

on the understanding that the application-money (1s. per share) only should be called up, and that he (Mr. Cook) would have the control of the companies, and they would not be gone on with unless the state of the share-market warranted it. The evidence of Mr. Gray and Mr. Abbott was denied by Mr. Cook, who, it appears, also by writing took over Mr. Abbott's shares, but still retained them in Mr. Abbott's name on the share register. There is also the evidence among the other documents of the company of letters written by other shareholders which corroborate the statements of Mr. Abbott and Mr. Gray, and the weight of evidence concerning this charge is against Mr. Cook; but whether or not these shareholders are to be relieved of their liability on these shares is purely a matter for the Courts to decide in proceedings between them and Mr. Cook. The part, however, of this charge which concerns your Committee is the formation of a company merely for speculative purposes on the share-market. This is against public policy, and is purely a species of gambling, and should be stopped by legislation. All parties knowingly entering into such a transaction are *particeps criminis*.

(5.) "The formation of secret rings for speculative purposes only by promoters and directors at a time when the public were being asked to subscribe money to be used for mining purposes": The only evidence we have of this is what is mentioned in the previous paragraph. It has not been proved that what had been done was kept secret from the other shareholders. If, however, it was kept secret, then it would be unfair to the other shareholders, who would be induced to take up shares on the representation of the names of those subscribing. Legislation is necessary to prevent the occurrence of such a case as that alleged to have taken place in this matter.

(6.) "Vendors making a profit on liquidation on shares which have cost them nothing": This has not been proved.

(7.) "Shares being 'dummied,' and commission received on them": If this had been done, then a remedy is already provided by law, and therefore the Committee have no further remarks to make.

V. As to the other charges, we wish to say,—

(8.) "One person or firm being (a) the promoter, (b) broker, (c) secretary, and (d) director, and (e) the registered offices of companies being in his or their offices": It has been proved that Mr. Cook—or, rather, the firm of Cook and Gray, of which he was the managing partner in Dunedin, and had the sole control there—was the vendor to the company, also the promoter, secretary, broker, and director, and the office of the company was Cook and Gray's office. It will be necessary to briefly review these different positions held by Mr. Cook in order to ascertain if his duties in one position would conflict with those in another position. As "vendor" to the company Mr. Cook is the seller, and as "secretary" and "director" he is in a position of trust for the other shareholders to purchase from himself, so he becomes both a buyer and a seller. Again, being the "promoter" of the company, he stands in a fiduciary position to the company he promotes: he virtually creates a body to purchase from himself. The promotion gives him an unlimited 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.