

various other matters in which his employers, Johnston and Co., have an interest. And I find that, notwithstanding the protest of myself and others, that the "Lawrence" was run to Mokihi-nui, and he participates in the profit of that running. I know perfectly well that in taking a position of that kind a man must be prepared to subordinate one interest to another, and he has to say whose interests he subordinates—his employer's or that of the company. I say that Johnston and Co., through Mr. Gale, have in every way endeavoured to further the interests of the customers of Johnston and Co. by his position on this board, and that any ordinary business man dealing with his firm would expect to get a share of patronage from him in return; and since Mr. Gale is in a position to exercise patronage at the expense of the company, it may fairly be said that he is here for a business consideration. The articles of association—clause 57—have been altered to suit Mr. Gale's position by removing the disqualification. Clause 8, new regulations, says, "Provided always that no director shall vacate his office by reason of his being a member of a firm contracting with or doing work for the company; but he shall not vote in respect of such contract." That is for the purpose of qualifying Mr. Gale and Mr. Blair, who are both disqualified as participating in the profits from contracts or work performed for the company, and I say that shows with perfect plainness that previous to the articles of association being passed, certainly Mr. Gale had no right to be on the board of directors, and his being so now is entirely to look after the interests of his employers. His interest in the company is only about 250 shares. And I would like to add that Mr. Gale is one of the persons who prepared this directors' circular, and he adds in the circular, "Mr. Gale in his capacity of director has been of great service to the company."

At this stage an adjournment was taken for lunch.

*Afternoon Sitting.*

Mr. O'Connor: With regard to the balance-sheet, there were some accounts I wish to see to complete my statement. [Ledge of company, pp. 54 and 59, referred to, showing Johnston and Co.'s accounts *re* "Lawrence" and "Terranora," 2½ per cent.] You have got the balance-sheet for 1890-91, and I would like to say who the auditors are. Joseph Townsend was and is an employé or servant of Johnston and Co., and a shareholder of the company, and Mr. Chapman is reputed to be a gentleman connected by business with Johnston and Co. It is understood they started him. He is also a shareholder. When we were discussing the question of the "Lawrence," there were letters to be produced from Mr. Seagar and Mr. Newbegin. I will supply the interpretation of these. Here is an agreement signed by Mr. Darling. Here is a letter dated 24th July, from Johnston and Co., with regard to the purchase of the "Lawrence," in which they entered into negotiations with Mr. Darling. I also produce Mr. Seagar's letter and telegram from Sydney showing reference to the instructions. I call particular attention to the fact that this letter shows a direct violation of the instructions, and a misrepresentation as regards the boat herself, representing her to be what she did not prove to be. And here is a letter from Mr. Newbegin contradicting a statement in a letter that Mr. Seagar employed a person in Sydney whom they were going to employ. The person whom they were going to employ was a gentleman of the name of Anderson (of Melbourne), and the other gentleman was somebody picked up in Sydney by Mr. Seagar, whose survey is estimated by everybody who understands the question. Mr. Newbegin informed the directors that he had never examined the boat and knew nothing about it. That is to show whether the boat was bought according to my instructions. The whole proposal originally arose in Johnston's office. I had seen the boat twelve months previously in Sydney, and had admired her plan very much, but was afraid of her for two reasons—namely, that she had been used as a hulk and leaked. I mentioned that to the directors. Still, I am bound to acknowledge that she is a good form of boat if sufficiently strong. But she was structurally weak, and failed to supply the conditions of the instructions. The next matter is in reference to Messrs. Johnston and Co.'s commission charges. I ask for all the commission charges from the first as well as those of this year. I have produced the charges for Messrs. Johnston and Co. for 1889 and for this year, showing what the charges have been. But my veracity has been attacked, and I attack the veracity of the directors. The item I want is what Johnston and Co. have received in the way of commission. My object in bringing these matters straight before the gentlemen of this inquiry is that, apart from the question of veracity at stake as between myself and the gentlemen on the other side, there is also involved the question of fair dealing as between Johnston and Co. and this company, and a question in regard to the management. If of course Johnston and Co. have been allowed to make exorbitant charges, that is a question of management and a question of fair dealing both. I want to show these things. [Accounts produced showing that in 1889 the charge was 1 per cent.; since 2½ per cent.] There is a resolution carried at a meeting of directors at which Mr. Allen was chairman, on the 8th October, 1889, to this effect: "*Resolved*, That Messrs. Roskrige and Rogerson, not being able to attend, be asked to resign and recommend successors." [See minute-book.] I put that in because I was accused of misstatement when I said Mr. Roskrige was in England, and did not attend meetings. I produce that to show that other people were of that opinion as well as myself. I may read another resolution. On the 12th November there is a record of Mr. Rogerson's resignation being accepted, and a resolution being put by Mr. Joseph, and seconded by Mr. Seagar, that the Board are of opinion that it would be greatly to the advantage of the company for Mr. Roskrige to be allowed to remain on the board. We left off (at the adjournment) with Mr. Gale, and I may say I was parting with some reluctance with Mr. Gale. There was an aspect of the case which I desire to put before you. I have stated in the course of the inquiry that, in accordance with the agreement, Johnston and Co. have now no further claim against the company under agreement, the term of three years having terminated. I want to know in that case, and supposing the company's directors wished to be released from bondage in the matter—because it has been a bondage—and