

10. Have you any spare copies of it?—We have another copy, I think.

11. *The Chairman.*] That emanates from the company?—It emanates from the company. In the raising of the money by the debenture-holders we do not say the Government is a party; but we point out that the prospectus which the company issued and the trust deed, as drafted, contained the name of the Agent-General; that it was contemplated the Agent-General should himself become trustee; that the trust deed was approved by the Agent-General at the time; that the Government consented to his becoming a trustee if that arrangement had been carried out; that the trust deed and the prospectus were both approved by the Agent-General; that the prospectus specifically stated what the security for the debentures was to be.

12. *The Chairman.* The Bill was ear-marked before the Agent-General consented?

13. *Mr. McGowan.*] Where is the evidence of consent by the Agent-General?

*The Chairman.*] You think we will be able to go into that later on?

[At this stage of the proceedings the Chairman was asked to allow Mr. Dalston to be present.]

*Mr. Chapman.* We do not make any objection. [Mr. Dalston was admitted.]

*Mr. Chapman.* It is in the company's prospectus, "Not in alternate blocks."

*Mr. T. Mackenzie.* It was stated that Sir Harry Atkinson claimed the right to reserve a certain area.

*Mr. Blow* (Under-Secretary for Public Works): We had the right to reserve 700,000 acres where required.

*Mr. Chapman.* Now the debenture-capital, £745,000, was raised. I must call your attention to these circumstances. The deed was settled by the Agent-General. He refers to it in this correspondence. The trust deed is dated 2nd August, 1889; the actual issue was of a somewhat earlier date—upon the prospectus, April, 1889. The trust deed sets out the form of debenture which has actually been issued; so that any one perusing the draft would have seen it set out in the schedule to the draft, and would have before him the actual debenture as already issued when the deed was executed. No doubt the deed, the debenture, and the prospectus were prepared at the same time. They would, no doubt, be prepared by the company's solicitor. The second schedule to the trust deed sets out the security. That is very much in the same terms as the prospectus itself. But the prospectus is what actually goes before those persons who ultimately subscribe the capital when taking up the debentures. It is put before intending subscribers when they put their money into the debentures; the security is shown—namely, the portion of the line already constructed out of the share-capital, and the line to be constructed out of their capital. But that hardly conveys to the mind the whole of the transaction; taking the opinion of lawyers and financiers would show a different conclusion from that of the ordinary citizen going into the market to invest his money. He relies on the prospectus; he sees what he deems to be sufficient security; he hands in his money and takes his debenture, as he supposes, on the security of this prospectus. If the person who subscribes to the debenture capital had any cognizance of the history of the company, and had before him the prospectus of a company, he would be naturally led to the conclusion that this was a colonial work, a work in which the colonial Government is largely interested; so that it is really on the faith of the prospectus, and the circumstances, the situation, and the history of the railway, that any one taking up the debentures would rely.

14. *The Chairman.*] What about the signatures—the names that are on the prospectus. No doubt the Committee would like to hear in respect of them how you would connect the colony with the names on the prospectus?—The Agent-General approved the trust deed in April, a trust of which he himself contemplated being one of the trustees. The petitioners do not say there is any direct connection between the colony and these four gentlemen whose names appear.

15. You have said that the subscribers were led to invest their money by having felt that the colony was in some way liable?—I do not make a distinct point of that. I refer back to this point only to say that if the subscribers to the debentures happened to be shareholders, and took an interest in the formation of the company, they would fall back upon their recollection of the company's prospectus and say that the colony was greatly interested in this work. But it does not follow that there was any direct connection between the debenture-holders and the shareholders; it may be that some of them were identical, and they might point to the fact of their personal identity as showing that the prospectus and trust deed had the sanction of the Agent-General. Now the debenture-holders find themselves somewhat late in the day, disappointed, for they are told that they have not a specific security in these constructed lines, but that they have a security over what I may term the bargain between the company and the Government, and that if the bargain fails their security may be forfeited by the Government. That is not stated in the prospectus. What renders the position acute is that before the arbitration the Government, acting, no doubt, on powers contained in the statutes of the colony, took possession of this line, and they have worked it ever since; and they have now served on the company notice calling on it—also in accordance with the statutes of the colony—to pay up the sum which they have expended in the further construction of the line since they took possession. The Government in its communication—it does not communicate with the trustees, but in its communication with the company—says in effect, "There is an Act of Parliament; we have taken possession of your line and have worked it ever since; we have obtained a vote from Parliament to construct a further portion of the line, and we have constructed that further portion; it has cost so much, we ask you to pay up; that otherwise the line will become forfeited, and the absolute property of the Government of this country." That is the line which the debenture-holders reasonably thought was an inalienable portion of their security. It is on account of their disappointment—the difference between what they thought they were getting and what they are shown to be getting—that they have petitioned Parliament. Now, referring back to the company's prospectus, I do not think I should be overstating by terming it a somewhat sanguine, indeed, a glowing prospectus of the prospects of this line. No doubt—