

has been on the line running twenty miles an hour. A month ago the chairman, secretary, and I think about one hundred people were brought up the line by our little locomotive and railway trucks without any springs in them, and Mr. Peterkin and others expressed themselves very much pleased with it. And that line had stood for about five years, without what you might call necessary repairs. I state that to show that the line now, if cleared of slips, could be made fit for a small amount to bring down coal. I say it is an atrocious thing that such a motion has been passed. There is nothing to prevent that railway being utilised within a week of this time except the slips that have taken place lately. They were not contemplated by me when I wrote this circular. They have taken place since. The next paragraph states that the articles of association have to be altered in consequence of blunders and omissions. I say that, as far as the articles of association are concerned, the alterations made are for the purpose of taking the whole of the authority out of the shareholders' hands and giving it to the directors—giving them a right to borrow, giving them a right to deal with the property of the company as they choose, and giving them authority to appoint any number of their own body they choose under a salary to be fixed by themselves as managing directors. [See clauses 9 to 11.] I say that is one of the most infamous proposals ever submitted to an unfortunate company—to place directors in such a position that some of them, under clause 8, may be partners in contracts being carried out for the company, and be paid salaries as managing directors. I say no company in existence can show articles like that; and I say under it the shareholders have no power to control the directors, who may corrupt things as they like. It is dividing the spoil as they choose among themselves. With regard to the amended articles of association I will point out that clause 3 is already provided for. We have plenty of power under our old regulations, and lawyers will tell you that the more you narrow down by special definition the objects of the company the more difficult it is to extend the operations. The opinion of Sir Robert Stout has been taken on the subject when Mr. Randall Johnson and I had a dispute about it some years ago. Clause *d* opens the door to jobbery by allowing the directors to buy into other businesses of interest to them. Clause *e* gives a wide scope to jobbery. I say that no person having the interest of a joint-stock company at heart would agree to such a clause without the consent of the shareholders. Clause *f*: I say that this too ought to be saddled with the condition that no power could be given without the sanction of the shareholders. But the directors have taken this themselves. Clause *j*: "To borrow." I say it is an outrageous thing to allow these persons, self-appointed as they are, to exercise such a right as this over our property. For my part, as a principal shareholder in the company I object to it. Clause *k*: "Sell, manage, &c." This is the first introduction of the proprietary rights, and is so arranged as not to prevent the directors selling any part of the property so long as they keep a vestige on hand. The whole property cannot be sold without the consent of the shareholders, but the directors can sell part without consulting the shareholders, and I say that should not be done without consulting them. Clause *o*: "To take shares in other companies." That is a thing I think no directors should be allowed to do, and I doubt whether this clause has any legal value, whether the directors have any right to take our money for investing in other companies. Under this the directors, if they wanted to help, say, Messrs. Johnston and Co., with their steamers, might take shares in that company, and I do not think the directors should have any such power, particularly when I have pointed out that power is given to the directors to sit on the board although they may have business interests elsewhere. There might be a failing company in which some of the directors were largely interested, and they might do as some Melbourne gentlemen did, pass some of their bad assets on the company; and I do not think after the warning we have had from Australia, we should allow such a thing to be done. "Auxiliary powers." The things they have not mentioned they have covered by the general words "to do all such things as are incidental or conducive to the attainment of the above objects." The next objection I have is that with regard to notices of general meetings. The system of notices is altered by clause 4. In other words, if the notice is not given to the shareholders by the directors no harm is done and the meeting goes on. It is a convenient way of shelving any notice of motion any shareholder might make, and with regard to myself I think it would be a convenient way of putting me on one side, and I object to that. Then, as to the quorum. I do not think there is any company in existence where the directors would be allowed to deal with the affairs of the company under these articles of association where there are only ten members and not more than one-third of the shares represented. "Qualification of director." I object to this. I say a hundred shares in a company of this kind gives no security. A man might go on the directory having an interest in another company—and we know directors try to get on companies for the fees, called "guinea-pigs" in London, and for the benefit of their friends. I think the provision is not a sufficient guarantee for the shareholders. There should be sufficient safeguard to see that the gentleman who takes the position has an interest at stake, for that would be an incentive to him to do the best he could for the company. I think the provision as it stands is a very bad one. Many of the other articles are generally objectionable. Clause 14 says that the managing director and directors shall be responsible for the affairs of the company, subject only to the supreme authority of the board. I do not think that is according to law, and it is not according to my wish. Other articles appoint managing directors not subject to retirement, and the board will have supreme authority as proprietors, and there is nothing to prevent them becoming perpetual directors. There is a very objectionable clause with regard to the auditors. Under the articles of association working at present, if there is a vacancy in the auditorship the shareholders have the right to elect the auditor. Under the clause now proposed (19) if any vacancy occurs the directors have power to fill the same. I think gentlemen will agree with me that auditors, if honest, are the only check shareholders have in keeping of accounts. Whether the directors are honest or not, the auditors are the only people to whom the shareholders look in that connection. This is quite in keeping with the other regulations, which take the rights from the shareholders and foist them on the directors. Clause 20: "Notices sent