

APPENDIX.

A.—RECAPITULATION by Mr. Thomas G. Macarthy, on behalf of the Board of Directors, of his Statement in Reply to Mr. O'Connor's Charges.

I SUBMIT that Mr. O'Connor has altogether failed to substantiate the very grave charges he has made against the directors of wilful falsification of the balance-sheet for the year 1890, and that the correctness of the said balance-sheet is confirmed by the company's books of account, to which I have confidence in directing the attention of the committee of inquiry.

That the commissions paid to the company's agents (for Wellington, Foxton, and Wanganui) were in terms of the agreement made by Mr. O'Connor—contract sales being 1 per cent., ordinary sales $2\frac{1}{2}$ per cent.; and that contract and ordinary sales were made by Messrs. Johnston and Co., at places outside the scope of the agreement, upon which Messrs. Johnston and Co. might have charged 5 per cent. commission; but, notwithstanding Mr. O'Connor's carelessness in not including Napier, Lyttelton, Oamaru, Timaru, &c., in the agreement, Messrs. Johnston and Co. have only charged commission for these ports in terms of agreement. That a commission of not less than £250 a year was guaranteed for two years, which guaranteed amount has not been reached.

That the steamer "Lawrence" was purchased at the suggestion and with the entire concurrence of Mr. O'Connor. He first informed the directors of the "Lawrence" being for sale. He was chairman of the meeting of directors, 9th July, 1889, when it was resolved to cable to the owners of the "Lawrence" asking them to place her under offer for £6,000. He was chairman of the meeting of directors, 1st August, 1889, when Mr. Seagar was appointed agent to purchase the "Lawrence" for £5,500. He was chairman of the meeting of directors, 2nd August, 1889, when Messrs. Newbegin and McGee were authorised to appoint a surveyor. He was chairman of the meeting of directors, 9th August, 1889, when he was authorised to arrange with the bank for its Sydney agents to pay for purchase-money of "Lawrence," £5,500. He was chairman of the meeting, 13th August, 1889, when the whole of the preceding resolutions were confirmed; and at that meeting the action of the chairman in giving Mr. Seagar a letter of credit for £200 was confirmed. He was chairman of the meeting of directors held on the 11th September, 1889, when the secretary was directed to record on the minutes the purchase of the "Lawrence" for £5,500. It was further resolved at that meeting that the thanks of the directors be given to Mr. Seagar for the energetic and judicious manner displayed with regard to the purchase of the "Lawrence" in Sydney.

The above are records of six directors' meetings at which Mr. O'Connor was chairman, at none of which did he record his dissent, although on other subjects he has several times recorded his dissent when he disagreed with directors.

Mr. O'Connor's statement that his instructions to Mr. Charles Seagar regarding purchase of "Lawrence" were signed by Mr. F. Allen and myself is disproved by the production of the original, which bears Mr. O'Connor's signature only.

Mr. O'Connor's statement that the "Lawrence" was run at a loss is untrue. By resolution of the directors dated the 26th November, 1890, the f.o.b. price of coal at Mokihinui was fixed at 12s. 6d. per ton, less a discount up to 25 per cent., or equal to 9s. 4½d. The mine was credited with 10s. per ton, and the difference between that amount and the price the coal sold for was the steamer's profit.

Mr. O'Connor's statement that the wreck of the "Lawrence" could have been repaired and made to be worth £10,000 for an outlay of £2,000 to £2,500 is not confirmed by Mr. Edward Seagar, an experienced shipbuilder.

Mr. O'Connor's statement in his circular dated the 4th August, 1892, "that the wreck of the 'Lawrence' was never made the subject of official inquiry" is untrue.

Mr. O'Connor's insinuation that Mr. Blair has received fees, or that he used his position as a director to secure the company's printing business, is untrue. Mr. O'Connor opened the account with Messrs. Lyon and Blair, and some time after he had done so he proposed Mr. Blair as a director.

Mr. O'Connor's statement that the articles of association have been altered against the wish of the Westport shareholders is untrue. He himself, the largest Westport shareholder, assisted to prepare the alterations. [See suggested alterations in his own handwriting.]

Mr. O'Connor's statement that he was chosen annually as managing director is not supported by the minutes.

Mr. O'Connor's statement that £105 directors' fees was divided among those present is untrue. This amount has not yet been divided.

Mr. O'Connor's statement that the directors' circular dated 27th June contains "cunningly garbled quotations from the minute-book" is untrue. Although the directors' circular dated 27th June may not give all the actual words of the minutes as they appear in the minute-book, they are correct extracts therefrom, and have been in no way distorted. The words "subject to instructions" were not used in the directors' circular when quoting the minutes regarding purchase of "Lawrence," because no sane man would suppose that any one would have been sent away to purchase a steamer or anything else without instructions.

Mr. O'Connor contends that the mine should have received the profit credited to steamers. At the annual meeting held on the 9th March, 1891, the following resolution was carried: "That a sum of £2,500 now standing to credit of profit and loss account in the books of the company be transferred to the credit of railway equipment, &c., with a view to writing down mine and plant account." Note.—This resolution practically transfers the profit made by steamers to mine account.

Prospectus issued to Shareholders.—I now submit, when shareholders were induced to subscribe to the enlargement of the capital of the Mokihinui Coal Company, in January, 1889, by