

SATURDAY, 29TH SEPTEMBER, 1894.

*Dr. Findlay*: I appear before you, Sir, on behalf of Messrs. Meenan, Hazlett, Guthrie, and Sinclair. In respect to the petition, the copy which my clients received relates to a period between 1889 and 1894. This has placed my clients in a somewhat difficult position, inasmuch as evidence covering the whole of the ground in the amended petition is not immediately available.

The clerk explained that there had been some difficulty in discovering from the original petition whether 1887 or 1889 was meant.

*Dr. Findlay*: The second point I wish to ask your attention upon is this: I have just had a moment to look at the report of evidence given yesterday, and I observed a very serious charge had been laid by Mr. Bevan against Mr. Guthrie. The charge is that he received £4,000 more than was due to him during the time that he was director. There is nothing in the petition setting forth such an offence as that. Any one against whom such a charge is brought should be familiarised with the charge, but it is impossible for them to meet it when it is levelled in general terms, as in this instance. I take objection now against Mr. Bevan being allowed to introduce such an important matter in a general charge. The prayer of the petition really asks for an inquiry subject to a condition, and that condition is that the House be asked to order a special audit, or to pass an Act to that effect. I submit that it is against all constitutional rule and law, and it would be unfair not to take exception to that part of the petition.

*The Chairman*: I will just say that this inquiry is a preliminary one. The House would have to order a special audit, and in the face of that it is our duty to make such an investigation into affairs as will enable us to make a report of the whole matter. The function of a parliamentary Committee is to either recommend that the House will or will not take up the matter.

*Mr. Bevan*: Before proceeding to clause 9, I wish to put in this circular. It is dated the 26th November, 1888, and it emanates from the investigation committee, of which Mr. Callan was one, and several other gentlemen. I might add to this that, with regard to the gentleman who was to be appointed, the shareholders generally protested against any appointment being made at this period, before the investigation of affairs of the association was held, in order that they would be placed in a position to judge satisfactorily to themselves, as against a private committee that had examined the affairs without their knowledge. And, moreover, when it was proposed to enter into an agreement for three years with the gentleman referred to for a salary of £1,000 a year—an increase of something like £300 a year more than the previous manager received—and, moreover, in view of the fact that he was a great expert, who, subsequently, it appears, came from the South British Insurance Company, where he received £400 per annum, so that I wish particularly to put that in. I will put this document in in its entirety. [Appendix D.] There was also, it appears, a stipulation in the agreement that in case the company got into liquidation he was to be remunerated to the end of the term, whether he worked or not.

*Mr. Crowther*: Was liquidation contemplated by the directors when that agreement was made?

*Mr. Bevan*: It was in the deed of appointment of Mr. Maxwell that in case of liquidation taking place within three years he was to receive his salary, so that it was evidently in contemplation that liquidation would arise. Now, Sir, I will read clause 10: "That your petitioners have further discovered that the directors have violated the conditions of the memorandum of association of the said company in acquiring without the consent or knowledge of the shareholders the following public companies—viz., the Australian Mercantile Union Insurance Company, the Hanseatic Insurance Company, the Hamburg-Magdeburg Insurance Company, and the Accident Indemnity Company of Dunedin." I produce memorandum of association, which I put in, together with articles of association. [Appendix E.] I divided the memorandum of association into two parts, and I may here remark that I took the opinion and advice of my own firm of solicitors, who assisted me in this matter. This memorandum of association is divided into two parts, giving first the objects of the corporation, and the duties the directors were empowered to discharge. In one sentence it says, "On such terms as shall be deemed expedient by the directors of the company." Further on it says, "As far as may be deemed by the company to be conducive to its interests." I wish to lay stress on the distinction "what may be deemed expedient by the directors of the company" in the first place, and "that which may be deemed by the company conducive to its interests" in the second place. In paragraph 4 this is clearly set out "to act as agent for any person or company or person whomsoever, or to enter into any partnership and to dissolve the same, to amalgamate with or take over the business of any company formed for carrying on business of the same or a similar nature." I refer you, gentlemen, to articles of association at page 11 as distinguished from the memorandum as showing exactly what their powers are, but I will not weary you by enumerating them. I further wish to say that my legal adviser, arriving at a conclusion on this matter, points to a decision given by Lord Cairns in the House of Lords. The decision was that directors were responsible for their illegal acts, and that no majority of shareholders could patch up or ratify such illegal acts, and, further, that any memorandum of association could not be altered even if every shareholder on the register assented thereto. That answers No. 10. I never discovered myself that these three last companies had been acquired by the directors until the month of November, 1890, when I went to Dunedin. Accepting the directors' oft-repeated request that they courted inquiry, I called a meeting by advertisement in the *Evening Star* and *Otago Daily Times* asking the directors to meet the shareholders in the long-room of the Grand Hotel, as it was a matter of great importance to shareholders and the public generally. I asked Mr. Albert Cohen to attend and take a shorthand report of the proceedings. He attended, and I suppose there must have been eighty or a hundred shareholders in the room. A long discussion arose as to the exclusion of Mr. Cohen, and I was defeated at every point, and instead of courting inquiry I found my duties would be very arduous indeed, and that the meeting was rather one to burke inquiry. Mr. Cohen had to withdraw at last to enable me to address the shareholders generally on the gravity