

salary as managing director. For two years he was not legally appointed managing director; he was appointed chairman of directors, but not managing director. But he still remained in the position and drew the salary and expenses. That brings us to the annual meeting of shareholders held on the 6th February, 1889, and that I may say closes the transactions of the company in Westport with the manufacturing of six shareholders, I presume to influence the conduct of business in such a manner as to suit Mr. O'Connor's purposes. In looking through that analysis and the accounts to which I have drawn your attention, it will be as well for me to refer to what you cannot fail to notice—the amount of expenditure which, directly or indirectly, passed through the hands of what I have termed Mr. O'Connor's associates in business. In the sawmill company he is a partner, and he does not deny it himself. Looking through the whole of the transactions we can arrive at no other conclusion than that Mr. Colvin was on the directory in Mr. O'Connor's interest. If you look at the register you will see many transfers recorded. Corby gets into trouble and transfers to Colvin, and ultimately these shares come to O'Connor. It is difficult to prove a partnership, but there is no doubt that Mr. O'Connor benefited very materially by having the affairs of the company's business in his hands so as to assist his associates in business. Mr. Straw states that Mr. Dolphin told him that he and Mr. O'Connor were partners in the store at Mokihinui. Mr. Dolphin left with the colonial experience, and Mr. O'Connor remained with the cash. As a further illustration of the manner in which the management of the company was conducted at Westport, I will take a few pages of the share-register. We find that he (Mr. O'Connor) has five pages. Take page 2 of the first share-register. There are a number of entries in lead-pencil—very convenient to erase. The next page of Mr. O'Connor is 60, and half of one page consists of pencil entries. Then we come to 61. With the exception of three lines the whole of one page consists of pencil entries, in two places with gaps between the lines with evidences of erasure. The next page is 70, from which we go to 90, which shows the transaction of the single shares making shareholders for the annual meeting. I would ask your attention to page 43: James Colvin, butcher, Westport; pencil entries partly erased. From 43 we go to 105; and now we trace the transactions from Corby to Colvin, and Colvin to O'Connor. Page 69 are Dolphin's transactions. The folios I have referred to are those of the register when it was first brought to Wellington. After a close examination the directors came to the conclusion that the register would have to be written up afresh, and that the scrip certificates would have to be called in and examined; and although in some instances the certificates would say 100 when it would really bear 101, we managed with the new register to get the names fairly close. We issued new certificates with the exception of those to Mr. O'Connor. With respect to him the directors refused to sign a certificate, and although he blustered for some months and threatened to have recourse to the Supreme Court, he had to adopt the remedy I suggested to him: that he would have to sign the certificates himself, as we would not take any responsibility in the matter.

Mr. Miles: Was he a director at the time the fresh certificates were issued?

Mr. Macarthy: I do not think he was a director. We did not question his right to these shares, but refused to accept the responsibility of signing a new certificate for them. I have afforded some illustrations of the manner in which the business of the company was conducted at Westport, but must also call attention to the prospectus, and what has engaged the time of the directors since the management was brought here. I will call Mr. Straw.

MICHAEL STRAW examined.

Mr. Macdonald: You are mine-manager of the Mokihinui Coal Company?—Yes.

You are stationed at Mokihinui?—Yes.

You are now in Wellington with a view to give evidence before this inquiry?—Yes.

At the request of the directors?—Yes.

This is a written statement furnished by you, to whom?—Mr. Macarthy.

It is a statement respecting your knowledge of the past management of the company?—Yes; I put in the following statement as to Mr. O'Connor's past management:—

"I was engaged as manager on the 9th April, 1888, by Mr. O'Connor. I am sorry to say I found out after entering on my duties that I was simply engaged to comply with the Coal-mines Act. To my surprise I found that Mr. O'Connor was the manager, managing director, engineer, and cashier, and everything else—in fact, he was boss of the whole show—speaking in my own language.

"On my arrival at Mokihinui I found the railway formation and bridges nearly completed. The rails were being put down, and had got up to Page's Creek, or near Grant's paddock. My first duty was to take off the top stringers from the Chasm Creek Bridge. It had been put in at least 10 in. above its proper level. After reducing the height of the bridge to its proper level, I had to lower the cutting between the Chasm Creek Bridge and Page's Creek from 9 in. to 1 ft.: this was in solid rock.

"*Big Mine.*—Mr. O'Connor commenced to work this mine by stripping off the coal cover, which varied from 20 ft. to 30 ft. in thickness. A contract was let to Mr. T. Corby to take out a chain in length, and 40 ft. in width, for a sum of about £400. This contract was commenced, and was to have the coal ready for the 'Lawrence.' After working at it a number of weeks, Mr. O'Connor found out his mistake: that this system of coal-cutting would not answer, as he failed to have the coal ready for the 'Lawrence' from this open-face workings. He then consulted with me as to what steps could be taken to get the coals for the steamer. I told him I could get it from the inside, which he instructed me to do. He then proposed to stop the stripping contract, as it was a failure. I found it was necessary to have it finished, as it could not be left in that state owing to the dangerous condition of the entrance of the mine. I at once set to work and made what is known as the 'big drive.' I got over 800 tons of coal out of this to supply the steamer. I made this drive 20 ft. wide, and about 20 ft. high, and worked the railway-trucks inside to fill out the coal. This drive I after-