

power to make the company subject to such regulations as he pleases; also for such purposes as he pleases, as well as to create it with a managing body whom he selects, and having such powers as he chooses to give them as managers. Morally, therefore, he who accepts such extensive powers should not be allowed to disregard the interests of the company. The Legislature has given these powers to a promoter, and it is necessary to pass further legislation to prevent these powers being abused. Petitioner alleges that these powers have been abused—*e.g.*, that as promoter Mr. Cook appointed himself broker, and as director and broker he would be both master and servant; that as director he allowed himself to charge exorbitant sums as broker; and that as secretary he, through his servant (Mr. Holsted), actually paid himself brokerage on shares on which no money was paid at all. There is no doubt that Mr. Cook's positions of director, broker, and secretary here came into conflict. It is clear that brokerage was very high, and the shareholders, when they agreed to take up shares, did not know that so much of the money they were subscribing was going to Mr. Cook himself, and not being devoted to mining. Mr. Cook admits that in the fourteen companies inquired into he received about £1,900 in brokerage, but he says he had to pay some of this to other brokers; but taking one only of the companies as an example, and comparing the brokerage with the amount of capital paid, the latter is quite disproportionate to the former—*e.g.*, in the Lees Ferry Company: capital paid, £537; brokerage paid, £150, of which £15 2s. 6d. was ordered by the auditor to be refunded by Mr. Cook, as no money had been paid at all for the shares on which this brokerage was charged. In most of the fourteen companies inquired into the brokerage has been as disproportionate as above set out, and in some even worse. Further conflict of these positions of promoter, broker, director, &c., is shown in reviewing charges (5), (7), and (10).

(9.) "Transfers being accepted and passed with moneys owing from sellers": This was done in some of the cases inquired into, but it is allowed by law, and is very often done by many companies; but the law should be altered, to the effect that where any money for application, allotment, or calls is due upon shares, then the same should be noted on the transfer before it is completed.

(10.) "Signatories to articles of association not being shareholders": By the Companies Act it requires seven shareholders to form and be a company, but in many of the cases inquired into seven persons signed the memorandum of association, but some never became shareholders in the company at all, and so for a period of time the company consisted of less than seven persons; yet these who were not shareholders attended meetings, moved and seconded resolutions, and appointed Mr. Cook, Mr. Leijon, and others directors, appointed the secretary, and did other business, but it is stated in evidence that they did so on the advice of the company's solicitor. This wilful disregard of the provisions of the Companies Act is very reprehensible, and may entail loss upon shareholders, who were innocent and ignorant of these breaches. The Committee recommend that in these cases proceedings should be instituted by the Crown to test their legality.

(11.) "The articles of association being so drawn as to override what may be classed as the safety clauses of the Act under which they are framed, thereby allowing a few holders of shares to obtain almost absolute control of the companies, and the articles of association being so worded as to allow unqualified shareholders to vote": The promoter has the creation of the company, as set out in the review of charge (1), and the interests of the shareholders should be safeguarded. In the cases inquired into many of the safety clauses for shareholders in Table A of the Act are negatived, such as their voting-power, &c. This may be quite right in regard to private companies, but in public companies, and especially in mining companies where the business on the share-market could not be carried on if every intending purchaser had first to search the articles of association before he purchased, the law should be amended so as not to allow these safety clauses to be negatived.

(12.) "Lees Ferry Company's vendors' shares being used for voting to prevent liquidation, for benefit of promoters; and that out of twelve companies, with an aggregate capital of £100,000, floated by Messrs. Cook and Gray eleven must go into liquidation but for the action taken by the holders of vendors' shares": The minute-book of the Lees Ferry Company shows that on the 26th March, 1901, the vendors' shares were used for voting to prevent liquidation. At this date this company should have gone into liquidation. The company was not, and had not been carrying on the business of mining, and it was not in a financial position to do so, and the only reason for keeping the company in existence would be either for share-market purposes or for the benefit of the salaried officers. In this case the Dunedin Stock Exchange struck the company off its quotation-list. The articles of association having negatived the safety clauses in Table A, the voting-power of the smaller shareholders was reduced, and the law requires amending as set out in the review of charge (1). There is no evidence to show that the vendors' shares were used to prevent other companies from going into liquidation.

(13.) "That minute-books show that directions were given to the secretary to invoke the law against *bona fide* shareholders when promoters and others were owing large sums": A large number of shareholders were sued in the Magistrate's Court at Dunedin on the 19th April last, while Mr. and Mrs. Cook, who then owed very large sums to the companies, were not sued at all. The shareholders who were most in arrears in the companies were Mr. and Mrs. Cook, who, Mr. Cook says, were never sued at all. The law should be more clearly defined, so as to insure that all shareholders shall be treated alike.

(14.) "The Ngahere Company's brokers taking commission on shares on which no cash has been paid": Cook and Gray were ordered to refund this money by the auditor. This is one of the cases referred to in the review of charge (1). Mr. Cook says he was absent, and he blamed his clerk (Mr. Holsted) for this and other irregularities. He further said it was the duty of the auditor to detect the matter and order a refund to the company. Other such payments in other companies were not detected, and have not been refunded. The principle of charging improper