

(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). That 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, whom, 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 items and the company paying them, and then these having to be refunded by order of the auditor, is not right, and when it happened once Mr. Cook and his servants should have seen that it did not happen again, otherwise it would subject them to grave suspicion. This happened more than once. Notwithstanding Mr. Cook blaming Mr. Holsted in the matter, the minute-books of the company show that he himself is to blame, as he as director at directors' meetings passed his brokerage account as correct and signed the same, and in some cases ordered payment; in others he had collected application-money on the shares sold, and he simply retained the brokerage, paying the balance over to the company. This trouble is to be attributed to Mr. Cook being promoter, broker, director, and secretary all in one.

(15.) "Shareholders voting and directors acting when their calls were unpaid": Mr. Cook elicited from Mr. Somerville that he (Mr. Somerville) had voted and also acted as director while his application-money was unpaid, and he had received director's fees, and the accounts of his firm had also been paid, while he still owed money for calls. What happened in Mr. Somerville's case happened in a much worse form in regard to Mr. Cook, which will be seen by looking at the comparative table of Mr. Cook's dealings with the seven companies whose books your Committee have, for in all of these companies he had not even paid his allotment-money till it was about nine months, on the average, overdue, and yet during this time he had acted as director, attended meetings and voted, and even passed some of his own brokerage accounts for payment, as well as his secretary's salary. He had actually passed large sums for payment to himself, and had received them while he himself was still owing to the company large sums of money. The law certainly requires amending in the direction of depriving a shareholder of the right to vote or act as director until he has paid his allotment-money.

(16.) "Improper auditing": The Committee desire to point out that in some cases brokerage was charged by Messrs. Cook and Gray on application-money when such application-money was never paid; the matter escaped the attention of the auditors.

GENERALLY.

VI. To each and all of the above charges Mr. Cook's chief answer was to point out to the Committee the very large number of contributing shares he had taken up in each of these companies for himself and Mrs. Cook. That he must have taken them up purely as a mining venture, and not for speculative purposes only, he said, was proved by the fact that he did not sell his shares, and that he stood to lose double the amount that the others did if the companies failed. This position was often during the inquiry impressed upon us by Mr. Cook, and it would have been a very strong argument indeed of Mr. Cook's *bona fides* if it was fully borne out, but it does not stand close criticism, for Mr. Cook has paid for his and Mrs. Cook's shares in the seven companies whose books were put in evidence the sum of £2,140, but Messrs. Cook and Gray received £1,841 13s. 9d. back from the companies, as shown by the following table:—