

shares in this company, but on being asked why he protested so strongly against liquidation, said, 'I have a very large interest in the company—larger than you think.'"

25. Is that the only statement that you can refer to that points to the fact that he was holding them in his own right?—Yes; but that is what he stated there.

26. *The Chairman.*] You have stated in your petition and evidence that the articles or memoranda of association of all these companies are different from the form given in Table A of the Act?—I would like to explain, with your permission, how I find those articles—the articles of association of companies floated by Cook and Gray. I have a table here on one side of which I have placed extracts from the regulations contained in Table A of the Companies Act of 1882, and opposite are the corresponding extracts from the articles of association of the companies. Under Regulation No. 4 of Table A directors may make calls provided twenty-one days' notice is given. In Cook and Gray's regulations, Regulation No. 4 is struck out. The effect is to give directors power to levy calls without notice at any time. Regulation No. 37 of Table A provides that no business can be transacted for declaring dividends unless a quorum of members be present: if ten members are present, five to form a quorum; if exceeding ten, one more for every five additional. Regulation No. 37 in Cook and Gray's articles is struck out. The effect gives power to one or two directors to transact business in any way they choose. Regulation No. 44 of Table A provides that every member shall have one vote for every share up to ten; beyond ten, one for every five up to 100, and one for every ten over 100. Regulation No. 44 is struck out in Cook and Gray's articles, the effect being to enable large shareholders to completely outvote the small holders. Regulation No. 52 of Table A of "The Companies Act, 1882," says that the number of directors and the names of the first directors shall be determined by subscribers to the memoranda of association. This regulation is struck out in Cook and Gray's articles, the effect being to enable promoters to fix the number of, nominate, and appoint their own directors. Regulation No. 53 provides that, until directors are appointed, subscribers to the memoranda of association shall be deemed to be directors. Cook and Gray strike this out, and the effect is that still further control is given to promoters. Regulation No. 97 says that notice, if served by post, shall be deemed to be served at the time when a letter would be delivered in the ordinary course. This is struck out by Cook and Gray, and as a result the shareholders in Cook and Gray's companies are deemed to be served as soon as the letter is posted. Regulation No. 36 lays down that all business may be transacted at ordinary meetings, with the exception of passing dividends, and considering accounts, balance-sheet, and report. In Cook and Gray's articles the words "sanctioning dividends" are omitted, the effect being, I take it, to debar shareholders from ascertaining whether the directors are paying dividends out of actual profits or out of capital. Then, with regard to Regulation No. 47, providing that unless all calls are paid a member shall not be entitled to vote, Cook and Gray strike out all the words after the word "paid." Now, the words struck out prevented a shareholder from voting unless the shares had been held for three months previous to the meeting at which shareholders proposed to vote. The effect of Cook and Gray's alteration is to allow shareholders whose application and allotment-money are unpaid to vote.

27. *Mr. Allen.*] If application-money is unpaid?—In Cook and Gray's companies. I asked the company's solicitor whether it was possible for a man to take up a parcel of ten thousand shares in one of these companies, pay not one penny-piece on them, and yet record votes on the ten thousand. The answer I received was, Yes, he could vote on his ten thousand shares.

28. How would he get on the register?—By applying for shares. Regulation No. 50 of Table A of the Act of 1882 provides that proxies shall be lodged seventy-two hours previous to the meeting. Cook and Gray substitute "twelve" for "seventy-two," the effect being that in companies such as Cook and Gray's the control is all in the hands of the promoters. Twelve hours enables the secretary, a nominee of Cook and Gray, to secure sufficient proxy votes to generally defeat the contributing shareholders. In nearly all Cook and Gray's companies the secretary was their own employé. Regulation No. 57 deals with the disqualification of directors. It provides that if a director holds any other office or place of profit under the company he shall be disqualified for holding office as a director, and his seat shall become vacant. (See Regulation 57 of Table A, "Companies Act, 1882.") In Cook and Gray's companies' articles of association there is added at the end of this regulation the words "and no director shall vacate his office by reason of the allotment to him of paid-up shares in pursuance of the said agreements, or by direction of the vendor, nor be liable to account for the profits on such shares." Regulation No. 90 provides that to fill a casual vacancy in the offices of auditors, directors, and others an extraordinary meeting is required. In Cook and Gray's companies' articles the words "may fill the same" are substituted for all the words after the word "director." The effect of this alteration is to give to Cook and Gray the power to appoint fresh auditors or directors at any time without even consulting the shareholders. Those alterations, gentlemen, show how the regulations under Table A of the Companies Act of 1882 have been varied in these articles of association.

29. *Mr. Guinness.*] All your investments were not confined to Cook and Gray's companies, were they?—No.

30. You invested in other companies registered in Dunedin under this Act?—I did.

31. Have you ascertained whether it is or is not the practice of promoters registering companies under that Act to make identically the same amendments that have been made in connection with the Cook and Gray companies?—I made exhaustive inquiries into a great many other companies, and I found no companies in Dunedin in regard to which the same articles of association have been adopted as those under which Cook and Gray's companies are formed. In no company—and I have inspected, I think, over two dozen—can I find a case of a man being able to vote on large blocks of shares without paying one penny-piece into the company.