fed concern, which began its career with a swamping liability, and ended it by carrying desolation to the homes of hundreds of innocent victims, who depended on the honesty and good faith of the trustees of the money they had invested in the ill-fated and misdirected Colonial Bank. Yet that report does not disclose the full history of the shufflings, the equivocations, or the falsifications which for a period of two and a half years deceived and threw dust in the eyes of the deluded people who put their trust in men whose every nerve was strained to make black appear white, and who with reckless daring declared surpluses, and distributed dividends and bonuses when black ruin and disgrace stared them in the face.

It has been shown by the liquidators of the Colonial Bank that,

two days before the Ward Association was formed, Mr. Ward owed the Colonial Bank £61,635; that the Association commenced business with a credit balance on December 2nd, 1892, of 2787, which on the 5th had been converted into an Overdraft of £25,239, while Mr. Ward's private debt to the Bank had been on that date almost correspondingly reduced to £70,375.

Seven months later the first general meeting of shareholders in the Association was held, and the overdraft due to the Bank was stated in the balance-sheet to 30th June, 1893, at £26,273, and the total liabilities at £87,320. But it has since transpired that Mr. Ward's cheques for £21,000 were accepted in reduction of the actual overdraft, and this sum was re-debited to the Association and credited to Mr. Ward three days afterwards, and on that same day - July 3rd, 1893 - a further addition was made to the Association's liability by the purchase of the Carswell business for £8,492, the total joint debts of the principal shareholder, Mr. Ward, and his Association having swelled by this time to the respectable total of £112,139.

It will elucidate the progress of events if we here leave the Bank liquidators' report for a moment, and look back at what Mr. Ward himself had to say regarding the position of affairs at that time. He had just delivered himself of his first Budget, in which he repeated the belief of his predecessor (Mr. Ballance), that the best interests of the colony would be consulted by adhering to the policy of self-denial, and he placed on record his firm conviction that "borrowing is not necessary, and the Government has decided to conduct the business of the country without having recourse to it."

It would have been highly inconsistent for Mr. Ward, as Treasurer, to have promulgated this doctrine for the State, and have then proclaimed to his fellow-shareholders that buying sheep and oats on Bank overdrafts was a good thing for them. Such a course would have been fatal, and the seven-months' report and balance-sheet of his Association was therefore quite in keeping with his Budget utterances.

Among other comforting assurances to his shareholders were the following: "Our custom is always to buy for cash; we never buy on bills"; and, again, "Nothing whatever of a speculative nature is entered on by the Association."

Towards the close of a speech full of confidence and fervour he made in reference to the Carswell and other firms he had absorbed, "They did little or no good. It could not be expected they would; they were crippled for want of capital, and handicapped greatly by the strong competition of my firm's business."

Then he went on to tell his hearers that his Ocean Beach Freezing Works were more worthy of support than the rival meat concern, the Southland Freezing Co., for he gave "the highest cash price for fat sheep."

This subject calls for a slight digression in order to show how Mr. Ward's generous policy towards the Southland farmers (generously reciprocated later on) affected the position of the Association. Mr. J. B. Reid, the "Dear Jim" of the cause celebre heard in November 1895, wrote to his principal in April, 1892: "I don't see how he (Mr. Ward) can be making the works pay, for he is paying 13:6d to 14:6d for sheep, and selling again at 12s; but he says it is quite satisfactory."

The seven months' balance-sheet already referred to showed a net profit of £4414 on a paid-up capital of £5276, and a dividend of 10 per cent. was paid, bonuses distributed amongst purchasers and employees, £1000 placed to the reserve fund, and a balance carried forward. These amazing results naturally led to demonstrations of joy on the part of the Ward Association shareholders, and confirmed the opinion that the architect of that year's Budget was a veritable "wizard of finance", at whose touch all things were transmuted into refined gold.

But the belief in Mr. Ward's infallibility was not universal. A journalist on the Wellington Evening Press critically analysed the seven months' results, and was not only incredulous, but drew unflattering inferences surmising that it was open to question whether the Bank was running the Association, or the Association running the Bank. Mr. Ward was indignant and replied lengthily and angrily in the Ministerial organ (the New Zealand Times) on August 30th, 1893, accusing the critic of cowardice, malice, and so on, and then proceeded to unburden himself to the world as to his own and his Association's standing, and it is here that we have on record Mr. Ward in propria verba as to his then commercial standing. It will be seen how diametrically opposite his statements are to those of the liquidators with

reference to that particular time - August, 1893. Regarding his private affairs Mr. Ward then wrote:-

"Last year I was one of seventy-five people in the colony who paid income tax on an income of over £3000 a year, and I was not then in receipt of any Ministerial salary. I also paid a considerable sum for land tax - the whole of my warehouses and private properties, with one small exception, are unmortgaged, unencumbered. I shall not state their value here further than to say that it is very considerably in excess of any sum that the Farmers' Association had from its bankers for the accommodation of its business at the date of its balance."

Yet, according to the Bank liquidators, the said bankers' ledger had no less than £112,139 debited against the Association and its founder at that date.

And, so far from Mr. Ward's properties being "unmortgaged, unencumbered," the Bank held an unregistered mortgage over the majority, as part cover for his obligations to them amounting then to £53,000.

Having demonstrated, to his own satisfaction, that he was personally among the magnates of the land, Mr. Ward proceeded to show what a magnificent structure his Association was. Its ramifications were so extensive that it published a trade journal of its own, a 32-page pamphlet, trumpeting forth in gorgeous sentences the infallibility of the Ward group of companies.

In its interesting pages binder twine and cures for dyspepsia were artfully sandwiched with taking paragraphs, such as:-

"The Best Investment you can make at the present time is to take five shares in the J. G. Ward Farmers' Association of N. Z. Limited, and follow up your application by buying your goods, &c. from the Association. TRY IT."

In his letter to the New Zealand Times, and copied in his own trade journal, he wrote respecting his Company:-

"No advertising of any description for shares was done, and no brokers were employed. The times of balance were made half-yearly. It was in no sense like the establishment of a new business; it was taking over a profitable, healthy, and live business, which every year from the time I started it, paid considerable profits....

I require to state only one fact to show the utter unreliance that is to be attached to the Press writer's strictures. Three days preceding the balance two large sums were paid for the purchase of stocks and "advance taken over from another business."

Now the balance referred to here was that of June 30th, 1893, and the liquidators say that on that date

"Two cheques, one for £6000 and one for £15,000, drawn on Mr. Ward's grain account, were placed to the credit of the Association's account, reducing the overdraft by £21,000 and increasing Mr. Ward's by that amount, while on July 3rd, 1893 we find a cheque for £21,000 drawn on the Association and placed to Mr. Ward's grain account. Between these dates the J. G. Ward Farmers' Association of New Zealand, Limited, balance-sheet was made up;"

and on that same July 3rd - three days after the balance - not three days preceding it - the Carswell business was bought and the transaction added a further debt of £8492 to the institution. It would appear from this that Mr. Ward rather mixed matters up in his reference to the "two large sums."

Mr. Ward next threatened the Press writer with an action for libel, and seems to have consulted solicitors in Invercargill, as well as two leading solicitors in Wellington. He went the length of publishing Sir Robert Stout's opinion, who briefly stated: "I am of opinion that the article could not be held a libel;"

This was followed by another blast from Mr. Ward's trumpet:-

"I never during the whole course of my own business gave a bill or promissory note to any man or firm. I never had an accommodation bill in my life. The Farmers' Association with which I am connected has laid down the same lines, and will follow them . . . The secret of my success, to a large extent, has been that I have never entered into an undertaking until I first knew how I was going to pay for it."

These brave yet remarkable words had their intended effect, and the J. G. Ward Association entered upon its second year with an abiding trust in its founder and its accommodating bankers, and the democracy believed that a veritable prophet had arisen.

Chapter 11.

A Dissertation on Mutton in its relation to Finance.

Revenons a nos moutons.-(Pierre Patelin, French Proverbs.)

The fame of the J. G. Ward Association of New Zealand, Limited, together with the renown of the binder twine monopoly, the Hokonui coal mine and railway, the Ocean Beach Freezing Works, and the Colonial Treasurership spread throughout the Southern Hemisphere after the "Wizard of Finance" had flattened out his critics in the Ministerial morning paper and the Southland Farmer, the trade journal issued from the great man's own office.

The estimation he was held in by his colleagues, by members of parliament with few exceptions, by Labour Unions, and especially by the farmers of Southland, can only be described as altitudinous. No citizen in the colony, whether as statesman or merchant, had ever soared to such heights. He was at once the Columbus of Commerce and the Napoleon of Finance.

Previous to the meeting of the Association to receive the seven months' report and balance-sheet, to 30th June 1893 and to declare a dividend, the Ocean Beach Freezing Works - an extensive concern run by Mr. Ward and intended to be run altogether apart from the Association - had virtually undergone a change of proprietorship, and as it was through this business that the most of the Association's losses arose, its chequered career entitles it to a passing notice in this narrative.

The full history of the Ocean Beach hive of industry, where wethers costing 14:6d were converted into freezers realising 12:0d, was told very fully in the Supreme Court when a rival concern sued it for damages and got a verdict, though the full court set aside the judgment.

The evidence of the cloud of witnesses gave the general public a good deal of insight into what is known as high finance, and as there had been much mystery for a long time as to whom the Ocean Beach Freezing Works belonged, the revelations were eagerly read.

From 1888 to 1891, the Southland Freezing Company (the pioneer of the district) had a monopoly of the business, and its profits ranged from 20 to 30 per cent. on the paid-up capital. In June 1891, the directors entered into a three years' agreement with Nelson Bros. to sell their whole output to that firm, and as a quid pro quo the firm agreed not to erect or be in any way connected with any rival concern in the counties of

Southland or Wallace.

At the time this agreement was made Mr. Ward was a director of the Southland Freezing Company, but he resigned shortly afterwards. The Company was very prosperous and had made arrangements to add to its plant and buildings when it was whispered that Mr. Ward intended erecting works on his own account somewhere in Southland.

The whisper grew to a rumour and there was uneasiness and excitement among the shareholders in consequence, and the telegraph wires were kept very busy during the month of July after the agreement with Nelson Bros., had been made. Mr. J. B. Reid, the agent in Southland for Nelson Bros., appears to have been desirous of keeping to the spirit of the agreement made by his principals.

It soon, however, became evident that Mr. Ward was determined to proceed with the erection of rival works at the Bluff, and Mr. Reid, who kept his weather eye open as to what was going on, wrote to his chief his views on the situation as follows:- "Ward has a very large business at the Bluff and finds it does not suit him to allow all the meat to go away without getting anything out of it in the shape of commission. I know Ward is anxious to work with us.

Negotiations continued, the Nelsons and Mr. Reid wishing to keep faith with the Southland Freezing Company. In order to propitiate the ex-director and threatened rival, it was proposed that Mr. Ward should abandon the idea of erecting freezing works, and, as a solatium, should be appointed joint agent for the Tyser line of steamers and be allowed a discount of 2½ per cent. on the freezing charges on all the sheep supplied by the Ward Farmers' Association's clients, as well as other minor advantages which were described as "real good business."

For some weeks there was much diplomacy displayed on both sides, and by August 17th, 1891, Mr. Nelson appears to have arrived at certain conclusions regarding Mr. Ward and in a letter to Mr. Reid - who was always addressed by his chief as "Dear Jim" - he put the position thus:-

"(1) I am satisfied that Ward means to build;

(2) the machinery has left. or is about to leave England;

(3) we must work with him;

(4) I think a Cabinet minister a useful addition to our firm;

(5) I like Ward."

Here was the key to the whole position - Nelson Bros. wanted a Cabinet Minister in 1891, and they afterwards secured two of them for the Colonial Distribution Company, a concern controlled by Nelson Bros. and of which Messrs. J. G. Ward and John McKenzie were Colonial Directors, drawing their £500 a year each from it.

Nelson Bros. had an embarrassing game to play. Their agreement with the Southland Company had tied them down to neither erect nor be in any way connected with any other freezing concern in Southland and (although be it remembered he was a party to the contract between the Company and Nelsons) Mr. Ward gave out that if Nelson Bros. did not work with him he would arrange for freights outside their steamers, and, as it was apparent that cut-throat competition was inevitable if a basis of conciliation was not arrived at, it was agreed by the end of January, 1892, that Mr. Ward should be given terms that amounted to his being paid higher rates for his mutton than the Southland Company received and the bargain was closed, but kept secret. Competition in sheep-buying then set in, and the older Company ceased to earn large or, indeed, any profits.

A letter from Mr. Ward to Mr. Nelson at about this time indicates the interesting method by which the mutton growers were to be kept in the dark. He wrote:-

"I think it better, both in the interest of Nelson Bros. and myself, that no publicity should be given to our relationship.

It would certainly render the buying of sheep more difficult for me, and Nelson's opponents would feel that a large monopoly of Southland was in his hands, and thus might create further opposition.

The plot against the farmers on the one hand and the Southland Freezing Company on the other is abundantly clear here. The former were to be held in the grip of a monopoly, but, for the sake of their peace of mind they were to be kept ignorant of its existence while Mr. Ward raked in the profits, and the Freezing Company was to be squeezed out by the Ward

works being granted terms the other was denied.

In the one case the favored Cabinet Minister could keep his works clear, by means of his first claim on the Tyser line of steamers, get his cash at once, and draw 2½ per cent. commission on the freight, besides other advantages; while the unfortunate pioneer company had sometimes to actually cease work for the want of steamers to take their mutton away.

There were also complaints that all sorts and conditions of sheep were accepted as "prime" from the Ward establishment, and Southland mutton which previously had the reputation of being the best, (after Canterbury) produced in the Colony, was depreciated in the London market in consequence

Competition set in vigorously, the Southland Company's buyers raised the price an eighth of a penny per lb. The Ward buyers went one better and bought the sheep at per head, accepting light and heavy weights as they happened to come along. It was a lively time as long as it lasted, and it is not surprising that the farmers of Southland feel genuinely grateful to the man who gave them half-a-crown per head more for their sheep than he got for them himself, and then with characteristic callousness, transferred the aggregate losses to the shareholders of the Colonial Bank.

It may be here incidentally mentioned that "Dear Jim" about this period wrote to Mr. Nelson that it was desirable "to keep Ward alongside the Southland Company," and prices were adjusted to enable him to do this.

By October 1892 a new feature entered into the relations between the parties. Negotiations were opened with a view of Nelson Bros. becoming partners with Mr. Ward. The latter wrote to the firm as follows:-

"I would be glad if you would consider whether your firm would come into the concern independently of all other people
I want to keep entirely free from farmers as, once associated with them, the works become a lever to grind down the profits of the works to assure additional value to their stock. As far as you are concerned, and as far as the works at Ocean Beach are concerned, the less independent they are, which of course means the farmers, the better it will be for the works and you. My own idea, roughly, is that I should company the concern, you

taking an interest to be agreed upon, and that we should work for our joint interest."

Displaying commendable tact, Mr. Nelson did not reply direct to Mr. Ward, but wrote to "Dear Jim", suggesting that he should have a little chat with the Cabinet Minister, and he sketched out the following basis of agreement:-

" (1) We must buy right out, but would like to give some of Nelson Bros. Limited, shares as part payment.

(2) Should not give money for goodwill as I consider sheep have been bought so dear that we shall start on a worse bottom than if the business never commenced.

(3) I do not look with favour on "the large amount of business" Ward has done, as I am sure a large amount of it has been bad."

Mr. Nelson was evidently endowed by this time with some of the wisdom attributed to the serpent, and was not prepared to accept all Mr. Ward's geese as swans. A good deal of strategic correspondence ensued for some months when finally, on February 20th, 1893, a definite offer was considered.

Mr. Ward was to sell the Ocean Beach Freezing Works for £32,000, half cash, and half in paid-up shares in Nelson Bros., Limited, and the offer was sent to London for approval. It was accepted on April 18th, 1893, the arrangement to come into force on January 1, 1894, and Mr. Ward, (Cabinet Minister) was to receive £650 salary to conduct the business management of the Nelson Bros. in Southland.

On this latter point the London Mr. Nelson seems to have had an eye to contingencies in the future, for he made the following stipulation: "It is understood that the annual payment to Mr. Ward is to be made only as long as he is useful to us."

Nelson Bros. Ltd. then practically became the owners of the Ocean Beach works in May, 1893, a month or so before the first general meeting of shareholders of the J. G. Ward Farmers' Association.

Mr. Ward suggested to Mr. Nelson that terms should be made with the Southland-Company, and if they would not agree, that the Ocean Beach

concern should give $\frac{1}{8}$ of a penny per lb. more for sheep until the end of the year to stop any sheep going to the rival establishment. He also suggested an amalgamation between the two, pointing out that this would give Nelson Bros. absolute control over the Southland meat trade and the firm could then fix any price it chose for sheep.

Later on came further proposals for amalgamation, and then the Ocean Beach Company's capital was raised from £32,000 to £50,000.

While these negotiations, having for their object the setting up of a meat monopoly, were proceeding, Mr. Ward wrote special bulletins from Wellington which were published in his own trade organ, the Southland Farmer, to reassure his constituents that he had nothing but their welfare in his heart of hearts. Here is one of them :-

"Wellington, July 17th, 1893.

To the Farmers of Southland-

I have to say that should I decide to sell to Nelson Bros. the Ocean Beach Freezing Works, the same system of purchase for cash, free of commission, and at the highest ruling price, will be persistently followed.

J. G. Ward."

At this very date the purchase by Nelson Bros. had been completed three months previously, and Mr. Ward had persistently endeavoured to form a ring whose object was to "make any terms they pleased" with the growers of mutton.

As a Cabinet Minister about this period he waxed exceedingly eloquent on frequent occasions on the benefits of co-operation, and rose to oratorical heights in his condemnation of monopolists. As managing director of the Ward Association, and business manager for Nelson Bros., he bombastically announced that the rival Southland Co-operative Companies "did little or no good. It was not expected they would. They were crippled for want of capital, and handicapped greatly by the strong competition of my firm's business."

Somehow these fluctuations in opinion on the part of a patriot are difficult to reconcile, and to the average citizen are a trifle discordant

Eventually the Southland Freezing Company, out of sheer defence, sued Nelson Bros. for damages, stating that while the Southland Company's balance-sheet showed a profit in 1891 of £5,485 on freezing account when there was no competition, they suffered losses by 1894 of £16,053. The Company however, only claimed damages for what happened in 1892-3, and were awarded £7,000 and costs. This decision was reversed on appeal.

Mr. Ward seems to have stood from under when this happened.

As a pendant to this narrative and with a view of doing full justice to the splendid talents of the ex-Treasurer, it is due to him to reproduce portions of a letter in the Ward Farmers' Association trade journal in September, 1894, seventeen months after the purchase of the freezing works by Nelson Bros. It was a sort of official counterblast to certain criticisms which appeared in several Southern journals regarding the constitution of the Ocean Beach Company -

"As the Southern correspondent is anxious to know all about the works in question, we may state for his information - and we hope it will gratify him - that the company which owns the Ocean Beach Freezing Works have paid up £50,000 in cash; that neither the company nor the works are indebted to anyone; that they have neither an overdraft nor debenture capital, nor unpaid share capital. So that if their ownership has been a puzzle to traders, we dare say the owners of the works are quite willing to let them puzzle their brains to the utmost,"

and so on.

This was very high-toned and, coming as it did from the official organ of the Ward Association, and having a twang about it suggestive of the managing director's own particular style, it ought to have satisfied any person not afflicted with incurable bias. But an unbeliever made investigations and discovered that in the previous May (only a few months before) the Articles of Association had been registered, and contained the following clause:-

"Purchase money of £50,000 to be paid to J. G. Ward as follows viz., £35 in cash, balance by the issue by the Company of

9993 shares of £5 each, forming part of the capital of the Company, and credited in its books as paid-up."

The list of shareholders on the register was as follows:-

G. L. Sutherland, sheepfarmer	...	1 share
W. Nelson	...	1 "
H. G. Warren	...	1 "
J. B. Reid, Merchant	...	1 "
P. T. Boys, Superintendent of Freezing Works	...	1 "
G. T. Parker, clerk Nelson Bros.	...	1 "
J. G. Ward, Merchant	...	1 "
John Fisher, manager Ward Farmers' Association	...	1 "

Here is evidently another misfit. It must be apparent to anyone capable of doing a sum in multiplication, that it was one thing for a company to pay Mr. Ward £35 in cash, and £49,965 in shares, and quite another to assert, as Mr. Ward's trade journal did, that the Company owning the Ocean Beach Freezing Works had "paid up £50,000 in cash."

This narrative of the inception and progress of the Freezing department of the Ward group of concerns has necessarily been somewhat tedious, but it will give an insight into the subsequent events which made Southland famous, and led the London financial journals to pay more attention to Mr. Ward than he would otherwise have received when acting as ambassador from the Colony at the Court of St. James.

To conclude this chapter on mutton, the following extract from correspondence between the Chairman of the Southland Freezing Company and the Minister of Railways, will show that political influence seems to have been used to the detriment of Mr. Ward's commercial rivals:-

Mr. McQueen to the Hon. A. J. Cadman.

Your Department since the erection of our works at Mataura lowered the rate for live sheep about 30 per cent, thus changing the relative cost in favour of our competitor the Hon. J. G. Ward, and after his day, Nelson Bros.

The following comparison of rates will show how this handicap worked:-

Mateura to Bluff, 49 miles, 22:6d per ton.

Oamaru to Port Chalmers, 68 miles, 12:6d per ton.

Bluff to Port Chalmers, 163 miles, 25:0d. " "

Chapter 111.

The Sun of Southland at its Zenith.

And the Devil did grin, for his darling sin
Is the Pride that apes humility.

- Coleridge (The Devil's Thoughts)

The strategical position of the Ward group when the campaign of 1893-4 opened was an enviable one. The bold policy adopted by the then Treasurer of the Colony in his denunciations of those who questioned the stability of his affairs disarmed the critics if it did not convince them. Although he was indebted to the Colonial Bank in a sum equal to one-fourth of the shareholders' capital and alleged reserve fund, the Directors and administrative officers were content; rival trading firms had been absorbed; the invitation to the public to take up shares in his Farmers' Association was freely responded to, for the contributing capital rose during the year from £5276 to £12,061, although it subsequently transpired that Mr. Ward himself took up 8000 five pound shares during the 2½ years between the first meeting and the final one (upon which shares by the way he never paid a penny as will appear later on, although he took the dividends); the rival freezing company was held in shackles; and the Binder Twine ring had the New Zealand farmers at its mercy, the farmers having to pay about 1½ per lb. more for twine made in the Colony than the same article could be purchased for in Australia with freight added, owing to a protective duty which the Treasurer subsequently consented to abolish with a very bad grace.

In addition to this, the political influence of the Party Mr. Ward was then the leading light of had increased by the well worn but ever popular royal road of playing to the gallery by every manoeuvre and catch-penny device known to politicians of the opportunist class.

With all these advantages the erection of the house of cards by the talented architect proceeded merrily and the mana of Joseph George Ward was powerful in the land. These roseate signs were what the public saw, but there was even then a skeleton in the cupboard.

The Hon. W. H. Reynolds in his evidence before the Upper House

Bank Enquiry Committee said that, as a director of the Colonial Bank, he had declared at a board meeting four years before, that there would be a loss of from £50,000 to £60,000 on the Ward accounts, and that the directors protested at every meeting against the magnitude of the overdrafts.

Mr. Larnach, another director, gave corroborative evidence.

But nothing could stem the tide then flowing in favor of the gifted Treasurer. He and his staunch friend Premier Seddon had the ball at their feet, and they merrily kicked it for all it was worth.

Nor was Mr. Seddon ignorant at that time of the position of affairs with his fidus Achates, and his subsequent defence and successful blocking of any enquiry by a committee of his own selection into the maze of bogus bills, cheques and transfers will rebound on him when the future historian sums up the records.

His knowledge of the state of matters at that time was confessed by himself at his mass meeting at the Wellington Skating Rink on the night before the session of 1896 was opened, in the following words:-

"All he could say was this - and he was in a position to say it because he knew - that in respect of the banking legislation Mr. Ward's financial position never entered into the matter at all. In the session of 1894 the Bank of New Zealand offered to take over Mr. Ward's account and Mr. Ward's business, and Mr. Ward refused the offer."

This candour on the part of the Premier in volunteering information which up till then had been a Cabinet or Bank parlour secret (the terms are nearly synonymous) affords food for reflection and a means of testing the information which may now be gleaned from other sources.

The alleged offer by the Bank of New Zealand must have been made at some time between the months of June and October, just before or after Mr. John Murray came to the Cabinet with his story of impending ruin and disaster to the Colony and then cajoled the People's Government into guaranteeing two millions to save the Bank he was the pilot of.

On June 30th, 1894, the second balance-sheet of the J. G. Ward Farmers' Association, Ltd., was made up, but the shareholders' meeting was not held until Oct. 20th. The balance-sheet showed a net profit of

7777. 19. 8 and a bank overdraft of £28,584. But the liquidators of the Colonial Bank in their report made the following statement respecting the then position:- "On the 30th June, 1894, the overdraft was £60,150.12.0 on that day it was reduced £35,000 by a cheque of Mr. Ward's making is overdraft as follows:- Ordinary account, £61,674; freer account, £18,584; total £78,328. On the 2nd July, 1894, we find this transaction of £35,000 reversed."

Two months later Mr. Ward discounted a British bill for £35,000 on Cooper, Son and Nephew, and the proceeds were placed to his credit; this bill was sent to London but was never presented and was about a year subsequently returned to the Colony and according to Mr. Vigors - an official of the Colonial Bank - taken up in cash "remitted by some people in Wellington." Here then is tolerably clear evidence that when the bold John Murray made his demand for two millions Mr. Ward was in financial straits.

The Cooper bill was a temporary shift to reduce Mr. Ward's overdraft at the Colonial Bank at a period when Mr. Seddon says he knew that the Bank of New Zealand was willing to take over the Ward accounts. Why the transfer was not made is not stated, but in the light of what has happened since, it may safely be surmised that the Colonial Bank would have been required to write down the account to bring the assets and liabilities within some reasonable ratio to each other.

It is to be regretted that Premier Seddon, when he made his Skating Rink speech, did not go a little further into details and tell his audience what mutual advantages were to be gained by the proposed adoption of Mr. Ward as a client of the Bank of New Zealand.

The political situation during that session was somewhat curious. Ministers had, by means of a legacy of £967,965 left in the Treasury by Sir Harry Atkinson and secret borrowing under the name of conversions, contrived to frame their financial statements with professions that borrowing was not necessary and that the Colony could progress without a servile dependence on foreign dealers in money. The 1894 Budget, however, abandoned this position. Popularity was a necessity of existence; and popularity can only be bought by a liberal expenditure on public works and

a due selection of the fittest to share in the spoils.

Accordingly Mr. Ward, as Treasurer, acting on the well-known adage that one might as well be hung for a sheep as a lamb, asked Parliament for, and was granted, authority to borrow the following amounts: One and a half millions per annum for two years for advances to settlers; a quarter of a million per annum for five years for purchasing land for settlement; half-a-million for lands improvement and purchase of Native lands; and the two million guarantee given to the Bank of New Zealand, altogether a respectable total of six-and three-quarter millions sterling.

At the annual meeting of the Ward Farmers' Association Ltd. on Oct. 20th, 1894, the report was as flattering to the shareholders as they could wish for. A dividend of 10 per cent. was paid; a refund of 25 per cent. was returned to the shareholders on charges paid; a bonus of 2½ per cent on goods purchased was given; salaried officers received a bonus of 3 per cent., and £1000 was carried to the reserve fund, and although the capital outside Mr. Ward's £15,000 paid up shares only amounted to £12,189 and there was still £6675 of issued capital unsubscribed, it was proposed in the report to increase the nominal capital to £250,000 "to render the sphere of its future usefulness considerably greater."

This suggestion did not catch on, but in place of it the Association issued, in December, debentures for £50,000. Regarding this operation, Mr. Ward stated at the next annual meeting that £40,000 had been floated "which debentures were held in London."

To anticipate what subsequently transpired it is as well to state here that the Colonial Bank liquidators give the following account of these debentures:- "To relieve this large overdraft, in Dec., 1894, debentures were issued for £50,000. Of these £20,000 went to the Bank of N. Z. and £30,000 were placed with the Colonial Bank."

There is not a word about their being held in London as Mr. Ward led his Association to believe.

Regarding the £20,000 advanced by the Bank of New Zealand, on the Association's debentures, Mr. Watson, President, owned to the Parliamentary Committee that he recommended the advance as well as another amount of £5000, and on being pressed said:- "The Bank of. N. Z., being guaranteed further advances by the Colonial Bank, losses cannot occur." This, of

course, must be very consoling to those interested in the Colonial Bank.

Before the year 1894 closed and just about the time the debentures were issued the directors of the Colonial Bank grew uneasy and on the 19th Dec. in that year the position was laid before them in cold, pitiless figures, showing that the total indebtedness of the Association to the Bank was £122,189, while the value of the securities held was estimated at £68,244; but this fact was not known outside the sacred circle until nearly two years had gone by.

There were at that time three Mr. Wards.

The man known to the general public was Colonial Treasurer, Postmaster-General, Minister of Marine, Industries and Commerce, and the Commissioner of Customs.

The capacity for statesmanship of this Mr. Ward may be judged from the fact that these departments were all controlled for the major portion of the year from a room in the J. G. Ward Association buildings in Invercargill on the door of which was painted: "The Hon. J. G. Ward, Colonial Treasurer, &c." There, assisted by two private secretaries he ran the Treasury and Customs, the Post Office and the rest of it mainly through the telegraph wires.

The cost of official telegrams during that year rose over £4000 above the normal expenditure.

Sometimes the departments were administered from saloon cars on special railway trains, and occasionally the great man prepared State documents while the steamer Hinemoa conveyed him from one port to another, sometimes on public service, sometimes to attend functions of the Colonial Bank people.

As a statesman and representative he did not forget his people. Over 700 appointments were made to the Post Office and Telegraph branch alone during his period of power and patronage.

He justified the faith the people of Southland in him by finding that applicants for official positions among his own constituents were better fitted than those in other parts of the Colony.

It will, in the days to come, be for the Philosophical Society to explain in a learned paper on New Zealand Anthropology, how it came about

that, while Invercargill provided the State with Post Office clerks and telegraph cadettes, Waihemo supplied rabbit inspectors and agricultural experts, and Westland furnished policemen and permanent artillery.

This No. 1 Mr. Ward perfected a system of converting deficiencies into surpluses, and so acquired the well-deserved title of the "Wizard of Finance."

The second Mr. Ward was the successful merchant, who, after some vicissitudes, made a lucky hit in oats, was taken under the wing of the Colonial Bank, and allowed to pull a string which precipitated a shower of golden sovereigns for him to play with.

To the outside public the capital was his own. On every possible occasion he paraded his personal wealth, and right royally did he disburse it.

He cornered the oat crops, paid high rates for them - and lost;

He chartered ships, sent them to the uttermost parts of the earth - and lost;

He bought flocks of sheep without regard to weight or quality at higher prices than his rivals did mutton by the pound - and lost;

He undersold rival traders in sheep dip and sugar and sacks - and lost;

But those losses represented increased wealth to his clients, and constituents; and as the ultimate disaster was bound to fall on an incorporated Bank, and the proverb tells us that corporations have no souls, the merchant Ward hoisted a banner with the device, "Eat, drink, and be merry, for to-morrow ye die," and went on merrily declaring 10 per cent. dividends and liberal bonuses, always paying out with the Colonial Bank Shareholders' money, thus gaining a popularity among his neighbours which has since stood the test of disclosures which would have wrecked a dozen ordinary commercial men..

The third Mr. Ward was only known to a limited and very select circle, which included the Directors of the Colonial Bank, his own manager - the famous John Fisher - "Dear Jim" and a few others, among whom Premier Seddon claims to have been, for he said so himself.

The Bank Directors' meetings must have been sad functions.

It gradually dawned on the Directors that they had given their versatile client more slack rope than they could haul back again; but to the outer world the Bank was flourishing, and, although they reduced dividends to six per cent., they assured their shareholders that ample provision was made for bad and doubtful debts; that their strong rooms held "an exceptionally large amount of reserves, and that they could not employ the money they had at the present time."

This was the statement of the Hon. George McLean regarding the balance-sheet of February 28th 1895, although on December 19th. 1894- about two months previously- it was known to the Directors that the Bank only held £68,244 securities against £122,189 of liabilities due by the Ward Association

But the speech was not delivered until March 27th following, so that it must be owned that the Hon. George McLean was not deficient in the spirit of romance when he met the deluded victims of the institution of which he had the honor of being the Chairman.

These three Mr.Wards finished the year 1894 amid the plaudits of the multitude and entered on 1895 joyously and confidently, and, as will be seen in the next chapter, eclipsed all previous achievements before 1896 dawned.

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Chapter IV.

Finesse and Fireworks.

Still you keep the windy side o' the Law.

Shakspeare (Twelfth Night)

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It became evident about this time to those who were not wilfully blind, that a game was being played upon the political chess-board which had for its object the salvation of the Ward affairs at any cost.

The Ministry of the day had for its potentates Premier Seddon, Treasurer Ward, and Land Administrator John McKenzie. Mr. Ward's position gave him an influence over the destinies of both the Bank of New Zealand and the Colonial Bank, which enabled him to pull the strings much as he liked.

Mr. McKenzie was allowed to know just sufficient to fire off threats of what might happen if his estimable Government were overthrown. He said at a Dunedin meeting in February 1895 that Ministers knew the Bank of New Zealand was weak ten months before the passing of the Guarantee Act, and as this statement was found to be too much like letting the cat out of the bag, he altered it at another meeting at Hastings in April by alleging that he meant that the Government knew that the Bank was not in a strong position, but did not then know it was in difficulties.

Both the original statement and the explanation pointed to a knowledge of something being wrong, and when one calls to mind the manner in which Ministers had denounced all monetary institutions, and the one under notice with special rancour in the immediate past, and then suddenly come to the rescue of the pernicious institution when Mr. Murray gave them twenty-four hours' notice that he wanted a couple of millions to place it in an unassailable position, it became very clear that there were influences at work not made manifest to either the Parliament or the people.

It was, moreover, a very strange thing that the Colonial Bank, with £65,000 of a reserve fund to a small capital of £400,000, should have its shares hawked about in the open market at half-price; and the criticisms which sometimes were printed regarding the evident exaggeration and garbling of the Ward Farmers' Association accounts, and their avowed, but purposely minimised, indebtedness to the Colonial Bank- all these matters afforded considerable food for reflection, and led commercial men to evolve from their

logical minds a connection between the three concerns.

Suspicion was aroused, and it was more than hinted that had there been no Ward Association overdraft there would have been no Bank of New Zealand guarantee, and that the trump card would be played in a proposal to absorb the Colonial Bank and its overdrafts into the safe shelter of the Bank of New Zealand, and thus bury up the huge losses on mutton and oats in the ledgers of what was to become a State Bank, and hide for ever the results of cold-blooded plunging with other people's money.

That this project had been duly debated by the three Ministers may well be inferred from the subsequent advocacy of Messrs. Seddon and McKenzie in Parliament, and the vehement and scandalous language of Treasurer Ward himself.

The other Ministers constituting the Cabinet were mere pawns on the chess-board for the three confederates to move at their pleasure, and they were supported in all they said and did by their obedient followers in the ranks.

The battle-cry the three leaders appear to have adopted and to have rigidly stuck to was, "Save Ward at all hazards." That they did not fully save him was no fault of theirs; the partial failure, as will be shown later on, was because Mr. Ward was so far in the dark as to the actual gap between his assets and his liabilities, owing to his keeping no proper books of account, that he was only forgiven £55,150, when it would have taken double that amount to have made his account acceptable to the Bank of New Zealand. This forced his friends to come before the Court with a proposal to compromise.

The way had been paved for the amalgamation of the two banks. For some years previous to 1894 this had been a subject of consideration and the first practical step was taken in an agreement between them which was laid before Parliament on September 11th, 1894, ten days after Mr. Ward had discounted the British bill on Cooper for £25,000, which was never presented.

This proposal was blocked by the Banking Act of that session, which prohibited amalgamation without the consent of Parliament; and the Hon. George McLean a fortnight later - on September 26th - when presiding at the

half-yearly meeting of shareholders in the Colonial Bank, and commenting on the proposed amalgamation, referred to the guarantee given to the Bank of New Zealand as a cruel blow to the local institution, which was at the time "exceptionally strong", and that it courted the fullest enquiry. He further said that the Colonial Bank had to refuse hundreds of thousands of the best business in the Colony because it had "to pursue a Conservative policy."

Mr. Keith Ramsay, subsequently appointed one of the official liquidators of the Colonial Bank, expressed the opinion that the proposed amalgamation was politically bad and morally wrong, and he was glad that the Government had put an end to the matter, "and after a vote of thanks had been passed to the directors and officers for their services on behalf of the shareholders, Mr. McLean volunteered the information that the Colonial Bank was the strongest in the Colony, as its reserve fund was in the ratio of 17.53 per cent. to its capital, and no other Bank could show anything near that proportion. The delighted shareholders received a dividend of seven per cent., applauded the statement, and the Directors felt that they had another period of respite.

On October 12th, 1894, a fortnight after this congratulatory function, Mr. William Watson was appointed President of the Bank of New Zealand and at a salary of £2250 per annum by the Ministry (including Mr. Ward), the tenure of his office being "during good behaviour and efficiency." The directors of the Bank had no voice in the matter, and Mr. Watson was granted a power of veto, and he, eleven months afterwards, clinched the bargain by obtaining from the directors a deed ratifying his appointment.

Mr. Watson left the Colonial Bank, in which he held a prominent position, as Inspector of Branches, to preside over the Bank of New Zealand, and he was also a shareholder in the J. G. Ward Association. It is impossible that he could in these circumstances be ignorant of the state of affairs between the Bank he had left and the Association he was interested in, and evidence was given before the Parliamentary Committee as follows by one of the Bank Directors (Mr. Booth):-

"Approaches were made to us for the purchase of the Colonial Bank

at various times. Mr. Watson was practically always the man who was prominent in moving so far as we were concerned

There was a good deal that was not prudent or proper. It was impossible for us, after we became fully acquainted with the position of the Colonial Bank, to understand a good deal in connection with the conduct of the President and the present General Manager."

The General Manager referred to was Mr. Mackenzie, formerly General Manager of the Colonial Bank and subsequently appointed to a similar position in the Bank of New Zealand, with the concurrence of the Ministry (including Mr. Ward) and on the special recommendation of President Watson, as related by Mr. Booth, who said:-

"Mr. Watson, as President of the Bank, was very anxious that Mr. Mackenzie should be there, and it was quite plain that it would be very difficult for us to get anybody else past Mr. Watson's veto. I was asked particularly to see Mr. Seddon about this business. The Treasurer, Mr. Ward was ex officio the organ of the Government in banking matters. I cannot say why he was passed over. Mr. Watson arranged the matter."

These transferences of the two chief officers of the Colonial Bank to the Bank of New Zealand indicate that at that time the need of smoothing the path for the rehabilitation of the Ward Association was clear to Premier Seddon, Treasurer Ward himself making the balls and his colleague providing the weapons. Neither of them dreamed at the time that their schemes would fail, far less be exposed to the public gaze. They commanded a passive band of followers in Parliament glorying in their servitude to Ministers who could make or unmake them M. s H. R. by means of favors to constituencies, and they proceeded, with the aid of the shrewdest legal talent obtainable, to construct an agreement, which had for its object the forgiveness of the Southland losses and weighting the already overburdened Colonial Bank shareholders with the mass of debt.

An act was passed during the session of 1894 which the most astute minds among the Opposition seem to have failed to grasp the drift of. This was the New Zealand Consols Act. In its preamble its object

was set forth thus:-

"Whereas it is expedient to encourage thrift by affording the people of New Zealand facilities for the safe investment of their capital";

and among its provisions was one providing that the monies so raised were -
 "to be invested in such securities as the Governor-in-council (i.e., the Ministry) may authorise. . . . The Colonial Treasurer shall lay before Parliament an annual statement of all investments made."

When Mr. Ward introduced the measure it was generally believed that it was a new form of borrowing for roads and bridges. He did not deny this, nor did any of his colleagues, but he gave as a reason that "some people were fastidious" as to the places they should deposit their money in. He intended that it should be used in lieu of Treasury bills, and for promoting "the development of the Colony," and was earnest in his assurance that it was not for wild-cat proposals.

So that all the people should be enabled to participate in the satisfaction of being holders of consols it was enacted that minors of ten years and upwards could purchase them. Mr. Seddon predicted that the old women of the Colony would rush to invest the hoards of wealth they were compelled to keep in old stockings, arm-chairs and tea-pots in these desirable securities.

As soon as the session was over, the Government Printing Office was employed in printing consols for £150,000, and the Bank of New Zealand took the paper, and handed over the cash. It was a curious transaction. The Government had just before assisted the Bank by a guarantee of two millions at 4 per cent., and then borrowed back £150,000 at a higher rate. And this sum neither went in promoting development nor in Treasury bills, as Mr. Ward said it would go, but it went into the wildest of wild-cats, which was exactly where he promised it should not go. It was handed over to the Colonial Bank, which professed to be very unwilling to accept it, but as the amalgamation proposals had dropped for the time being, there were very good reasons why the Colonial Bank was extremely glad of the windfall, because at that very time the concerns known by the extremely comprehensive title of the J. G. Ward Farmers' Association had

crippled the Bank through being indebted in a sum in excess of the amount raised by the Councils.

Events followed very fast on one another at that time. Towards the end of December, 1894 it was announced that Mr. Ward was going to London on private business. A protest went up throughout the Colony that it was undesirable that the Treasurer should leave his post, and a change of front took place, Mr. Ward made it known that he was "deputed by his colleagues to proceed to England to attend to matters of an important character affecting the welfare of the Colony." That was what the Ministerial press said and what the public saw. A reason, if not the real reason, was that Mr. C. R. Valentine, who had cost the colony £1700 for a trip out and home, had arranged to form a company to exploit the New Zealand produce trade. It was to be called the Co-operative Produce Agency Company, the capital to be a million; and, among other objects for the good of the Colony and its shareholders, it was to amalgamate some going concerns, such as Nelson Bros. and the J. G. Ward Farmers' Association. This company did not float, but another more modest one did a year or so later, with a capital of £100,000 and Messrs. J. G. Ward and John McKenzie as directors at salaries of £500 each. Who provided the money has never been authoritatively stated, although it was persistently reported at the time that it was found by a certain large financial institution in the Colony.-

But while attempting, however unsuccessfully, to persuade London financiers to lay up their treasures in his Association, it is fair to Mr. Ward to here say that he did not neglect the Colony he represented. On the voyage home he made a treaty with the Premier of South Australia, in which oats and binder twine were to have special favors shown them. This treaty was subsequently kicked out ignominiously by the Parliaments of both colonies.

On his arrival in London reporters were invited to interview him, he addressed the Metropolitan Chamber of Commerce, and told fairy tales of our wealth and resources; he hobnobbed with lords and marquises; he was presented to royalty, and he floated the million and a-half loan with far less trouble than the Advances to Settlers Department has had to lend

the money.

He returned via Canada, and while the express train he travelled by stopped for refreshments he made another treaty on the basis of a tariff which had been repealed two years previously, and then, in due time, again landed in Wellington, where the faithful had prepared a reception for him intended to eclipse any pageant in the history of Wellington. This assumed the semblance of a funeral rather than a demonstration of joy, but a subsequent banquet (for true Liberals only) afforded opportunities for Ministers and friends to gush over the unparalleled deeds performed by the hero of the day, both as a colonial ambassador and a successful merchant prince.

As a specimen of Mr. Ward's magnificent ability in romance it would be unkind not to reproduce a specimen of his powers of varying his speech to suit his audience. The following extracts speak for themselves:-

In Parliament, July, 25th 1894.

We have not, and we shall not have on the 31st October, sufficient money in England for the payment of interest.

At the London Chamber of Commerce,
April 25th, 1895.

Instead of being hard up for cash at that date (October) the Colony had lying to its credit, and it still had, three millions' worth of unpledged securities.

Parliament was in session when Treasurer Ward arrived, and he was soon brought to book regarding the London statement. Most men would have felt at a loss, not so the "Wizard of Finance." He produced a cablegram from the Agent-General which substituted the word "pledgeable" for unpledged, and even this referred to securities held against trust funds. This was a mere detail, however, and the faithful whitewashed the hero of the 3-per-cent. loan, and then went to work on more banking legislation.

It would be a weariness to the spirit to recount all that followed. Two banking bills were passed. It was found that the two-million guarantee would have to be supplemented by another half-million; that the Colony would have to take upon itself the remarkable hotch-potch of runs, farms, breweries, hotels, sheep, and other odds and ends which had been pawned to the Bank of New Zealand to the extent of two and three-quarter millions sterling, and, to crown all, it was found that the Bank of New Zealand could not struggle along without more earning power, so it was decided to

purchase the Colonial Bank, which had, nine months before, been kept afloat with £150,000 of Consols borrowed from the other wreck.

Stronuous endeavours have been made to show that it was Mr. Seddon, and not Mr. Ward, who took the leading part in arranging the basis of agreement for purchase. The more one pores over the endless pages of evidence given and evidence refused, the more is the reader convinced that both Ministers acted in concert, and the object sought was the piloting of the Ward Association into the safe haven of the "People's Bank" without any disclosure being made as to what an awful sink the Southland concern had been for the capital of the Colonial Bank. Information was refused by both the Premier and Treasurer. Pointed questions were sometimes airily, sometimes dodgily, but oftener insultingly evaded, or replied to with consummate impudence, while the forty Ministerial followers looked admiringly upon the bravado of Ministers as a triumph of statesmanship, and so the legislation passed, and the confederates, having a clear course, as they believed, brought the session to an end, congratulating themselves that their labours, which began by cajoling Parliament into guaranteeing two millions, had now received the finishing touch (as they thought) by the saving of the Honorable Joseph George Ward from exposure and Bankruptcy.

Chapter V.

The Value of Political Fals.

Men's Evil Manners live in Brass. - Shakespeare (Henry VII)

The astounding oats transaction by which the balance-sheets of both the Ward Association and the Colonial Bank, as well as the famous "C" list of debts in the agreement for the purchase of that Bank were made to appear better to the extent of £30,000 than they really were, was not by any means a new system of book-keeping. It was merely a variation of the bogus cheque system adopted by Mr. Ward to reduce the Association's indebtedness on the balancing days of June 30th, 1893, for £21,000 and £35,000 in 1894, and the bill drawn on Cooper's on August 31st. 1894 for £25,000. These, like the oats draft for £30,000, were mere "kites" which served their purpose of deceiving those who trusted to the evidence of balance-sheets, and it is interesting here to compare the dates on which certain historical events happened, to indicate what a close connection existed between the legislation of the session of 1895 and the J. G. Ward Association.

The Bill authorising the purchase of the Colonial Bank was introduced and passed at one sitting on October 25th, 1895. On the previous day, Mr. William Watson reported on the agreement arrived at between the two banks for the purchase, which contained among other things the following:-

"The Directors of the Colonial Bank anticipate that in addition to the £133,906 agreed to be paid in cash, they will receive out of the £327,305 a further sum for distribution among shareholders."

Mr. Seddon, in advocating the purchase, waxed eloquent on the bargain the colony was making. "Where is the increased earning power?" he asked, and replied himself to the question as follows:-

"You have the fact that there are accounts to the value of two millions, and gilt-edged accounts to the extent of a million in round numbers. Now, what would it take any bank starting to-morrow to get together a million's worth of gilt-edged accounts and business?"

He did not condescend to particularise. He did not even pause to inform Parliament that such gilt-edged business as the Ward Association and the Rev. Mr. Ryley formed the cream of the product of the Colonial Bank's dairy; and yet he said he knew all about it, and stated in his evidence before the Parliamentary Committee - "I am solely responsible for the drafting of the Banking Act of 1895."

The condition of the Ward accounts was known then. The Assistant Inspector, Mr. Davidson, went to Invercargill in August, and found the Ward

Association insolvent according to its own books, and its deficiency from £50,000 to £55,000. The Colonial Bank became aware of the "oats" transaction in September.

The agreement between the two banks for the purchase of the Colonial was drafted on October 12th, and one of its conditions was that £55,150 should be put to the credit of the Ward Association, in order, so it has been alleged, "to make it a saleable concern." The agreement was signed on 18th October 1895, and Mr. Ward gave his acceptance for £55,150 on the following day, after the Association's debt to the Colonial Bank had been written off to that extent.

The Bill to authorise the purchase was introduced and passed on the 25th by the Lower House and next day by the Legislative Council, and the load of anxiety was removed from the minds of the politicians who had worked so hard for two sessions to attain this desired consummation. Something more was necessary, however, to prevent officious interference by high banking officials, so Mr. Henry Mackenzie left the service of the Colonial Bank on Nov. 22nd and was appointed General Manager of the Bank of New Zealand on Nov. 25th, 1895.

It is worthy of note here that the last balance-sheet of the J. G. Ward Association was made up on June 30th, 1895, it was signed by Mr. Ward himself on August 13th, and the shareholders' meeting was held on September 7th. when the "Oats" transaction was known to the Bank, to Mr. Ward and to his manager. At that meeting Mr. Ward announced that the "goodwill" would be written down from £15,000 to £11,000; and he was generous enough to also announce that he had decided to devote £1000 of his own "dividend" to reduction of "goodwill." He referred to the £40,000 debentures "held in London" which would "greatly assist in putting the finances of the Association on a permanent basis," and made a forecast that the year then being entered on would be a prosperous one for the Association, and the result would be even better than any since the formation of the Association.

The 1895 balance-sheet took no account of drafts or bills discounted, which two items in the previous year totalled £85,660. These liabilities were simply ignored. The overdraft at the Bank was set down

at £1186, the total liabilities having apparently, but of course fictitiously, decreased from £166,846 in 1894, to £87,255 in 1895, and a net profit on the year's operations was shown of £6516, which included a bogus credit to profit and loss account of £1500 referred to in another chapter.

Just before this meeting, Mr. Davidson, Inspector of the Colonial Bank, had been sent to Invercargill in consequence of news having reached headquarters that there had been heavier losses than anticipated in the Association. Mr. Davidson discovered the vast gap to exist between the quantity of oats in store and what was represented on paper. The local bank manager, who was in charge of the local branch because, as Mr. Mackenzie said, he had experience in the oat trade, appears to have been amazed at what was going on under his very nose, and wrote as follows to the General Manager. This letter it will be noticed was dated four days before the Association meeting, when Mr. Ward generously "devoted £1000 of his own dividend to reduction of goodwill," and spoke so glowingly of the position and prospects of the concern.

(Private.)

Invercargill, 3rd September, 1895.

Dear Mr. Mackenzie, - Before this reaches you Mr. Davidson's report on his investigation of the affairs of the Ward Farmers' Company will be in your hands, and you will see by it that terrible disclosures have come to light. The day Mr. Davidson appeared an engagement was made with Mr. Fisher for half past seven in the evening, and half an hour before that time the latter came along to the bank and made a confession of his crimes that fairly staggered me. The amount owing to the Association by Mr. Ward is a perfect revelation and fully explains why I never could keep the account down. The outcome now is that instead of Mr. Ward being a rich man, as he led me to believe, and I always thought, he has lost every shilling, and is something like £30,000 behind besides. Fisher owns up to being 75,000 sacks of oats short of my warrants (exclusive of the 80,000 sacks attached to the British bill for £30,000), and says he has lied and deceived me hundreds and hundreds of times during the past five years; in fact, he says the truth has not been in him. This is a nice confession for a man holding the position he does, and from one I had the greatest respect and trust in. It is truly appalling to me, and is the rudest shock I have ever experienced in my life. My own opinion is that we could put Fisher, Anderson, the directors, auditor, &c., in gaol over this, to me, huge swindle if necessary. You, of course, will know what is best to be done, and I therefore await your directions before moving further. With very much regret at the outcome of things, - I am, &c.,

G. A. Birch.

Then in the Supreme Court in March, 1897, Mr. Solomon asked witness if he did not know after reading that letter that Mr. Ward was ruined?

Mr. Mackenzie: No.

Yet when Mr. Birch was before the Parliamentary Committee on Aug. 12th next year, the following comedy was enacted:-

Hon. Mr. Bonar to Mr. Birch. What was the nature of the loss

which occasioned surprise to the bank authorities, and I presume to yourself, in September, 1895?

Mr. Birch: That is exactly what I should like to know myself.

Mr. Bonar: And you have not since become acquainted with the cause of the loss?

Mr. Birch: No.

The answer by Mr. Mackenzie to Mr. Solomon shows how much stronger blind faith is than the testimony of branch managers, and it is curious to look back on the game that was being played in Parliament on the same date on which Mr. Birch expressed his indignant belief regarding the huge swindle.

Hansard, September 3, 1895.

Mr. Seddon: I do not think, as far as I am informed, there is any truth whatever in what has been stated - that the agreement is already out and dried.

Dr. Newman: Well, I will tell the honourable gentleman what I know. For months past, negotiations have been going on between the managers of the two banks (Messrs. Watson and Mackenzie), and the position of General Manager is being kept vacant. And, sir, we shall find that the present manager of the Colonial Bank, Mr. Mackenzie, will be put in that position.

Was it to be wondered at that the public and the press commented on the 1895 balance-sheet when placed side by side with the legislation that was proceeding when they were published?

The remarkable success of the promoters of the Banking Bills spurred the critics on to discover the realities then hidden by the curtain. Messrs. Seddon and Ward declined to allow Parliament to peer behind. Their efforts to get at the truth were branded as unworthy motives and base suspicions, and it was held desirable during the recess for Ministers to stump the country and instruct the people how patriotically and virtuously they had come to the rescue of the colony, and how their efforts had been opposed by a selfish Opposition and a vile Conservative press.

Mr. Ward made a tour round Taranaki and delighted the Liberals of the Garden of New Zealand by his vivacity, his lightning elocution, and his social attainments. At Stratford he brought down the house by the characteristic manner in which he sang that singularly prophetic song "There's Bound to be a Row," and at Wanganui he convinced his audience by the completeness of his rout of those who had ventured to hint that he had profited by, or had anything to do with the Banking legislation.

These people, he said, made strong efforts to impeach his veracity and integrity, and they deserved to be treated with contempt. At New Plymouth,

on May 12th, 1896, at a crowded meeting he said:-

"I give you my word of honour as a man, that no member of the Ministry knew the proposals between the banks in connection with any account on any list. The imputation is grossly untrue. No man has a right to ask me, although I am a public man, what my private affairs are. If any man stated that I had then been guilty as a public man of improper conduct in connection with the Banking legislation, I would have called him a liar." (Cheers).

Comparing this with the evidence given before the Parliamentary Committee, that on October 18th the directors of the two banks agreed as a condition of the sale and purchase of the Colonial Bank that £55,150 should be written off the Association's indebtedness to the colonial Bank; that on the 19th, Mr. Ward gave his acceptance for the amount which was duly credited to him as "cash" in the Association's books, and the document then ignominiously put in a safe with other "kites" and considered of so little value that it was taken no subsequent account of; and that the Banking Bill was then prepared and passed through the Legislature just a week afterwards; - it does seem that Mr. Ward's New Plymouth assertions, and the final epithet quoted above, would have a nearer application to some person more closely allied to the Ministry than to the people he denounced.

Less than one month after his triumphant campaign through Taranaki, the same Joseph George Ward stood before Judge Williams in the Supreme Court at Dunedin, and there he testified as follows in reply to Mr. Young:-

"Then you are personally responsible to the bank for £96,000 on paper? - Yes, that is so."

"And against that you have property worth, in round numbers £4000?"

That is the value of the property."

"So that at present you are hopelessly insolvent? - That is so according to my books."

"When did you become aware of your position? - I first became aware of the responsibilities I had on my shoulders when I became aware of the loss of the Farmers' Association. I think it was in August 1895."

This fixes his knowledge of the position of his Association as being fully two months before he introduced the Bank Bill, which had for its real object the absorption of his affairs into the Bank of New Zealand. But, that his knowledge of his own position and its hopeless entanglement was no secret long before this was logically set forth in Judge Williams'

able summing up when he concisely related the history of the business thus:-

"Here, then is a company, or association, with a capital actually paid up in cash of £12,450. When it has been only three years in existence that capital has been lost and the association has become hopelessly insolvent, showing a deficiency of over £100,000. It has been shown that the association obtained credit for a large amount by fraud; that it put forward an utterly false balance-sheet and that its affairs were managed with a reckless disregard of ordinary business principles. Of this association Mr. Ward was managing director. Of the £12,450 of paid up capital he held £8000, which carried with it a contingent liability of £32,000. He also held shares of the par value of £15,000, which had been allotted to him as fully paid-up. His private account with the association was in debit £55,150, showing that he freely used the credit of the association for his own private ventures. In such circumstances it is hardly too much to say that in substance Mr. Ward and the Association must for most business purposes have been identical. Mr. Ward is now hopelessly insolvent. A few pence in the pound is the utmost that his estate can be expected to realise. What, under ordinary circumstances would happen, would be that the association would go into liquidation and that Mr. Ward would become bankrupt. That the career of the association should be brought to an end and its proceedings investigated, and that those who were responsible for its management should no longer be permitted to roam at large through the business world is a result so obviously desirable in the interests of commercial morality that it ought if possible to be attained."

Chapter VI - DESPERATE MEASURES.

Emboldened by despair, he stood at bay. Dryden.

The triumphant tour through Taranaki terminated, as narrated in the previous chapter, in Mr. Ward standing before Judge Williams at the Supreme Court, Dunedin, on June 5th 1896. Many heads had been put together - some of them wise, others foolish - with the object of devising a scheme that would effectually drag the Southland hero out of the financial quagmire into which he had fallen, and at the same time wear upon its face the semblance of honest merit. The result of all this deliberation was that two trusty friends of Mr. Ward - Messrs. A. Lee-Smith and J. B. Reid ("Dear Jim") - either came or were put forward with a proposal to find the modest sum of £62,750 with which to purchase from the official liquidators of the Colonial Bank not only all the relative securities but also all the debts and obligations, direct and indirect, of the Ward Association and of Joseph George Ward to that ill-fated institution, aggregating no less than £168,229, thus:-

J. G. Ward Farmers' Association	£ 92,179
Hon. J. G. Ward	£ 55,150
Hon. J. G. Ward	£ 16,000
Hokonui Railway and Coal Co.	£ 4,900
	£ 168,229
	=====

Every available soul ready and able to assist in the salvation of Mr. Ward from the consequences of his acts was pressed into the service in the hope of securing the Court's sanction to the scheme. The three liquidators of the Colonial Bank - Messrs. Ramsay, Simpson and Vigers -; the Ward Association's liquidator - Mr. Cook; the last manager of the Ward Association - Mr. R. A. Anderson; the manager of the Hokonui Railway and Coal Co. - Mr. John Hayes; Mr. F. W. Thompson, dentist, of Christchurch, and Mr. Ward himself filed affidavits, all, of course, in the one direction. Two counsel also appeared in support - Mr. Haggitt, representing the liquidators, and Mr. Woodhouse, representing Mr. Ward.

A statement had been prepared by Mr. Cook of the position of the Ward Association, which purported to show that if the Association went

into liquidation the Colonial Bank would not obtain so much, by some thousands of pounds, as was being offered under the proposal before the Court. The writer of this story had, some time previously, heard that a compromise of importance was likely to be attempted, and on behalf of certain Colonial Bank shareholders he instructed a solicitor to give notice that he required due notice of any application about to be made to the Court. In this way it came about (fortunately for the shareholders, unfortunately for Mr. Ward) that the writer and his solicitor, Mr. Young, were "alongside" when the application for sanction to compromise with Mr. Ward and his Association (to all intents and purposes the same) was made.

An affidavit was filed by the writer closely analysing the published balance-sheets of the Ward Association since its iniquitous birth, pointing out extraordinary discrepancies, and stating that, on the strength of information in his possession, he believed the Association's assets had been greatly undervalued in the statement prepared by the Association's liquidator (which formed the basis of negotiations and the price finally fixed as the purchase money), and that, setting aside the question of principle involved, it would be more to the advantage of the Colonial Bank shareholders if the Association were liquidated in the ordinary way. The Court, after a prolonged examination of many witnesses, threw out the application on the ground of principle set out in the extract from the judgment quoted at the conclusion of chapter 5, namely that the proposal was "in effect an offer of hush money". Judge Williams was bound to accept the array of affidavits above mentioned, as to the value of the Association's assets, as against the solitary affidavit of the writer, but it is on record, nevertheless, that seven months after the rejection of Messrs. A. Lee-Smith and J. B. Reid's offer, the liquidator of the Association admitted that "owing to a successful season in oats, enabling the farmers to pay their debts, the estate would benefit by about £10,000."

"The Guardian" (edited by the writer) of November 26th 1896 - one month previous to Mr. Cook's admission - said:- "We now say upon the best authority and without the slightest fear of contradiction, that from £10,000 to £20,000 will be absolutely saved to them (the Colonial Bank

shareholders) by the action of this same smallband who threw themselves against the formidable phalanx of the enemy and won. Time alone will prove the accuracy of our assertion." The writer's information was to the effect that the improved position of the estate (a month afterwards admitted by Mr. Cook at £10,000) was caused by something more than "a successful season in oats" - in other words an inspection of the Association's books might reveal, for instance, that binder twine and other assets were actually sold for considerably more than they were valued at in the liquidator's statement. The reader is asked to acquit the writer of any desire to be egotistical, but as further proof of "The Guardian's" forecast, the following, taken from the affidavit of the Ward Association's liquidator filed in April 1897 (only about four months after his £10,000 admission) may be quoted:-

Total claims against the Association		
admitted and not adjudicated upon		£ 97,031
Assets in hand	£ 55,233	
Uncalled capital, estimated at	8,450	63,683
Mr. Cook's Estimated Deficiency		£ 33,348
Mr. Cook's estimated deficiency		
in statement for proposed compromise		£ 48,456
showing an improvement in the estate of		£ 15,108
		=====

Judge Williams' judgment that caused such consternation in the Liberal camp was in itself - apart from the financial aspect - a complete answer to those who were inclined to upbraid the writer for what they were pleased to term "meddlesomeness" on his part. No doubt these high-souled individuals looked strictly at the £.s.d. aspect of the question, and, perhaps, few will blame them for doing so. But the writer was a little struck by the fact that one of his chastisers was a Wellington clergyman. This gentleman seems to have been among those who viewed the proposed compromise solely from the £.s.d. stand-point, but, on the writer expressing surprise that one of "the cloth" should, in face of the severe strictures contained in Judge Williams' judgment, shut his eyes to the principle involved the reproach had its effect and the sinner became duly penitent.

Another incident, not altogether devoid of interest, that followed immediately after the rejection of the offer made by Mr. Ward's two friends properly forms part of this narrative. When Mr. Ward had returned to Wellington from Dunedin, and, metaphorically speaking, fallen into the willing arms of his sorrowing colleagues, a caucus of the Liberal party was urgently summoned for the purpose of receiving their shattered idol's report, with full brazen accompaniment of course. This caucus was an exciting function, the main feature of which was the flourishing in the faces of those present of what Mr. Ward declared was an original anonymous letter which had reached him the morning after the disaster in the Supreme Court. The pride of the party went whirling along in his usual soul-stirring fashion, assuring his listeners that this anonymous letter (which was alleged to exultantly taunt him with his downfall) was written either by the writer of this romance or his solicitor. His audience seemed at first incredulous, but Mr. Ward (who is never at a loss in an emergency) had the proof ready at hand. Presto! and a sheet of blotting paper dangled in the air. Here was the damning proof of guilt - an exact facsimile of the letter which poor Mr. Ward had received! By this time the excitement, as may easily be imagined was at fever height: members scarcely knew whether they were on their heels or on their heads, such was their indignation, and they were dying for more information as to how the victim of this dastardly outrage had become possessed of the blotting paper. Again rang out Mr. Ward's voice sharp and clear: he would tell them - the blotting paper was found upon the pad that the writer of this story and his solicitor had been using in their private room in the hotel, which room happened to adjoin the one Mr. Ward occupied. What a chain of circumstantial evidence! A coup such as this was destined to be the success that it was, and members dispersed with tears of sympathy in their eyes, seeking what solace they could in the establishment known as Bellamy's.

News travels like lightning, and it was not long before a member of the caucus who was less gullible than the others and who evidently thought that such a serious charge should not be made under cover of the caucus, whispered what had occurred into the ear of somebody who promptly

told the writer of this story. The result was the following letter:-

"Wellington. 16th June 1896.

The Hon. J. G. Ward

Club Hotel,

Wellington.

Sir,

(name omitted here) has just mentioned to me that you have received an anonymous communication of an objectionable nature relative to the recent proceedings in the Supreme Court, Dunedin, and that you have attributed it to Mr. Young or myself. I can say that so far as Mr. Young is concerned I know him well enough to acquit him of any imputation of the kind, and, so far as I am concerned, I emphatically deny having addressed you at any time whatever, either by letter or by word of mouth. I will go further and characterise the writer of any anonymous letter of an offensive character to a man in the unfortunate position in which you find yourself as dastardly in the extreme.

Should you allude to the receipt of any such communication at any time to any person or persons and connect Mr. Young or myself with it, I shall be glad if you will, in fairness to each of us, make known the contents of this letter.

I am, Sir,

Yours obediently,

V. M. Braund."

This letter was delivered into the hands of Mr. Ward's private secretary. Not only was no reply received, but Mr. Ward was careful not to bring the matter up in open parliament, and he justified once more the prefix to his name "Honorable" by refraining (so the writer understands) from reading the letter to a caucus of his party. If any such anonymous letter, as alleged by Mr. Ward, was really received by him in the ordinary way - which is open to question -, it was undoubtedly a most "dastardly" act on the part of somebody, but not more dastardly than the omission of Mr. Ward to either give those whom he had accused an opportunity of disproving the charge against them (which would have been no difficult matter), or apologise. Mr. Ward's conduct was from the outset self-condemnatory,

for the proper place to make such a charge was in open parliament where he would have been protected by privilege from legal consequences, but where those who were secretly accused would have had an opportunity of being heard either through the medium of a member or at the Bar of the House.

Chapter VII.

The Apotheosis.

Hope withering fled and Mercy sighed Farewell. - Byron (Corsair).

The summing up of Judge Williams was anxiously looked for.

Parliament had just assembled and Mr. Ward was still Treasurer, Postmaster-General, &c., and looked upon as the sheet-anchor of the Ministry by his colleagues and the three dozen pitiable followers who had been elected by the Sovereign people to pass laws, which with marvellous inconsistency they contrived to evade or break as if they approved of the sentiment in Macklin's play of love a la mode, "The law is a sort of hocus-pocus science, that smiles in yer face while it picks yer pocket."

All business at Parliament House ceased on the morning of June 17th, 1896, when the telegram telling of the fate of the application of Mr. Ward's intimate friends to purchase his debts and so make him free, owing no man anything, was approved of or refused began to come through the wires. The first few sentences of the Judge's finding seemed favorable, and began as follows:-

"I agree with the liquidators, that upon the figures brought forward by Mr. Cook the suggested purchase is a fair one and that it would probably be more beneficial pecuniarily to the liquidation that the agreement should be carried out than that the Ward Farmers' Association should be compelled to liquidate."

Ministers gripped their colleague by the hand and fervently thanked Providence that Mr. Ward would still be enabled to aid them during the troubles of the session; the Government supporters, from the alleged Independents of the Left Wing down to the last joint in the dumb dog's tail, jubilantly congratulated each other on the victorious outcome of the Supreme Court proceedings, and for half-an hour there was joy unspeakable in the lobbies. Then came more telegrams and matters assumed a doubtful look, and as sheet after sheet was received culminating in the positively awful opinions of Justice Williams quoted at the end of chapter 5, a wail went up and long visages and vacant hopeless looks took the place of the prevalent good humour of the morning. A caucus was called after a Cabinet meeting had decided that Mr. Ward should retire from the Ministry he had graced so long and led so brilliantly through the quicksands of finance.

That evening leave was given to him to occupy an hour in making a "personal explanation."

To those who are curious in such matters his two fervid deliveries of hatred, malice and uncharitableness are enshrined in the Chronicles of Parliament, and stand there as a living proof of what manner of man the hero of the Party was. His friends and admirers, Premier Seddon and the Minister of Lands, emulated his efforts in the way they let their tongues run riot in vilifying members of the Opposition and journalists who had seen through the game which had been played, and when the House rose that night the audience felt, and with them the people of New Zealand next morning, that the high estimation in which the Parliament of New Zealand had been held by the sister Colonies had been forfeited and that it would be years before the stain would be wiped out.

It is not a happy remembrance to those who heard and saw what occurred; but it must have a brief reference in these pages, because immediately afterwards the Ministry, smarting under the exposures, set up a Committee to enquire into the affairs of both Banks with "special reference to all the circumstances leading up to the Banking legislation. . . . and the position of the Colonial Bank at the time of the first proposal for amalgamation or purchase. . . . the information in possession of the Government or any member thereof at the time of the Banking legislation of 1893, 1894 and 1895 and since that time. . . to report in twenty-one days."

The Committee consisted of the following Ministers and Government followers:- The Hons. Mr. Seddon and McKenzie, Messrs. Graham, McGowan, Guinness, Stewart, Maslin, Tanner and Montgomery. The only representative of the Opposition chosen was Mr. George Hutchison, who at the end of the so-called enquiry described himself as the "irreducible minority of one."

For fifteen weeks that select band wrestled with witnesses - not to obtain evidence, but to burke enquiry. Mr. Seddon's art of Government and political supremacy is mainly founded on his intimate acquaintance with Parliamentary procedure and the operation of the nice points of standing orders. This knowledge he used to the utmost of his powers for the protection of his friend and colleague, daily and hourly blocking the proceedings by declaring that any question leading up to a connection between

the Colonial Bank and Mr. Ward or his Association, or to any circumstances linking in the forgiveness of Mr. Ward's debt of £55,150 with the legislation of 1893, with the agreement between the two Banks of 1895 and other incriminating matters - that all these were "not in the order of reference," and when cornered (as he often was,) he would move that "the Committee do now deliberate," and his pliable chairman (Mr. John Graham) and obedient followers always said "Aye," and then the reporters would retire and the day be wasted.

In the end a tremendous mass of printed matter was produced and a report which took Chairman Graham an hour to read to the House, and told a great deal the members knew twelve months before but which only referred to the real issue in the following delightfully brief and innocent manner:- "Your Committee were unable to make any investigation into private accounts."

The Committee of the Legislative Council did not have quite such a tender regard for Mr. Ward's feelings, and in their report gave a summary of the famous "Oats" transaction, but eased him down by reporting that when this took place Mr. Ward was absent from the Colony, yet regretting that he should have held the position of Colonial Treasurer while the Banking agreement was under arrangement. However, with the usual effrontery it was claimed by him and his ex-colleagues and friends that he had come out of the fiery ordeal with honors, and the Ministerial journals sang peans of triumph.

Side by side we place two journalistic opinions on the result of the Parliamentary Enquiry:-

New Zealand Times, Wellington,
September 28th, 1896.

The second salient point is the rehabilitation of Mr. Ward. All the insinuations and all the charges levelled at him for his share in the negotiations of 1893, 1894, and 1895 are swept away by the report. Mr. Ward has stood the test of the fullest enquiry, and he has come out unscathed.

The report says he was concerned only so far as to read the draftsmen's notes of the purchasing Bill, for which the Premier had taken the responsibility. The report also declares that Mr. Ward was treated throughout the business

Financial News, London,
August 6th, 1896.

Mr. Ward appears to have given promissory notes with a reckless indifference as further security, and it is stated that he is personally liable to the Colonial Bank for £96,000 while his assets amount to only a few thousands.

The transactions between Mr. Ward and the Colonial Bank are, after all, of small moment to English investors; it is the lax view which the Premier and his colleagues seem to take

very unfairly by being kept in the dark; and in that he has long had the public sympathy.

Mr. Ward is, we are glad to see exonerated in the matter of the "outs" advance, which took place in his absence, and was notified to the Bank by him as soon as he arrived in the Colony and became aware of its character.

Mr. Ward in fact, comes out of the enquiry without a stain on his honour. The report censures him for not resigning when he became aware of his hopeless financial position. But as the report also takes a great deal of pains to show that Mr. Ward has shown that a Colonial Treasurer who is in deep water can behave with scrupulous honesty and commendable delicacy of feeling, the finding imputes no more than an error of judgment. We, too, once regretted that Mr. Ward had not resigned. We did so because of the thousand misunderstandings and misrepresentations which assailed him. But as these have been swept away by the report we feel there is no longer any reason for regret. Mr. Ward did his duty fearlessly, faithfully, and loyally, and that is all there is to be said on the subject after the pronouncement of a committee of men for the most part not enthusiastically friendly towards him.

of what is termed in the Colony Mr. Ward's "indiscretions" that will strike honourable people with dismay. . . . An entire change must take place in the policy of the Government if investors are to have any faith in the Colony, and it is a thousand pities that the good name of New Zealand should be thus tarnished after the admirable manner in which, a few years ago she successfully reorganised her finances. After what has recently transpired, it is not too much to say that the first essential is a keener sense of commercial probity; but until public opinion openly condemns the utilisation of Ministerial posts for private ends and sees Mr. Ward's conduct in the same light as Mr. Justice Williams has done, we cannot feel much confidence that the present scandals will not at any moment recur.

What a distant, although influential and impartial, paper thought

carried no weight with the inspired opinions of the Ministerial press.

The subsidised organs declared that the ex-Colonial Treasurer had behaved with "scrupulous honesty and commendable delicacy of feeling," and that he was the victim of "political persecution;" and so when the session had closed and members departed to seek re-election, the news that the horses had been taken out of Mr. Ward's carriage by the Knights of Labour of Dunedin, who had drawn the hero of the day from the Railway Station to his hotel (but now do not appear to hold him in quite such high esteem), and later on that a great reception was accorded him at Invercargill; - these indications of popular feeling put fresh life into the elections, and the Government not only came back with a majority, but Mr. Ward came back with them, for the Awarua electors had been too generously treated to forget to vote for "such a jolly good fellow."

Chapter VIII.

Sweet Seclusion

But when the breezes blow
 I generally go below
 And seek the seclusion which a cabin grants
 Gilbert (Pinafore)

His sorrowing colleagues having decided that, in view of the disclosures in the Dunedin Supreme Court and Judge Williams' severe strictures, Mr. Ward could not continue in the Ministry without endangering its existence, and that the best thing for him to do was to retire, for a while at any rate, from the blaze of public life, he accepted the inevitable and sought seclusion and sympathy in sunny Southland, although those who profess to be cognisant of matters political aver that the ex-Colonial Treasurer always pulled the strings of the public purse, his staunch friend and ally Premier Seddon being merely the nominal holder. Be this as it may, Mr. Ward was to all intents and purposes politically dead for the time being, and whilst it was widely alleged that the Premier was keeping the position of Colonial Treasurer warm for his fallen friend, there was not the slightest chance, whatever else might happen, that the people would tolerate Mr. Ward's re-instatement in that position.

Twelve months after Judge Williams had ignominiously sent Messrs. A. Lee-Smith and J. B. Reid and the numerous supporters of the proposed compromise to the rightabouts, yet another proposal was brought before the Court of a similar character and having again as its object what Judge Williams described in these words on the previous occasion:- "It is thus an offer to buy off from bankruptcy and its consequences a man who ought not to escape them."

The only particulars in which the second proposal differed from the first were these - the proposed purchaser was one John Batger, of Invercargill; only Mr. Ward's debt to the Colonial Bank (about \$96,000) was to be bought instead of the Association's debt also, and the relative purchase money was increased from about £3000 to £8,500. The facts elicited at the previous hearing were, however, on record, and it was felt by the writer - indeed he so publicly stated in his paper "The Guardian" in order to explain his inaction - that the Court could not come to any other conclusion than that come to a year before. The fact - somewhat significant, perhaps - that the proposed purchaser was Mr. John Batger, of Invercargill, (to whom reference is again made later on)

was not material to the real issue; therefore the writer did not deem it necessary to journey to Dunedin to oppose the application, relying upon the integrity and consistency of the Bench, and preferring to assume that, as a matter of course, the application would share the same fate as did that in 1896.

This conclusion was justified, for Judge Williams refused to sanction the much-desired compromise, notwithstanding the fact that the official liquidators of the Colonial Bank had once more thrown over the proposal the aegis of their approval by again entering into a preliminary agreement. The rejection of the scheme was a severe rebuke to them, but they brought it on themselves.

Here is an extract from Judge Williams' judgment (May 1897):-

"To sanction a compromise in such circumstances would be for the Court to allow itself to be made the instrument to protect persons guilty of commercial irregularities from legal consequences. If there is evidence of the existence of grave commercial irregularities, then the better the terms of compromise offered the more probable it is that the offer is made with a view of hushing up such irregularities."

This second, and, as it turned out, final refusal of the Court, was a poser, and it must be here mentioned that Judge Williams would not accept the responsibility of giving it without taking the opinion of his fellow Judges. The majority of them, said Mr. Justice Williams, concurred in the judgment which he delivered, but it did not transpire who was, or were in favor of, or who were against the proposal. It was clear, however, to Mr. Ward and his friends that there was at that stage no possible loophole of escape left to him, and about two months later he fell into the arms of the Official Assignee for protection from the wolves who hungered for his very heart's vitals.

Before proceeding further with the narrative the reader should learn something more about this second attempt to save Mr. Ward. There were peculiarities about it:-

- (1) That any one could be found to offer £8,500 for Mr. Ward's debts to the Colonial Bank, seeing that the relative securities were sworn on June 5, 1896, to be worth no more than

£4,250 including equities of redemption £3,850 and shares said to be of no value.

If the increased price was the result of an increase in the value of the securities, then the Court's refusal of the first proposal was all the more justified.

- (2) That a condition of the preliminary agreement entered into by the Colonial Bank liquidators with Mr. Batger was that if the sale was sanctioned by the Court Mr. Ward was to give his undertaking to pay off some £7,000 owing by him to the Bank of New Zealand.

This seems to suggest a doubt as to whether Mr. Ward would otherwise pay the debt and looks very much like an attempt to drive a bargain for the Bank of New Zealand as an extra inducement to the Court to sanction the scheme; otherwise what had Mr. Batger's purchase of Mr. Ward's debt to the Colonial Bank to do with the Bank of New Zealand? Mr. Ward's facilities for raising money at this date (only two months before he filed) were indicative of his latent resources.

- (3) That Mr. Batger wanted to withdraw from his agreement after the Court had announced its decision to reserve judgment but the Court would not allow him to do so.

This was the more remarkable because the agreement provided that the deposit of £400 was returnable less the costs of the application if the Court refused its sanction. Perhaps a lack of confidence in the scheme induced a correct diagnosis of what was passing in the Judge's mind, and the promoter did not want NO for an answer.

It may interest the reader to learn that this Mr. Batger is the gentleman to whom Mr. Kelly referred in his speech in Parliament on October 8, 1897, in connection with the sale to the Crown some little time previously of certain land at Otahu of doubtful value.

About 14 or 15 years ago, the estate, said Mr. Kelly, fell into the hands of the Loan and Mercantile Agency Company, through foreclosure of a mortgage; and the company leased it to a farmer with a purchasing clause at the price of 30s an acre. The farmer,

the termination of the lease, declined the purchase as he found it a losing concern, and but for a rise in the price of sheep, ^{had} would have lost every penny he put into it. Then the estate changed hands. It was sold over three years ago to Mr. Batger at 15s an acre. This Mr. Batger, Mr. Kelly explained, was the gentleman who offered to purchase the liabilities of the Hon. J. G. Ward from the liquidators of the Colonial Bank. "At the present moment he is in partnership with a near relation of the "member for Awarua." As to the value of the land, Mr. Kelly proceeded to say that this celebrated estate of Otahu adjoined that of Merrivale, purchased some time ago. Now, when the Government valuator was sent to classify this Merrivale land it was divided into first, second and third classes and the land adjoining Otahu was valued at 12s 6d per acre, although 22s per acre had been expended in laying it down in grass. "Strange to say, the land over the fence, upon which very little had been spent in improvements, was valued in the recent purchase from Batger and Menzies at 25s an acre. If further evidence was required," Mr. Kelly said, "here is a map showing a block of 689 acres right in the middle of this estate, which the Government tried very hard to sell some time ago at 10s an acre." The whole land round about, he continued, with very little exception, is exactly on a par with these 689 acres; and other land belonging to the Government on the other side of the Otahu block, is valued at 5s to 7s 6d an acre. There are in the estate 1200 acres of swamp and a few hundred acres attached to the homestead which are fit for settlement. The balance of 4000 acres was nothing but a shingle bed. "So far as this land is concerned, had it belonged to any other person but the gentleman to whom it belonged, it would never have been purchased for settlement. Not only is the estate not worth 25s an acre, but for purposes of settlement it is not worth 25 pence, and it will be a great shame if settlers are induced to take up a few hundred acres of shingle bed. . . . "I say that the parties who recommended this purchase either knew

"absolutely nothing about the nature of the property, or there

"were other considerations that we are not aware of, as no man in

"his senses, would have purchased this estate for subdivision."

At 25 shillings per acre - the price seemingly paid by the Crown for Messrs. Batger and Menzies' land - the 5200 acres would yield £6,500 and if its true value was 10 shillings per acre, the maximum according to the member for Invercargill, they must have made a profit of something like £3,900 on the transaction.

To resume the story, the first meeting of Mr. Ward's creditors was held at Invercargill on July 13, 1897, when the following resolution was carried:-

"That the debtor be requested to prepare and deliver to the Assignee at his public office, before the 3rd day of August, 1897, or within such reasonable time as may be fixed by the Deputy Official Assignee, full, true, and particular accounts and balance-sheets showing the particulars of his receipts and expenditure, of his stock-takings, and of his profits and losses during the period of three years before the commencement of the bankruptcy"....

Mr. Ward stated at this meeting that "he had not been in business on his own account since December 1892 when the Association took his business, and his operations since were kept in the books of the Ward Farmers' Association" (extract from Southland Times). Why the liquidator of the Association, who moved the resolution, by proxy, should confine the period of investigation to three years from the date of bankruptcy, is one of the things that the writer cannot explain with certainty, although there is any amount of room for conjecture. However Mr. Ward was not called upon to go back farther than July 1, 1894, leaving a hiatus of about 19 months. It should here be noted that Mr. Ward did not file until July 1897 although he admitted in June 1896 that he was then hopelessly insolvent.

In this connection the following from the Official Assignee's accountant's report is interesting:-

" Business Journal and Ledger - These are large volumes adapted to the extent of business being done by Mr. Ward as an individual

previous to the flotation of the Association in December 1892. Since that date to 31st August, 1894, these books are continued and large transactions in grain during that period are recorded therein."

If, then, Mr. Ward was not doing business on his own account after December, 1892, (and Mr. Chapman, counsel for Mr. Ward, confirmed the assertion. Southland Times, November 6, 1897), why were his private books written up to August 31, 1894? It may here be incidentally noted that the "order of reference" to Mr. Ward and to Mr. Brown, the accountant, only related back to July 1, 1894.

Next we have what reads first like further confirmation, and afterwards like a denial of Mr. Ward's statement that he was not carrying on business on his own account since December, 1892-

Extract from sworn evidence in the Dunedin Supreme Court, June 5, 1896:-

You were apparently carrying on business outside of the company (Ward Farmers' Association)? No; I was not. I have said the shipments were debited to me, and the losses were debited to me.

His Honor: I cannot see how that was done, for the shipments were made on behalf of the company.

Mr. Ward: They were not made on the Association's behalf.

Then they were made on your behalf? It practically was so.

Up to this point the reader will be sorely perplexed as to which statement to accept, but all doubts as to whether Mr. Ward was or was not engaged in business on his own account - and in a fairly large way too - will be set at rest by the following quotation from the report of the Association's liquidator, Mr. Cook:-

"In the agreement for taking over Mr. Ward's business, care was taken to make it clear that the business carried on by the Ocean Beach Freezing Works was exempted from its operation. In the face of this it is interesting to note that the operations of the Association on behalf of Mr. Ward's business of freezing were exceedingly heavy, and within three months of the Association's

incorporation the debit on this account was over £25,000. The Association's payments on this account for the balancing periods were as follows:-

For seven months to 30th June 1893	£93,787:18:0
For twelve months to 30th June 1894	101,625:18:4
For twelve months to 30th June 1895	23,988: 0:9
	£219,401:17:1

So that, not only was Mr. Ward actually doing business in a large way first, seemingly on his own account, and afterwards on joint account with Nelson Bros., but, according to the official liquidator of the Court, he borrowed the Association's funds from time to time, in distinct breach of a specific agreement with the Association, to the fabulous extent above indicated.

This, again, is in striking contrast to Mr. Ward's sworn evidence in the Dunedin Supreme Court, June 5, 1896:-

You borrowed from the Association apparently? - I did not in the ordinary sense borrow. I paid everything I had into the Association. I paid altogether £27,000 into the Association during the time it was in existence.

There was a current account? -There was a current account in my name.

What was the total debit in the current account?

The total debit in the current account in my name in November I think was £55,000 (£55,150). Included in that were the whole of the investments and losses that had been made in various shipments that had been debited to me.

Thus Mr. Ward is made out not only to have done business on his own account since December, 1892, but to have done it with money taken from the Association's treasury (not borrowed "in the ordinary sense", to use Mr. Ward's own words), and to have closed his operations with an overdraft in the Association's books of £55,150. It was this tidy sum of £55,150 that Mr. Ward was forgiven by a panic-stricken body of so-called directors under the Colonial Bank Purchase Bill, which he had charge of and successfully engineered through Parliament, and which gave effect to the agreement between the two Banks of 18th October 1895.

This present of £55,150 was of even greater value than is denoted

by the immensity of the amount, for the Ward Association's liquidator has put it on record that "in the agreement for taking over Mr. Ward's business (by the Association) care was taken to make it clear that the business "carried on by the Ocean Beach Freezing Works was exempted from its operation", and the using of the Association's money in this - Mr. Ward's business, resulting in a final debt to the Association of £55,150, would have meant that Mr. Ward might have been called to account in a very serious way under the Criminal Code by the creditors and shareholders of his Association, who were also largely his constituents.

It is but fair to Mr. Ward to state here the evidence which he gave on oath at the Dunedin Supreme Court, June 5, 1896:-

Mr. Woodhouse (his counsel) - As to this £55,000 (£55,150) which has been referred to as the amount written off between the two banks, I want to know whether you had anything to do with that arrangement?-

Mr. Ward: I had not. I did not know of it until after the agreement was laid upon the table of the House.

Assuming Mr. Ward's memory to be good on this point, he must also have been unaware when giving his personal promissory note for £55,150 on October 19, 1895, the day following the execution of the agreement between the two Banks to which he refers, that on that very day, or the day before, a precisely similar amount had been written off the Association's indebtedness to the Colonial Bank and the amount credited as "cash" to Mr. Ward's current account with the Association, thus giving him a clean sheet with the creditors and shareholders of the Association - and many of his constituents.

It is remarkable that the promissory note should, in these circumstances, have been given after everything had been settled between the two Banks and the formal agreement signed under which that very amount was to be forgiven to Mr. Ward with the Association by being written off the Association's debt to the Colonial Bank. It is also singular that Mr. Ward should have given his promissory note on 19th October, representing the exact amount written off, if he was not aware of the writing off "until after the agreement was laid upon the table of the House" which was on 25th October, about a week later.

The evidence given on June 5, 1896, by Mr. W. B. Vigers, one of the liquidators of the Colonial Bank, and Acting-General Manager of the Bank when the agreement was signed, may help the reader to a solution of the mystery:-

Extract from Otago Daily Times (official report):-

His Honor: "You are one of the liquidators as well as being a banker.

Have you any notion of what paragraph 18 of the agreement means?

What is the point of it? What is the point of writing off the amount of this particular bill, for the bill was not given on that day?— Witness: My own impression is that that was the amount the account was supposed to be short. All the rest was supposed to be good.

His Honor: That is what puzzles me. This account on the 18th was supposed to be bad, hopelessly bad. It looks like that?—

Witness: Yes.

His Honor: The next day a promissory note is taken by the bank for that amount. Ordinarily, if a promissory note is given by a man of business, it is supposed that he believes at the time he will be in a position to meet it. Also, when a promissory note is taken by a man of business, as, of course, the representative of the Colonial Bank was, it may be presumed he looks at it as a valuable security. As the circumstances were, which were probably known to both parties, this promissory note was simply a worthless piece of paper, the giving and taking of which seems to have been a farce perpetrated between Mr. Ward and Mr. Mackenzie for no understandable object. Can you as a banker suggest any explanation of it?—

Witness: Not as a banker. I can give you my impression. I think it was taken by Mr. Mackenzie just with a view to retain a hold upon Mr. Ward for the amount.

His Honor: But Mr. Ward was not liable to the bank before that?—

Witness: No, but he was to the company. That was written off to the company, and the company were credited.

His Honor: I want to get as much light as I can.

Witness: I think it was to retain a hold of Mr. Ward.

This evidence is very remarkable and the question naturally suggests itself to an enquiring mind - Was the hold to be retained until after the Colonial Bank Purchase Bill had passed both Houses and become law by the ratification of the shareholders? This is a question which only those who were parties to the writing off could answer, although others have no doubt formed their own conclusions.

It is significant that Mr. Vigers - late Inspector and Acting General Manager of the Colonial Bank - has admitted that no account was taken of the promissory note for £55,150 in either of the lists of advances settled between the two banks, and was not included in the list of securities to be handed over to the Bank of New Zealand. The question is suggested as to whether, in these circumstances, the promissory note was ever intended to be enforced against Mr. Ward.

Mr. Ward's sworn testimony, quoted in Chapter 5, shows that he knew in August 1895, more than two months before he introduced the Colonial Bank Purchase Bill, that £55,150 was required to be written off the Association's indebtedness to the Bank in order, so it was said, "to make it a saleable concern," but really to free Mr. Ward from the danger he was in with the shareholders of his Association.

The effect of this peculiar transaction upon the Colonial Bank shareholders was this - they lost recourse for £55,150 upon the free assets of the Ward Association (which have proved to be considerable) and could only come upon the free assets of Mr. Ward (which have proved to be inconsiderable - in fact nil). Mr. Ward's bankruptcy and unconditional discharge, just about two years afterwards, finally and effectually dispelled any chance value that might have attached to the bit of paper, if it really existed, after the Colonial Bank agreement of sale had been ratified by the shareholders and the Bank Bill had so become law, saving, as it was thought by them at the time no doubt, all those who were parties to the shufflings, equivocations, falsifications and mal-administrations of the past from the consequences of their acts.

If the £55,150 debt of Mr. Ward to the Association had remained upon their books and, as a consequence, the Colonial Bank had not written off that amount from the Association's debt to them, the effect upon the Colonial Bank shareholders' pockets would have been considerable, in this way:-

Total assets of the Ward Association, as	
per the liquidator's affidavit filed in the Supreme	
Court, Dunedin, in April 1897	£ 63,683
of which secured to the Colonial Bank by	
debentures having a first charge over all	
the assets, including the uncalled capital,	£ 30,000
leaving distributable as dividend	£ 33,683
Total claims upon the Ward Association	
as per the liquidator's report	£ 97,031
Less specially secured as above	£ 30,000
	<u>£ 67,031</u>

showing a probable dividend of about 10s in the £.

The Colonial Bank's claim (after writing off the £55,150) was

sworn on June 5, 1896 at £ 72, 179

Deduct the specially secured

debentures as above £ 30,000

Banking for Dividend £ 42, 179
=====

A dividend of 10s in the £ on this would give

the Colonial Bank shareholders £ 21,089.
=====

Now, if the £55,150 had not been written off by the Colonial Bank, the total claims of all the creditors ranking for dividend would have been increased from £67,031 to £122,181, which would have reduced the Association's dividend from 10s to 5s.6d in the £.

The Colonial Bank's claim was sworn on June 5, 1896,

at £ 72,179

Add the amount written off £ 55,150

£ 127,329

Deduct the debentures £ 30,000

Banking for Dividend £ 97,329.
=====

A dividend of 5s 6d. in the £. on this would give

the Colonial Bank shareholders	£ 26,735
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Amount produced by dividend at 10s on £42,179	£ 21,089
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Difference	£ 5,676
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which would have given the Colonial Bank shareholders an additional dividend of about sevenpence per share on the 200,000 shares in the Bank. Then there was the probability of yet more to come from a better realisation of uncalled capital and throwing out of claims not adjudicated upon at the time. The loss of even this small additional dividend was a cruel deprivation and a striking commentary on the management, or more correctly mismanagement, if not dishonesty, of the Colonial Bank directors who made the present to Mr. Ward, for the shareholders of that ill-fated institution have up to date only received one dividend of 10s. per share, which on 200,000 shares equals £100,000: moreover the money with which that was paid was obtained from the Bank of New Zealand by extreme pressure thus:-

Purchase money of "goodwill"	£75,000	
Amount paid for Colonial Bank premises		
admittedly in excess of their true value	£35,000	
		£110,000.

Thus it will be seen that only about £25,000 has yet come to the Colonial Bank shareholders on account of the assets representing their -

Paid-up Capital	£400,000
Undivided "profits"	19,980
"Reserve Fund"	65,000

£ 484, 980

=====

This colossal sum of money has virtually disappeared in the vortex. What has become of it the writer cannot hazard a guess, for the ways of liquidators are dark. These gentlemen have for more than two years now been dangling a second and final dividend of, perhaps 1s. or 1s.6d before the eager eyes of the deluded shareholders, but it has not made its appearance - yet it was distinctly stated to the unfortunates that they might look for at least immediate dividends of about 12s.6d. to 13s.4d. per share,

with almost certainly considerably more - probably 15s - from the assets rejected by the Bank of New Zealand.

It may be here noted that Mr. Ward and his Association are responsible for more than £100,000 of the lost savings of the Colonial Bank shareholders yet, although many of these shareholders have been virtually beggared by him, this "honorable" gentleman publicly boasts that he will not trouble himself to pay one penny to the Colonial Bank shareholders because he claims that their Directors showered gold dazzlingly upon him so that he could not resist the temptation to plunge with it, on the principle always of "heads I win; tails you lose."

What Mr. Ward in effect says is - Because the directors and responsible officials of the Colonial Bank were black, the innocent and victimised shareholders are likewise black, whilst he must be considered to wear "the white flower of a blameless life". This line of argument may serve to deceive Mr. Ward into a false belief that the community has forgiven his past acts, but he is deceived, of that there can be no doubt, although fear may compel or judiciously distributed favors may induce silence.

The reader's attention is at this point invited to some figures affecting Mr. Ward's financial position, gathered from official documents-

The liquidators have stated that on November 30, 1892, two days before Mr. Ward sold his business to the Ward Farmers' Association, his private debt to the Colonial Bank was £81,635

Then there was Mr. Ward's sworn evidence in the Supreme Court, Dunedin, June 5, 1896,

Mr. Young: Would you mind stating what is your private indebtedness to the Colonial Bank?

Witness: £16,000.

Mr. Young: Anything else?

Witness: So far as I am concerned there is £6750

which the Colonial Bank has transferred to the Bank of New Zealand but which I have not.

This would make Mr. Ward's total private debt to the two Banks on June 5, 1896,

£22,750

the difference

£58,885

must therefore have been paid off by Mr. Ward, or by somebody on his behalf, between November 30, 1892, and June 5, 1896. It will here be appropriate to quote Mr. Ward's further sworn testimony in the Dunedin Supreme Court, June 5, 1896,

Mr. Young: You say you do not know anything about the matters stated in paragraph 11 of Mr. Braund's affidavit?

Witness: I cannot say of my own personal knowledge. I know there was a payment of £25,000 in cash, less £400 or £500, for a contra account, made by Nelson Bros. (Limited), and that amount was paid in to the Colonial Bank. I think that would have been some time in July or August. I am not certain of the month.

Mr. Young: That would be after the balance sheet?

Witness: I cannot give the date.

Mr. Young: Your books would show the whole transaction?

Witness: The transaction is shown. The freezing works were sold for £50,000. I received £9000 and 1600 fully paid up shares, and afterwards £25,000 in cash. These are the particulars of the payment. I do not know anything of the circumstances respecting the draft referred to in the affidavit of Mr. Braund.

This would account for payments to the Colonial Bank of	£34,000
leaving unaccounted for	£24,885

Mr. Ward's emoluments in the shape of Ministerial and other salaries, dividends, bonuses etc. amounting to from £12,000 to £15,000 in 2½ years, were on Mr. Ward's own admission not paid into the Colonial Bank, and do not therefore come into account.

"I paid everything I had into the association. I paid altogether £27,000 into the association during the time it was in existence."

(Mr. Ward.)

Now comes the mysterious "notice of motion" given to Mr. Ward by Mr. Solomon (counsel for the Ward Association liquidator) in the Dunedin Supreme Court on July 15, 1897 - about a year later - when Mr. Ward was under examination:-

"When at the date of the 1895 balance-sheet Mr. Ward was indebted to the Farmers' Association in the sum of £55,000, and during the three years that that Association had been in existence he had been paid by it in the way of salary and other emoluments a sum which we make out to be £12,000, so that in these two and a-half or three years he had either lost or spent £67,000." Counsel said, "We cannot make out where it has gone to, and we want Mr. Ward to explain it. We can only account for £43,000 out of the £67,000, and want Mr. Ward to explain to us what has become of that money. Of course it would be unfair to expect an answer without careful consideration."

The difference referred to by Mr. Solomon is £24,000 in round figures, and is approximately the same as the difference which the writer has arrived at in his own way. Needless to say Mr. Solomon never received a satisfactory answer to his question as to what had become of the £24,000 and Mr. Brown's vacant report leaves much room for conjecture. In this connection it is interesting to note Mr. Ward's evidence in the Dunedin Supreme Court twelve months previously:-

Mr. Young: Did that £55,000 (amount written off) represent any losses taken over by the association from you?

Witness: Previous to when?

Mr. Young: When the association took over your business.

Witness: No; I don't think so.

This question was not put to Mr. Ward out of mere idle curiosity, and the unsatisfactory nature of the reply made a deep impression upon the writer at the time. In the light of the above figures the significance of the question will be apparent.

It is impossible, of course, without access to the books of the Colonial Bank and of the Ward Association for anyone to say so positively,

but it looks very much as if about £24,000 of the £55,150 debit to Mr. Ward in the Association's books represented monies actually paid out of the Association's account off Mr. Ward's private indebtedness of £81,635 to the Colonial Bank existing prior to the sale of his business to the Association. Mr. Young on June 5, 1896, tried to elicit some definite statement as to whether this was not so, and Mr. Solomon made a similar effort a year later but the point was evaded and a dark cloud of mystery still envelops that sum of £24,000. It is not rendered any the more penetrable by the fact that the "order of reference" for the bankruptcy investigation related back to July 1, 1894, only - not to the commencement of the Ward Association on December 2, 1892, and it is at least a coincidence that the official liquidators have reported -

- (1) That Mr. Ward owed the Colonial Bank £81,635 on November 30, 1892, and £70,375 on December 5, 1892.
- (2) That the Ward Association was in credit with the Colonial Bank £787 on December 2, 1892, and owed the Bank £15,269 on December 5, 1892.
- (3) That on the first day of the Association's operations an advance of £3000 was made to Mr. Ward without the knowledge of the directors.

It will thus be seen that five days after Mr. Ward sold his business - not for cash, but for £15000 in fully paid up shares in the Association - his private debt to the Colonial Bank had been reduced by £11,260, whilst the Association's debt to that Bank (allowing for the wiping out of the credit balance) had been increased by £16,066.

But whilst it is impossible, without actual reference to the books, to get at the precise amounts paid to the Colonial Bank, all doubt as to whether Mr. Ward helped himself to the Association's money (apart from the secret appropriations at different times of over £200,000 of its funds for his Ocean Beach Works, as disclosed by the liquidator) will be set at rest by quoting from the Colonial Bank inspector's report dated August 31, 1895,-

"The item of J. G. Ward's indebtedness, £55,150, is represented by the following items:-

(1) Purchase of Association's shares	£ 8,000
(2) Cash paid on account Dee street (Invercargill) property	2,000
(3) Improvements Dee street (Invercargill) property	145
(4) Interest on account with Association £6000-7000 say	6,000
(5) Estimated loss on freezing works and business in connection therewith 27000-£10000 say	7,000
(6) Loss made in oats speculation in 1889-90	5,000
(7) Grain store built adjoining Pine Creek, Inv'gill	1,950
(8) Grain store built on Gore leasehold section	450
(9) Payment of rents on Wellington leasehold section	1,200
(10) <u>Old debts and cash paid Bank in liquidation of private account after formation of Association.</u>	Balance

Now Mr. Ward distinctly led the Court and everybody to believe in June, 1896, that the £55,150 debt written off his account with the Association represented the net balance of losses debited to his account in respect of shipments of grain etc. on behalf of the Association, which losses he made out he was generous enough to take over. Mr. Ward was closely pressed on this sworn testimony - not only by counsel but also by the Judge. With characteristic sangfroid, however, he adhered to it. Apart from the Association liquidator's denial of this magnanimous treatment, what a refutation is presented by the above statement! How was it (particularly in view of item 6 above) that to Mr. Young's question - "Did that £55,150 represent any losses taken over by the Association from you, previous to the date when the Association took over your business?", Mr. Ward could reply on oath "No: I don't think so." Was his memory so very defective just at that particular time?

Let us now arrive at the figures which the Colonial Bank inspector with singular modesty did not supply, namely the equivalent of his word "balance":-

Debt written off	£55,150	
Items 1 to 3	£10,145	
" 4 & 5 say	13,000	
" 6 to 9	8,600	31,745
		£ 23,405.

Here then is positive proof that Mr. Ward did use the Association's money for the purpose of liquidating not only losses of £5,000 on grain speculations, made by him privately two years before the Association was formed, but also of discharging old private debts and paying cash to the Colonial Bank "in liquidation of private account", to the extent of, say, £23,405.

This amount so nearly agrees with the amount of the discrepancy

found by Mr. Solomon one way, and by the writer another way, that it may be accepted as practically certain that about \$24,000 of the \$55,150 presented by Parliament to Mr. Ward remains unaccounted for.

Mr. Ward drew that fortune from the Association in hard cash, and paid it into his private account with the Colonial Bank. Now what has not been explained, and what the Colonial Bank shareholders may yet insist on knowing, is - How was this money spent by Mr. Ward? Where is it? He has sworn that his business flourished and that big profits were made before he sold it to the Association for \$15,000, fully paid up shares, therefore the \$24,000 could not have consisted of losses, which are separately accounted for to the extent of \$12,000 in the above statement. What, then, does that large sum of money represent? Surely it cannot have melted away into thin air - even a "wizard of finance" would be unable to accomplish that miracle - therefore it must be represented by money or money's worth in some shape or form and somewhere or other. The Colonial Bank liquidators' final report has not yet been presented: is it asking too much that Parliament - as trustee for the Colonial Bank shareholders - should see that the mystery is creditably cleared up, having regard to the fact that Parliament was a party to the Bank agreement of October 18, 1895, and therefore shared with the Colonial Bank directors the responsibility, as well as the pleasure, of the \$55,150 presentation to Mr. Ward - not out of the Colony's pocket but out of the Colonial Bank shareholders' pockets.

Chapter IX.

The Storm Bursts.

"And put in every honest hand a whip
To lash the rascals naked through the world."
-Shakespeare (Othello).

While the electors throughout the colony were being assured by Mr. Seddon that Mr. Ward was a martyr, and that if similar circumstances to those which led him (Mr. Seddon) to save the Banks occurred again he would repeat what he had done, there were two separate investigations being prosecuted to unravel what the two parliamentary committees had signally failed to accomplish; these were by the Liquidators of the Colonial Bank and by Mr. W. R. Cook who dissected the books of the Ward Association.

The Colonial Bank inquest reported on January 20th, and Mr. Cook on March 20th, 1897. Between the two dates Mr. Henry Mackenzie tendered himself for examination to the Supreme Court and his confessions have partially assisted to enlighten points which were previously very hazy.

It is a singular coincidence that Mr. Cook's report was delivered the day after Mr. Mackenzie's examination was closed. This enabled the ex-banker to escape questionings regarding the peculiar system his bank countenanced of discounting bills for the Ward Association, drawn upon in all parts of the Colony who had never had dealings with it, and the allowing the bills to be returned and solemnly handing back a portion of the exchange.

However, it is better for the parties to speak for themselves. The following extracts from the sources mentioned will demonstrate that Solomon with all his wisdom was hardly correct when he wrote, "The borrower is servant to the lender." (Prov. XXi-7).

First let us take the mysterious methods by which all the profits were supposed to go to the Association and the losses to Mr. Williams. Judge Williams was puzzled at this philanthropical "heads I win, tails I lose," system, and asked:-

Supreme Court, June 6th, 1896

I understand these operations were carried on on this basis: If there was a loss you were to bear it

Mr. Cook's report, March 20th, 1897.

In the course of Mr. Ward's examination during that application it was stated that the Associ-

and if there was any profit the company were to get it. That is the result, is it not?

Mr. Ward - That is how it has worked out. I may state that the whole of the sheep purchases made by the Ocean Beach Freezing Works were carried to that account.

The Judge - These would be really on your own account? Mr. Ward - Yes, on my own account. Very heavy losses were incurred, and they were debited to me.

The Judge - The association then did not speculate in grain? Mr. Ward - No, it practically did not. If there had been profits in grain the association would have got the credit, but unfortunately there were losses.

The Judge - And you bore them?

Mr. Ward - I bore them.

had been credited with any gains arising from shipments, but that any losses had been placed to the debit of his private account.

I have investigated the transactions, and they were very numerous, but I have been unable to discover that any losses made by the Association were debited to him; on the contrary I find that the Association has borne all its own losses.

Legislative Council Committee,
page, 203.

Hon. Mr. Bonar - Of course, I understand you, that in connection with these speculations, if there had been a profit you would have reaped the benefit of it, naturally?

Mr. Ward - "Strange, after all, as it may appear, that is not so."

In passing, it must be remembered that all the above statements were made on oath. Then as to the £30,000 bogus draft, - against imaginary oats -

Mr. Ward in Parliament June 16,
1896 (Hansard).

Judge Williams.
June, 1896.

I was charged with having signed a false balance-sheet; but the amount never came back to the Association. The Association never had a debit of £30,000, and therefore that ought not to appear and the balance-sheet submitted to me for my signature, I can, and will, prove, is correct.

I wish to say that, had it not been for the Banking legislation my private position would have been solvent to-day (June 16, 1896). If it had not been for the legislation put through in the interests of the Colony as a whole you would never have heard of any of my commercial troubles.

That some traders may habitually make out balance-sheets in this way is possible, just as some traders may unfortunately, be guilty of other dishonest practices; but notwithstanding that, the practice is obviously a dishonest one.

Mr. Cook's Report.

On the 23rd June, 1893, Mr. Ward was in debit with his Association £21,587.7.4, and on the 30th June, before the £1000 was debited the amount of his debit balance was £25,188.1.3..... Mr. Ward's 5000 shares were applied for and allotted at the meeting of directors on the 31st May, 1894, being the last held before the accounts were closed for the year ending the 30th June. The sum of £5000 was payable to the Association in respect of these shares, but no part of this sum was paid

Mr. Seddon in Parliament,
June 16th, 1896.

I will ask now, are they (the Opposition) satisfied? They have accomplished their evil object. They have the Colonial Treasurer ruined. They have those near and dear to him practically on the streets. Why, I say, should the Hon Mr. Ward's private affairs have been singled out for such publicity. I say as I said at the start, that the whole of this is persecution and conspiracy.

We ought to do justice to the Colonial Treasurer, to do justice to ourselves, and to the people of this colony.

Southland Farmer, September, 1893.
(The Trade Journal of the Ward Assn.)

We have nothing to fear from the vilest publication of our Association and its position. "We live by deeds, not words."

Mr. H. Mackenzie (General Manager
Colonial Bank) to the Premier,
July 20th, 1894.

Our aim has been to encourage and support the trade and industries of the Colony, in support of which I would mention the important dairying industry of the South Island, which, since its inception, has been fostered and brought to its present state of usefulness chiefly through the instrumentality of this Bank. . . However, we have managed to pay our shareholders a return for the past 12 years of 7 per cent. per annum, augment our reserves, and maintain our capital and business intact.

in cash, the amount having been debited on the 30th June to Mr. Ward in account with the Association. On that day, before being debited with the £5000, his debit balance was £43,376.9.11.

Judge Williams, same date.

By the present arrangement every debt of Mr. Ward's on every account is purchased and is lumped in one purchase with the debt of the Association, though Mr. Ward's debt will yield but an infinitesimal dividend. "We only buy the Association's debt on condition that you throw in all Mr. Ward's debts" is evidently the attitude of the purchasers. It is an offer to buy off from bankruptcy and its consequences a man who ought

not to escape them. This is in effect an offer of hush money.

That the career of the Association should be brought to an end and its proceedings investigated, and that those who were responsible for its management should no longer be permitted to roam at large through the business world, is a result so obviously desirable in the interests of commercial morality that it ought if possible to be attained.

Mr. Ward, June 16th, 1896.

Why should the Evening Press at that time (1893) want to know the details of the business with which I am associated?

Supreme Court, Dunedin,
March 8th, 1897.

Mr. Solomon: You wrote a letter to Mr. McLean on the 12th August, 1895. What do you mean by saying that it would take £150,000 to clean up the Bank?

Mr. Mackenzie: That was simply a suggestion to the Chairman.

Mr. Solomon: I want you to say how you could sign the balance-sheet having in view that £150,000 would have to be written off?

Mr. Mackenzie: This balance-sheet was simply the accounts brought to a conclusion on that date.

Chapter X.

The Strong Arm of the Law.

Laws grind the poor

And rich men rule the law.

- Goldsmith.

When one reflects upon the punishment meted out, rightly enough, no doubt, to, say a friendless Bank teller on, perhaps, a pittance of £200 a year with a wife and family to support, who, driven by sheer necessity, in a weak moment appropriates a £10 note the property of the employing bank, hoping to be able to replace it before the Inspector comes round, and then one contrasts with this the exoneration of the man of influence who diverts the funds of his employer for his own private benefit to the extent of over £200,000 and finally is brought up with a round turn after gambling away irrecoverably over £100,000 of the hard-earned savings of others, the belief is reluctantly forced upon one that there is more truth in Goldsmith's words at the head of this chapter than is right.

The "strong arm of the law" is strong to protect as well as to inflict: this is as it should be, provided its protection is afforded when the hand of the oppressor is at work. But when the avenging hand of Justice seeks to strike, the "Strong arm of the law" should not be raised to shield the culprit from the consequences of his guilt but should help Justice in her efforts. Let us see now whether the "strong arm of the law" was raised to strike or to protect in the case of Joseph George Ward the ex-managing director of the Ward Farmers' Association Limited, when he was before Judge Ward in the Bankruptcy Court, Invercargill.

The reader has already been reminded at the conclusion of chapter 5 of the unequivocal terms in which Judge Williams denounced the responsible officials of the Association. This able Judge's words have sunk deep into the memory of the people and still live in spite of the lapse of five years and the studied efforts of Mr. Ward's friends to cover up the hideous past by every kind of misrepresentation. The fact remains, however, that the shufflings, the equivocations, the manipulations and the falsifications that characterised the operations of Mr. Ward and his Association have not been

wiped out or atoned for by this mere lapse of time, although there are many persons who have been deceived by the bluster and bounce of those who from the outset of the negotiations for the amalgamation of the Bank of New Zealand and the Colonial Bank made it their task to "save Ward at all hazards."

Addresses, resolutions, telegrams of sympathy and confidence, certificates of character, purses of sovereigns, banquets, horses and carriages, have all been pressed into service and well they have answered - yet that just judgment of Judge Williams still lives! - "It is an offer to try off from bankruptcy and its consequences a man who ought not to escape them. This is in effect an offer of hush money. . . . That the career of the Association should be brought to an end and its proceedings investigated, and that those who were responsible for its management should no longer be permitted to roam at large through the business world, is a result so obviously desirable in the interests of commercial morality that it ought if possible to be attained."

Reference was made in the last chapter to Mr. Ward's having to seek the protection of the Bankruptcy Court, and the date of the first meeting of creditors was given as July 13, 1897. Two days later Mr. Ward was being examined by the official liquidator of the Ward Farmers' Association before Judge Williams in Dunedin. Still more revelations then came out of an amazing character, among which was the fact that on June 30, 1895, the last balance-sheet issued by the Association, a sum of £1500, was debited to Mr. Ward's private account with the Association and carried to the credit of another account the effect being to make it appear that the alleged profits of the Association (£6516.17.3) were £1500 more than they would have otherwise been shown at. As to this, Mr. Ward's sworn testimony is interesting:-

Mr. Solomon (liquidator's Counsel). What we say was, why was nothing said to the shareholders about the £1,500 profit?

Mr. Ward: "Did it alter the result to the shareholders?"

Mr. Solomon: "Of course it did."

Mr. Ward: "Of course it did not."

Mr. Solomon: "It led them to believe that a profit had been made in the ordinary way?"

Mr. Ward: "As a matter of fact the \$1,500 did not alter the result to the shareholders, the net result was the same."

Mr. Solomon: "Very well, if you think that is sufficient that is all right."

The ingenuity displayed by Mr. Ward in parrying the point of this thrust is characteristic. According to him the "net" result was the same, presumably because if the fictitious debit to Mr. Ward had not been made, the fictitious credit to profit would not have been made.

This kind of argument is peculiar and does not destroy Mr. Solomon's point that the shareholders, the creditors, and the investing public were deceived by the transaction into the belief that the association had made \$1500 more profit than was the fact.

The Bank of New Zealand would also be deceived for it must be remembered that the negotiations for the absorption of the Colonial Bank (which were then proceeding) and of the Ward Association account depended much upon the position of the Association and therefore upon the healthy appearance of this particular balance-sheet from a profit-earning point of view.

Again, one thousand fully paid shares (£5,000) in the Ward Association were allotted in payment for the goodwill of Carswell's business, by an agreement which by a singular coincidence took effect on July 1, 1893, (the day after the Association's balance-sheet to 30th June 1893), but in the Association's following balance-sheet of 30th June, 1894, this share liability was not included and Mr. Ward would have the public believe that his plea, that "he felt satisfied the shares would be ultimately cancelled," justified his deliberately signing and issuing what was nothing short of a falsified balance-sheet: he saw no reason, so he said, to explain the omission to the shareholders, on the ground - to use his own words - that "if the whole of the details of a business are to be discussed at a shareholders' meeting no company could carry on business."

What manner of man must Mr. Ward be when he can suggest such manifest absurdities as truthful answers to serious questions before a Judge of the Supreme Court?

It is indeed difficult to understand how his present exalted position in the Government of this colony can be justified since he is capable of describing the omission (to his knowledge) of a liability of £5,000 from the balance-sheet of his Association as a "detail" not to be disclosed to the shareholders.

Again, what can be thought of a man who could state on oath that he took up several thousand shares (upon which, by the way, nothing was ever paid)-

"In connection with the position the Farmers' Association had got into, and in view of that position it was desirable that he should do so."

And when asked in Court whether he did not think it would have been proper to have informed the Association that he had not paid anything on these shares, Mr. Ward replied:-

"It was not my business to go and discredit the Association for which I was working."

The plain English of all this is that Mr. Ward first created fictitious credit for the Association by issuing bogus capital to himself (upon which, by the way, he drew substantial dividends) and afterwards, of course, did not undeceive the creditors and shareholders for obvious reasons. But let us pass on.

It is noteworthy that the official liquidator of the Ward Association was not personally present at the meeting of Mr. Ward's creditors in Invercargill on July 13th, 1897; he seems to have been busy in Dunedin preparing for his public examination of Mr. Ward in the Supreme Court on the 15th - two days later.

The reader would do well also to mark the fact that Mr. Keith-Ramsay (one of the Colonial Bank liquidators), who seconded the resolution proposed by the representative of the Ward Association's liquidator, said "it was no hardship to Mr. Ward to adjourn for three weeks" and, amusing as it may be, the "hardship" was actually inflicted upon Mr. Ward of an adjournment until August 6, 1897, the day after the date fixed for the Awarua election.

Thus, although the resolution provided that Mr. Ward should "deliver to the Assignee at his public office, before 3rd August, 1897, (^{two} ~~three~~ days

prior to the Awarua election) . . . full, true and particular accounts and balance-sheets showing the particulars of his receipts and expenditure, of his stocktakings, and of his profits and losses during the period of three years before the commencement of the bankruptcy." Mr. Ward's position was to be known only to the Official Assignee. There were to be no unpleasant disclosures at a local public meeting before the Awarua election came off.

This was a mere coincidence of dates, Mr. Ward's friends will no doubt say, but all the same the reader will agree with Mr. Keith-Ramsay that the "hardship" to Mr. Ward was not severe, taking it all round. However, it is now history that Mr. Ward who had to what he termed "resign" on July 14, 1897, after he had filed his schedule, stood for Awarua as an undischarged bankrupt and romped in an easy winner on August 5, 1897.

Joy unspeakable was rampant throughout the electorate and Mr. Ward has reason to congratulate himself upon his having paid (out of the Colonial Bank shareholders' money) 2s.6d. per head for sheep more than he sold them for.

In such a crisis, the like of which has been unknown to the Colony and probably to the world, the unfaltering friendship of his faithful farmers was cheap even at the price of sacrificing the widow and the orphan.

Nothing of any moment occurred at the second meeting of creditors, but at a meeting on August 20 Mr. William Brown (by the way one of the Dunedin Committee of Colonial Bank shareholders) accountant, of Dunedin, was employed by the Official Assignee to "examine Mr. Ward's financial statement and his transactions for three years prior to his bankruptcy and report fully thereon."

This order of reference went back, as stated in a previous chapter, to July 1, 1894, only.

A few excerpts from Mr. Brown's report - a most interesting document - will not prove amiss at this stage in order to help the reader to a full understanding of the singular developments that followed.

(1) Alluding to Mr. Ward's "financial statement", which by the way showed a deficit of £72,425.1.8, Mr. Brown said:-

"In the first list of secured creditors the estimated balance

of the securities transferred from the filed schedule list "E" has been inadvertently entered twice. A correction of this will add to the above deficit £10,211."

This trivial accident - a mere slip of the pen no doubt - would bring the deficit to £82,636.1.8 and adding another petty amount of £16,000, said to be secured by scrip valued by Mr. Brown at next to nothing, he brought the Deficit up to the respectable total £98,636. 1. 8. "This deficit", continued Mr. Brown encouragingly, "may be increased."

(2) An account appeared in the Association's books styled "J. G. Ward's wool account" resulting in a debit balance, which "was absorbed by transfer to the Association's profit and loss account."

In plain language this was boldly charging the Ward Association shareholders with Mr. Ward's private losses.

(3) Mr. Brown takes upon himself the responsibility of making the extraordinary assertion that because the copy of the bankrupt's general account with the Association furnished to him was "a recent extract, it follows that Mr. Ward has never been in possession of the details during the whole of the time" covered by the Association's operations.

This, of course, served as an apology - like the "inadvertently" in paragraph 1.

(4) Mr. Brown proceeds thus - "on receipt of such an account current the first care of the principal would naturally be to systematise the items and post them up in his own books to the various accounts affected and produce a balance-sheet of his own affairs. This, however, does not appear to have been done and now that systematised results are called for they are not available in book form."

Neither were systematised results in any other reliable form available. Nevertheless the Official Assignee told the court that he was satisfied that Mr. Ward had kept "usual and proper books of account."

(5) The "statement of transactions" furnished by the bankrupt "covers the period of three years from 1 July, 1894

to 8 July 1897. It opens a summary of the various balances due by Mr. Ward (1) to the Association and (2) to the Colonial Bank on general and freezer accounts.

It is precisely the particulars of how those "various balances due by Mr. Ward" were made up that ought to have been ascertained, but, after all it might have inconvenienced Mr. Ward to have pressed him to supply them. So he was not pressed.

(6) The bankrupt's statement shows loss on freezing works, £12,518, loss unascertained £745. 7. 0 Mr. Brown says: "the first two of them are adopted from Mr. Ward's statement of losses, but do not appear to have been ascertained, and, indeed, could not have been ascertained from the books as these at present stand. The item, Loss on freezing works, £12,518, has this peculiarity, that it is one which apparently gathers together all other unstated losses, or which represents all other losses less any undisclosed profits, and stated at that figure to square off the round sum of £62,000 which Mr. Ward's statement sets out to account for."

Briefly put, this appears to mean that the figures in Mr. Ward's "financial statement" were in accountancy language "cooked."

The conclusion of Mr. Brown's report is remarkable and seems to have satisfied the Official Assignee, and the Court (presided over by Judge Ward) that Mr. Ward had kept "usual and proper" books of account within the meaning of the Act.- Here is the conclusion:-

(7) In reply to the instructions to "verify" the receipts and expenditure, Mr. Brown says:- "The Assignee's inquiries in the first paragraph are no doubt sufficiently answered by the statements herewith - the details of which, under the circumstances, I can only submit with the following reservations:-

(a). The uncertainty as to whether further explanation or an examination of vouchers, if accessible, might not involve the transfer of some of the items from one heading to another. As it stands the items have been gathered from the surface.

(b). An uncertainty of results gathered up out of old and disjointed materials, having no balancing figures to confirm them, and also the amounts having been exaggerated or diminished by the influence of other sums undisclosed but related to or set off against them.

"An uncertainty of results gathered up out of old disjointed materials having no balancing figures to confirm them!" What significant phraseology! Nevertheless the Official Assignee and the Court were satisfied.

If the Official Assignee's instructions had been to confuse the issue as much as possible, Mr. William Brown, accountant, of Dunedin, could not have discharged his duties more faithfully. His full report is the essence of ambiguity but when critically read it spells nothing less than that Mr. Ward was guilty, if not of a breach of subsection 3 of section 137 of the Bankruptcy Act of 1892 which enacts "If he has, with intent to conceal the true state of his affairs, wilfully omitted at any time to keep proper books of accounts," certainly of a breach of subsection 4 which enacts: "if he has, within three years before the commencement of the bankruptcy failed to keep such books of account as are usual and proper in the business carried on by him, and as sufficiently set forth his business transactions and disclose his financial position;"

The reader is left to form his own conclusions as to whether the extraordinary manipulations and falsifications by means of Mr. Ward's private cheques, by bogus drafts, temporary transfers of other people's credit balances to his own account and fictitiously-created share capital and profits render Mr. Ward open to the charge of having also committed breaches of the following subsections:-

"(VI.) If he has, in incurring any debt or liability, obtained credit under false pretences or by means of any other fraud

"(XI.) If his bankruptcy is attributable to rash and hazardous speculations, gambling, drunkenness, or unjustifiable extravagance in living;

but Mr. Ward in such circumstances, and for the reason that the two years period had just lapsed would apparently not be liable under the following

sub-section-

(XVI.) If, after the presentation of a bankruptcy petition by or against him, or within two years (last balance-sheet Ward Association June 30, 1895. Mr. Ward filed July 3, 1897) next before such presentation, he,-

(a.) Conceals, destroys, mutilates, or falsifies, or is privy to the concealment, destruction, mutilation, or falsification of any book or document affecting or relating to his property or affairs, unless it is proved that he had no intent to conceal the state of his affairs, or to defeat the law;

(b.) Makes or is privy to the making of any false entry in any book or document affecting or relating to his property or affairs, unless it is proved that he had no intent to conceal the state of his affairs, or to defeat the law;

(c.) Fraudulently parts with, alters, or makes any omission, or is privy to the fraudulently parting with, altering, or making any omission, in any document affecting or relating to his property or affairs;

If Mr. Ward was guilty of any of the above acts he was guilty

of a misdemeanour within the meaning of the Bankruptcy Act, punishable

on conviction by imprisonment "for any term not exceeding two years, with or without hard labour."

On November 5, 1897 (a day celebrated for "gunpowder, treason and plot") the Honourable Joseph George Ward stood before Judge Ward upon an application for his discharge. Mr. Chapman of Dunedin appeared for the applicant in support and Mr. Solomon to oppose on behalf of the Colonial Bank liquidators. The liquidator of the Ward Association (Mr. W. R. Cook) does not appear to have taken any part in the proceedings.

The Official Assignee, who attended, had presented a report to the Court purporting to be based on the report of Mr. Brown, his accountant, extracts from which have been quoted. But strange to say the Official Assignee made no reference to the gross irregularities underlying Mr. Brown's

remarks from beginning to end of his report. He did, however, venture so much as to inform the Judge that:-

"The debtor did not keep books of account for five years prior to the date of the bankruptcy."

This in itself was an emphatic condemnation of Mr. Ward under subsection 4 of the Act above quoted, which seems to the writer to leave no room for any qualification or excuse for non-fulfilment of the provision, for the word "failed" in subsection 4 is used in contradistinction to the words "wilfully omitted" in subsection 3. Nevertheless the Official Assignee went on to report:-

"His explanation of this is that he thought as he had no business of his own, it was not necessary to continue a set of books for his private accounts."

At this point the reader will appreciate some side by side evidence:-

Mr. Ward before Judge Ward.

"I always considered I went out of business in December, 1892, and from that date forward I ceased to keep books. My accounts were kept in the ledgers of the Association. The only books I kept referred to my personal matters. I furnished the whole of the details from the date of my going out of business myself to the Assignee. . ."

The principal business was the grain trade. I went completely out of that on the formation of the Association, (December 1892) and no speculations in grain were entered into by me after that date.

I went out of business completely in December, 1892,"

Mr. Brown's Report to Official Assignee.

"Large transactions in grain are recorded in the business journal and ledger (Mr. Ward's) from December 1892, to August 1894 but the entries then ceased. . . ."

Ward Association Liquidator's report.

"In the agreement for taking over Mr. Ward's business, care was taken to make it clear that the business carried on by the Ocean Beach Freezing Works was exempted from its operation. In the face of this it is interesting to note that the operations of the Association on behalf of Mr. Ward's business of freezing were exceedingly heavy, and within three months of the Association's incorporation the debit on this account was over £25,000. The Association's payments on this account for the balancing periods were as follow:-

7 months to 30th June, 1893	893,787.18. 0
12 months to 30th June, 1894	101,625.18. 4
12 months to 30th June, 1895.	<u>23,088. 0. 0</u>
	£ 219,401.17. 1
	=====

In face of the above comparisons, Mr. Ward cannot claim to be placed on the highest pinnacle for veracity, but the awkwardness of the situation may have occasioned slight confusion of memory. However, returning to the Assignee's report, after first making what seems to have been a distinct charge of an offence under the Act, that official proceeded to soften it off with the tenderest of words, and finally wound up with:-

"I am not aware of sufficient reason for withholding Mr. Ward's discharge."

Mr. Solomon, counsel for the Colonial Bank liquidators, in addressing the Court upon the Assignee's report said:-

"The concluding paragraph stated that the assignee saw no sufficient reason why Mr. Ward's application should be withheld. Turning, however, to the fourth clause, that and the report itself showed grounds why the discharge should not be granted, It was in view of these contradictions that his clients had been induced to take action. As shown by that statement Mr. Ward had not kept books. It was true that the paragraph went on to say a record of his transactions was kept in the books of the Ward Farmers' Association, from which and from other data his true position could have been ascertained. That, however, counsel contended was not keeping books within the meaning of the act. It was not sufficient for the requirement of the act for the debtor to say his position could be ascertained through the medium of the Ward Farmers' Association and as the paragraph referred to significantly added, other data. His position ought to be ascertainable from books kept by himself. That was what the law required, and after citing the provisions of the act counsel continued to say that upon what was declared in the report the court was left no discretion but to refuse the application.

It had been uniformly held by the judges throughout the colony that failure to do so constituted the offence even although nothing fraudulent had been made out."

Here is Judge Ward's Judgment:-

"I am fully aware there have been numerous charges of offences by bankrupt in connection with the liquidation of the Colonial Bank and of the Ward Farmers' Association. But none of these are under question now, the simple point on which the matter has to be decided being whether or not the bankrupt within three years before the commencement of bankruptcy failed to keep such books as are usual and proper in a business of the kind carried on by him. The situation was very properly described by Mr. Solomon as unique. Here we have a man in a large way of business selling out his business to a company and himself being the proprietor of a large proportion of shares in the company. He is the managing director, and the company take over practically the whole of his business, excepting certain freezing contracts, which are partly carried on by the company, but which are eventually taken over by the Nelsons. It appears since this that the whole transactions of the bankrupt have been through the Ward Farmers' Association, and that the whole of the transactions appear in the books of the association. There is no question about these books being accurately kept. Whatever the character of some of the entries may have been, that is not for me to decide. What I have to decide is whether any jury, having consideration for the whole of the facts before the court, would find that because the accounts of the bankrupt were kept by a company, of which he was managing director, and in which he was three-fourths interested, practically proprietor, whether any jury would find him, taking these facts before me, guilty of a charge under subsection 4. Technically, the fact that he allowed his books to be kept by the association of which he was managing director did not amount to a misdemeanour, and I don't think any jury would convict on such a charge. That is the only point of the position. What might have been said if

other matters were brought forward I have not to decide. There has been enough said in the press regarding such accusations. Those who have made them have had an opportunity to come here and prove them and have not done so, and I can only say I trust that these proceedings will show the futility of the accusations made elsewhere. According to the assignee's report it appears to me there is no sufficient cause for delaying the order of discharge, which I consequently grant."

This, perhaps, constitutes one of the most remarkable judgments ever delivered in the colony and is in striking contrast to that of Judge Williams delivered a year previously. The one was logically severe in its denunciation of the wrongful acts of Mr. Ward, the other was apologetic and chiefly singular for what was generally accepted at the time (although it may not have been so intended) as a studied effort to silence those who contemplated further measures against the delinquent. What is more to be condemned in a judge than any remark calculated to prejudice proceedings in other Courts, such as:-

"There has been enough said in the Press regarding such accusations-
 &c.?"

As indicating the feeling in Invercargill after Mr. Ward's unconditional discharge had been granted, the following may be quoted from the Southland Times:-

"Was it an ordeal at all? To our mind it partook more of the character of a pleasing ceremony. The applicant was certainly submitted to no indignity, not even to harshness or close scrutiny. On the contrary he received the utmost consideration and courtesy all round. The "opposition" was of the gentlest character, a sort of formality in honour of the occasion, and showing clearly that the liquidators had no "malignant" disposition to gratify. Indeed the fact that the discharge applied for was opposed at all was of distinct advantage to the applicant. Objections raised were stated with conspicuous consideration for him

feelings, and afforded his counsel opportunities for getting in exculpatory and laudatory comment that he would not otherwise have enjoyed; and it is due to that astute gentleman to say that he was not negligent in the discharge of his duty to his client. Surely after such an affecting display of leniency - we might say of generosity and goodwill - on the part of his creditors, erstwhile stigmatised as cruelly exacting, we should hear no more of the "ingenuity of malice." But for the knowledge of his great consideration for associates and subordinates, it might even be expected that Mr. Ward would now in reciprocation, join with the shareholders in prosecuting investigations with the object of discovering who were really to blame for transactions that have brought so much odium upon himself and others connected with the Association of which he was chairman." (And managing director at £500 a year. V.M.B.)

Chapter XI.

Getting Through a Hole.

Humpty Dumpty sat on a wall
 Humpty Dumpty had a great fall
 All Seddon's horses and all Seddon's men
 Quickly put Humpty Dumpty together again.

-Adaptation of Nursery Rhyme.

The shock of the double failure of the attempts of June 1896 and May 1897 to persuade Judge Williams to be the medium of saving Mr. Ward from the consequences of his acts was in part deadened by the remarkable success which he achieved at his first meeting of creditors on July 13, 1897, and the sympathy shown to him in high places.

Telegrams of condolence were showered upon him after he filed his schedule in Bankruptcy on July 8th and had thus caused the Awarua seat in Parliament to become vacant.

Prominent among his sympathisers was the then and present Speaker of the House - Sir Maurice O'Rorke - a gentleman who has held that honorable position for quite a number of years. Here is the Speaker's message:-

"Very sorry to hear of your resignation. Hope your retirement from Parliamentary life will be only temporary, and that the country will soon regain the benefit of your services."

This telegram, strange to relate, was published in the newspapers on July 10th, although Mr. Ward's "resignation" by telegram was announced by the Gazette to have been received on the 14th. The "resignation" was a farce as, under the Electoral Act 1893, a member's seat becomes ipso facto immediately vacant on being adjudged a bankrupt. The adjudication took place six days before the "resignation:" although the Registrar appears to have failed to give notice to the Speaker as required by Act of Parliament, and to have incurred liability to a penalty amounting to some hundreds of pounds. Mr. Ward therefore had nothing to resign. This telegram was made every use of in the public press and, coming as it did on the eve of the Awarua election, it served the purpose of a certificate of merit with the electors - not that the result of the election could ever have been in doubt, for the Southland farmers who received 2s.6d. a head more for their sheep than what Mr. Ward

sold them for, would not be likely to desert their benefactor in his hour of need. Still, there were many persons who questioned the propriety of the Speaker's action, having regard to the position of strict neutrality and impartiality that he is expected by the colony to maintain. However, the "hardship" alluded to by Mr. Keith-Ramsay at the meeting of creditors on July 13 having given Mr. Ward time to attend to his electioneering, and deferred the publication of his "financial statement" until after the polling day, Mr. Ward was not seriously inconvenienced and contrived to secure an easy victory on August 5, 1897, when he was in the anomalous position of not only standing as a candidate for Parliament but of being returned to Parliament whilst an undischarged bankrupt, and with Judge Williams' words still ringing in the ears of the electors.

The session opened in September, 1897, but Mr. Ward, from motives of delicacy no doubt, did not attend for a few days. On the 28th, however, he faced the House, and the oath of allegiance to his Sovereign was on that day administered to him by the Speaker who gave him a hearty shake of the hand and the sweetest of smiles upon completion of the edifying ceremony.

It would occupy too many pages to place the reader in front of the picture that was presented to the onlooker and listener: suffice it to say

- (1) That a feeble protest was raised on September 23 by one or two members against the Speaker's ruling that Mr. Ward, if present, could take his seat;
- (2) That in due course Mr. Ward did attend on the 28th and took his seat, and
- (3) That on September 30 the Privilege Committee of the House was set up for the purpose of arriving at a solution of the extremely difficult problem whether or not an undischarged bankrupt was privileged to sit in Parliament and take part in the administration of this Colony's affairs, whilst he was an undischarged bankrupt. This Committee consisted of the following members:-

Government.

Opposition.

Mr. Joyce
 " Guinness
 " Montgomery
 " Duncan
 " Seddon

Captain Russell
 Hon. Mr. Rolleston
 Mr. J. Allen

The proportion was thus 5 to 3 in favor of any decision the Government required from the Committee. As to its constitution, the following from Hansard will prove interesting:-

CAPTAIN RUSSELL: The Premier yesterday invited me to submit : a certain number of names, which he told me , if reasonable he would accept as members of the Committee. I gave him the names today officially, having shown them to him last night informally. I find, however he is not prepared to accept these names, and demands a large majority on a non-party tribunal."

This is not surprising seeing that the Premier had said on the previous day:-

"I intend to consult the honourable gentleman as to what honourable members shall be put upon that Committee. I, of course, rely upon him not suggesting names for the Committee which are likely to be taken exception to."

And it is not without a humorous aspect when contrasted with another portion of the Premier's speech:-

Sir, I desire to bring under the notice of the House a somewhat delicate and involved question. There are, Sir, occasions when personal friendship and party considerations must be set aside and duty be paramount."

The student of Hansard - indeed of the public press - will be used to this kind of eloquence, so we will pass on.

Upon the motion for the setting up of the Committee the following members, to their credit, spoke their minds very freely:-

Mr. MONK: The Premier rightly expressed himself a short time ago that the privileges of this House are in his hands; and I contend, instead of its being relegated to a Committee, it was the duty of the Premier to have taken the matter into his hands and declared the privileges of this House are invaded. At the present time, I contend a stranger is sitting in this House, and I say this is a matter which requires no interpretation by Judges of the Supreme Court, and I should claim that it is not for the Premier to say so; because the language of the Act is so explicit,

and by your leave I shall read it. The Act of 1893, paragraph 130, clauses 4 and 5, declares that a seat is vacant if a member becomes a bankrupt within the meaning of the laws relating to bankruptcy, and if he is a public defaulter. Now, Sir, you know, and every one knows, that there has been a notification in the Gazette of a certain person being bankrupt; and if that person should occupy a seat in this chamber the natural consequences are that it is the duty of the Premier to declare there is a stranger in the chamber. I know it is very unpleasant to speak in a plain manner like this; but I am certain of this: that, had the condition of things now under discussion occurred to any one on this side of the chamber, the Premier would have been the strongest to assert the duty I have indicated.

MR. CROWTHER: "I am strongly of opinion that this House should not have been put into this humiliating position this afternoon by any one man in this country."

MR. CARSON: "As to making provision for the future, that can stand. The question is whether the honourable member has a right to sit here. There is no dispute or difference of opinion, I suppose, as to whether a gentleman in the unfortunate circumstances of the honourable member for Awarua should be allowed to occupy a seat in this House. There is no doubt about that. The Premier has laid it down distinctly in a Bill he has submitted to this House with regard to local bodies that no person who is a bankrupt shall hold a seat on a local body."

MR. SEDDON: "That is the law now in respect to some local bodies."

MR. CARSON: "The honourable gentleman makes a distinction with regard to the honourable member for Awarua."

MR. SEDDON: "That refers to local bodies."

MR. CARSON: "Then, in the opinion of the Premier, a person considered should be entitled to a seat in this House who is not fit to sit on a local body."

MR. SEDDON: "That is the law at the present time."

The right nail was here hit on the head, yet the House allowed itself to be shorn of control over legislation affecting its own privileges. Members presented a sorry spectacle wrestling with their consciences in their efforts to get over the difficulty. Only one or two of them could find tongue enough to give utterance to their honest convictions, for the question was a Party question from start to finish. And yet the issue was so simple. Was it right that an undischarged bankrupt should sit in the House of Representatives and enjoy the usual privileges of membership? Subsection 130 of The Electoral Act 1893 says:-

"The seat of any member of the House of Representatives shall become vacant if he is a bankrupt within the meaning of the laws relating to bankruptcy."

In pursuance of this provision the Awarua seat had become vacant when Mr. Ward was adjudged a bankrupt, but he claimed, and his friends claimed for him, with all the vehemence they could muster, that whilst bankruptcy after election ipso facto rendered a seat vacant, there was no bar to the bankrupt, although uncertificated, being again returned to Parliament and taking his seat in the usual way. This contention, ridiculous as it seems, was based upon the fact that clauses 8 and 9 of the Electoral Act, 1893, headed "Qualifications of Electors" does not provide for the disqualification of a bankrupt, and that, as such a person is not excluded from being registered as an elector, he is not excluded from being a candidate for election to Parliament. The weak point of this argument is that an evident omission from the disqualification clause, (for bankrupts are expressly and admittedly disqualified for election to the Legislative Council, to a Local Body, or even to a Conciliation Board) was made to override an express provision in the vacancy clause declaring a vacancy to exist if a member "is a bankrupt."

The incongruity of the situation was so palpable at the time that one could not but feel compassionately disposed towards the House as a whole, for it was evident that sympathy towards the elect of Awarua - on what justifiable ground the writer cannot surmise - had obtained complete mastery over its judgment, though, knowing what the House did at the time respecting

the causes of Mr. Ward's bankruptcy and the monstrous nature of the transactions between himself, the Ward Association and the Colonial Bank, which Judge Williams had denounced in such stringent words, it was difficult to understand how even an allowance for "human frailty," to quote a member's words, could win such strong sympathy. The reader will have formed his own conclusions on this point long before reaching this chapter.

But the Committee of Privilege, with the 5 to 3 Government majority duly sat; went through the process usual to Committees of the kind, and finally reported to the House the result of their wrestlings with the weighty subject. The House solemnly received the report and in the end the Awarua Seat Enquiry Act was passed appointing the Court of Appeal of the Colony a "Court of Construction," its Herculean task being to find out what Parliament really meant by its own words:-

"The seat of any member of the House of Representatives shall become vacant if he is a bankrupt within the meaning of the laws relating to bankruptcy."

A simple resolution of the House interpreting the law as, of course, it was intended to apply would have ended the matter in half an hour but that would not suit, so the novel process of a costly reference to the Court of Appeal gave an importance to the Awarua electors and to Mr. Ward that they did not deserve, and established a precedent that can bring no good to the colony, if it does not bring actual harm.

An entire day was taken up by the argument in the Court of Appeal: the Bench, however, were only deliberating for about five minutes when they delivered the following judgment:-

"The Court is unanimously of opinion that the seat of the Awarua member has not become vacant on the facts mentioned.

The reasons will be put into writing as soon as possible."

The points of the written judgment are here given so that the student may follow this historical incident from start to finish:-

". . . . There is nothing which prevents an undischarged bankrupt from being registered as an elector, and in consequence from being elected as a member. Section 130 which renders the seat vacant after it has been filled, cannot be construed so as to alter

the express provisions of section 9 and disqualify from election a person qualified by the earlier sections.

The question, therefore, is whether, when an undischarged bankrupt has been elected, his seat at once becomes vacant under the provisions of section 130, subsection 4. The contention that it does so become vacant is based on the circumstance that the words in the subsection are in the present tense. It is contended that the words thus refer to an existing state of things, and to a person whose status is that of a bankrupt. It is obvious that if this be the true construction, it would lead to the absurd conclusion that although an undischarged bankrupt can be registered as an elector and is therefore qualified to be elected a member, he cannot sit as a member but ceases to be a member at the very instant of time at which he becomes a member. To support such construction the Court would require to be satisfied beyond doubt that such was the intention of the Legislature Therefore, if bankruptcy disqualifies a person from being elected, or vacates his seat when elected, there must be some Statute which expressly, or by implication, imposes the disqualification or creates the vacancy.

Comparing the sections of the Acts relating to disqualifications, one would naturally suppose that the draughtsman of the Act of 1893 conceived that to use the present tense was a neater form of expressing the same meaning, and that he had no intention of altering the section in substance. It contemplates, therefore, events happening after the seat has been filled"

For those who have, perhaps, skipped the main judgment from sheer dread of legal phraseology, the writer commends the following gist of it translated into his very best doggerel:-

Justices (loquunter):-

The Legislature thought it wise
To use with future sense
The simple "present" rather than
The fogging future tense.

We've turned it over in our minds
 (It may seem very rum);
 The Court unanimously finds
 That "is" means "shall become."

Just as if to show its appreciation of Mr. Ward's goodness in raising such a nice point of law, Parliament resolved that the costs of both sides of the appeal to the Court should be borne by the Crown, whatever the result might be.

It struck most people at the time as strange that under this extremely magnanimous arrangement two counsel, Messrs. Theo. Cooper and C. P. Skerrett, appeared for Mr. Ward, whilst Mr. Gully was the sole representative of the Crown, although, to use the words of Sir Thomas May - the recognised authority in procedure in the British House of Commons - the "dignity and independence" of Parliament were at stake.

Now let the reader ponder for a few moments over some of the arguments advanced by the learned counsel for Mr. Ward. They will at least amuse, if they serve no better purpose, and will furnish fair samples of the ingenuity common to leading lights of the law which places the New Zealand Bar in the foremost rank of the profession throughout the civilised world - a profession which, in spite of the sentiment expressed in Macklin's play of *love a la mode* - "The law is a sort of hocus pocus science, that smiles in yer face while it picks yer pocket" - has for centuries past earned the respect of nations.

The studious consideration previously shown towards Mr. Ward on all occasions was carefully continued, for he was allowed the privilege of opening his case which gave him the right of reply after Counsel for the Crown had addressed the Court.

This was an advantage that will be appreciated by the layman, for it must be borne in mind that Mr. Ward was making an effort to over-ride a specific provision of the Electoral Act - in fact to alter it.

In these circumstances, so the writer is advised, the Crown had the right to claim the privilege which Mr. Ward enjoyed, and ought to have claimed it.

Mr. Ward's two counsel, in order to give color to their contention that "is a bankrupt" meant "shall become a bankrupt", resorted to repealed statutes and quoted the Constitution Act from which the Electoral Act 1893

was drawn.

Now it is a little singular that the "vacancy" provisions in the two Acts - Constitution Act and Electoral Act - are similar in terms, with this exception - that in the repealed Constitution Act the words of section 49 are "if he shall become bankrupt," whereas in the existing Electoral Act (drawn from the Constitution Act) the words are "if he is a bankrupt."

It will thus be seen that the Legislature deliberately altered the "shall become" of the Constitution Act to the "is" of the Electoral Act.

But, marvellous as it will appear to the lay mind, Counsel for Mr. Ward used this fact as an argument in Mr. Ward's favor, contending, one of them, that:-

"The Legislature seems to have thought it was better to use the present tense with a future meaning instead of using the future tense,"

and the other that:-

"the draughtsman of the Electoral Act must have thought he was a better grammarian than that of the Constitution Act."

Yes, seriously, these were Counsel's words carefully noted down by the writer. They further argued that:-

"What the Legislature really intended was that the constituents should have the option of saying whether a person was fit to sit as a member,"

which will strike the reader as a somewhat incongruous contention, otherwise why is it that the disqualification clause does debar aliens, convicts and others; why did not the Legislature give the constituents "the option of saying" whether such persons as convicts are also fit to sit as members, and why are undischarged bankrupts denied the privilege of election to the Legislative Council, a Local Body, a Road Board, or a Conciliation Board? Again, counsel for Mr. Ward said:-

"You must not so construe a statute as to take away a right unless the wording is specific, and why should this be inferred because the present tense "is" has been used?"

The man of common sense will probably answer: Could any word in the

English language be more specific than the word "is"?

To another argument of Counsel:-

"The civic rights of a man are as high as the rights of property and should not be interfered with unless the intention of the Legislature is plain?"

The answer at once suggests itself:- Is it reasonable to infer that the Legislature's intention was that the National Assembly of this land should be singled out for exemption from protection by a statutory disqualification provision made applicable to every petty public body?

To quote once more the words of Sir Thomas May, when justifying the complete disqualification which exists in the English Act, it is "In order to maintain the dignity and independence of Parliament." The same dignity and independence should surely be required to be preserved in New Zealand, in an assembly responsible for the making of its laws?

With all respect to their Honors the Judges who sat upon the case and delivered the judgment already quoted, the impression upon the lay mind at the time was that, having regard to the principles governing the qualification of candidates for election to other bodies, and having regard to the English Act and to the words of Sir Thomas May, above quoted, their decision would at least have been as sound had they found that a technical omission of the word "bankrupt" had been made in the disqualification clause of the Electoral Act and that that clause as it stood, was repugnant to the express provision, "is", contained in the vacancy clause, instead of finding that the provision in the vacancy clause, "is" (expressly implying the present status which, while continuing, creates a vacancy), was repugnant to the spirit of the disqualification clause, and must therefore be read as "shall become."

Mr. Gully seemed to be logical when he argued, as the interpretation of the disqualification clause as it was and is: "If a person stands for election, and the electors elect him, in face of a statutory provision, that is their look out - their votes are thrown away."

With the decision of the Court of Construction, however, Mr. Ward

became a legally qualified member of the House of Representatives; the Crown paid the three lawyers' bills of costs and every one looked pleasant - excepting the taxpayer.

Chapter XII.

"Fixity of Finance."

One illicit transaction always
leads to another. Burke.

The co-operative nature of Mr. Ward's private accounts with his Association and with the Colonial Bank was of great value in furthering the transactions between the two concerns. According as the accounts of the one or the other were about to come under the scrutiny of the directors and shareholders, so the figures of Mr. Ward's private accounts contracted and expanded respectively.

It was a marvellous exemplification of the ingenuity of mankind, and the performers proved themselves to be as expert as the professional gentlemen who used to frequent the Epsom racecourse in England and beat the public with the thimble and the pea. There was no saying where Mr. Ward's main overdraft would be at any time - it might be with the Association, or it might be with the Bank.

The reader has no doubt picked up a wrinkle or two in the course of this romance for which the writer can claim no credit, and seeing that the Premier of New Zealand (also one of His Majesty the King's Privy Councillors) only the other day (N. Z. Times July 13, 1901) held up Mr. Ward as an example for the rising generation to "follow in the footsteps" of, it is manifest that the title of this work has been well selected and that, according to Mr. Seddon, the reader has only to be a "wizard of finance" gifted with the necessary amount of nerve and he will have the world at his feet.

It will, of course, be absolutely imperative to follow precisely in Mr. Ward's wake, otherwise the goal may just be missed, which would be disappointing after having trodden a somewhat stony path. In order to complete the lesson, therefore, the remainder of this chapter will be devoted to a few more instances in which the art of figure manipulation was practised with conspicuous talent.

In an earlier page it was shown how, notwithstanding the specific agreement to the contrary, the funds of the Association were used for Mr. Ward's private freezing business to the extent of over £200,000 at one time and another. This interesting item of news comes from no less an authority than the official liquidator of the Ward Farmers' Association, but the same authority tells how these advances to the Ocean Beach Freezing Works were cleared off on each balancing day by transfer to the debit of Mr. Ward's private account with the Association and re-transfer immediately afterwards to the debit of the Ocean Beach account, Mr. Ward's private debit being in turn reduced to the vanishing point by further operations about to be referred to.

If this process was not for the express purpose of concealing the fact that the Association's monies were being used by Mr. Ward for his private freezing works' operations, the writer would like to know what its object was.

The Ward Association directors would naturally want to scrutinise the list of advances on each balancing day, not to mention the probability that, having regard to the risks run, the list had also to undergo the inspection of some official of the Colonial Bank.

It is obvious that if, as the liquidator says, Mr. Ward was specially debarred by written agreement from employing the Association's funds in the Ocean Beach Freezing Works (of which for the most time he was the sole owner, and for the remainder of the 2½ years he was owning a half-share), this in itself would be a motive for these peculiar transfers.

Then, referring once more to the £40,000 of debentures issued by the Association, of which, as the reader has been informed, £20,000 were taken up by the Colonial Bank and £20,000 by the Bank of New Zealand, the cash received for those debentures, as Mr. Ward admitted under examination in the Dunedin Supreme Court, should have gone to the credit of a debenture account in the Association's books, but, instead, the cash was placed to the credit of Mr. Ward's private account.

The effect of this transaction was, of course, to deceive somebody as to the extent of Mr. Ward's indebtedness to the Association.

On June 30, 1895, the Association's balancing day, it became necessary to show these debentures as a liability in the balance-sheet, and the amount was therefore transferred out of Mr. Ward's private account to the credit of a debenture account.

Simultaneously, however, the celebrated bogus draft on Messrs. Connell & Co., London, for £30,000 against imaginary oats was negotiated by the Colonial Bank, and instead of the proceeds of the draft going to the credit of that firm, they were placed to the credit of Mr. Ward's private account in the Association's books and helped to blind the Directors and others and so carry on the deception as to his true debt to the Association.

Mr. Ward was in England at the time this draft was negotiated and he said in evidence before Judge Williams, in June 1896, that when he discovered on his return, in July 1895, that there was something wrong about the credit (cabled out while he was in London) under which the draft was drawn, and that there were no real oats to prop it up, he would not allow the draft to go forward to London: nevertheless he did allow that same draft to remain current as a genuine draft with the Colonial Bank and the proceeds to remain at his credit until after the Ward Association meeting on September 7; until after the agreement had been signed between the two banks on October 18, and until after the Colonial Bank meeting on November 8, the draft not being debited back until November 13, 1895.

Then, again, at the same date - June 30, 1895 - Messrs. Robert Brooks & Co., London, were creditors of the Association for £18,000, and Messrs. John Connell & Co., London, were also creditors for £6,500, but both these amounts were boldly transferred from the credit of the parties to the credit of Mr. Ward's private account in the Association's books. Thus the effect of these wrongful transfers of £30,000, £18,000, and £6,500 - to the credit of Mr. Ward's account was to completely wipe out his real indebtedness to the Association at that time, and conceal liabilities to a corresponding extent.

The question of the Bank of New Zealand taking over the Association account among others of the Colonial Bank was just at an acute point of negotiation, and the operations which have been described would have a

powerful effect in blinding an inspector instructed to enquire into the condition of the largest account with the Colonial Bank.-

This chapter will be suitably closed with some edifying correspondence about a little cheque for £40,000:-

"The Colonial Bank of New Zealand, Invercargill,
20th June, 1894.

Dear Mackenzie,

The Ward Farmers' balance on 30th inst., and Mr. Ward proposes drawing his own cheque for £40,000 on that day, and handing the amount to the Farmers' until Monday, 2nd July. I presume this transaction will be in order. We must not show all the overdraft to the public this time, as there are too many timid people about at present. If I do not hear from you I take it silence gives consent.

Yours sincerely,

G. A. Birch."
(Manager Colonial Bank)

Private.

Wellington. 29th June 1894.

My dear Ward,

I intended to show you the enclosed letter, but remembered to do so only after I left your office. I have not replied to it - fact is, I cannot - but I have no objection to your wiring that you have seen me and I have no objection to the matter being arranged in the way indicated.

Yours,

H. Mackenzie."

(Gen. Manager Colonial Bank)

The subtle wording of Mr. Mackenzie's letter is in vivid contrast to the openly brazen style of Mr. Birch.

As specimens of banking correspondence these letters must be classed as unique, but the sequel is that Mr. Ward apparently put Mr. Mackenzie's letter and its enclosure in the fire, without, as he has admitted, communicating in any way with the Bank at Invercargill. He did not see the need for transacting business with Mr. Birch in the name of the Bank

(although, no doubt, he appreciated the compliment paid to him by Mr. Mackenzie's exhibition of trust) knowing that "silence gives consent."

All these operations would, perhaps, be described by Mr. Ward as being for the purpose of securing "fixity of the finance," which was given as his reason for the issue of the £40,000 of debentures, when he was under examination in June 1896, although, as the reader is aware, the proceeds went to the credit of Mr. Ward's private account in the Association's books and were left there for six months when they were transferred of necessity, the bogus draft for £30,000 and transfers of other person's credit balances doing duty in its place.

If the writer had the naming of this kind of process, he would call it securing "shiftiness rather than fixity of the finance."

Chapter XIII.

Jerry Journalism.

When it comes to the push, 'tis no
more than talk. - L' Estrange.

The British Museum Library has the finest collection of prints in the world, representing every variety of literature from the ponderous tome of occult science to the handy book of "light reading."

The collection includes bound volumes of most journalistic publications, some dating back to the early days and of quaint style - others of the modern school; but if it cannot boast a complete set of "The Southland Farmer" - the 32-page trade journal and "Official Gazette" issued monthly by that philanthropic invention, The J. G. Ward Farmers' Co-operative Association of New Zealand Ltd., - then the writer would suggest that any person possessing a set should earn a nation's gratitude by presenting it to the authorities of the British Museum. The writer cannot part with his set as it forms a portion of his records which might be required in certain contingencies.

The following are fairly entitled to be classed as glittering gems of jerry journalism: they are culled from the columns of the famous organ for July and August 1893. Per contra are quotations from other documents and comments by the writer:-

Southland Farmer

"We have always been loyal supporters of the port of Bluff."

"The August number of the Southland Farmer should prove an interesting one, as it will contain the report of the first annual general meeting of the shareholders of the J. G. Ward Farmers' Association when we hope to make plain to farmers what can be done under true co-operation."

Contra

And they were always supported by bluff.

Mr. Ward to Mr. Nelson.
"I think it better, both in the interest of Nelson Bros. and myself, that no publicity should be given to our relationship. It would certainly render the buying of sheep more difficult for me, and Nelson's opponents would feel that a large monopoly of Southland was in his hands. . . ."

"I want to keep entirely free from farmers as, once associated with them, the works become a lever to grind down the profits of the works to assure additional value to their stock."

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"We ask no favours in business from friend or foe, but we ask justice."

Mr. Ward in the Danedin Supreme Court.

Counsel: "The total amount of debts that they are to take over if I make it out rightly, is £168,000. Can you tell me whether that is correct?"

Mr. Ward: "I should like to see the statement."

Counsel: "That gives £168,000 altogether?"

Mr. Ward: "Yes."

Counsel: "So that the Colonial Bank stand to lose £101,000?"

Mr. Ward: "That is so."

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"Are you a shareholder in the J. G. Ward Farmers' Association of New Zealand Ltd.? If not it will pay you to become one at once."

Balance sheet June 30, 1895.
Alleged paid up capital £27,456
Liquidator's sworn
balance-sheet March 20,
1896.

Liabilities (not including share capital)
£12,797

Assets 64,341

Deficiency £48,456

Total Deficiency, including liability to shareholders, £75,906
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"The Southland Farmer is issued with the object of educating farmers to the fact that it will pay them to do their business with the J. G. Ward Farmers' Association of New Zealand, Ltd."

The farmers did not require much "educating." They quickly discerned the advantages of doing business with the Association, for they received 2s.6d a head more for their sheep than the sheep were sold for.

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Mr. Ward to his shareholders
August 5, 1893:-

"I may also state that nothing whatever of a speculative nature is entered upon by the Association; our capital is not risked in this way and has not been to the extent of one pound; on the contrary the greatest care is made in the selection of business; our advances are, wherever necessary, well secured."

Liquidator's Report.

"I found that indiscriminate credit had been given and little or no security taken, . . . The greater part of the deficiency amounting to £48,456.16.4 shown in and by the said statement is caused through losses made in book debts, which amount, after making searching inquiries, I deem necessary to write off £37,374. 3. 8 as absolutely bad and worthless."

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"The Association being a vigorous and progressive company, it necessarily has its enemies, who may take the present opportunity of pointing out what are the apparent weak points in our balance sheet.

"Our financial arrangements are such that we are in a perfectly independent position. We have at all times received fair and reasonable support from our bankers for the carrying on of legitimate business".

"We could not be cornered . . . Our assets are promptly available . . . We have made most excellent arrangements outside the colony, enabling us at any time to obtain the whole of the necessary capital to carry on our business should such a contingency ever arise."

"Personally, I have been looked upon during my business career as a speculator. I have no cause to regret being counted as such . . . And I think everyone in this district has reaped some benefit from the undertakings I have embarked upon".

... at the same time I wish you to clearly understand that the credit of this Association will never be used by me for any speculation I may elect to go into". (The reader will note carefully the date of this speech August 5, 1893 which dealt with the balance-sheet to 30 June 1893.)

A singularly prophetic utterance The enemy duly appeared in the columns of the Evening Press, where a remarkably accurate diagnosis of the Association's diseased condition was put into print .

If owing the Colonial Bank £112,130 was being in a perfectly independent position", then they were. They certainly did receive very fair support from their bankers, but the money was employed in carrying on illegitimate business.

The contingency did arise; they were cornered; the assets when called upon proved to be £48,456 short of the liabilities and the "excellent arrangements" appear to have been defective.

Probably if there were a thorough search into things it would be found that Mr. Ward was strictly correct in saying that he had no great "cause to regret being counted" as a speculator. There is no doubt about every one in the district. especially the farmers, having had a deep dip into the Colonial Bank lucky bag".

Liquidator's Report.

"In the agreement for taking over Mr. Ward's business care was taken to make it clear that the business carried on by the Ocean Beach Freezing works was exempted from its operations. In the face of this it is interesting to note that the operations of the association on behalf of Mr. Ward's business of freezing were exceedingly heavy and within three months of the Association's incorporation the debit on this account was over £25,000. The Association's payments on this account for the balancing periods were as follows:-
For 7 months to 30 June 1893

	£93,787
For 12 months to 30 June 1894	£101,625
For 12 months to 30 June 1895	£ 23,988
	£219,400

A glance at the report and balance-sheet will demonstrate to you that this Association is run upon true co-operative lines. And I think it completely belies the predictions of those who, at its inception, would fain have you believe that the whole thing was a bogus affair."

-----:-----

"The business is not a thing of to-day. I am sanguine enough to believe that when I am dead and gone this Association will still be in existence and I firmly believe that it will do good service to the farmers of Southland."

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Out of \$27,450, the total paid up capital of the Association, Mr. Ward held \$23,000 (including the \$8000 supposed to have been paid by him "in cash" but which was never paid). This is indeed true co-operation!!

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This prophecy was not wholly fulfilled, for the Association is dead and gone and Mr. Ward is still in existence. The Association, however, did do good service to the farmers of Southland, no doubt about that.

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Chapter XIV.

Braving the Elements.

Loud howl the winds and the seas roll high,
 Swift scud the clouds o'er a murky sky,
 But the gallant ship rides o'er the foaming wave,
 And the skipper laughs while the storm fiends rave.

(Adaptation of Song)

The Awarua ark, favored by fair winds and with a good pilot or two aboard, succeeded in safely negotiating the Scylla of the Bankruptcy Court and the Charybdis of the Appeal Court, and on emerging from the straits the strain of anxiety was lifted from its precious burden and he breathed again freely after the Judge had legally pronounced him to be a bona fide member of Parliament, the Awarua electors having already declared his fitness from the point of view of good character. This happy state of things came about on Guy Fawkes Day, and it may not be inappropriate to here mention a singularity about certain dates. The fifth day of the month seems to have had a fatality about it for Mr. Ward, for instance

On December 5, 1892, the fabulous debt of the J. G. Ward Association

to the Colonial Bank began to pile up:

On August 5, 1893, he was haranguing the multitude of favored farmers at the first annual general meeting of shareholders in his Association and draining his fountain of veracity to the very dregs;

On June 5, 1896, he stood before Judge Williams and made confessions that startled the colony and brought upon him the direst strictures that man ever deserved;

On August 5, 1897, he was elected member for Awarua;

On November 5, 1897, he was granted his unconditional discharge from bankruptcy by Judge Ward in the Invercargill District Court, and, wonderful to relate,

On the same date the Appeal Court delivered its written judgment pronouncing the member for Awarua a duly qualified member of the House of Representatives.

But passing on from the crowning triumph achieved by Mr. Ward over the "persecution and conspiracy" of those who were "hounding" him to political destruction, it was not long before the clouds began to gather once more just as the memory of the storm was beginning to fade away.

A few months later rumours were in circulation that certain shareholders of the J. G. Ward Farmers' Association had been roused into action by the revelations that had been made in the Dunedin Supreme Court at various times from June 1896 to July 1897, capped by the easy fashion in which Mr. Ward had slipped through the Bankruptcy Act and Electoral Act and emerged from the "ordeals" with "the white flower of a blameless life" in his button-hole.

These rumours eventually took shape and after it had been announced that some "friends of Mr. Ward" had purchased back all his Invercargill properties running into many thousands of pounds and intended giving him a fresh start in life, a petition signed by a number of the Association's shareholders was presented in the Supreme Court, Dunedin, praying that the liquidator be directed to prosecute Joseph George Ward and John Fisher, late managing director and manager respectively of the Association, under the penal clauses of the Companies Act.

The case came on for argument on March 8, 1898, before Judge Williams at Dunedin. Just before the petition was called on, His Honor delivered judgment upon an application made to the Court by the liquidator of the Ward Association for an order directing that the costs of the public examination (already held) of Mr. Ward and others should be paid out of the assets of the Association, which (including the uncalled capital) were alleged to be insufficient to meet the mortgage debentures.

His Honor held that although the liquidator of the Association was the nominee of the Colonial Bank liquidators who held the debentures, "in order to make them liable for any particular amount it must appear clearly that there was an implied contract by them with the liquidator to indemnify him against it. There was no sufficient evidence before the Court of such implied contract to indemnify the liquidator against an expenditure in respect of the liquidation which could not be said to be for the benefit of the

debenture-holders." The order was therefore refused.

This judgment has been referred to because it has an important bearing upon what followed (the same day) upon the petition to prosecute the two principal officials of the Ward Association, so far as the question as to whether or not there were free assets, or whether or not the petitioners' indemnity should be accepted, is concerned. On this point the writer will have something to say later on in this chapter.

First of all, the reader should become familiar with the precise charges preferred against Messrs. Ward and Fisher. Those were clearly set out in the petition, which was as follows:-

"The humble petition of the persons whose names are hereunder signed sheweth as follows-

Your petitioners are all shareholders and contributories in the J. G. Ward Farmers' Association of New Zealand (Limited) in liquidation, and are interested in the winding-up thereof, and in this matter are acting for themselves, and also for other shareholders.

The said association was duly registered as a company under The Companies Act, 1882.

An order was made by this honorable court on the 14th day of July 1896 for winding up the said association, and it is now in course of being wound up.

William Richard Cock, of Invercargill, commission agent, was on the 4th day of August, 1896, appointed to be, and he still is, official liquidator of the said association. It has appeared in the course of such winding-up that a certain director of the said association - to wit, the Hon. Joseph George Ward - and also a certain manager or officer of the said association - to wit, John Fisher - have been guilty of offences in relation to the said association for which they are criminally responsible - to wit -

(a) They made, circulated, published, and concurred in making, circulating, and publishing statements and accounts

which they knew to be false in material particulars, with intent to induce persons to become shareholders, and with intent to deceive or defraud the members, shareholders, and creditors of the said Association.

(b) And they also, with intent to defraud, falsified certain books belonging to the said association.

(c) And they also, with intent to defraud, made or concurred in making false entries, and omitted or concurred in omitting to enter material particulars in the books of account and balance-sheets of the said association.

(d) And they also falsified the books of the said association and were privy to the making of false and fraudulent entries in the books of account of the said association, with intent to deceive.

"Your petitioners therefore humbly pray -(1) That this honorable Court will direct the official liquidator of the said association to institute and conduct prosecutions for the said offences; and (2) that the costs and expenses thereof and of this application be paid out of the assets of the said association.

And your petitioners will ever pray, etc

(Signed) Thomas Fleming, Invercargill, flourmiller;

William Ronald, Waianion; James Young, Wright's Bush;

Adam Drysdale, Myross Bush; William Laing Kerr, Oteramika;

George M'Leod, Waianawa; Thomas Kirkpatrick, Wairio;

Richard James, Otatau; Robert Baird, Limestone Plains -farmer

Having carefully absorbed the eccentricities of the financial transactions recorded in the foregoing chapters, the reader will be in a fit state of mind to form a conclusion as to whether they, or any of them, substantiate the charges, or any of them, that were preferred by the petitioners.

Next in order come the affidavits that were filed. They were not very material to the precise issue before the Court, but they are none the less interesting and deserving of room in this narrative.

The reader must not be alarmed at their length, for they will repay perusal. Here is a summary:-

According to the affidavit of Thomas Fleming, flourmiller, Invercargill, he was visited on February 11, 1898, by P. K. M'Caughan of Melbourne, an intimate friend of J. G. Ward, who said he had come from Ward to see if anything could be done to withdraw the petition to have Ward and Fisher prosecuted. He said that no doubt Ward had done many illegal things, but that the matter had gone far enough, and it was no use going further with it, and he (M'Caughan) would pay all the costs out of his own pocket rather than it should go on. He also said that he was financially interested in, and had lent a good deal of money to Ward and that Ward had already apologised for his attacks on Fleming. Fleming refused on his own account to entertain M'Caughan's proposal to have the petition dropped, but after a good deal of conversation and a strong appeal by M'Caughan, Fleming said that, while totally objecting himself to do as proposed, he might perhaps meet some of the other petitioners the following day, and, if so, would submit M'Caughan's suggestions to them, but that all the petitioners must be consulted and agree about the matter.

After M'Caughan left, Fleming jotted down for his own recollection, and in the form of notes, a memo, as a record of the suggestions made. At a later interview Fleming referred to these notes, and M'Caughan asked for the loan of them. This was refused, but after considerable pressing by M'Caughan, and on M'Caughan promising on his honor to return the notes at once, and on Fleming's partner saying he might trust M'Caughan, the notes were handed over.

Very shortly afterwards M'Caughan returned, and said he had

handed the notes to Ward, who had promised to return them on Monday morning. These notes were not returned as promised on the 15th, but M'Caughan brought him a note from Ward. Fleming read it and saw it was all a piece of trickery between them, and said that he would have M'Caughan arrested for his conduct in keeping, or making away with, the notes, but M'Caughan said he had done all he could to get them returned.

The notes were, Fleming believed, to the effect that a public apology should be made by Ward for his attacks on him, and that all costs should be paid by Ward, and that no action should be taken against those who had signed the petition. Fleming had been informed and believed that some of the petitioners had been threatened with, and that Ward openly stated his intention of bringing, an action for £15,000 damages against all those who had signed the petition, unless the matter was dropped. Fleming believed that the notes were obtained from him, and shown or handed to Ward, by deceit and trickery.

Attached to this affidavit was a letter from Fleming to M'Caughan, stating that the notes taken away were not in any sense a proposal as construed by Ward, and asking for their return.

Fleming's story was corroborated by the affidavit of Peter Lindsay Gilkinson, to the effect that

On February 11, 1898, Fleming (his partner) showed him some private notes or memoranda he had made relating to the Ward Farmers' Association, and to an interview he had had with M'Caughan; that on February 12th he (Gilkinson) entered the office of his firm at Invercargill and there found his partner and M'Caughan; that his partner told him that M'Caughan wanted to obtain from him the said notes, and that he strongly objected to hand them over, as they were evidently private. M'Caughan urged Fleming to lend them to him and said he would return them, but Fleming still objected until he (Gilkinson) suggested that as M'Caughan had promised on his honor to return them, Fleming might trust M'Caughan.

Then there was an affidavit by J. G. Ward stating that -

the following writing was handed to him by M'Caughan, in Invercargill, on February 12th, in order that he might reply to it, but he had not taken any notice of the same, and further stating that the handwriting was that of Thomas Fleming:-

"1. Public apology of anything J. G. Ward had said against reputation or character. 2. All and every expense whatever, in connection with this prosecution, also examination. 3. Nothing whatever will be withdrawn until the points have been satisfactorily settled, and moreover, it will be on the distinct understanding that the other shareholders who have signed agreed to it. Our position would be prejudiced by withdrawal and failure to proceed and all rights of action against the petitioners arising out of the petition, or the filing of the same, to be abandoned by Mr. Ward."

And a second affidavit, also by J. G. Ward -

That on February 12th. P. K. M'Caughan, of Melbourne, came to him at the Invercargill Railway Station and asked him to look at a paper which he then produced and said Thomas Fleming had given him to submit to Ward, and which he (Ward) believed to be in Fleming's handwriting. It indicated the terms upon which the petition would be withdrawn by Fleming. The terms were that he (Ward) should make certain public apologies, and pay certain monies and expenses. M'Caughan said he was authorised by Fleming to make such a proposal, and the proposal was made to him (Ward) by and on behalf of Fleming. Before he (Ward) had time to consider or reply the train started, and he retained the paper in his hands. On February 15th he wrote a letter to M'Caughan, and he was informed and believed that the letter was handed by M'Caughan to Fleming. He (Ward) never at any time requested any person or persons to approach the petitioners, and although the paper had been demanded from him by M'Caughan and also on behalf of Fleming, he deemed it necessary for his own protection, and in the interests of justice, that the same should be brought under the notice of the Court.

Then there was the affidavit of W. J. H. Hall, solicitor, Invercargill,-

That one Kirkpatrick (another petitioner) asked him if he was liable for the costs of the prosecution, as Fisher and others were telling him he would be, and wanted him to withdraw; that Hall replied that the petition asked that the costs come out of the assets, whereupon Kirkpatrick said he was satisfied. That Hall was informed by one James (another petitioner) that Thomas Pyper (a director of the Ward Association) had threatened him and another petitioner that Ward had gone to Dunedin to issue a writ for £15,000 damages against all the persons who had signed the petition, and that unless they withdrew their names by a certain hour it would be too late, and that no notice of any desire to withdraw from the petition had been given to him or to his firm by any of the persons signing the withdrawal.

There was yet another affidavit by J. G. Ward stating -

That he had been informed of the sworn statements made by Thomas Fleming and that he denied ever having directly or indirectly authorised or requested M'Caughan to interview on his behalf, or as his agent, Thomas Fleming or any other person in connection with the present application or his affairs. He also denied that he had ever been or was at the time indebted to M'Caughan in any sum of money. Upon being informed of Fleming's statements he cabled to M'Caughan in Melbourne that Fleming had filed an affidavit that M'Caughan had represented himself as his (Ward's) agent, and had also obtained the memorandum from Fleming by trickery. To this he had received a cablegram from M'Caughan denying that he had in any way acted as Ward's agent, or that he obtained Fleming's memorandum by any improper means. M'Caughan's cablegram could be produced to the Court. With reference to the sworn statements of Fleming and Hall, he denied that he had ever threatened or authorised any person to threaten any of the petitioners with an action for damages; neither had he solicited, or authorised any person to solicit, any

of the petitioners to withdraw from the present proceedings. He had given instructions, upon information then only recently acquired, to proceed against Fleming and Gilkinson for fraudulent misrepresentations made by them to him in connection with the sale of the Hokonui Coal Company (which he had originally purchased from them) but he was advised that he should refrain from so doing at that time in order to prevent even the suggestion that he was bringing pressure to bear upon them to withdraw the proceedings.

The following is the exhibit referred to in the above affidavit as a cablegram from Melbourne -

The Hon. J. G. Ward, Invercargill.

If Fleming asserts I obtained letter by any unfair or unworthy means, or that I acted as your agent or in any way represented you, I must pronounce both as absolutely without foundation; in fact I will publish details of the whole matter.

You can make any use of this.

Melbourne, February 22nd.

M'Caughan."

The gist of all this hard swearing and counter-swearing is that, according to Messrs. Fleming, Gilkinson and Hall, there was a deliberate attempt made first to cajole and afterwards to intimidate the petitioning shareholders into an abandonment of the proceedings, which allegations were stoutly denied by Mr. Ward, who offered to the Court a telegram from Mr. M'Caughan ("the mysterious man from Melbourne", as he was described at the time) denying Mr. Fleming's assertions. The value of Mr. M'Caughan's denial - as evidence - was not considerable, as it was not made on oath. As to the sworn testimony, it is clear that either Messrs. Fleming, Gilkinson and Hall were swearing to what were not facts, or Mr. Ward was. The reader will be able to accurately weigh the probabilities.

We will now pass on to the fate of the petition itself, and, in doing so, touch as lightly as possible upon any features in the legal arguments that occur to the writer as likely to help the student to an understanding of the situation.

Counsel for the petitioners said the petition was not that of the liquidator but of the shareholders and contributories, who said:

"We have been deceived by criminal acts on the part of persons who professed to represent us, and we ask the Court to direct its officer to prosecute. If there are free assets, we ask the Court to order the costs to be paid out of such free assets; if not, then we wish an opportunity of indemnifying the liquidator against such costs within a reasonable time.

Section 228 of the Companies Act in force in this colony is similar in term to section 167 of the English Act, and says:

"Where any order is made for a winding-up of a company by the Court, or subject to the supervision of the Court, if it appear in the course of such winding-up that any past or present director, manager, officer, or member of such company has been guilty of any offence in relation to the company for which he is criminally responsible, the Court may, on the application of any person interested in such winding-up, or of its own motion, direct the official liquidator or the liquidators (as the case may be) to institute and conduct a prosecution and prosecutions for such offence, and may order the costs and expenses to be paid out of the assets of the company."

Counsel contended that under this section it was the duty of the Court to direct the liquidator of the Ward Association to institute and conduct a prosecution either

- (a) at the expense of the Association's assets, or
- (b) at the expense of the petitioning shareholders, upon their entering into a satisfactory indemnity with the liquidator.

Counsel submitted that it was the more the duty of the Court to make an order one way or the other, because New Zealand was in the anomalous position of having no Public Prosecutor. In England it is the duty of that officer to institute proceedings in criminal cases, whereas, in this colony, as pointed out by Judge Williams, under the regulations in force prior to the Criminal Code and still in force, if a person be charged with an offence, the

Crown Prosecutor may or may not take up the matter at the preliminary stage. "It is always open, said His Honor for the Crown Prosecutor to do so, but "unless that is done the party who institutes the prosecution has to pay "the costs up to the time the person accused is committed by the magistrate. "After that, however, in certain classes of offences the prosecution is carried on by the Crown, and this class of offence is one of those in which the "prosecution would, under ordinary circumstances, be carried on by the "Crown in the event of the magistrate committing for trial."

The reader will carefully note the significance of the words that are italicised: they seem to the writer to convey a strong hint that the Crown would be morally bound to take up the case if the magistrate committed, yet almost in the next breath His Honor said: "It is open for the "Crown Solicitor or the representatives of the Crown at any time after committal, even though the offence is one which, under ordinary circumstances, would be paid for at the public expense, to notify the parties that the "Crown will not conduct the prosecution but leave the parties to bear the costs

If this be the state of the law in New Zealand (and there can, perhaps, be found no sounder exponent of our laws than Mr. Justice Williams), then it is remarkable, for it practically means that however strong the prima facie case upon which the magistrate commits, may be the Crown (which, of course, signifies the Ministry) can always virtually decide as to who shall be punished and who shall go unpunished. According to Judge Williams it has the power to "leave the parties to bear the costs" not only of the initial and inexpensive proceedings in the Magistrate's Court, but of the subsequent costly procedure in the Supreme Court.

At this stage the logic of Counsel's argument will be readily grasped. He said: there being no Public Prosecutor, the only alternative to an order of the Court, as prayed, was that a private individual should lay an information. This would, of course, have meant that the person laying the information would not only have to personally bear the costs of the proceedings in the Magistrate's Court but, if a committal followed, he might have either to incur the expense of the ulterior proceedings, or abandon them.

The Crown might step in and say: "You have proved a prima facie case and we will take up your cause", or they might say: "We decline to take up your cause you may go on with it yourself if you please." As to what would have happened if an information had been laid, say, against Mr. Ward, the writer would not care to venture an opinion. This much, however, is clear - that the criminal law, as expounded by Mr. Justice Williams, might, under certain contingencies, prove very defective in bringing criminals to justice.

The first question considered by the Court was - Should the official liquidator be directed to prosecute? Counsel submitted that there could be but one answer to that question - yes. The offences were of two kinds -

- (a) The publication of false balance-sheets and reports,
- (b) The falsifying of the books of the company from which those balance -sheets were prepared.

Counsel quoted in argument the case of the Northern Counties Bank, in which Mr. Justice Chitty refused to grant a similar order on the ground that no evidence had come before him establishing a prima facie case of guilt. All that judge had before him was an affidavit of the liquidator that he believed a conviction would ensue. In the present case, however, there could be no question as to whether the evidence was sufficient to establish a prima facie case. As Counsel pointed out to the Court, there was overwhelming proof that not only false, but deliberately false, balance-sheets had been uttered, and that the books had been glaringly falsified. The facts had come before His Honor, said Counsel, several times in his judicial capacity and His Honor had already had an opportunity of expressing his views upon those very balance-sheets. Counsel then dealt with some of the offences committed but the reader is familiar with them all, so that there is no need for recapitulation.

Up to this point the narrative has covered the first question - whether or not the Court should direct its officer, the liquidator, to prosecute: the next question was whether, if such an order was granted, the costs were to come out of the assets, or be defrayed by the petitioning shareholders and contributories. The reader's attention was drawn at the

commencement of this chapter to Judge Williams' judgment affecting an application in another matter which was based upon the liquidator's statement that there were not sufficient assets to meet the debentures which were a first charge: His Honor said: "It now turns out that the assets and uncalled capital will not realise sufficient to pay the debentures, and that there will be nothing left for the unsecured creditors."

This judgment, as has already been stated, was delivered on the same day that argument was taken on the petition for a prosecution, namely March 8, 1898. But, although there were still strong suggestions put forward that there were no "free" assets - that is to say, assets that were not mortgaged - Judge Williams towards the conclusion of the argument elicited from the liquidator that when he told his counsel that there was plant which would bring £1000 and profits of the business £1500 he had "made a shot at it" - the profits "might be more and might be less;" he could not say whether there were sufficient free assets to pay the costs of realisation, examination and liquidation, because he did not know what were the free assets.

The liquidator's seeming ignorance on this second occasion of the position of the estate is in marked contrast to the specific statement that appears to have been made to the Court on the first occasion referred to at the beginning of this chapter and which drew from Judge Williams the emphatic remark - "It now turns out that the assets and uncalled capital will not realise sufficient to pay the debentures, and that there will be nothing left for the unsecured creditors."

The liquidator's application was made only a few days before the shareholders' petition came on for hearing - say at the commencement of March 1898 - and was in fact heard on the same day: let us now see what the position of the Ward Association liquidation was about a year previously when the liquidator made his application to the Court for power to make a call of £4 per share upon the shareholders, namely in April 1897. Here are extracts from the affidavit of the liquidator (Mr. W. R. Cook) filed on that occasion:-

Claims allowed, including £20,000 of debentures held by Colonial Bank, which carry interest at 6 per cent	£32,069. 6. 7
Estimated expenses of liquidation	2,500. 0. 0
	34,569. 6. 7
Claims not yet adjudicated upon	62,461.15. 4
Total	£97,031. 1.11
	=====

The assets are thus stated:-

Cash in the Bank of New Zealand	£24,746. 8. 6
Value of stock and plant in hand, estimated to realise	1,900. 0. 0
Book debts, estimated to yield	20,000. 0. 0
	46,646. 8. 6

In addition, amount which, if not allowed to be operated on by the official liquidator would still go in reduction of liabilities - viz., bank balance, "trust" account (£4,987. 3. 5), and bank balance "special" account (£3,599.16.2)

8,586.19. 7
55,233. 8. 1

Value of the call on shares at £4 per share, estimated to yield

8,450. 0. 0

£63,683. 8. 1

The Colonial Bank liquidators were supposed to hold £30,000 of first mortgage debentures of which £20,000 appear to have been actually subscribed for and £10,000 given as security for past advances. Seemingly the Association's liquidator had allowed the £20,000 claim at the date of his affidavit but was holding the £10,000 in suspense. Assuming, however, the worst from the unsecured creditors' point of view and that the Colonial Bank had a first charge of £30,000 over all the assets, even then, adding £2500 for the liquidation costs which would also be a preferential claim, there would seemingly be a surplus of "free" assets amounting to £63,683 minus £32,500 = £31,183. That £31,183 should seemingly be available in April 1897 over and above the preferential claims and that there should be only perhaps "£1000 from plant and £1500 from profits" in March 1896 without any dividend being distributed in the meantime, is indeed remarkable.

But it may be taken for granted that there were free assets, and very substantial free assets, out of which the costs of the preliminary stage of a prosecution could have been paid had the Court granted the order petitioned for: moreover the costs would have amounted to a mere song - perhaps £50 for one or two days. The case was so clear that the evidence

for the prosecution would have been very short. But Judge Williams decided not to grant the order petitioned for, on the ground that it was not equitable that the creditors' money should be utilised for the benefit of the debtors - the shareholders. His Honor, in the course of the judgment, referred to the English case in re Chas. Denham & Co. Ltd., in which the application was granted, although it was opposed by creditors to a considerable amount. In that case, however, the Court was satisfied from the relations which existed between the opposing creditors and the alleged delinquent, that the opposition arose not from a desire to save the assets but from a desire to protect the alleged delinquent. Conversely, therefore, His Honor found that the opposition of the liquidators of the Ward Association and of the Colonial Bank (the only opposing creditors) was not to save the delinquents, J. G. Ward and John Fisher, but to save the assets. Although Judge Williams doubtless considered there was no connection between the two cases, it is on record that both the liquidator of the Ward Association and the liquidators of the Colonial Bank gave all the weight of their support to the offer of Messrs. A. Lee Smith and J. B. Reid, of June 5, 1896, to buy the debts of the Association and of Mr. Ward to the Colonial Bank which was described by His Honor as being "in effect an offer of hush money."

As to the petitioners' prayer that the Court would order the liquidator to institute a prosecution at their own expense, Judge Williams refused it, saying: "A similar application had never, so far as he could find, been made in the English Courts during the 35 years that the English Act had been in operation." His Honor declined to accept Mr. MacGregor's interpretation of section 228 of the Companies Act, which reads: "The Court may, on the application of any person interested, direct the liquidator to institute and conduct a prosecution or prosecutions for some offence, and may order the costs and expenses to be paid out of the assets of the company."

Mr. MacGregor contended that the meaning was two-fold, for, were it not so, there would be no reason for the repetition of the word

"may" (which was disjunctive) in the second clause;" and that the Court had jurisdiction under the section to order the liquidator to prosecute (a) at the expense of the applicant, or (b) at the expense of the company's assets.

The reader has been taken through a lengthy and of necessity somewhat tedious chapter, but one not entirely devoid of interest to the student. It is the last but one in this romance and may be said to have virtually sealed the safety of Mr. Ward from the "persecution and conspiracy" of those who were "hounding" him into obscurity. Had the result of this petition been different and had Mr. Ward been prosecuted and had he been convicted under the penal clauses of the Criminal Code, the effect upon his career would necessarily have been disastrous and New Zealand would have been robbed of its brightest political star, for clauses 8 and 9 of the Electoral Act 1893 exclude from registration as electors (and therefore as candidates for Parliament) persons "convicted of any offence punishable by imprisonment for one year or upwards."

Here are the penal clauses referred to:-

Section 234 -

"Every one is liable to seven years' imprisonment with hard labour who, being a director, manager, public officer, or member of any body corporate or public company, with intent to defraud -

1. Destroys, alters, mutilates, or falsifies any book, paper writing, or valuable security belonging to the body corporate or public company: or
2. Makes or concurs in making any false entry, or omits or concurs in omitting to enter any material particular, in any book of account or other document."

Section 235 -

"Every one is liable to seven years' imprisonment with hard labour, who, being a promoter, director, public officer, or manager of any body corporate or public company either existing or intended to be formed, makes, circulates, or publishes, or concurs in

making, circulating, or publishing any prospectus, statement, or account which he knows to be false in any material particular -

1. With intent to induce persons (whether ascertained or not) to become shareholders or partners; or
2. With intent to deceive or defraud the members, shareholders, or creditors, or any of them (whether ascertained or not) of such body corporate or public company; or
3. With intent to induce any person to intrust or advance any property to such body corporate or public company, or to enter into any security for the benefit thereof."

Chapter XV.

Fortune's Favors.

How fickle Fortune is; her smiles
 Are fleeting as the winds that blow:
 They come; they go, at her command.
 Of nature frail and mind unknown,
 Let no man trust her.

The reputation which "Fair Fortuna" has earned for fickleness of character is world-wide. Perhaps there is no lady, either substantial or mythical, who has come in for more "blessing or curse whiche'er it be" than she. Like others of her sex, she has her likes and dislikes. She enriches those who win her smiles: she withers those who make her frown. Her principles have been the talk of mortals from the commencement of history, and the prudent man might do worse than accept the writer's warning at the head of this chapter.

Fortuna's lucky bag is spacious: it carries prizes of immense value and they are many in number, but there are also many blanks. This fashionable goddess has countless worshippers at her golden shrine, and the utter want of discrimination which she persistently displays (so unlike her sex as a rule) has been a popular theme for writers of poems and prose for centuries past.

So marked, indeed has been this eccentricity that it has become a question whether the lady is any longer entitled to the pet name of "Fair Fortuna". However, with yet riper age (though even now she would not be "taken for 45 in the dusk with the light behind her"), the world may witness a change in her disposition. Meantime, let us resume this romance, at its last chapter, and see what befell some of the characters who have figured in its pages.

Mr. William Watson, late Inspector of the Colonial Bank, was appointed

by the Government, President of the Bank of New Zealand, at a salary of £2250 a year, with a power of veto over the Directors of that State institution, which power he used with conspicuous judgment - foremost among his efforts on behalf of the Colony being

advances of £20,000 and £5,000 to the Ward Farmers' Association. Public opinion eventually compelled Parliament to remove Mr. Watson from his exalted position, but not before he had sent a circular to members intimating that he possessed a knowledge of circumstances in regard to certain accounts specially legislated for by Parliament that he could not previously divulge (he was fined by the House £500 for his refusal), but that he then had no objection to divulging. Mr. Watson was soon afterwards bought out of his "ten years during good behaviour" contract for the sum of £4,500. He had at that time been President for about four years. Here is the little bill that the taxpayers had to foot:-

Four years at £2250	£ 9,000
Compensation	4,500
	£13, 500
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But with his Oriental experience Mr. Watson was cheap at the price. The colony has fortunately not entirely lost his valuable services, for, on vacating the Presidency, he was appointed a director of the State Bank, and is one to this day.

Mr. Henry Mackenzie, late General Manager of the Colonial Bank, was appointed

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General Manager of the State Bank soon after Mr. Watson migrated thither, and under circumstances already described. He also was subsequently retired under pressure, and is now adorning London society and giving the great commercial centre the benefit of his Oriental training and general financial experience.

Mr. G. A. Birch, late manager of the Colonial Bank at Invercargill, was

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appointed Manager of the State Bank at Timaru, presumably owing to his special knowledge of oats transactions, and his ability as a correspondent. His present camp is not known to the writer, but he should prosper.

Mr. John Fisher, the former manager of the J. G. Ward Farmers' Association,

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drew a blank from the lucky bag (in this colony at any rate), perhaps because, according to the sober Otago Daily Times (leading article, November 8, 1897,) he was "a young and inexperienced man."

Mr. John Fisher was last heard of from somewhere in Australia, whither, no doubt, he journeyed Japhet-like "in search of a father" to look after him.

Mr. Hugh Carswell, whose business the Ward Association purchased, became a
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 valuer in the Advances to Settlers Department of the Government.

Mr. John Hayes, the former manager of the Hokonui Railway and Coal Co. was
 a. =====
 appointed an Inspector under the Mines Department of the Government.

Mr. W. J. M'Keown, late canvasser for the Hokonui Company, was gazetted
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 an Inspector of Factories under the Government.

Mr. A. Lee-Smith, one of the two whole-hearted friends who tried to buy the
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 debts etc. of the Ward Association and of Mr. Ward to the Colonial Bank for £20,000 less than they have been proved to be worth, has been honored by a seat in the Legislative Council. As to the offer to compromise, the following, reserved until now, will be a bon bouche for the reader:-

Dunedin Supreme Court - June 5, 1896 -

Mr. Woodhouse (counsel for the proposed purchasers - Messrs. A. Lee-Smith and J. B. Reid): "The position of the purchasers was this - they derived no benefit whatever from the transaction. What had been said by Mr. Ward was perfectly true. What they were doing was a matter of friendship to Mr. Ward in the hope of being able to put the Association on its feet again."

His Honor: "Do you mean to say that these gentlemen are going to pay £62,000 without any hope of getting anything for it?"

Mr. Woodhouse: "They hope to get £62,000 again, but they do not expect to get any profit."

His Honor: "To pay £62,000 out of friendship without any hope of profit - astonishing! If it is so it is the oddest thing I ever heard of, but I suppose it is a business transaction, and they hope to make something out of it."

Mr. Woodhouse: "I repeat that they do not hope to make any profit for themselves."

Mr. Young: "Then for whom do they make it?"

Mr. Woodhouse: "For the Ward Association."

But a draft minute in Mr. Woodhouse's handwriting and which was produced in subsequent proceedings in the same Court showed clearly that £32,000 of the Association's debt to the Colonial Bank, proposed to be purchased, was to be applied to the amount unpaid on Mr. Ward's 8000 shares; Mr. Ward was therefore to have benefited to that extent under the proposal; £6000 was to be paid to Messrs. Smith and Reid, and those gentlemen were to be elected Directors and joint Managing Directors of the Association.

By a remarkable coincidence the secretary to the Association removed the leaf embodying the original minute from the minute book. The reason assigned by the secretary for his act was that Messrs. Smith and Reid asked him if he would send them a copy of what he had entered on the minutes. He did so, and they wrote back that there was a mistake - "that it was open to inference that they were to get £6000 for doing the business, for which they were to get not a solitary cent." This, be it remembered, was after they had sworn that they did not benefit.

The secretary then appears to have "altered the minutes in accordance with the request of Messrs. Smith and Reid," although they had no connection with the management of the Association; and his method of "alteration" was to tear out the leaf in the minute book without reference to his directors, notwithstanding the fact that the minute, as drafted by Mr. Woodhouse, ended thus:- "Moved by Mr. Green and seconded by Mr. Baldey, That the offer of Messrs. Smith and Reid be accepted."

Nevertheless, although the agreement under which Mr. Ward was to benefit to the extent of £32,000 was drafted but a few days before the application to compromise, the following took place in Court:-

Mr. Woodhouse (examining Mr. Ward):- "You have nothing to do with any new arrangement they (Messrs. Smith and Reid) make, and get no benefit from it?"

Mr. Ward:- "None whatever."

The Hon. J. G. Ward, ex-managing-director of the Ward Farmers' Association
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after his chequered experiences, found a haven of rest in the combined positions of Colonial Secretary, Minister for Railway and Postmaster-General, and was eventually recommended by the Colony's advisers for Imperial honor. Accordingly, on June 1901, at an investiture held at Government House, Wellington, His Royal Highness the Duke of Cornwall and York, by a touch of magic sword he was transformed into

SIR JOSEPH GEORGE WARD,

KNIGHT COMMANDER OF THE MOST DISTINGUISHED ORDER OF
ST. MICHAEL AND ST. GEORGE.

Strange to relate, the landing of the Royal couple was unexpectedly postponed for a day; but for this delay, the most striking of all the coincidences dates would have arisen, for the knighting of Mr. Ward would have occurred exactly five years after Judge Williams' judgment was delivered - June 1

My pen is at the bottom of a page

Which being finished, here the story ends;

'Tis to be wished it had been sooner done,

But stories somehow lengthen when begun.

Byron.

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APPENDIX.

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THE COLONIAL BANK TRAGEDY.

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Chapter 1.

A Sea of Doubt.

Ambition is no Exact Calculator - Burke.

This work could not claim to be complete without a history of the defunct Colonial Bank of New Zealand - an institution founded in 1874 by a "Pro visional Committee" of eighty one of the leading Colonists of the South Island with the following laudable object amongst others:-

" It will be the chief aim of the Promoters of this Bank to aid and conserve the interest of the whole community in the Colony and the laboring classes will have fair treatment and support from the Colonial Bank"

Had the destinies of this unhappy Bank remained with the Promoters, the shareholders of today might not have had to bemoan their wretched fate, and there might have been fewer ruined families and penniless widows and orphans in the Colony.

But instead there was appointed ^A General Manager, of high professional standing, to guide the operations of the Bank, with a Board of qualified Directors elected to advise with the General Manager".

What irony there is in all this!

But to proceed with the prospectus - "As a thoroughly Colonial Institution the Promoters have much pleasure in strongly recommending the Colonial Bank of New Zealand to the support of all colonists having the real welfare of New Zealand at heart. Such an Institution is wanted at the present timeas an investment for the savings of the People and as a useful Bank".

Whether the Colonial Bank was wanted in 1874 or not, there can be no doubt but that it was very much wanted later on by certain speculators who demonstrated their appreciation of the Promoters' considerate foresight by providing practical proof that it was a really " useful Bank".

The prospectus winds up by saying " It is certain that no similar Institution has ever yet been launched in the Southern Hemisphere under better auspices".

The auspices may have been good, but what can be said of " The General Manager of "high professional standing" and the " qualified Directors"?

The facts and figures that follow will supply the answer.

Little did the Promoters of the Colonial Bank dream that their efforts to establish it on an honorable and lasting basis, would be frustrated, but they never, of course, imagined that its helm would fall into the hands of men such as those who shaped its course during the latter half of its comparatively short, though decidedly eventful, voyage.

Any student of this work, or indeed anybody who has followed Colonial Bank matters since the Bank went into liquidation at the end of 1896, will wonder how those who are responsible for its management could advance £ 168,000 out of a capital of £400,000 to the Hon. J.G. Ward and his group of companies, which generosity has resulted in the shareholders of the Bank losing, on those accounts alone, about £100,000, being one fourth of their paid up capital.

No stretch of the imagination can conceive a state of things that would justify a banker taking a risk of this kind, for it is quite evident that from the outset, these particular advances were never adequately or even approximately secured, and were never in a liquid form.

Upon the sworn testimony of two of the Bank's directors - the Hon. W.H. Reynolds and the Hon W.J.M. Larnach, C.M.G - it must have been within the knowledge of all the directors, for some years prior to the closing of the Bank's doors, that heavy loss on the Ward group of accounts was staring them in the face; nevertheless those accounts were treated up to the last as perfectly good and safe so far as the balance-sheets of the Bank were concerned, and dividends continued to be distributed in the accustomed fashion.

When one casts about for a cause of this peculiarity, one is met by a sea of doubt as to what the relationship of the Hon. J.G. Ward and the Bank officials really was; and the following questions suggest

1. Was the relationship intimate and, if so, did the Bank officials ~~set~~ their heads under the intoxicating influence of a Cabinet Minister's connection?
2. Did the Bank officials accept all the Hon. J.G. Ward's geese as swans, and did they ever take any real trouble to put the swans to the test?
3. Did the Bank officials regard the Hon. J.G. Ward as a veritable "Wizard of Finance" destined not only to make his own fortune but their fortunes also?
- . Was the Bank running the Hon. J.G. Ward, or was the Hon. J.G. Ward running the Bank?

These questions are capable of being answered by the interested parties only - others can only resort to conjecture. It seems reasonably certain, however, that the Hon. J.G. Ward was practically running the Bank, or at any rate, nearly one half of its capital spread over himself, and his group of companies.

The drain upon the Bank's treasury appears to have dated back to long prior to the floating of the J.G. Ward Farmers' Cooperative Association, Limited, for the facts and figures set out in the earlier chapters of this work leave little room for doubt as to whether the floating of the Association had the effect of relieving and was intended to relieve the private account of the Hon. J.G. Ward with the Colonial Bank.

If, therefore, the underlying motive for the launching of the Ward Farmers' Association was to relieve the Hon. J.G. Ward's private account, it is evident that, so far back as 1892, the Bank directors were apprehensive in regard to the safety of their advances to him which at that time amounted to the respectable total of over £ 81,000.

The end of the passage.

Strokes of calamity that scathe and scorch the Soul -W.Irving.

The remarkable career of the Colonial Bank was closed by the sale of its business to the Bank of New Zealand under an agreement between the two Banks dated 18th. October 1895 which was ratified by the Banking Act of that year (passed in one sitting on 25 October) and confirmed by the shareholders of the Colonial Bank on 8 November following.

Before considering the terms of this singular transaction, it is as well to review the position of the Colonial Bank as disclosed by the balance- sheet made up to 31 August 1895 (which formed the basis of the agreement between the two banks) and by the directors' report.

The paid up capital of the Colonial Bank was £2 per share on 200,000 shares	£400,000
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The Reserve Fund was stated at	65,000
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And the Undivided Profits (so called) at	19,980
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Excess of Assets over Liabilities -	<u>£484,980</u>
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The Bank of New Zealand paid for the goodwill of the Colonial Bank's business	£75,000
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Amount of various adjustments between the two banks.	<u>6,972</u>	<u>81,972</u>
		£566,952

Deducting from this -

(a) Amount written off Colonial Bank furniture and stationery	£ 3467
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(b) Amount paid for Colonial Bank officers' salaries	2,113
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(c) Cost of liquidating Colonial Bank	<u>17,631</u>	<u>£ 23,211.</u>
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there remains a sum of	£543,741.
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which should have reached the pockets of the shareholders assuming that the balance sheet was accurate. This is equal to £2:14:0 per share, but the shareholders have only received 11/1 $\frac{1}{2}$ per share (including a final dividend) namely a total of

£111,454

Total Loss sustained by the shareholders of the Colonial Bank

£432,287

This result is confirmed by the report of the Official Liquidator (The Official Assignee at Dunedin) which was delivered to the Court in February 1905. The figures will not, therefore, admit of contradiction.-

It is clear that the unfortunate shareholders' capital of £400,000 has more than entirely disappeared.

The shareholders' accumulated funds having reached a total of £484,980, as shown by the balance-sheet to 31 August 1895, let us pass on to what the Directors had to say to the shareholders in regard to that balance-sheet, and the position generally.

The balance-sheet in question was signed

"Geo. McLean, Chairman"

"H. Mackenzie, General Manager"

and the report was signed

"Geo. M'Lean, Chairman" -

The report said:-

"The net profits for the half year, after deducting interest paid and accrued on fixed deposits, rebating bills under discount and charging all expenses of management, rent, etc, amount to £12,935:11:2

To this has to be added
Balance from last half year

£ 8,700:15:6

£21,636:6:8

And there must be
deducted Land, Income and Note
Tax

£ 1,656:3:10.

Leaving available "

£19,980:2:10

The statement above quoted, read as a whole, can only have been taken by the shareholders to mean that according to the balance-sheet submitted with the report there was a sum of £19,980 "available" for appropriation.

The concluding words "leaving available" were the words used by the Directors in their previous reports when dividends were recommended and duly declared. The words, therefore, only admit of one construction.

There was no actual recommendation for the period to 31 August 1896. Instead the Directors said:-

"Pending the result of negotiations opened by the Bank of New Zealand for the purchase of this Bank as and from the 31st. August, 1895, it is not the intention of the Directors at present to deal with the balance, but to adjourn the General Meeting on the 25th September until a date in October by which time the wishes of shareholders, as expressed at an Emergency Meeting, will be known".

There, again, the use of the words "at present to deal with the balance" clearly implies, in the absence of any statement to the contrary, an intention on the part of the Directors to "deal with the balance" in the same way as they had previously dealt with the balances "available" provided, of course, the shareholders declined to confirm the agreement that was then being negotiated between the two banks, and elected to carry on . -

Turning now to the "Profit and Loss account" in the balance-sheet under notice, the following is found -

"Gross Profit for Half year (after making provision for Bad and Doubtful Debts, Interest paid and accrued on Fixed Deposits and Rebate on Bills Current) amounts to	£35,773"
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Thus according to the balance-sheet signed by the Hon. George McLean, Chairman, and Mr. Henry Mackenzie, General Manager., "provision for bad and doubtful debts" had been duly made. That was clearly the meaning of the words.

Moreover, His Honor, Mr. Justice Williams put the position concisely and clearly in his judgment of 28 February, 1896:-

"The 103rd paragraph of the Bank's Deed of Settlement makes it the duty of the Directors, in making up the balance-sheet, to deduct from the gross profits of the half year, or to charge against the Reserve Fund, not only all debts due to the Company which shall appear to the Board of Directors to be bad debts, but also all such as shall appear to them to be of a seriously doubtful character"

Now the balance shown by the profit and loss account is £19,980, the amount which the Directors state in their report is "Available". If it was "available" at all, it could only be available after satisfying the requirements of the 103rd. paragraph of the Bank's Deed of Settlement. Therefore the shareholders would naturally infer from the statement in the balance-sheet as to bad and doubtful debts that not only was their paid-up capital intact at

£400,000	
but that they had a Reserve Fund of	£ 65,000
and Undivided Profits	£ 19,980
Total Funds to their credit	<u>£484,980</u>

In a pamphlet issued by the Hon. Geo. McLean in 1897, he

asks the shareholders of the Colonial Bank and others to accept a most extraordinary statement from him in regard to the way in which the balance-sheet to 31 August 1895 was prepared.

Having pointed out, correctly enough, that on that occasion the Directors omitted from their Report the usual formula "after making provision for bad and doubtful debts" he adds

"I may mention that the omission from the report ought also to have occurred in the balance-sheet. The report was prepared in Wellington and the Directors struck out the words, believing that such omission, and the omission of any recommendation as to profits, would be regarded as very significant of change in the position of the Bank, which would have to be disclosed to shareholders if the negotiations with the Bank of New Zealand came to nothing"

If the Hon. George McLean has derived any consolation from the saying of these weak words broadcast among his constituents, he may rest assured that they have not fallen on fruitful soil.

To expect men of common sense to accept what amounts to a confession of wrong-doing as a salve to their wounds is like rubbing vinegar into them.

The whole plea is evasive and ridiculous.

To cap matters, the Hon. Geo. McLean proceeds -

"The balance-sheet was prepared by the staff in Dunedin and they seem not to have noticed the change made by the Directors in the report and given effect to it in the balance-sheet"

How unfortunate it is that one part of this document was prepared in Wellington and the other in Dunedin, and that it was left to the staff in Dunedin to "Notice the change made by the Directors"!

Surely such an important change in the policy of the Board should have been specially advised to the staff, but this seemingly was not done, and by an oversight, so we are told, the shareholders and intending shareholders were deceived into the belief that provision for bad and

doubtful debts had been made and that the divisible profits were as stated in the report and balance-sheet, so many of them, no doubt, were induced to remain shareholders or to become shareholders by the creeping into the balance-sheet of that little error about the bad and doubtful debts.

But in advancing the story about ^{the} Wellington - Dunedin bungle as a reason for the deceptive nature of the report and balance-sheet, the Hon. George McLean appears to have forgotten what Mr. Justice Williams so significantly pointed out - that the Bank's Deed of Settlement required the Directors when making up the balance-sheet to provide for bad and doubtful debts. They therefore had no option in the matter, and as they admittedly did not make provision they failed to comply with the Deed of Settlement, but the Staff would naturally assume that they had so complied in the absence of notification to the contrary.

Further, although the balance-sheet may have been prepared in Dunedin, does the Hon. George McLean mean that the Directors did not have a copy of the balance-sheet before them when they were considering the report? If so, it is very singular.

But, in any case, wherever the balance-sheet was prepared and whoever prepared it, there is no getting away from the fact that it, as well as the report, was signed by the Hon. George McLean, upon whom, as Chairman of the Bank, must rest the responsibility of issuing a deceptive balance-sheet.

The Bank had resolved on a change of policy, so the Hon. George McLean has written, and that change involved important alterations in the report and balance-sheet. Notwithstanding this he signed both documents and did not take the trouble to see or even to enquire whether the change of policy had been given effect to in both documents.

This conduct appears to the writer to be altogether incompatible with honesty of purpose and he regards the whole story as a story pure and simple - just another instalment of the shufflings and deceptions practised by the Bank in balance-sheet after balance-sheet.

It is almost amusing to read how it always happened that the Hon. George McLean was "in Wellington at the time" all the bogus cheque and bill transactions were carried through, and it is positively refreshing to come across an admission such as this in his pamphlet.

Referring to one of the thimble and pea transactions, he writes:-

"Mr. Mackenzie never informed me of the transaction, but I remember saying to him in Wellington that I wondered where Ward had buried up the Bank account in his balance-sheet and expressed dissatisfaction at such a thing having been done".

This was the 1894 balance-sheet. The burying-up process was again successful in 1895, in spite of the Hon. George McLean having detected the trickery in the previous balance-sheet and in spite of his having "expressed dissatisfaction".

The Hon. George McLean's way of expressing dissatisfaction and the way that would be in all probability adopted by Chairmen of other banks are, no doubt, very different, otherwise the Hon. J.G. Ward would probably have had the opportunity of arranging that cable ^{not} credit under which the celebrated draft for £30,000 against phantom oats was made to do duty as temporary overdraft reducer for the Ward Farmers' Association.

It is as well here to note what the Hon. George McLean had to say in regard to the Ward Farmers' Association's account in his pamphlet which may be termed his defence:-

"In spite of all the injunctions of the directors, the business of the Association was not kept in hand, but extended more and more and the indebtedness largely increased. Speaking generally, this increase was brought about by deliberate and determined operations on the account in defiance of the reiterated expostulations and threats of the directors. Mr. Ward was threatened with dishonour of his bills, and the Branch Manager at Invercargill was threatened with dismissal To the uninitiated it may seem easy enough to say stop the cheques and dishonor the bills. To stop the account at a time like this meant to stop the bank".

What stronger proof could be found that Mr. Ward had at this time so completely thrown his tentacles around the directors and their

money bags that they were as powerless to do their obvious duty as new born babes.

"To stop the account at a time like this meant to stop the Bank" What a confession to make and how fully it demonstrates that Mr. Ward was really running the Bank!

Having shown how the unfortunate shareholders of the Colonial Bank were deceived by what has since been admitted to be a false balance-sheet, we will pass on to another chapter in which the compact between the two banks and its bearing on the balance-sheet will be considered.

Before doing so, however, let the following extract from the Hon. George Mc. Lean's "defence" speak for itself:-

"It was my duty to know the position of the Bank and I clearly recognise my responsibility in respect of such duty".

The honorable gentleman proceeds:-

"And I say at once that the business of the Bank was managed by the Directors during the whole time that I was on the Board with absolute integrity of purpose, for the sole purpose of doing the very best possible for the shareholders".

This plea of everything having been done in the interest of the shareholders was the plea advanced by the directors of the City of Glasgow Bank, but it availed not in their case - neither can it avail in the case of the Colonial Bank directors.

To advance £168,000 out of a total paid-up capital of £400,000 to practically one man, and then to own that to stop further advances to that man meant to stop the Bank, can hardly, by any stretch of the imagination, be classed as "doing the very best possible for the shareholders".

Very few people could be found capable of seeing eye to eye with the Hon. George Mc. Lean in this matter.

Chapter 111.

The Bargain is Struck.

Thus they their doubtful consultations dark ended - Milton

As narrated in the last chapter the Directors of the Colonial Bank, for reasons best known to themselves, resolved on selling their business to the Bank of New Zealand. Accordingly on 18 October 1895 the bargain was struck which was to carry ruin to so many of the less favorably circumstanced shareholders.

The reader was made familiar in the preceding chapter with the apparently healthy condition of the Bank as disclosed by the balance-sheet to 31 August 1895.

This balance-sheet was laid before the shareholders at a meeting held on 25 September - not a month afterwards. The report which accompanied it, whilst referring to negotiations then proceeding with the Bank of New Zealand, contemplated the possibility of the shareholders rejecting any agreement that might be arrived at by the Directors provisionally.

Nothing indicating aught but a sound state of affairs was even so much as hinted at, beyond the singular omission - from the report only - of the words relating to provision being made for bad and doubtful debts, which words, however, as has already been stated, were allowed to remain in the more important part of the document, namely, the balance-sheet.

At this meeting the Directors, with the same reckless disregard of their duty, preserved the buoyant tone of their report and balance-sheet, and again gave no hint as to the disastrous condition of affairs which, by that time at any rate, was fully known to every one of them.

Less than a month later the contract for sale and purchase of the Colonial Bank was signed by

Geo McLean)
William H. Reynolds) Directors
W. Leslie Stewart

on behalf of the Colonial Bank and by

W. Watson - Government Officer

Walter W. Johnston) Directors
Wm. Booth)

on behalf of the Bank of New Zealand.

As the Directors of the Colonial Bank have sought to defend themselves by alleging that the terms of this contract did not indicate the true condition of the Bank, and was one-sided, it is appropriate to quote from the judgment of His Honor Mr. Justice Williams, delivered in February 1896.

After analysing the figures of the balance-sheet to 31 August 1895 in a masterly manner His Honor said:-

" it follows that not only is the capital originally subscribed intact, but also the reserve fund and the balance of profit and loss - in short, the entire £484,980. This, therefore, is the sum which, if the statements in the balance-sheet are correct, might be expected, after deducting any necessary expenses, ultimately to reach the pockets of the shareholders if the business of the bank were taken over as a going concern by another bank, and nothing at all given for the goodwill of the business. No person reading the present contract could fairly suppose that it would work out so as to produce anything like such a result".

His Honor then summarises the contract in telling fashion thus:-

"Shortly, therefore, the purchasing Bank has, out of the total debts of £1,731,549 due to the selling Bank, treated £102,274 as absolutely valueless, £98,383 so doubtful as to require an absolute guarantee on the part of the Colonial Bank, and £604,695 as containing such an element of doubt as to require £272,072 to be retained as security in respect of them. This is, of course, inconsistent with the implied statement in the balance-sheet that no part of the £1,731,549 consisted

of bad or seriously doubtful debts. It is suggested that the estimate is merely that of the buyer and was over-cautious. That may be so, but the directors nevertheless, by entering into the agreement, have to a certain extent made themselves parties to the buyers' estimate. If the statements in the balance-sheet are correct they have made a bad bargain. If they have made a good bargain the balance-sheet is delusive".

In his last two sentences the Judge presented a solution of the problem in a nutshell. Any impartial reader of the full judgment can gauge fairly correctly what was passing in His Honor's mind as to the accuracy or inaccuracy of not only the balance-sheet to 31 August 1895 but also the balance-sheets for years past.

It must be presumed that as men of common sense (which they, of course, were) the Directors of the Colonial Bank made the best possible bargain in the circumstances, and it may also be assumed that the Directors of the Bank of New Zealand did not neglect their own interests.

A bargain was, at any rate, struck. Both parties appear to have entered into it calmly and deliberately, and neither party should argue that it was seriously one-sided. If it was, then the party claiming to have suffered by the exchange should not have concluded the bargain.

This conclusion seems to be an obvious one, and the Directors of the Colonial Bank - especially the Hon. George McLean, who has advanced this plea so often in his laboured efforts to screen himself and his colleagues from the consequences of their misconduct - should think it over in solitude.

Have the results of the winding-up justified the claim of the Colonial Bank Directors?

Let us go into the figures and see for ourselves.

The total advances to customers of the Colonial Bank, as disclosed by the balance-sheet to 31 August 1895

amounted to

£1,731,549

which advances level-headed men from both banks pored over for days and nights at a stretch.

These gentlemen seem to have established the principle that bank-business-buying there are four degrees of comparison, so far as customers' accounts are concerned, namely,

"A" equals	Good
"B" equals	Doubtful
"C" equals	Very Doubtful
"D" equals	Bad

So the various accounts making up the above total advances were, after much battling, deposited ultimately in one or other of the four famous "Lists".

Many a customer of the Colonial Bank speculated in 1895 as to where he was finally deposited after being tossed about within the range of the four lists and having all sorts of things said about him and his financial standing.

Some customers have, no doubt, gone on speculating to this day, but with little chance of their curiosity being satisfied, for Parliament, by the Banking Act 1895, took good care that no-one - not even a shareholder of the Colonial Bank, in any law proceedings or otherwise - should have access to these lists. They are sacred lists, for do they not contain the key to the real position of the Ward affairs which must never be revealed?

The "C" List was wholly composed of the Ward group of accounts and to that list were appended some suspicious tags which have been hinted at during law proceedings at various times and might, if a little more were known about them, furnish further proof of the falsification of the balance sheets, not only of the Ward Farmers' Association but also of the Colonial Bank.

Be this as it may, the representatives of the two banks classed the debts as follows:-

"A"	£926,197	Good and taken over at 20/- in the £
"B"	604,695	Doubtful to the extent of £272,072 which was reserved.
"C"	98,383	Doubtful to the extent of £55,233 (£55,150 of which was written off to credit of Mr. Ward)
"D"	102,274	Bad and absolutely rejected by the Bank of New Zealand.
	£1, 731,549.	

Thus it will be seen that of the total debts due to the Colonial Bank amounting to £1,731, 549, no less than £429,579 was estimated by the two Banks to be either bad or doubtful. As a matter of fact the reader has already been informed that the Official Liquidator reported in February 1905 (ten years afterwards) that the actual losses sustained amounted to £432,287.

So the contract estimate of bad and doubtful not only proved to be wholly justified but to have been insufficient by nearly £3,000.

The Hon. George McLean will persist, however, to his dying day

- (a) that the estimate was that of the buyer
- (b) that the capital of the Bank was intact at 31 August 1895 according to the evidence of the balance-sheet
- (c) that the capital was, therefore, necessarily intact six weeks later (18 October) when the contract was signed ; and
- (d) that the Bank of New Zealand staff, with malice aforethought, so arranged the liquidation of the accounts that their estimate might work out correctly!

But, unfortunately for the Hon. George McLean, it was Mr. Watson, ex-Inspector of the Colonial Bank, who was the deus ex machina so far as classifying for the Bank of New Zealand was concerned. No officer of the Colonial Bank knew more about that bank and the position of its customers than Mr. Watson and whatever may be thought of Mr. Watson in other matters, it is hardly conceivable that he could bring himself to deliberately cheat his late employers.

For this reason, supported by the actual outcome of the winding-up, it must be taken as proved that the estimate of the contract of 18 October 1895 was justified; that the best possible bargain was driven, and that, therefore, the balance-sheet to 31 August 1895, to use His Honor's words, was "delusive".

To show what Mr. Watson thought of the Colonial Bank directors' opinion as to their advances, his report (as Government Officer) may be quoted:-

" The examination by the Directors, Auditors and Officers of the Bank of New Zealand was of a most searching and exhaustive character, and I may here state that the Directors of the Colonial Bank anticipate that in addition to the £133,906 agreed to be paid in cash they will receive out of the £327,305 a further sum

for distribution amongst its shareholders".

Clearly, Mr. Watson suggested that it was only the opinion of the Directors of the Colonial Bank and not the opinion of himself or any other Bank of New Zealand official that anything more would come to the shareholders in the shape of "a further sum for distribution" beyond the £133,908.

As a matter of fact the shareholders have not received as much as £133,908, but only £111,454, and they have no more to come, at least not through the liquidators, although they may yet recover something in other ways.

The reader has been in this chapter acquainted with some of the terms of the bargain between the two banks and its bearing upon the balance-sheet and has, no doubt, formed conclusions concerning the genuineness of the latter which do not materially differ from the writer's.

Of the most striking feature of the Bank agreement, namely the writing off, with the sanction of Parliament, of £255,150 as a present to the Hon. J. G. Ward, under the most peculiar circumstances, an earlier chapter in the first half of this work has already informed the reader.

The ensuing chapter will tell of what followed the execution of this agreement.

Chapter IV.

Burying the Remains.

And lest the fulsome artifice should fail

Themselves will hide its coarseness with a veil. Cowper.

The burial of the Colonial Bank remains was begun by three provisional undertakers - Messrs. W. J. M. Larnach (an ex-director), W. B. Vigers (an ex-inspector), and Keith-Ramsay (an ex-auditor) after the shareholders had confirmed the agreement between the two banks which was presented to them, with the hall-mark of Parliament upon it, but in all its nakedness, without a suggestion from the Directors as to what the contract really meant in pounds, shillings and pence.

Had the shareholders been told the true position, they would have ignominiously rejected the compact and turned their Directors out of office for proposing it for acceptance.

They would have elected a new Board, and agreed to a general washing up, by writing down their paid-up capital and making a call. They would, in short, have faced the situation with stout hearts, as did the National Bank of New Zealand shareholders when they consented to their capital being written down by £250,000 and to a substantial call upon their shares.

But the circumstances of the Directors and responsible officers of the two banks was different. In the one case there was nothing to fear from exposure, and in the other there was much to fear.

The Directors of the Colonial Bank probably felt that a Committee of Investigation would be set up, and the fact become known that they had taken risks in connection with the Ward group of accounts and others which no prudent banker would have taken.

They relied, no doubt, upon the secret nature of the Bank Agreement and upon the strength of the political arm, for protection from the consequences of their acts, as well as upon the friendly disposition of the liquidators whose appointment they contemplated, and who were appointed, for the reason that there was no opposition, no notice, as a fact, having

been given of the Directors' intention to apply to the Court.

They little dreamt that the searchlight of Justice would be let in on their doings and that the very man whose skilful performances as an overdraft-raiser and overdraft-reducer they were mainly desirous of covering up in the sale to the Bank of New Zealand, would be exposed.

But exposed he was, although he was never punished, and to-day is to be found occupying high public offices, notwithstanding the transactions for which he was responsible, which have already been enumerated and which would have brought a term of imprisonment upon any ordinary man.

Let us once more follow the funeral cortege.

On 4th. February, 1896, the Dunedin Supreme Court ordered the winding up of the Colonial Bank under the Companies' Act 1882.

This order was made upon the petition of the Directors on 19th. December, 1895, and, so that no grass should grow under their feet, on the day following, the same Directors applied to the Court for the appointment of three provisional liquidators, Messrs. Larnach, Vigers and Keith-Ramsay, all of whom were nominees of the Directors, as well as being ex-officers of the Bank.

The shareholders had at that time no opportunity of opposing the appointment of these men. As a fact, there was no need for them, since the Banking Act provided for the conduct of the liquidation by the officers of the two banks until the appointment of permanent official liquidators.

Of course, the advantage to the Directors of having their nominees branded with the hall-mark of the Court's approval is very manifest. It gave the three a good "leg in" for the permanent positions, and so it eventuated that when the Court was considering the question of the appointment of the permanent official liquidators, the argument was advanced by counsel for the Directors that, all things being equal, the authorities showed that the Court always gave preference to those already in charge of the liquidation.

This fact weighed, of course, to a considerable extent, but not to the extent the Directors wished, although they did very well in securing the appointment of two out of their three nominees as permanent official liquidators- too well for the pockets of the shareholders.

Almost the first act of the provisional triumvirate was to obtain the sanction of the Court for the payment of a "first" dividend of Ten Shilling

per £2 share. This was a stroke of true genius, and stamped the men who conceived it as past-masters in the noble art of liquidating under difficulties.

At the time this move was made, the writer was very deep in the game of chess that was being played. He had just begun to deploy his men, so to speak, and to feel the strength of the enemy, when he was surprised and, for the moment, completely routed.

Coming to plain English, the effect of this ten shilling dividend move was very magical. The question of the appointment of permanent liquidators was just about to be referred to the shareholders by order of the Court, and it was of the utmost importance to the Directors to get into the shareholders' good books.

Knowing that Bank shareholders are but mortal, with all the frailties of human nature thick upon them, and with a wonderful weakness for filthy lucre, the Directors pulled the strings and the figures worked.

The way in which a dissatisfied minority of the shareholders were beaten was this. The dividend put the majority in a good humour with themselves, and, coming, as it did, at so early a stage of the liquidation- a "first dividend too- it was proof positive, in their opinion, of the competency and fitness in every respect of the Director-chosen triumvirate. For this reason, they were not disposed to disturb the tranquillity and peace of mind of the happy family, and, when warned of the rocks ahead, they continued to be fascinated with the voice of the siren luring them to their doom, and waited for the "further" dividend of "about Fifteen shillings" per share, the prospect of which was so cheerfully held out to them.

They got on to the rocks, but not on to the dividend! which dwindled down to a "final" one of One shilling and one penny three farthings per share. It was lucky that the proposed compromise with the then Hon. J. G. Ward was thrown out, for, had it been sanctioned by the Court, the shareholders would not only never have seen the second dividend, but would have had to refund about one shilling of the ten shilling "first" dividend.

The shareholders as a whole have to thank a small minority of their

number for bearing the cost of opposing that compromise and saving them about two shillings per share.

When the selection of candidates for submission to the Court as permanent liquidators was progressing, the provisional liquidators issued proxy forms themselves and thus directly solicited the support of the shareholders.

It has not transpired who paid the cost of all this, but the provisional liquidators had an additional advantage- they had access to the register containing the full names and addresses of the shareholders and refused to allow certain shareholders who were supporting other candidates- including the writer- to see the register.

Other candidates had to be content with old printed lists giving the names of the towns only in which shareholders resided, and were deprived of the opportunity of communicating with those who had recently become shareholders and had, therefore, the greatest grievance.

When subsequently appointing the permanent liquidators, His Honor Mr. Justice Williams commented on the refusal of the provisional liquidators to afford access to the share register and said:- "it was reasonable they should place other shareholders in a similar position to themselves".

Those shareholders who opposed the appointment of the Directors' nominees maintained that this conduct alone was a disqualification, but the Court did not take the same view.

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Chapter V.

Breakers Ahead !

Cold fearful drops stand on my trembling flesh. Shakspeare.

Although the Court could not see its way to reject the whole of the Directors' nominees for the Board of Liquidation, it did reject the Hon. W. J. M. Larnach, on the ground that he was an ex-director of the Colonial Bank, but the other two provisional liquidators- Messrs. W. B. Vigers (ex-Inspector and Acting General Manager) and Keith-Ramsay (ex-Auditor) were confirmed as permanent official liquidators; and Mr. W. L. Simpson, who was one of the candidates put forward by the Dunedin Committee of shareholders, was appointed the third liquidator in the place of Mr. Larnach.

Mr. Simpson, although an otherwise admirable gentleman, was not regarded at the time as being entirely independent, because he was the paid servant of a Dunedin joint-stock company, the directors of which were- some, if not all of them- directors or ex-directors of the Colonial Bank.

Before proceeding further with the story proper, the remainder of this chapter will be devoted to a matter of a somewhat personal character, not, however, entirely devoid of interest to the thoughtful reader, because it throws considerable light on this historical liquidation with its multitudinous peculiarities.

The intensity of the desire to secure the appointment of the three nominees of the directors as permanent official liquidators was, perhaps, equalled by the intensity of their determination to prevent the writer from being appointed.

At the general meeting of the Colonial Bank shareholders held on 8th November, 1895, there was a very strong feeling that the shareholders should be represented on the Liquidation Board by some capable person with banking experience, but not an officer past or present of the Colonial Bank.

Having held a position of responsibility and trust in one of the leading banks in the colony, and knowing that efforts were to be made to put through certain compromises to the disadvantage of the shareholders' interests, the writer, at the request of a number of shareholders, stood as a candidate for the Liquidation Board.

With the aid of the incomplete list of shareholders, already referred to, he managed to secure proxies representing about 7000 shares.

Proxies for about 7000 additional shares were sent direct to the care of a Committee of Dunedin shareholders, who were generally understood, at the time, to be opposed to the appointment of the three Directors' nominees, and who were running four candidates of their own, namely, William Brown, accountant (already introduced to the reader); A. C. Begg, general manager of R. Campbell & Sons; W. L. Simpson, manager of the Trustees, Executors and Agency Co.- all of Dunedin-, and E. J. Reid, of Wellington, the latter being described in the Committee's circular as a "banking expert not now connected with any bank".

Another proxy for 1000 shares was sent to the care of Mr. Vigers, one of the provisional liquidators and a candidate for permanent appointment.

In each case, instructions were given that the votes were to be recorded in favor of the writer; thus about 15000 shares, or £30,000 of capital supported his candidature in advance of the meeting to be held for the purpose of selecting candidates to be recommended to the Court.

Considering that there were eight candidates in the field at the time, and that a large number of shareholders did not commit themselves to support either set of candidates but left it to their representatives present in person at the meeting to decide, it will be seen that the writer's chances of success were far from remote.

What happened? The writer went to Dunedin, carrying a letter of introduction from a leading Wellington citizen to the Chairman of the Committee of shareholders there. He had an interview with the Committee; informed them that he did not know a single shareholder in Dunedin, and asked whether they would undertake to secure his nomination at the approaching meeting.

The Chairman- Mr. William Barron- replied that, apart from the writer's request, the Committee would be bound to undertake his nomination, because they were trustees of proxies for about 7000 shares, with special directions to record the votes for him and two other candidates.

The writer regarded this assurance as an honorable compact and

relied upon it; but, although reminded more than once by messages sent into the room of their undertaking- which messages certainly reached them- the Committee failed to carry it out.

The following extract from the Dunedin Committee's circular proves that they invited and accepted the responsibility of properly applying proxies sent to them:-

" In case you should not find it convenient to be present in person at the meeting, I enclose a form of proxy, which you will please sign and forward to any shareholder you may wish to act for you at said meeting, and instruct him for whom you may wish to vote. In the event of your not knowing any shareholder resident in Dunedin, any of the undermentioned will use your proxy in the direction you may indicate:- William Barron, William Learmond, A. J. C. Brown".

The shareholders in due course met on 22nd. January, 1896, but the meeting was of an informal nature, because the Bank was then in liquidation under the Companies' Act.

For this reason, the writer intended to ask for leave to be present, in order that those shareholders who attended might see what sort of a man he was, in appearance at any rate.

It seemed reasonable that the candidates should be allowed to present themselves for inspection and, if the shareholders desired, for examination. But the gentlemen in charge were of a contrary opinion and gave effect to their opinion in a manner very forcible.

Some years ago there was a well-known policeman whose lot it was to stand at the Mansion House crossing in London.

He was a very tall policeman and had phenomenally large feet.

So conspicuous, indeed, were his proportions in these directions that the street arabs used to ask him " Is it cold up there?", and followed up the insult by walking round him in a wide semi-circle, as if to avoid his feet.

Well, it was a policeman of just such huge dimensions who was requisitioned by the organisers of the meeting to keep out undesirables.

Being theholder of a considerable number of shares, although not a

registered shareholder, the writer considered this a further reason entitling him to be present at the meeting, certainly as it was an informal one and for an unusual purpose.

A big Bank officer and the big policeman, however, took a different view and barred his way to the room.

But one or two shareholders seemed to have got wind of the little comedy that was being enacted in the passage and took up the cudgels.

They urged, on the two grounds mentioned, that the writer should be permitted to enter the room, to answer questions, if necessary, but not to take part in the discussion and not to vote.

The Directors strenuously opposed the suggestion, but a motion was put to the meeting, nevertheless, and, on a show of hands, declared carried by the Chairman, Mr. Keith-Ramsay, by two or three votes.

Mr. W. Downie Stewart, one of the Directors, at once jumped up and challenged the declaration of the Chairman.

A re-count followed, and the Chairman declared the motion lost by two or three votes.

The Directors, as well as the Liquidators, voted on the second occasion, but not one of them did so on the first.

The writer maintains that neither the Directors nor the Liquidators had the right to vote. If they had not done so, or if the Liquidators only had not done so, the resolution would have been carried the second time.

Clause 91 of the Bank's Deed of Settlement says:-

".....if the person whose vote has been objected to has interest in the question on which the vote has to be taken, beyond that which he may have therein in common with the other Proprietors then and in every such case the Proprietor whose vote has been objected to shall not be allowed to vote on the question....."

Both the Directors and the Provisional Liquidators- all Proprietors of the Bank- were obviously interested in the question of the writer's appointment, especially the Liquidators, who were not only ex-officers of the Colonial Bank, but also candidates for appointment as permanent Liquidators.

The Chairman's attention was drawn to the fact that the Directors and Provisional Liquidators, or some of them, had voted on the second count, but he, nevertheless, allowed their votes, with the result that the writer was kept outside.

It was reported to the writer after the meeting was over that there were more than sufficient votes unpledged at the meeting to have rendered his election not only possible but probable. This, no doubt, was known to the Directors and accounted for their determined opposition to the wishes of one half of the shareholders present.

It was remarked that the Chairman of the meeting was Mr. Keith-Ramsay, himself a candidate for the permanent liquidatorship, and that he was moreover a self-constituted chairman.

If the meeting had been afforded an opportunity of appointing a chairman- and decency would seem to have demanded that opportunity- the whole course of the liquidation might have been changed; the shareholders might have been far better off financially, and the Directors and responsible Officers, or some of them, might by this time have undergone trial for uttering false balance-sheets, and might have been compelled to refund many thousands of pounds which they wrongfully distributed in dividends, well knowing that the dividends had not been earned and were being in effect paid out of capital.

Before closing this chapter a word or two regarding Mr. E. J. Reid's candidature will, perhaps, not be out of place.

This gentleman, as many know, was the manager of the Colonial Bank in Wellington, but the Dunedin Committee of shareholders naively described him in their circular as "a Banking Expert not now connected with any bank".

The Committee's circular was dated some little time after the writer's and the writer has often wondered whether Mr. Reid's candidature was intended to split the Wellington and North Island votes. The fact is that, after securing a number of proxies, he went not to the poll but to England instead.

The writer has never been able to reconcile the Dunedin Committee's selection of Mr. Reid as one of their candidates, with their professed opposition to the Directors' nominees on the ground that they were ex-officers of the Colonial Bank.

The writer was in the field before Mr. Reid, but the Dunedin Committee steadfastly ignored his claims as a candidate with the necessary banking qualifications.

The sequel is that two leading lights of the Committee have since petitioned Parliament in two separate sessions for an enquiry into the conduct of the liquidation.

If Parliament should ever do its duty- a not very probable contingency, so long as it includes many old tainted politicians- it would, perhaps come within the scope of the "order of reference" to enquire also into the conduct of the Dunedin Committee of shareholders, especially in regard to the failure of that Committee to fulfil the important trust which they not only accepted but actually invited, on behalf of the holders of 7000 shares in the Colonial Bank. It would be a part of such a Commission's duty to endeavour to find out whether the failure was due to accident or design.

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Chapter VI.

The Triumvirate Triumphant

A Cool Suspense from Pleasure and from Pain. Pope.

The danger that threatened the directors and responsible officers of the Colonial Bank, as well as certain customers who had been a little too free with the funds of its shareholders, having been for the moment cleverly engineered away, and the three director-chosen, provisional liquidators-Messrs. Vigers, Larnach and Keith-Ramsay having been declared to have polled the highest number of votes at the shareholders' meeting, joy unspeakable was rampant in the camp of the conspirators; there was a general shaking of hands and mutual congratulations were the order of the day.

But although the conspirators had managed things very well so far, they were not entirely out of the wood. They had yet to undergo the ordeal of an application to the Court for the confirmation of the chosen of the directors and of the shareholders as permanent liquidators.

This ordeal took place on 18th February, 1896, and, as the reader has already been told, it resulted in the Court rejecting Mr. Larnach on the ground that he was an ex-director, Mr. Simpson, who polled the next highest number of votes, being appointed in his place.

At this time an application by certain shareholders was before the Court for an order to inspect the books of the Bank, on the ground that an inspection would disclose that the directors and responsible officers, or some of them, had been guilty of misfeasance or breach of trust.

The Court decided to take the two applications together and, when delivering judgment, said:-

" What is suggested is that all three gentlemen have been more or less connected with the management of the bank, that there is reason to believe that the affairs of the bank have been mismanaged, and that if that is the case they ought not to be appointed as liquidators. In order, however, to ascertain whether the affairs of the bank have been mismanaged, and, if so, whether any persons connected with the management have rendered themselves liable to proceedings of any kind, it is obviously necessary, not that there should be an inspection of the books

at the instance of individual shareholders, but that there should be an investigation of the affairs of the bank by independent persons. The duty of conducting this investigation will of course devolve upon the permanent liquidators."

The Court then proceeded to exhaustively analyse the Colonial Bank's balance-sheet to 31st August, 1895, (the last issued), also the terms of the agreement for sale and purchase of the Bank; and said:-

" There is quite enough before the Court to show the necessity for a careful investigation of the affairs of the bank. What

the result of such an enquiry may be it is of course impossible

to anticipate. As was said in re the Varieties Company (1893, 2 ch, 241),

it may be when the whole matter is gone into, there will be no ground for

making any imputation against the persons who have been concerned in the

conduct of the business of the company. On the other hand, it may turn out

that the directors or officers of the bank have incurred a civil or criminal

liability. No possible explanations can settle the matter one way or the

other without an investigation of the bank's affairs. To make such an investigation is the duty of the liquidators. As stated in "Palmer's Winding-up

"Forms", page 193, it is the duty of the liquidators to investigate the affairs

of the company in detail, and to ascertain whether any of the officers and

employees have committed any misfeasance or breach of trust. For that purpose

he should examine the books and documents of the company, and make all necessary

enquiries, and should, if need be, examine persons capable of giving

information under section 177 of the Act of 1882, and, further, should take

summary proceedings against the delinquents under section 226 of the Act or bring

action as he may be advised."

Thus, in appointing Messrs. Vigers and Keith-Ramsay (both ex-officers of the Bank) as two out of the three liquidators, and in refusing a thorough

independent inspection of the books, against the wishes of a considerable

minority of the shareholders, the Court accepted a responsibility which, in

the light of subsequent events, would perhaps have been better avoided.

The Court did, however, take the precaution of specially charging the

three liquidators with the duty of making " a careful investigation of the

affairs of the bank" and of ascertaining and reporting whether " the directors or officers of the bank have incurred a civil or criminal liability" and, having thus charged the liquidators, in face of the serious allegations against the late management of the Bank, the Court expected them to do their duty.

That the liquidators failed in their duty, there is no room for doubt, and the question is how far was the Court bound to see that they did discharge their duty.

Section 228 of the Companies' Act 1882 says:- " Where any order is made for winding up a company by the Court, or subject to the supervision of the Court, if it appear in the course of such winding-up that any past or present director, manager, officer, or member of such company has been guilty of any offence in relation to the company for which he is criminally responsible, the Court may, on the application of any person interested in such winding-up or of its own motion, direct the Official Liquidators or the liquidators (as the case may be) to institute and conduct a prosecution or prosecutions for such offence, and may order the costs and expenses to be paid out of the assets of the company."

Thus the Court has and had the power " of its own motion" to order the Official Liquidators to prosecute if the Court is or was of opinion that " any past or present director, manager, officer, or member" of the Colonial Bank had been guilty of any offence in relation to the Bank " for which he is criminally responsible".

The question, of course, arises- Has it " appeared" to the Court at any time during the ten years' liquidation of the Bank that any director, manager or officer has been guilty of any offence for which he is criminally responsible? Reading the judgment of the Court when appointing and charging the Official Liquidators, it would seem that no other conclusion can be arrived at than that the Court had , at least, grave suspicions in the matter, to say nothing of the affidavits that were filed in Court on that very motion alleging misfeasance and breach of trust on the part of certain officials.

This appears to the writer to be beyond argument- that, having refused those shareholders who made the allegations access to the books in order to prove their charges, the Court was bound to see that the Official Liquidators replied categorically to the charges of misfeasance and breach of trust.

Chapter VII.

Compromising Events.

With mean complacence ne'er betray your trust. Pope.

With the Court's solemn charge ringing in their ears the newly-fledged Official Liquidators had a difficult row to hoe, and it was not long before the expected came to pass.

It had for a long time been an open secret that the Ward affairs engrossing the minds of those who were behind the scenes pulling the strings and that a bold attempt to save the Managing Director of that Southland produce the Ward Farmers' Association and the Association itself from exposure was going to be made.

The power sought only a few months previously from the Court for a provisional triumvirate to compromise with the Colonial Bank's debtors as a director-chosen triumvirate thought proper., having been refused by His Honor Mr. Justice Williams, the painful necessity arose for the permanent liquidators to apply in every case of a proposed compromise for the sanction of the Court before it could be given effect to.

These gentlemen, however, proved equal to the occasion and, losing no time, on 5th June, 1896, the Court was asked to sanction the sale of £168,000 of debts of Mr. Ward and his Association for the sum of £62,750, which proposal has already been fully dealt with in Part I of this work, the intending purchasers being two of Mr. Ward's whole-hearted friends Messrs. A. Lee Smith, who was afterwards honored with a seat in the Legislative Council, and J. B. Reid the "Dear Jim" of the celebrated mutton case, with which the reader has been made familiar.

The Court's denunciation of this "offer to buy off from bankrupts and its consequences a man who ought not to escape them" was a crushing blow to Mr. Ward and his many kind friends, but they were highly-nettled liquidators who never lost heart, and who in less than a year again crossed swords with the Court in a second attempt to achieve the salvation of their hero, even at the cost of the sacrifice of the Colonial Bank shareholders.

This second humane effort was also ignominiously abortive, as the reader has previously learned, so finding that it was only beating the air to try to bamboozle the Court into acquiescence with their designs, Mr. Ward's champions threw up the sponge and the inevitable followed so far as he was concerned.

Almost immediately after the failure of the first proposal, the revelations in regard to the part the Colonial Bank officials had taken in connection with the historical bogus cheque and draft transactions of Mr. Ward and his Association- especially the part played by Mr. Vigers- so exasperated certain shareholders of the Bank that they held a meeting in Wellington when the following resolution was carried with only one dissentient:-

" That this meeting is of opinion that Mr. Vigers should be called upon to relinquish his liquidatorship and that failing his consenting to do this the Judge should be approached to ascertain if he will remove Mr. Vigers."

The services of Mr. T. Young, Solicitor, who conducted the proceedings on previous occasions, and the writer were engaged, and the Court was moved for an order removing Mr. Vigers from the Liquidation Board.

Whilst in Dunedin, and before the motion came on for hearing, the writer was approached through a friend in a most peculiar respect.

This friend said that an influential deputation had waited upon him and intimated that Mr. Vigers' resignation could be procured and they were willing to arrange for the writer's nomination for the vacancy, on condition that the writer would agree not to prosecute the Directors.

The answer these gentlemen received was that if Mr. Vigers was removed by the Court, or resigned, the writer would only accept nomination with a perfectly free hand to do his duty as a liquidator, not necessarily to prosecute unless an investigation of the affairs of the Bank disclosed a state of things calling for a prosecution. Negotiations were then broken off!

This incident is related for what it is worth. It is a true account, however, of what took place, but the writer cannot, of course, say whether the deputation had any authority or just ground for asserting that Mr. Vigers' resignation could be arranged.

In due course, the motion to remove him was heard, and the Court

refused it on the ground that there was not sufficient evidence before the Court to justify Mr. Vigers' removal.

Shareholders were wild with indignation and disappointment, but could do nothing: so matters remained quiescent for a time.

In March 1897, a few months later, the second effort to save Mr. Ward was made, and beyond periodical spirit-raising announcements that a further dividend might shortly be expected by shareholders, nothing occurred to relieve the melancholy monotony of the situation, and the liquidation dragged along for four years more, during which time, no doubt, much happened that did not come to the knowledge of the shareholders, but which they would very much like to know something about.

The triumvirate had preserved a magnificent silence for all that length of time when commercial circles were startled by the introduction of the Companies Act, 1901.

This measure followed the bursting of the gold-dredging boom, and was held out at the time as being the outcome of certain transactions by certain gold-dredging company liquidators, rendering it advisable in the interest of the Colony generally to take the liquidation of these companies out of the hands of the existing liquidators (appointed by the Court), and to substitute for them the Official Assignee for the district as the Official Liquidator.

As in the case of the Banking Act, 1895, (the £55,150 presentation measure) the Companies Act, 1901, was in the keeping of Mr. Ward, and with his usual ability he managed to pilot it safely through the shoals and quicksands of Parliament, and it became law.

What the rank and file of the Colony's legislators were about it is difficult to surmise, but they, like Messrs. Seddon and Ward, appear to have given not one thought to what the effect of the Act might be upon company liquidation other than dredging company liquidation.

The fact that the Colonial Bank had then been in liquidation for six years seems to have caused that concern to pass out of the minds of our overworked legislators, including the Hon. J. G. Ward; at least that is what the public have been led to understand.

This fortuitous blunder occurred at a time when the Colonial Bank

triumvirate were, no doubt, wondering how they could wind up the liquidation so as to satisfy all parties concerned, including themselves. Perhaps they were in a fix- who can tell? Whether they were or not, the effect of the Companies Act, 1901, was to take the liquidation out of their hands and place it in the hands of the Official Assignee at Dunedin.

The triumvirate could not wind up the liquidation without presenting a final report to the Court, and it was, perhaps, the difficulty of drafting this report that caused its non-appearance.

Whatever may have been the cause the Colonial Bank triumvirate did not report, and although they may have had the best intentions in 1901, of complying with the terms of their appointment in 1896, and of reporting as to whether any director or officer had been guilty of misfeasance or breach of trust, they were deprived of the opportunity of doing so by the officious interference or careless oversight of our legislators, including the Hon. J. G. Ward and several lawyers.

Joking aside, the three liquidators were, no doubt, glad enough to be quit of their irksome load of responsibility and to have it placed by statutory enactment upon the shoulders of the Official Assignee, so they bundled all their books and papers into his custody and at the same time handed over a balance of Colonial Bank cash in their hands amounting to £11,000 odd.

Thus it came to pass that the three gentlemen who had been in charge for six years and knew all about the affairs of this complicated liquidation were suddenly dethroned, and the Official Assignee, who knew absolutely nothing concerning the liquidation, was as suddenly compelled to take up the running at what was for the old liquidators and those who had been guilty of misfeasance and breach of trust a very critical period.

This was the act, be it remembered, of a Parliament consisting of shrewd members many of whom are to-day seeking re-election to the Parliament of 1906.

Chapter VIII.

Cast-Off Clothing.

" A Fence betwixt us and the victor's wrath." Addison.

It is nowhere on record what the Official Assignee's opinion was of the cast-off clothing of the deposed liquidators bequeathed to him by the will of a great and august Parliament.

Whatever that worthy officer of the Court may have thought of the transaction, he was, no doubt, too tactful to forget that, as an officer also of the Government, it would never do to allow his thoughts to find expression in words.

To imagine, however, that he appreciated the ill-fitting garments passed over to him would be to ascribe to the Official Assignee less common sense and discernment than he deserves.

But being ordered by his masters to don them, don them he did, and then tried to think they were a good fit and became him.

The legacy comprised-

1. Piles of books and papers;
2. Cash £11,000;
3. Responsibility under the Court's charge.

The books and papers appear to have been packed off to the Stock Exchange, but the Official Assignee has not told us what protection is being afforded to these important records- that is to say, whether they are safe from fire or theft.

Being an officer of the Court and at the same time a servant of the Government, it may be presumed that the Official Assignee has received very strict instructions to take every precaution to preserve all the records intact so that when the time comes for looking into things, it may not be discovered that some indispensable record is missing.

No doubt the Official Assignee will have taken a careful inventory of all books and papers handed over to him, in order that, in the event of anything being conspicuous by its absence, he will be able to prove that it never came into his possession.

In this change of liquidators there was plenty of room for trickery, if such were contemplated, but the Government and Parliament took upon themselves the responsibility of the safe-keeping of the records, and the shareholders are entitled to rest assured that everything has been done in their interest.

Sir Joseph Ward may, indeed, be relied upon for having seen that there is no possible chance whatever of discredit falling upon the Government or Parliament which he adorns, in consequence of the Companies Act 1901 which he introduced.

The evident omission of the Official Assignee to acquaint himself with the ins and outs of this complicated liquidation by means of a personal study of the books can hardly come as a surprise in the circumstances. On the contrary, one can understand his readiness to stow them away out of sight, hoping that nothing might happen to disturb the dust upon them until such time as the friendly flames of a fiery furnace consumed the lot.

But this much was expected of the Official Assignee, namely, an effort to acquaint himself, in the manner common to Assignees in Bankruptcy, with the main features of the liquidation, by means of an examination on oath of his predecessors, the director-chosen triumvirate.

It was his duty to ascertain, for instance, what were the terms of their appointment and what trusts, if any, remained unfulfilled at the date he took over the liquidation.

Had the Official Assignee done this, he would have discovered that his predecessors had been specially charged by the Court with the duty of making "a careful investigation" and of ascertaining and reporting whether "any directors or officers of the bank have incurred a civil or criminal liability".

He would also have discovered that his predecessors had not reported to the Court specifically on that important point, and he would have discovered moreover, that the shareholders of the Bank had not been called together since January, 1895, when they met for the purpose of selecting candidates for the permanent Liquidation Board- a period of about five years.

The Official Assignee appears to have been either indifferent or to have preferred to remain ignorant of all that had been done and all that had been left undone.

Knowing nothing about the Bank and its affairs, and, seemingly, not much more, this Court-Government official appears to have been anxious to get rid of his burden of books, papers and cash to best advantage, if not of the shareholders, certainly of himself.

Having disposed of the books and papers in his own particular way, he could not think what to do with the \$11,000 cash. It never seems to have occurred to him that there might be some persons responsible for the disastrous state of things, against whom proceedings ought to be taken civilly or criminally; neither does it seem to have occurred to him that he ought himself to call the shareholders together and confer with them.

Instead, he rushed off to the Court for its sanction to the distribution of the \$11,000 in a final dividend to the shareholders, which was duly paid, the first intimation received by them of this step being the arrival of the dividend warrants.

It is contended that the Official Assignee's duty under the extraordinary circumstances was clearly-

1. To examine the previous Liquidators;
2. To submit evidence to counsel;
3. To call a meeting of shareholders;
4. To ask shareholders whether they wished to proceed civilly or criminally, if counsel advised that there was a prima facie case of misfeasance or breach of trust;
5. If not so advised by counsel, to ask shareholders whether they desired an entirely independent investigation of the books and affairs of the Bank, including an audit of the previous liquidators' accounts;
6. In the alternative, to notify shareholders that the balance of cash in his hands would be distributed and an order for the dissolution of the Bank applied for.

The Official Assignee's action in regard to the \$11,000 is one which the writer has altogether failed to understand.

It was a common fund available for prosecuting the proceedings which should long ago have been prosecuted by the liquidators.

It was a fund which was under the control of a majority of the shareholders of the Bank, present in person or by proxy at a meeting convened by the liquidators.

If a majority of the shareholders resolved on-

(a) Legal proceedings;

(b) Further investigation,

the cost would have been borne by the fund, and thus all the shareholders-present or not at the meeting- would have been contributors to that cost in proportion to their holdings of shares and whether they liked it or not.

If civil proceedings had been taken, and money had been recovered from the delinquents, as would assuredly have been the case, all the shareholders of the Bank would have benefited in a similar proportion. But as things have turned out, the common fund has been distributed without the shareholders being consulted; no information can be obtained; the old liquidators and the Official Assignee have not reported on the question of misfeasance and breach of trust; there are no funds in hand for a separate investigation, and none for taking proceedings, although the Official Assignee's so-called report brings with it the finality necessary to complete the proof that the balance-sheets issued by the Bank during the last few years of its existence- especially that to 31st August, 1895- were falsified.

Any proceedings now taken have to be at the expense of individual shareholders, whilst any benefits derived by them would indirectly be shared by other shareholders.

This places the smaller and poorer shareholders in a most unjust position, for they cannot be expected to embark single-handed against a solid phalanx of wealth who would apply every legal remedy in order to exhaust them.

Even if a few shareholders combine, it is unfair that they should have to fight the battles of the whole body of shareholders. Therefore, in distributing the final dividend as he did, the Official Assignee inflicted a cruel wrong on the smaller shareholders, for which he should be called to account.

There is all the more reason because the Official Assignee is a servant of the Government and one of the Ministers is involved in the liquidation of the Bank.

Chapter IX.

In a Quandary

" Let this pernicious hour
Stand aye accursed in the calendar." Shakspeare.

To those shareholders whose powers of endurance had not broken down under the strain of the prolonged liquidation, and who were still watching things, the silence of the liquidators was more eloquent than words.

No attempt having been made by the liquidators to take the shareholders into their confidence, it was quite evident to those capable of putting two and two together that the liquidators had no encouragement to offer and nothing creditable to tell.

Their story, if told, would of necessity have been one of recklessness; fraud, and unutterable disaster; so, being prudent men, they wisely held their tongues.

They never once during the ten years of the liquidation paid the slightest heed or respect to the shareholders, although the Companies' Act 1882 clearly contemplated the propriety of liquidators summoning the shareholders in general meeting to receive periodical accounts of their stewardship and to obtain the shareholders' views upon matters of importance concerning the liquidation.

Section 154 of the Act of 1882 says:-

" The Court may, as to all the matters relating to the winding-up, have regard to the wishes of the creditors or contributories (shareholders) as proved to it by any sufficient evidence, and may, if it is expedient, direct meetings of the creditors or contributories to be summoned and conducted in such manner as the Court directs, for the purpose of ascertaining their wishes....."

The original liquidators thus had the power to call the shareholders together, had they desired to meet them, at any time from the year 1896 to year 1901, but they did not do so.

The Official Assignee, as the substituted liquidator under the Act

of 1901, had the same power from the year 1901 onwards, but he also failed to avail himself of it.

By the Consolidated Companies Act 1903 this power was converted into a mandamus: it was no longer left to the liquidator to decide whether or not the shareholders should be called together.

Section 251 of the Act of 1903 says:-

" In the event of the winding-up of a company continuing for more than one year, the liquidator shall summon a general meeting of the company at the end of the first year and of each succeeding year from the commencement of the winding-up, or as soon thereafter as may be convenient, and shall lay before each such meeting an account showing his acts and dealings and the manner in which the winding-up has been conducted during the preceding year."

Now the liquidation continued for about two years after this Act was passed- one financial year was at least completed- yet the Official Assignee failed to call the shareholders together!

Although the Official Assignee had distributed all the funds that came into his hands, with the exception of 280 odd, this amount was more than sufficient to pay the cost of convening a meeting of the shareholders.

That officer cannot, moreover, plead that he was not aware of the requirement of the statute in regard to the compulsory summoning of the shareholders, for his attention was specially called to the matter by the writer in January 1905. He was asked whether he proposed to summon a meeting of shareholders " in order that they may have an opportunity of conferring as to what further action, if any, shall be taken".

This question was put by the writer, and the Official Assignee replied- " I see no object in summoning a meeting as my final accounts have been passed by the Court and I have nothing really to lay before the shareholders".

That he had nothing to lay before the shareholders may have been literally true, but was nothing in the way of information procurable from the previous liquidators? Certainly it was: moreover, that course had just been suggested to the Official Assignee in the following words, also by the writer of this:- " I would suggest your applying to the Court under sections 177 and

178 of the Act of 1882 for an order to examine the previous liquidators upon written interrogatories".

To have done this would have cost the Official Assignee nothing, and as the writer furnished, free of cost, the material for the liquidators' examination in the shape of 28 interrogatories, the Official Assignee could, with little trouble and no expense, have procured for submission to the shareholders all the information they required to enable them to decide whether further action was advisable or not.

As for the Official Assignee being without funds, if the examination of the previous liquidators had been earnestly conducted on the lines of the writer's interrogatories, the replies must have been such as would have caused the shareholders to have subscribed the necessary funds to indemnify the Official Assignee against the expense of civil or criminal proceedings, as might have been resolved upon.

Official Assignees in bankruptcy proceedings usually consult in the fullest manner with the creditors, and it is difficult to understand why the Official Assignee at Dunedin should have resolved upon a different course with the shareholders of the Colonial Bank (who were the only creditors) as Assignee under the Companies' Act.

The Official Assignee was evidently determined to have no communication with the shareholders, as the extracts from the writer's correspondence with him will show, and he seems to have considered that, as an officer of the Court, he was bound only to act upon the initiative of the Judge- that, in fact, it was no part of his duty to lead in the matter by making any suggestions to the Court in order that the manifest wishes of the shareholders might be given effect to.

So far from acting on his own initiative, the Official Assignee had to be driven. Although he was in charge of the affairs of the Bank from 1901 until 1905, he never so much as attempted to communicate with the shareholders, excepting to pay the final dividend as already narrated .

On 12th August, 1904, some shareholders moved the Dunedin Supreme Court for an order instructing the Official Assignee, as liquidator of the Bank, to issue a report.

Hearing of these proceedings, the writer, acting on behalf of certain shareholders, instructed a Dunedin Solicitor to apply for an adjournment, on the ground that a special application would be made to the Court in the matter.

It was intended to apply for the appointment of a supervisor of the Official Assignee, but the Court refused an adjournment. In the course of the legal argument, Mr. Sim, counsel for the applicants, said-" If there was any matter in regard to which the Wellington shareholders wished the Assignee to report specially, they could ask, and the Assignee could do it".

Acting on this suggestion, the writer opened correspondence with the Official Assignee on 21st December, 1904, and the following is the gist of it.

After referring to the Judge's judgment of 28th February, 1896:-

"There is quite enough before the Court to show the necessity for a careful investigation of the affairs of the bank. What the result of such an enquiry may be it is of course impossible to anticipate..... it may turn out that the directors or officers of the bank have incurred a civil or criminal liability. No possible explanations can settle the matter one way or the other without an investigation of the bank's affairs. To make such an investigation is the duty of the liquidators..... it is the duty of the liquidator to investigate the affairs of the company in detail, and to ascertain whether any of the officers and employees have committed any misfeasance or breach of trust. For that purpose he should examine the books and documents of the company, and make all necessary enquiries, and should, if need be, examine persons capable of giving information under section 177 of the Act of 1882, and, further, should take summary proceedings against the delinquents under section 226 of the Act, or by action as he may be advised",

and after referring also to the fact that the Court had been moved by certain shareholders in 1896 for an order for a separate independent investigation of the books of the Bank, and after drawing the Official Assignee's attention to the fact that the order had been refused on the ground that " the liquidators were directed to investigate and report generally and specially upon the question whether there had been misfeasance or breach of trust on the

part of any of the directors or officers of the bank", the writer pointed out to the Official Assignee "that if there had been misfeasance or breach of trust the previous official liquidators of the Court must have been aware of such misfeasance or breach of trust, and that in that case they would seem to have failed in their duty to the Court and to the shareholders in not so reporting to the Court and applying for an order under section 226 or 228 of the Act of 1882".

These sections refer to civil and criminal proceedings. Thus the Official Assignee cannot maintain that he did not have notice that certain shareholders alleged failure of the liquidators to do their duty: he was bound, therefore, to make all necessary enquiry by examination on oath in order to ascertain whether the allegation was true.

Did the Official Assignee do so? If he did, he said nothing about it in his subsequent report to the Court. If he did not, it was a palpable neglect of an obvious duty for which he should be called to account.

The writer continued:- "The shareholders whom I represent regard the position seriously, as do I, and they desire information to enable them to decide what steps, if any, should be taken in their interest. If, therefore, you will be good enough to furnish me on their behalf with replies to the interrogatories (a list of which is enclosed) either by means of a report to the Court or direct to me I shall be obliged..... I may add that the interrogatories only cover a period of five years, and, so far as the figures are concerned, are all such as can be answered without difficulty by the previous liquidators, for if the general books of account have been properly kept, the information sought should all be shown therein in a concise and clear form, and the records in the shape of reports from officers would all be carefully filed away in the Head Office of the Colonial Bank".

The Official Assignee replied on 4th January 1906, and the following is an extract from his letter:- "I am shortly expecting a report from an expert accountant in whose hands, by direction of the Court, I have placed the matter, together with the whole of the books etc. referring thereto, and until I receive it, I shall not be in a position to reply to the various queries submitted by you....."

There was a hopeful ring about the concluding words of the Official Assignee that might have set the mind of the casual observer at rest, but the ten years' training in bank liquidation which the writer had by this time undergone, had caused him to grow very sceptical, and he accepted the words with the proverbial grain of salt, wondering with a great curiosity what would be the outcome of the "expert accountant's" investigation.

Five days later the writer ventured to again address the Official Assignee, and, amongst other things, asked for the name of the "expert".

Later on, again, he renewed the request, but the Official Assignee never vouchsafed the name. It was for some occult reason to remain a State secret.

Continuing, the writer said:- "I gather from your letter that you have handed my list of interrogatories to the investigating accountant, in order that he may embody in his report to you specific answers to such of them as concern the Bank's figures. If you have not, perchance, done so, might I suggest that you instruct him definitely on these lines. It will doubtless involve your giving him an order on the Bank of N. Z. for production of all the necessary books of account, officers' reports etc. of the Colonial Bank, but it is the only way of getting at what the shareholders want to know".

Then the broad issue was put to the Official Assignee, thus:-

"What we want to know now is broadly- Has there been misfeasance or breach of trust, and, if so, by whom and in what way."

In the first place, the Official Assignee carefully refrained from answering whether he had or had not instructed the "expert accountant" to deal with the interrogatories in his report, and we know not to this day, although one can hazard a guess that he did not do so.

The Official Assignee always pleaded poverty whenever information was sought from him, and it was strange, therefore, to find him, as the result of the application to the Court referred to in this chapter, instructing an "expert accountant" to make an exhaustive investigation, with nothing in hand to pay him with, and declining to give his name.

However, in order to help this poverty-stricken bank liquidator out of his troubles and enable him to do his duty, the writer made him the following offer:-

" If the Colonial Bank books of account, or any of them, are in Wellington, I am prepared on receiving instructions and an authority from you, to do my best to procure what information we want from them. I will do this, if necessary, free of charge to you. I further offer to assist in Dunedin on the same terms, if that will hasten matters to finality of some kind. I suppose your expert accountant has had banking experience, but even so two heads are sometimes better than one in a case of this kind, especially as I think I may fairly claim to have Colonial Bank matters at my fingers' ends".

This, surely, was an offer which should have been welcomed, but the Official Assignee was not at all grateful and replied- " I am afraid that I cannot accept your offer of personal assistance, as the matter is purely an official one and must be dealt with by my staff which is already supplemented for this special purpose".

The Official Assignee evidently began to feel that the situation was becoming decidedly volcanic and that he had better sheer off, so he prudently added- " I think it will perhaps be as well if I do not enter into a correspondence with you over this matter, as you will readily appreciate the fact that I cannot be expected to correspond with individual shareholders, and I am desirous of confining myself to the discharge of my official duties".

This letter was dated 13th January 1905 and was the last with which the writer of this work was honored. He was not to be denied, however, and fired the last shot five days later, when he had sufficiently recovered from the shock of the Official Assignee's rebuff.

As the letter summed up the Official Assignee's attitude, it is freely quoted from here:- " I am disappointed at the tone of your letter of 13th instant. You seem to pay little respect to the fact that holders of upwards of 15000 shares throughout the Colony desired my appointment as one of the original liquidators of the Bank, and obviously, therefore, desired me to obtain all information concerning the Bank's affairs. I am for this reason (apart from the fact that I am representing at this moment the holders of a considerable number of shares in Wellington who did not previously support me) hardly to be classed as an isolated shareholder making enquiries from you more

or less out of idle curiosity. I would point out also that when a petition from certain shareholders in Dunedin was before the House of Representatives last session, the Premier stated that the shareholders had not exhausted their legal remedies and that their proper course was to ask for information through you. The questions which I put to you in my last were not unreasonable, but they mostly remain unanswered, including the most important of them- as to your intentions in regard to a meeting of shareholders. I must take strong exception to the suggestion that I have asked you to do anything outside the scope of your official duties. But why should you- a Government Official- be reticent with me, even if you are going to report to the Court. Is every shareholder who desires legitimate information which can readily be given to be compelled to incur the expense of applying through the Court for it? If you were being inundated with separate enquiries, I could understand your reluctance to correspond, but that surely is not the case. However, as you refuse to answer the questions contained in my last, I must be content to await your report which you say may be looked for at an early date. The reported absence of funds to enable you to procure expert assistance was my reason for offering my services, and I cannot agree that if you had availed yourself of my offer you would have departed from custom, for you, of course, know that the law permits you to employ experts, and I have often had the honor of acting for the Official Assignee at Wellington in such a capacity and been appointed his Deputy for the purpose of myself conducting examinations of witnesses and procuring evidence. This in itself, I should think, would be a sufficient qualification and justification for you to appoint me in a similar way. I certainly gathered from your first letter that you had put the matter into the hands of an outside expert accountant, also the books- others for whom I am acting had the same impression. It is, however, satisfactory for one reason that the investigation is being conducted by your own staff and in your own office, because the Government has the responsibility of seeing that all the books and papers are fully safeguarded against destruction by fire or loss in other ways....."

What conclusion is to be drawn from the attitude of the Official Assignee up to this point?

He was an officer of the Supreme Court, but he was at the same time a servant of the Government.

As an officer of the Court he had a free hand to give what information he pleased to the shareholders concerning the liquidation, without having to ask the Court's sanction.

As a servant of the Government he was aware that the Premier had said in Parliament that " the shareholders had not exhausted their legal remedies, and that their proper course was to ask for information through the Official Assignee".

This statement of the Premier was in attempted justification of the Government's refusal to grant a Parliamentary Enquiry into the conduct of the liquidation of the Colonial Bank, although Committees of both Houses had recommended the Government to grant an Enquiry, upon the petition of shareholders, into the conduct of the liquidation generally and particularly into the allegation that a sum of £127,960 actually received by the liquidators during the liquidation had not been accounted for.

Does it not strike the reader as strange that the Official Assignee should have refused the gratuitous services of a professional accountant having general banking knowledge and a close acquaintance of Colonial Bank matters?

Further, is it not singular that the alleged investigation was commenced by an accountant on the staff of the Government, and, as the Official Assignee has told us, that officer was taken off the work just as he was well into it, in order to fill a high position in the Civil Service?

Seeing that Ministers of the Crown were implicated in this banking scandal, would it not have been more seemly and would it not have given less occasion for suspicion if an outside professional accountant had been engaged to provide the material for the Official Assignee's report.

If the Official Assignee wanted a Government servant to make the investigation, why did he not accept the offer of the writer to assist that Government servant free of charge?

These are all pertinent questions, and the answers would furnish the key to the extraordinary report which the Official Assignee eventually delivered to the Court and which is dealt with in the next chapter.

Chapter X.

The Belated Report.

The truth appears so naked on my side

That any purblind eye may find it out. Shakspeare.

Two months after the Official Assignee had informed the writer that he was "shortly expecting a report from an expert accountant", the belated "final report" arrived from the Official Assignee, namely, on 1st March, 1905, more than nine years after the commencement of the liquidation.

This report replied to only six out of the 28 questions put by the writer to the Official Assignee. The really material questions were not answered.

The writer, being very indignant, referred the Official Assignee to his own words-" Until I receive the report I shall not be in a position to reply to the various queries submitted by you", also to the writer's reply-" I gather from your letter that you have handed my list of interrogatories to the investigating accountant, in order that he may embody in his report to you specific answers to such of them as concern the Bank's figures. If you have not, perchance, done so, might I suggest that you instruct him definitely on these lines".

The writer added- " I have now to request that you will be good enough to furnish the information for which I have asked and which the report does not furnish, and in particular full details of the amount £127960 which you describe in your report as "payments with respect to B,C, and D and other accounts and items covered by clause 25 (b and c) of agreement"..... "If necessary I am prepared to pay the usual charge for copying these particulars from the liquidators' accounts".

The writer at the same time renewed his demand for a meeting of the shareholders of the Colonial Bank.

The Official Assignee's reply is as characteristic of his predecessors as it is brief. Here it is in full:- " Your letter received. I see no object in summoning a meeting as my final accounts have been passed by the Court and I have nothing really to lay before the shareholders. As to the various queries in your letter I am not in a position to reply to them without calling

in the services of the accountant, and I have no funds from which I can pay him for such services. Your proper plan if you are dissatisfied with the report is to apply to the Court in reference thereto".

Notwithstanding the mandatory clause of the Companies' Act 1903, he says- " I see no object in summoning a meeting".

Notwithstanding the Court's charge to the three previous liquidators and, therefore, to himself as their " representative" (to use His Honor's words) as to enquiring into and reporting upon the question of misfeasance and breach of trust, the Official Assignee says- " I have nothing really to lay before the shareholders".

Notwithstanding the fact that the writer had offered his services free of charge, and that the Official Assignee had had two "expert" accountants engaged on an investigation covering about three months, he says- " As to the various queries in your letter, I am not in a position to reply to them without calling in the services of the accountant, and I have no funds from which I can pay him for such services".

It seems incredible that the Official Assignee could act in this " fashion without some powerful influence behind him that was driving him into an indefensible position.

What influence was at work? Let us see if the "final report" throws any light upon the subject.

The Official Assignee therein says:- " The total loss on 261 accounts in B, C and D lists and out-payments under clause 25 (b and C) of agreement, amounted to £432,203..... I find, after careful consideration, it would not be possible to give the results of losses on individual accounts without necessitating an investigation of 761 separate accounts".

No doubt, some labor would be involved in tracing how all the individual losses arose, but this has not been asked- all the writer wants to know is why, in these circumstances, the Official Assignee took pains to present a garbled account of the outcome of the Ward Farmers' Association, or did so by accident.

The report says:- " An account in the C list which was made the subject of special investigation, namely, the Ward Farmers' Association for which a separate liquidator was appointed, calls for special remark".

That the account did call for "special remark" no one who has followed the history of this Association can deny. But what was wanted was ----- a clear and straightforward statement of the actual position, beginning with the debt prior to the writing off of the £55,150 and ending with the actual loss sustained. The same information should have been furnished in relation to Mr. Ward's account, the two accounts, for all practical purposes, being one.

But, instead of this, the Official Assignee started with the amount of the Association's debt on 20th June 1896, about seven months after the £55,150 had been written off under the Banking Act, 1895, and then gave particulars of certain transactions on the account. The result, if worked out, shows a loss of £32,013, but the Official Assignee did not work out any result.

In order to arrive at the real loss on the Ward Association account alone, on the basis of the figures supplied by the Official Assignee, the £55,150 must be added, which would give a loss of £87,163.

To this, again, would have to be added such proportion of the unexplained £127,960 referred to on page 168 as might be chargeable to the Ward Association account.

Assuming, however, that the loss was only £87,163, there is a vast difference between that amount and £32,013 which the Official Assignee's report would lead one to infer.

The way in which the account was stated by the Official Assignee is grossly misleading, and it is difficult to understand why he failed to refer to the fact that £55,150 had been written off the Ward Association's account, thus increasing the loss to the Colonial Bank shareholders.

Another singular feature of the report has an important bearing on the way in which the Official Assignee stated the outcome of the account.

Whilst giving the total losses on the B, C, and D Lists, and the total losses on the B List, the Official Assignee omitted to give the total losses on the C and D Lists respectively.

Now, with the exception of two small accounts involving under £100, the C List contained the Ward Association account only. If, therefore, the Official Assignee had given the losses on the C List, or even on the D List separately, we should have known at once what the loss on the Ward Association

account really was.

Let us try to work out the loss for ourselves.

The Official Assignee stated the losses on the

B, C, and D Lists at	£432,203
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and the losses on the B List at	268,933
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The losses on the C and D Lists together, therefore,

amounted to the difference	£163,270
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Now the total debts in the D List were £102,274

and the Hon. Geo. McLean stated in his defence,

dated August 1897 that there had been recoveries

on account of the D List at that date £20,902

and that the recoveries would amount to £40,000

But putting them at	£30,000
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the losses on the D List would amount to, say,	_____ 72,274
--	--------------

This would leave losses on the C List, say,	£ 91,000
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which is within £4000 of the loss arrived at on the basis of the other figures supplied by the Official Assignee as above.

The losses on the Ward group of accounts may be put down at not less than £100,000, including the loss on Mr. Ward's private account with the Bank to which the Official Assignee does not allude.

In the course of the examination in the Supreme Court Dunedin, on 5th June 1896, when the proposal to compromise the debts of the Association and of Mr. Ward amounting to £168,000 was under consideration, Mr. Ward was taken carefully through the figures making up that colossal debt which was piled up in the marvellously short time of 2+ years, and the following question was put to him:-

" So that the Colonial Bank or the liquidators stand to lose £101000 and Mr. Ward replied:- " That is so ".

If the shareholders of the Bank ever get at the truth- which is very doubtful, unless the funds for taking proceedings against the directors are forthcoming- it will in all probability be found that the estimate of June 1896 was not very far out.

Reading the Official Assignee's report critically, one is impelled to the conclusion, however reluctantly, that, being a servant of the Govern-

ment(which included Sir Joseph Ward), he was desirous of showing the affairs of the Association of which the Minister was the Managing Director, in as favorable a light as possible.

On no other ground can the writer account for the Official Assignee venturing the bald remark that £40,000 of the Association's debentures had been paid in full and omitting to add how much in the £ had(or had not) been paid on the remainder of the debt.

Sir Joseph Ward has declared in Parliament that he never raised his little finger to influence in any way the ordinary run of matters, either as affecting the Official Assignee's administration or in any other respect.

The Minister is entitled here to the benefit of his denial, though he may have raised his first finger. Nothing, however, can remove from the mind of the writer the impression which the Official Assignee's one-sided report on the Ward Association account has made upon it.

It is appropriate to close this chapter with an extract from a letter from the Liquidator of the Ward Farmers' Association to the Greymouth Star at the time the Official Assignee's report was published.

The letter says:- "..... I regret that his statements are incorrect..
..... As the liquidator did not take over the estate on that date (20th June 1896) the report is misleading and incorrect, and I call attention to these inaccuracies in the interest of the public in general and the shareholders of the Colonial Bank in particular".

The liquidator proceeds to call the Official Assignee to task for stating that £40,000 of the Association's debentures had been paid in full. He points out, correctly enough, that the Colonial Bank held £50,000 of debentures- not £40,000 as the Official Assignee's report would lead the uninformed to infer- and that £43,500 was paid to the Colonial Bank on account of the £50,000. This would leave £6,500 of mortgage debentures having a first charge over all the assets of the Association unsatisfied. If this was so, the remainder of the debt could not have returned one penny in the £, and where did the other creditors come in?

Chapter XI.

Covering up the Tracks.

This hour's the very crisis of your fate. Dryden.

Having delivered himself of the irksome task of filing his report, extracted from him at the point of the bayonet, the Official Assignee was within easy reach of his haven of rest— an order from the Court dissolving the Colonial Bank, which order was to relieve him of the liquidation and of any responsibility excepting for any of his past acts of omission or commission.

When the application for an order compelling the Official Assignee to report was before the Court in August, 1904, the Judge asked whether the dissolution of the Bank had not been ordered.

Mr. Sim, counsel for the applicants, replied in the negative and said (Otago Daily Times , 13th August, 1904) :- " if it had not been for some question of an investigation by a Parliamentary Committee, such an order would probably have been asked for."

His Honor:- Was it not Mr. Graham's duty to apply under the rules to dissolve?

Mr. Sim:- An order was not asked for before because there was a question of a Parliamentary investigation, and Mr. Graham (Official Assignee) was told by the Speaker of the Legislative Council to keep all the records in view of such enquiry taking place.

His Honor said " he did not see how that could affect the matter. Mr. Graham's duty was prescribed by statute."

The Official Assignee was not present in Court up to this stage, but was then sent for and questioned by the Judge.

His Honor:- Was there an order dissolving the Bank?

Mr. Graham:- No, your Honor. I got notice from the Speaker of the House and postponed making application.

His Honor:- Of course, that has nothing to do with your statutory duties under the Act.

It will be seen that the suggestion as to a dissolution order came from the Court, and the Court further was clearly of opinion that the Official

Assignee ought to have applied for an order immediately after the final dividend had been distributed.

The Speaker of the Legislative Council seems to have taken the very unusual course of ordering the Official Assignee not to apply for a dissolution, in view of a Parliamentary Inquiry.

What could have prompted the Speaker to do this? The circumstances must have been very peculiar; and what caused him to remove the embargo?

The Court, when suggesting a dissolution, must have been under the impression that its charge to the original liquidators, of making a careful investigation into the allegation^B of misfeasance and breach of trust which were then made by affidavit, and of reporting whether any of the directors or officers had been guilty of either or both of the offences alleged, had been answered.

But the Court's charge had not in August 1904 and has not to this day been answered, and the shareholders of the Bank are justified in saying that the Court has not fulfilled its functions in this respect, and that they have suffered in consequence.

The Court undoubtedly accepted a very grave responsibility when refusing the shareholders' application in 1896 for an inspection of the books of the Bank by their own expert accountant, as well as in appointing two ex-officers of the Bank and a third man, who was not regarded by some as sufficiently independent, as the liquidators.

Some months later, the Speaker of the Legislative Council must have removed the embargo upon the Official Assignee, or, backed up by the Court's remarks, he must have resolved to defy the Speaker's edict, for the Official Assignee applied for a dissolution order and got it, the Court at the same time making another order- whether upon the motion of the Official Assignee or its own motion, the writer can not say- directing the destruction of the books and papers of the Bank on 1st November, 1905, unless the Court ordered in the meantime to the contrary.

Now section 27 of the Bank Agreement- which was made law by the Banking Act 1895- renders it incumbent on the Bank of New Zealand to produce all books etc to the liquidator of the Colonial Bank " until the dissolution of the

selling bank", but inferentially, of course, not after dissolution..

The writer drew the Official Assignee's attention to this in January 1905, and added " This will not have escaped you and will doubtless cause you to refrain from applying for a dissolution of the Bank until everything has been cleared up to the satisfaction of all concerned, including those for whom I am acting".

The Official Assignee appears to have ignored this reminder, and to have considered it no part of his duty to notify the writer of his intention to apply for a dissolution order.

A petition from the shareholders of the Colonial Bank, praying for an enquiry into the conduct of the liquidation, was at that time before Parliament, and it was deemed advisable to await the result before taking any action in connection with the proposed destruction of the books.

A petition had been before the previous Parliament, and had been favorably recommended to the Government by both Houses, but the Government had refused, or at any rate had failed, to comply with the Committee's recommendations.

The second petition was passed on to the Committee of the Lower House as a matter of "urgency", but months passed before the Committee brought down their report. It was again, however, a favorable recommendation. The same happened in the Upper House.

The Committee's report was brought up for discussion in the Lower House one afternoon and "talked out" by the 5 o'clock adjournment.

The Opposition made no effort to force the Government's hands in the matter, although it was one of the finest opportunities they have had to compel compliance with the recommendations of two Committees of two successive Parliaments on a question of the gravest import to the Colony.

Moreover, the recognised leaders of the Opposition who are in business in Wellington declared to the writer, after the Committee's last recommendation had been "talked out" that the affair was dead and that they did not intend to do anything to revive it.

The writer claims that the public from Auckland to the Bluff are with the shareholders of the Colonial Bank in their almost superhuman efforts to

obtain justice, and that if the Opposition had fought a pitched battle and, if necessary, gone to the country upon the question of justice to an injured section of the community, they would have turned the Government out of office.

To take this stand, however, did not suit the Opposition party, principally, no doubt, because whenever the Colonial Bank Enquiry was seriously pressed upon the attention of and discussed by the Opposition, the Government always talked loudly about a Bank of New Zealand enquiry also. The Opposition then shut up like an oyster, because some of their political friends of the past were not too creditably connected with the disasters that overwhelmed the latter bank.

Then, again, the softening influence of time and other considerations have worked wonders in the direction of converting the strictures of 1895 into the condonations of 1905.

Thus the unfortunate shareholders of the Colonial Bank have had to contend against the disadvantage of appealing to a Parliament composed of men who, like the liquidators of the Colonial Bank, have not been free to do their duty and are in active sympathy with Sir Joseph Ward who would, of course, be indirectly the chief sufferer from exposure if the iniquities of the liquidation of the Colonial Bank were fully enquired into by an honest Parliamentary tribunal.

Parliament, however, having failed in its duty, it became necessary for certain shareholders, through the agency of the writer, to do their best to save the records of wrong-doing from destruction, with the view of subsequent proceedings.

Accordingly, the writer commenced to agitate in the public press and on the public platform.

Several meetings were held in Wellington City and suburbs which were largely attended by the public, who showed their sympathy in a practical way.

The indignation aroused in Wellington by the proposal to destroy the books of the Bank spread with lightning rapidity over the Colony, with the result that the Dunedin Supreme Court was moved for an extension of time and the Court postponed the burning of the books for a further period of six months, namely, until 1st May, 1906.

In the course of his addresses, the writer, with a full sense of the responsibility upon him, brought specific charges against the directors and managing officials, as well as the liquidators of the Bank, and for the purpose of proving his case against them, he was compelled to introduce some of the peculiar dealings of Sir Joseph Ward and of his Association with the Colonial Bank.

Stung by the truth of these utterances, Sir Joseph indulged in a violent attack upon the writer from his Ministerial seat in Parliament, and so demonstrated to every unbiassed thinker that he was a guilty man.

What this courageous Minister of the Crown said from under cover of Parliamentary privilege is on record in Hansard as the second monument to his lasting shame, the previous tirade having been hurled at the writer because he was the means of causing the Dunedin Supreme Court to reject the proposal of June 1896 to compromise the debts of the then Hon. J. G. Ward and of his Association to the Colonial Bank, which act saved the shareholders of the Bank about £20,000.

Sir Joseph Ward declared in the House recently that his solicitor and shorthand reporter were present at the writer's meetings, and that he would have prosecuted the writer criminally for what he had spoken concerning him if his solicitor had not advised that the state of the criminal law would not admit of his prosecuting.

The public were then startled by the sudden appearance of a Criminal Code Amendment Bill No. 2, just as the session was about to close.

Earlier in the session, the Criminal Code had already been amended. It was suggested by those who desired to cover up the real motive for this No. 2 Bill that it was designed to suppress Messrs. Meikle and Taylor, who had for a year and more been severely handling the Premier, but if the measure had been intended for them, the amendment would surely have been embodied in the Amending Bill passed in the earlier stage of the session.

Few can entertain a doubt but that the No. 2 Bill was designed to protect Sir Joseph Ward from the criticisms of the writer- indeed the proof of this is to be found in the words spoken by Sir Joseph in the House during the prolonged debate on the Bill.

Here are a few extracts from his speech (Hansard No.33, 19th Oct.

1906) :-

" As a free man outside Parliament I or any one else should be able to take up a prosecution against any scoundrel or blackguard who chooses, for reasons of his own, to traduce the name either of myself or my family".

" The whole country is asked to take the word of a cur who professed to be acting from disinterested motives on the subject. The most venomous lies came out of the mouth of a man who originally was paid to do his best to put me under..."

" I do not blame the creature who has maligned me for making his living by such means- he has a right to make it in this way if he thinks proper..."

" I want to make it clear that if I get the opportunity I will make some of these people who are ready to act a dishonourable part towards a man simply because he has attained to a high position in public life, which he has fought for fairly, and won with the help and assistance of his fellowmen and women in this country, wince, and regret that they have not left me alone."

" If those who say that will do so in such a way that I can prosecute them, I will undertake to do it at once".

" Then members of my family were introduced into this speech by this man at his meeting". (Mr. Taylor M. C. R. who was impromptu chairman at the writer's meeting, here interjected " No reference to them whatever", Mr. Taylor was absolutely correct. The writer made no allusion either directly or indirectly to Sir Joseph Ward's family, and characterises the statement that he did so as a base lie which this degraded Minister dare not repeat on a public platform. He has already been challenged to do so, and has since been on a Wellington platform, previously announcing in the newspapers that he would reply to the attacks made upon him outside the House, but not a word passed his lips in reference to the matter. Discretion was the better part of valour.)

Sir Joseph Ward described the writer under cover of Parliamentary privilege, in the course of his violent harangue as a " miserable, wretched, contemptible, crawling creature", but the epithet is more applicable to himself. It is he who is the wretched man and the coward. It is he who has the skeleton

in the cupboard, the rattling of the bones of which he cannot endure. It is he who is the coward, for shooting from behind the hedge of Parliamentary privilege and not daring to face a Wellington audience on a public platform and repeat the dastardly words which he has aimed at the writer.

What did Sir Joseph Ward aim at when desiring to prosecute the writer criminally? Was it to satisfy a craving for revenge that he wanted to incarcerate his critic, or was it to get him out of the way of doing further damage to what a New Plymouth celebrity has just described as Sir Joseph's "vindicated honour and fame"?

Surely if Sir Joseph considered his fair name was being besmirched, there was a remedy at hand by civil procedure!

Why did not this worthy knight avail himself of that remedy? Was his reputation not worth the sum of his own costs, or was he afraid that the charges would be sustained?

When twitted in the House with his failure to proceed civilly in order to "vindicate his honour and fame", he excused himself on the ground which has been taken up by many other men of his stamp, namely, that his assailant was not worth powder and shot, and that he would have to pay both sides' costs!

This ridiculous statement caused an outburst of laughter in the House and a member remarked that Sir Joseph would only have to pay both sides' costs if he failed to "vindicate his honour and fame"!

Sir Joseph had evidently fallen in badly, but with his usual sangfroid begotten of frequent similar "corners", he boldly announced that although, in the ordinary course, it was not so, he had as a matter of fact on one occasion to pay the costs of both sides, notwithstanding that he won the suit!

This statement was received by the House in silence. No doubt members with their sympathetic feelings towards Sir Joseph Ward getting the upper hand with them, thought it would be unkind to suggest that such a situation could not arise excepting in a case where, in order to save his face politically, the other side permitted him to enter up judgment against them upon condition that they received some consideration, including payment of their costs.

For the sake of example, supposing Sir Joseph Ward- whose susceptibi-

lity in all matters affecting his honor is well known- were hurt at something published in a newspaper, and that he issued a writ claiming damages for libel, and supposing, further, that he had not the ghost of a chance of succeeding in his action, but, for the sake of saving his face, the proprietor of the paper was willing to insdert an ample apology and consent to judgment being entered up against him for, say, one farthing damages, Sir Joseph Ward might feel very grateful to the owner of that paper for getting him out of the fix, and might be willing to show his gratitude in a variety of ways, including the payment of the newspaper proprietor's costs as well as his own.

It may have been a case of this kind that Sir Joseph Ward referred to. Who can tell?

However, coming back to that monument of folly, the Criminal Code Amendment Bill No. 2, the Government made a big effort to rush it through in one sitting as originally drawn, and actually succeeded in getting it through in one sitting as amended, the universal opinion outside the House being that the Bill as amended was far more dangerous than in its original form, so much so that there are some who think that the Bill was never intended to be passed in its original form, but was drawn to include private slander so as to cover the real motive for the Bill, which was to prevent the exposure of a public man's offences by means of the public platform.

Had the Bill been originally drawn to include public slander only, its mission would have been too glaring to escape the perspicacity of members.

A remarkable feature of the debate upon the Bill was the "stonewall" set up in Committee. It was well sustained by members of the New Liberal Party, assisted by a few waifs and strays from the Opposition Party, but the Opposition proper significantly held aloof, and so virtually approved of a measure which has been universally condemned from Auckland to the Bluff.

But the surprise came in the suddenness of the collapse of the "stonewall", just when connoisseurs outside the House were confident that it would be sustained long enough to kill the Bill.

The justification pleaded by members was the alleged "compromise", which was just what the promoters of the Bill wanted.

In accepting the compromise, the stonewallers were either very sleep-

or very stupid, for the defeat of the Government in the House on this mischievous measure would have meant their certain defeat at the General Election.

This was opportunity No.2 which the Opposition Party threw away, and yet they continue to hold forth upon the iniquities of a corrupt Government.

They waste time in heckling on small side issues and let broad issues go by default.

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Chapter XII.

The Coercion Bill.

It was imposed upon us by constraint

And will you count such forcement treachery? - J. Webster.

The Directors of the Colonial Bank have pleaded that the Agreement between their Bank and the Bank of New Zealand, which was ratified by the Banking Act of 1895 was the best bargain they could drive at the time, and have argued that a sale of their business upon the terms of that Agreement was preferable to the alternative of writing down the shareholders' capital and making a call to strengthen the position of the Bank.

This view was not taken by many of the shareholders at the time, and the outcome of the liquidation has justified the opposition of the minority to the scheme which the Directors had carried out, not so much in the interest of the shareholders as of a certain favored connection of the Bank, namely the Hon. J. G. Ward and his Association.

It is interesting to note that when the first proposal to sell the Bank was before Parliament in September 1894, it was blocked by the Banking Act of that session, which prohibited the amalgamation of the Bank of New Zealand with any other bank without the consent of Parliament.

By that time the Bank of New Zealand had become a semi-State Bank, with the Colony's guarantee of £2,000,000 at its back to prop it up, and the Government had then the whip hand of both institutions, being in a position to dictate the terms upon which it would allow any other bank to amalgamate with the State-guaranteed Bank.

Speaking at the shareholders' meeting on 26th September 1894, the Hon. Geo. McLean excelled himself in the veracity of his words. He said the Colonial Bank was "exceptionally strong" and that the Directors "courted the fullest enquiry"; that it had a reserve fund equal to 17 percent of its capital and that "no other bank could show anything near that proportion".

This, of course, was all so much claptrap, designed to deceive and throw dust in the eyes of the deluded shareholders.

But he went on to tell his dupes about the agreement that had about

a fortnight previously been laid before Parliament.

He said negotiations took place "resulting in conditions of amalgamation under which the Colonial Bank shareholders were to be freed from further liability and receive £400,000 fully paid up shares in the Bank of New Zealand, the Colonial Bank assets and liabilities to be taken over by the Bank of New Zealand. The Government having sought to impose additional conditions which were deemed objectionable by the Directors of the Colonial Bank the Directors at once put an end to the negotiations."

This was an acceptable proposal. It would have given the Colonial Bank shareholders fully paid up shares in the Bank of New Zealand pound for pound with their holding in the Colonial Bank of New Zealand, instead of the five shillings and sixpence in the £ which they have received under the agreement for sale a year later, and they would have had the security of the State's guarantee.

The Hon. Geo. McLean has told us what caused the scheme to fall through. It was the "additional conditions" which the Government "sought to impose", and which "were deemed objectionable".

It would be interesting to know what these objectionable conditions really were. The reader should note that they were sought to be imposed by the Government, not by the Bank of New Zealand!

Can there be a doubt as to their nature, taking what followed into consideration?

The reader knows that a year later the salvation of Mr. Ward was brought about by the writing off under the Banking Act of £55,150, the effect of which was to avert the consequences of the ex-Managing Director having used the funds of the Association for his own private purposes.

What did His Honor Mr. Justice Williams say on this point? Here is an extract from his judgment of June 1896:- "His (Mr. Ward's) private account with the Association was in debit £55,150, showing that he freely used the credit of the Association for his own private ventures."

Now the Official Liquidator has placed it on record in the Supreme Court that Mr. Ward's use of his Association's funds was "in the face of" an agreement entered into when he floated himself into a joint-stock company,

that he would not use its funds for the purpose of his Ocean Beach Freezing Works.

There has been no attempt by Mr. Ward to refute the serious charge of misapplying monies implied in these words of the Judge and Liquidator; and one can thus well comprehend how dangerous was the situation in which the ex-Managing Director of the Ward Association had placed himself.

Had the Banking Act 1895 not been passed, or had it not included the special clause releasing the Association from £55,150 of its debt to the Colonial Bank, Mr. Ward in turn and as an essential part and condition of the arrangement being released from his debt to his Association, the shareholders of that Association might have, and no doubt would have, taken summary proceedings against him which might have cost him his liberty.

There was, at any rate, the risk looming large on the horizon, and it had to be avoided at all hazards, even at the cost of the honor of Parliament.

The fact that a loss which would have fallen on the shoulders of the shareholders of the Ward Association was transferred to the shoulders of the Colonial Bank shareholders was a detail compared to the salvation of the hero of the hour.

It was known that the Bank of New Zealand would, or might, refuse to take over the Ward Association's account, and that the Association would in all probability go into liquidation when the truth would be known and the trouble would commence.

It was not considered safe, so far as the amount of Mr. Ward's debt to his Association was concerned, to count upon the Court's sanction to the writing off, so, the time being ripe, and the Colonial Bank directors on their knees, it was done by the lawful and effective means of an Act of Parliament.

That those who engineered this infamous arrangement through Parliament displayed the wisdom of the serpent is proved by the Court's refusal to sanction either of the two compromises of the Ward indebtedness which were subsequently before it.

The effect of clause 18 of the Bank Agreement was to make an unlawful act lawful, for there was no more justification for converting a loss of the Ward Association into a loss of the Bank, than there would be for compelling Mr. A by Act of Parliament to pay Mr. B's butcher's bill.

The whole transaction was unconstitutional and iniquitous, and is proof positive that Mr. Ward was in a tight place, otherwise such a blot would never have fallen upon the Colony's statute book.

The clause which saved Mr. Ward was the following:-

" With respect to the accounts appearing in the said "C" list the selling bank shall indemnify and protect the purchasing bank against any loss or deficiency on the realization of such accounts respectively, provided that the purchasing bank shall, immediately on this contract taking effect, write off the amounts standing in the right-hand column of the "C" list, and credit the respective accounts in such list with the amounts so written off....."

It is singular that no notice was taken of this clause in the House. There is nothing very ambiguous in the wording of it either. All that is missing is the name of the party who was being specially legislated for. The astute minds of some of the members of the Opposition Party should surely have been equal to the occasion.

But the vision of these gentlemen was not clear enough to enable them to see a hole through a ladder, or was it an illustration of the proverb-"None are so blind as those who want to be"? Before concluding this chapter, the reader should be in possession of some sworn testimony of Mr. Vigers- one of the deposed liquidators- when before Mr. Justice Williams.

Referring to the promissory note given by Mr. Ward for the £55,150 written off, the Judge asked: "What is the point of writing off the amount of this particular bill?", and Mr. Vigers answered: "My own impression is that that was the amount the account (Ward Association's) was supposed to be short. All the rest was supposed to be good".

Mr. Vigers appears to have suggested by this that the writing off of £55,150 had no connection with the fact that it was the exact amount of Mr. Ward's private debt to his Association, and left it to be inferred by the Court and others that it was a mere coincidence that the amounts agreed to a pound.

"All the rest (of the Association's debt), said Mr. Vigers, "was supposed to be good".

This testimony was given only about eight months after the Bank Agreement was executed, yet, as one of the liquidators, he was then asking the Court to sanction the writing off of nearly \$50,000 more!

Is it reasonable to expect the thoughtful to believe that Mr. Vigers was totally ignorant of the fact that the amount written off was the exact amount of Mr. Ward's debt to his Association, and that at that time it was known that a very much larger sum would be required to clean up the Association's account with the Bank?

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Chapter XIII.

The Anomalies of the Law.

 If a man would register all his opinions
 upon love, politics, religion and learning
 what a bundle of inconsistencies and
 contradictions would appear at last!- Swift.

Having been honored at his first public meeting by a perfect bevy of fully-fledged and half-fledged solicitors and their shorthand reporters, the writer of this work thought it advisable to be himself armed with a reliable report of his utterances, in case any of the reporters were a little hard of hearing and made a mistake or two.

Accordingly, he made various efforts to secure the services of some independent and competent reporter. But this was no easy matter, and he was at length compelled to fall back upon Mr. E. J. Le Grove, who has had an office in Wellington for many years, upon the window of which is inscribed "professional shorthand writer", thus indicating that the man inside was open to engagement by the public upon his usual terms.

Mr. E. J. Le Grove is considered to be the most competent and reliable professional reporter in the city, and as the writer at times speaks at what is considered a fairly rapid rate, it was important to him to have a quite capable reporter.

Conscious, however, of the fact that Mr. Le Grove derived a large portion of his business- both as a shorthand writer and vendor of typing machines from the Government, and knowing the way the Government has- not only of distributing its favors amongst the faithful but of also taking them away from the faithless, the writer of this work had qualms about the fairness of engaging that gentleman.

There was, however, no alternative open to him. Relying, therefore, upon his favorable experience of Mr. Le Grove on a previous occasion when he reported a very strong speech for a certain aspirant for parliamentary honors, the writer engaged him to make a verbatim report of the speech to be delivered in the Town Hall, Wellington, on 27th September 1905 and to supply the writer with a typewritten transcript of the report.

The fee was fixed at five guineas for an estimated speech of two hours which time was not exceeded.

The writer had previously delivered two addresses on the same subject and both of the Wellington newspapers had refrained from publishing the matter contained in those speeches, alleging that the present state of the libel law prevented their doing so. This hackneyed phrase is one to which Wellington newspaper readers have long since become accustomed, and it is not now accepted as evidence by any means that the matter refused publication is really libellous.

However, the Wellington dailies did report in a general way, and indicated very clearly and unmistakably that the writer's remarks were of a very strong character and that specific charges of uttering false balance-sheets, etc, had been brought against certain individuals whose names were not mentioned.

It was thus common knowledge that the address which was to be delivered on 27th September would in all probability be at least as strong as the previous addresses, and Mr. Le Grove must have been remarkably unobservant if he had not the same knowledge respecting their tenor and strength.

But his son, Mr. H. S. Le Grove- to whom the Government is also much indebted for valuable services rendered, and who as agent for his father actually made the verbatim report- afterwards maintained in Court that he had no idea, when the contract was entered into to supply a transcript, that the speech was likely to be of a character which he subsequently assumed to be libellous.

The verbatim report was, however, in due course taken, and Mr. Le Grove Junior and the writer left the Town Hall together homeward bound.

Mr. T. Taylor, M. H. R., had acted as impromptu chairman at the meeting and had asked the reporter to supply him with a copy of the speech, possibly intending to bring the matter before the House in the interest of the Colonial Bank shareholders.

Alluding to this request, young Mr. Le Grove asked whether he might supply the copy for which Mr. Taylor had asked. He admitted in Court that he did so because he wanted to make a bit out of the celebrated Prohibitionist. The writer said "No"; if any copy was supplied at all, it would be supplied by the writer.

The transcript was to have been delivered to the writer in two days' time, but after several delays, which were always excused by alleged pressure of business, Mr. Le Grove positively declined to fulfil his contract in terms of the following letter:-

3rd October 1905.- " On a perusal of my notes of your address on the Colonial Bank proceedings, I find that there is so much that is defamatory concerning several men in important places, including Mr. Justice Williams, of whose Court I am an officer, that I deemed it prudent to take legal advice as to the position I would be placed in if I typed my shorthand notes and handed the transcript to you. I am advised that, while you are not to be made criminally liable for slander since no criminal action lies against a man for spoken defamation, I should be liable under the Criminal Law for having written the defamatory statements referred to, and having handed them to you for publication. I am advised that it would be imprudent for me to place myself in such a position. I have no purpose to serve in this matter save that of following my ordinary calling, and I decline to be exposed to the risk of the proceedings which, I am advised, may be taken against me. For these reasons I must respectfully decline to type the notes I have of your address."

Upon receipt of this letter the writer commenced an action to recover damages for breach of contract.

The case was heard and the defendant, whilst admitting the contract, claimed that he was justified in refusing to deliver what he alleged to be defamatory matter to the plaintiff because the defendant became aware, after entering into the contract, that it was to be circulated amongst the shareholders of the Bank, and that, were he to carry out the contract, he would be assisting the plaintiff to commit a civil wrong on persons " high in office".

The only witness for the defence was young Mr. Le Grove, who made the shorthand report, and he put in as evidence a transcription of certain alleged extracts from that report.

Those extracts are set out here in full, in order that the reader may form his own opinion as to the merits of the case. The fact that they were mere extracts, the context being carefully omitted (which was objected to at the trial) should be noted.

But, although inaccurate in places, the extracts are on the whole

correct, as far as they go, and the writer repeats and confirms here in writing every word that he then spoke. He is prepared to prove and to justify every charge which he made at the meeting of 27th September 1905 or at any other meeting.

Where the report is inaccurate, the writer has commented within brackets:-

" We moved the Court for an order to seize (should read "see") those very books that are going to be burnt on the 1st Novr. and we were told then that our order was refused on the ground that the permanent liquidators were appointed. They were appointed by the same judge who refused our order and they were specially charged with the duty of making a searching investigation into the past management of the Bank with a view to discovering whether ^{there} had been misfeasance or breach of trust on the part of the Directors or officers of the bank, and they were also specially charged by that same Judge with the duty of commencing such proceedings either criminal or civil as they may be advised, and yet that same Judge said they had done their duty and we had no cause of complaint. (The words "and yet that same Judge" down to the word " complaint" were never used by the writer, nor words to that effect. Moreover the Judge has never made use of such words, so far as the writer is aware). We say they have not done their duty and we shareholders have not had the protection of the Court we ought to have got. The Act says that the Court may of its own motion do certain things and what we say is- that the Court should of its own motion have seen that certain things were done. That is quite palpable, the misfeasance and breach of trust that the Directors of this bank have been guilty of. It can be proved by the whold of their official documents and by the utterances of the President of the bank..... The provisional liquidators were given a distinct advantage from the start, and it is interesting to read what the Judge said on this very point, and yet notwithstanding his remarks the Judge appointed these provisional liquidators.....(This refers to the provisional liquidators having access to the share register

for the purpose of canvassing shareholders for proxies and refusing similar access to the shareholders who were supporting the claims of other candidates). The liquidation was taken out of the hands of our own liquidators by the Act of 1901 and placed in the hands of an official who was an officer of the Court and at the same time a servant of the Government.....

This I think shows how harmful must be the effect of this Act if you consider that (should read " the case of") a company which is in liquidation in which a Minister of the Crown is heavily involved, it is impossible to say that that official of the Court being also a servant of the Government, is completely free to do his duty..... When the Official Assignee asked the Court's sanction to distribute this £11,000 as a final dividend, I maintain that the Court should in consequence of its previous serious charge to the liquidators have made enquiries, but the Court did not do so, and it granted the order..... We maintain that was a disqualification, and the whole thing should have been gone over again, but yet the Court appointed these men (This refers also to the provisional liquidators' refusal to give the shareholders access to the share register)..... There is no room for doubt that there was misfeasance and breach of trust on the part of the Directors and officers of that Bank(the Colonial Bank)..... The shareholders whom I represent are unable to bear the cost of any proceedings against these delinquent Directors..... I say that a grave charge lies against the Official Assignee as an officer of the Court and servant of the Crown, for palpable neglect of duty, and also against Mr. Vigers who was one of the liquidators and an Inspector of the Bank..... With a view to paving the way for the imposition of objectionable conditions (these were the objectionable conditions" referred to by the Hon. Geo. McLean), I say certain appointments were made to the Bank of New Zealand. Mr. Watson, who was previously Inspector of the Colonial Bank, was appointed on 12th October 1894- about the time of this legislation I am speaking of- President of the Bank of New Zealand. He was appointed by the Ministry, and not by the Directors, and he exercised his veto (given to him by the Government) in a way which rendered him liable to the charge of being personally interested in the acts which he did.....

(The transactions referred to were the purchase by the Bank of New Zealand

of £20,000 debentures of the Ward Association, also a draft for £5,000 drawn by the Association on Brooks & Co., London, which was supposed to have oats to cover it, but the oats were of the "phantom" brand already mentioned in this work)..... The whole thing was a deliberate fraud (this refers to the writing off of the £55,150 by the Banking Act, to save Mr.Ward) concocted and contrived and carried out for the express purpose of preventing a prosecution for misappropriating their funds, and further, sums were actually written off to such an extent that some shareholders were actually moving for a prosecution and the affidavits were actually filed but were withdrawn by threats of damages if they dared to proceed with this prosecution..... (This refers to the McCaughan incident- alias the "Mysterious Man from Melbourne" with which the reader is familiar)..... These things can only be compared, and they are identical, with the transactions of Whitaker Wright at Home, the principle is the same (although the amounts are different), but Whitaker Wright got seven years (this refers to the figure manipulations and bogus cheque and draft transactions between the Association, the Colonial Bank and Mr.Ward, which had all been particularised by the speaker -Mr.Le Grove omitted to note that the speaker added " I do not say Mr.Ward ought to have got seven years, but I do say that he ought to have undergone his trial").....Now I am going to close up by formally charging, as I previously did, the Directors who put their signatures to this balance-sheet (to 31st August 1895) of the Colonial Bank, and particularly the Hon.Geo. McLean, after (should read "with") having made (should read "issued") a balance-sheet which he and others knew to be false. I am fully alive to (my responsibility for) the statements I make on a public platform. There is proof that the Directors knew the balance-sheet was false before they submitted it to the shareholders; they did an act which brings them within the statutes of the colony, and I think something should be done to compel them to disgorge some of the funds which they distributed year after year out of capital. I can (should read " could") read you statements made by the Hon.Geo.McLean which would prove to you how utterly false these balance-sheets of the Colonial Bank were"...

It will be seen that read as they were by the Court, the above extracts were misleading. The Magistrate, however, took upon himself the responsibility of saying " in my opinion these extracts contain a large amount of libellous

matter".

Surely, in the absence of any evidence supporting the theory that the statements in the extracts were not true, the Court was not justified in finding them to be libellous.

If statements concerning any man- no matter whether "high in office" or otherwise- are true in substance and in fact, and are made in the public interest and without malice, they are justifiable and there is no libel.

The writer is prepared to prove the accuracy of any charge that he made at either of his meetings, and as they are all set out in this work in writing, there can be no difficulty in bringing him to book if any person who may consider that his "honor and fame" have been sullied chooses to cross swords with him.

The Magistrate having found the words contained in the extracts libellous, the persons libelled or defamed have every encouragement to proceed.

Every word, excepting the errors pointed out within brackets, is repeated here in writing, and the writer invites any person to make the attempt to prove that what he has spoken or written is untrue and unjustifiable.

The Magistrate, in upholding the defendant's refusal to carry out the contract " on the ground that the plaintiff was going to make an unlawful use of the report" has taken upon himself a greater function than is allowed to a Supreme Court Judge, namely of deciding what is usually left to a Jury, and the effect of the Magistrate's decision is to practically grant an injunction restraining the plaintiff from publishing a writing or print of a speech on the ground that in his opinion it contains libellous matter.

Now a Supreme Court Judge has not the power to grant an injunction restraining the publication of any actually libellous writing or print unless a Jury has first found the matter contained in the publication to be libellous, and before a Jury can find any such verdict, they must hear the evidence for and against.

Yet the Magistrate has found mere extracts from a speech libellous without ascertaining the context and without taking evidence of any kind either to support the defendant's allegation that the statements were unjustifiable, or to support the plaintiff's claim that they were to be justified.

This decision is of importance and would have been appealed against had not the opinion of an eminent counsel, Mr. Martin Chapman, been too adverse.

As the point is interesting, the opinion is set out in full:-

" I very much doubt if Mr. Braund would succeed on appeal. I assume the transcription of the shorthand notes would be defamatory of some one. If Mr. Le Grove were to transcribe them and deliver the transcript to any person but the one (if only one) defamed that would be a publication by Mr. Le Grove. The only possible ground of contention I can see against this being a publication by Mr. Le Grove would be the fact that Mr. Le Grove is employed by Mr. Braund and the delivery to Mr. Braund would be the delivery to his employer. I do not think this would be a good ground: See Odger on Slander p.160. If Mr. Le Grove were to hand the transcript to Mr. Braund he would therefore be publishing a libel- doing an illegal thing- if so I think the agreement to do so cannot be enforced. There is a further ground Mr. Braund desired to have the transcript for the purpose of showing others- in other words for the purpose of publishing defamatory writings. This is an illegal purpose, and a contract for an illegal purpose can be repudiated by either party. I am therefore not able to say that I think Mr. Braund has a reasonable chance of success on appeal.

Wellington. October 31st 1905."

Thus, according to the authorities, it would seem that a clerk is not justified in handing to his employer the transcript of a letter or of any other matter which has been dictated to him by his employer if it contains anything defamatory or libellous and if it is to go out of the office to a person other than the person defamed or libelled.

Further if the employer dismisses the clerk for refusing to do the work required of him, the employer would presumably lay himself open to an action for wrongful dismissal because he was requiring his clerk to do " an illegal thing", namely, to " publish a libel" by handing back to him in writing the words which he had just spoken to his clerk.

Again, if the clerk does hand the transcript to his employer, he may be prosecuted for criminal libel.

Truly the law has its anomalies!

Now let us consider what bearing this Magisterial decision has upon the Criminal Code No.2 Act which has just been passed.

The Act says that before making any order in respect of any offence of criminal defamation, "the Judge or Magistrate making such order shall be satisfied that there is reasonable ground for a prosecution".

What kind of evidence would a Judge or Magistrate require in order to satisfy himself that there was "reasonable ground for a prosecution"?

The evidence would necessarily be that of a person or persons present at the meeting at which the alleged defamatory words were spoken.

Before application can be made for an order to prosecute, notice must be served upon the person to be prosecuted in order that he may have an opportunity of being heard.

Supposing the person alleged to have been defamed is a politician and that two persons are prepared to be suborned to give false testimony in order to gratify the desires of their political patron ; and supposing that in order to get their patron's critic out of the way, they agree to read into their shorthand notes words distinctly libellous that the speaker never uttered

Application is then made to the Magistrate's Court for a prosecution order, and the two witnesses produce their transcripts which agree in every detail as to the alleged slanderous words.

The accused is heard in his defence and swears that he never uttered those words. Possibly he is able to bring some other person or persons to swear that they did not hear the words complained of spoken, although it is not unlikely that nobody would be willing in certain cases to be found as a witness for the accused against the prosecutor.

But, be this as it may, of what value would evidence of this kind be when placed in the scale with two shorthand reports made by seemingly reputable persons? Would the Magistrate not accept the evidence of the latter? Of course he would.

Supposing, however, that the witnesses for the accused were also able

to produce shorthand reports of the speech and that their reports showed that the words complained of were not spoken, the position would be very different and the Magistrate would be bound to dismiss the application, on the ground of conflict of testimony, unless, of course, he chose to believe the shorthand reports for the prosecution and disbelieve those for the defence.

But unfortunately the law laid down by the Wellington Magistrate's Court in the case just referred to precludes an accused person from obtaining any such evidence for his protection, and whilst any number of shorthand reporters may swarm into a meeting with the set purpose of misrepresenting the speaker to their patrons, the speaker is debarred by law from arming himself against the machinations of those whom he is exposing.

The reader may say that it would be impossible to procure persons of any repute at all to bear false witness in a case of the kind, but the writer is of a contrary opinion and believes that there are plenty of persons in Wellington who would be willing for a consideration to conspire to remove by incarceration a man who was proving a source of danger to anyone sufficiently "high in office".

The proof of this sign of the times is to be found in Hansard (No.33 1906-p.875). Sir Joseph Ward, referring to the writer's meeting in the Town Hall, Wellington, said:- " Then members of my family were introduced into this speech by this man at his meeting.....".

Mr. Taylor:- " No reference to them whatever".

Sir Joseph Ward:- " I have a record of it here and what I say is true"

Sir Joseph had previously said:- " Would any member of this House believe that in connection with this very meeting which the member for Christchurch city presided over I had taken verbatim every word uttered....."

Surely nothing could be clearer than this- that Sir Joseph Ward had a verbatim report of the writer's speech (the writer would much like to know who supplied the report) in which it appeared " members of his family" were attacked.

Now, either Sir Joseph Ward was lying when he made that statement to the House, or the reporter lied when he transcribed the words constituting the

reference to Sir Joseph Ward's family.

Whoever was the liar on that occasion, however, the reader will understand that there is real danger when a Bill of the nature of the Criminal Code No.2 can get through Parliament and unscrupulous men are in power- men who have stood at nothing in the past in order to save themselves from exposure and ruin and who will stand at nothing.

In face of Sir Joseph Ward's admission that false testimony is possible- and his statement in the House can only be construed as an admission to that effect- and in view of the machinery of the present Criminal Code, a man would not be brave but foolish to go upon the public platform and give his sworn enemies the chance for which they have battled so determinedly and long, of putting into his mouth words which he never spoke and so securing his imprisonment.

The proper course for a man in such a position is to do what the writer is doing, namely, recording upon paper that which cannot be added to or altered, and which he is prepared to stand by and to justify.

But why did not the House insert a clause in the Criminal Code No.2 Bill rendering it a privileged act for a reporter to hand a transcript of a speaker's speech to the speaker? The decision of the Magistrate's Court in the writer's case had been given and was a matter of general comment before the Bill was through the Committee stage.

Is it not a remarkable thing that whilst every member either directly or indirectly seemed anxious that something should be done to protect the man exposed from the public platform, not a single member appears to have thought of protecting the man who exposes him!

Referring to the writer's action in the matter of the Colonial Bank, Sir Joseph Ward said in the House:-" I do not blame the creature who has maligned me for making his living by such means- he has a right to make it in that way if he thinks proper...."

This species of gutter language is quite up to the worthy knight's very best style. The writer dismisses it, however, with the remark that he is prouder of practically having given his time to an effort to expose the tragedy in which Sir Joseph Ward has taken a leading part, than he would be of achieving

wealth after being responsible for the loss of over £100,000 of the savings of the Colonial Bank shareholders and refusing in his hour of triumph over justice to contribute one penny piece by way of refund to the widow and the orphan!

Further, the writer would rather rest under the accusation of Sir Joseph Ward than under the condemnation of His Honor Mr. Justice Williams!

Before closing this work the writer desires to record that the report that all the English creditors of Sir Joseph Ward and his Association had been paid twenty shillings in the pound, which was freely circulated two or three years ago and has been hammered into the public ear persistently ever since, was denied by one of the largest English creditors- Mr. Brooks of Brooks & Co.-in conversation with the writer when he came out here some time ago, after the report was in circulation.

The same gentleman laughed at the idea that the English creditors had presented Sir Joseph with a carriage and pair as a mark of their appreciation of his honorable treatment of their claims.

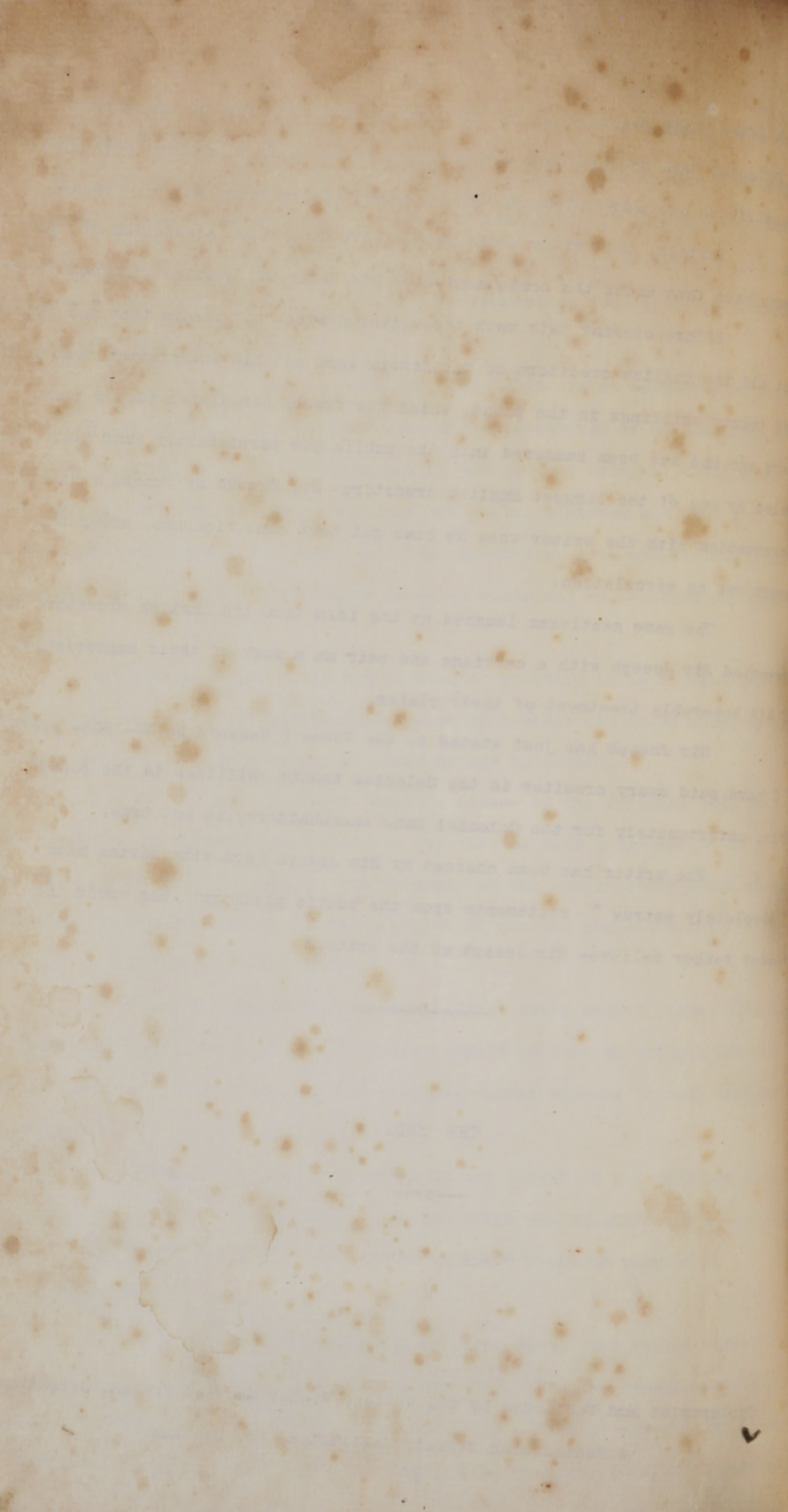
Sir Joseph has just stated in the House (Hansard No.33-1905- p.875) "I have paid every creditor in the Colonies twenty shillings in the pound". This, unfortunately for the Colonial Bank shareholders, is not true.

The writer has been charged by Sir Joseph Ward with having made "absolutely untrue" statements upon the public platform. Who would the reader rather believe- Sir Joseph or the writer?

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THE END.

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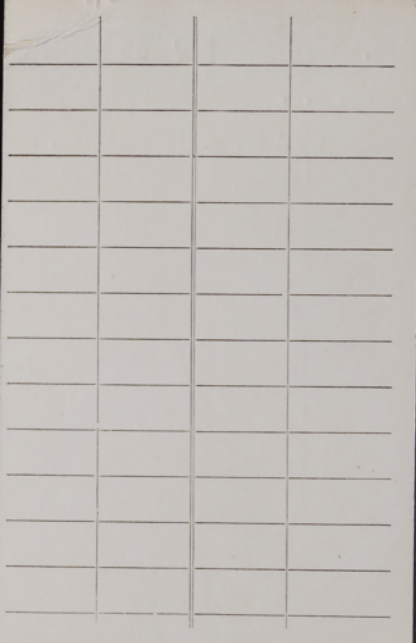
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