

The prospectus contains the statement that the New Zealand Redwood Co. had, at the date of the prospectus, purchased three valuable properties, and a locality plan showed the site as being close to Putaruru on the Auckland–Rotorua Railway and having a total of approximately six miles of railway frontage. The land is described in the prospectus in three parcels:—

Block.	Area in Acres.	Vendor.	Purchase Price.	Instalment already paid.	Terms regarding Balance.
1	2,082	Selwyn Timber Co., Ltd.	£ s. d. 9,371 10 0	£ 4,825	Balance payable in three years with interest at 6 per cent. with right to pay off all or any part at any time without notice.
2	2,777	Beulah Land Co., Ltd.	12,496 12 0	7,225	Ditto.
3	1,155	J. W. S. McArthur ..	5,197 10 0	3,025	„
	6,014		27,065 12 0	15,075	

On the same page the prospectus states that J. W. S. McArthur, one of the vendors, had applied for and had been allotted 16,150 shares in the company, and that the Selwyn Timber Co., Ltd., one of the vendors, had applied for and had been allotted 12,500 shares in the company. Lower down on the same page the statement is made that the directors had allotted 30,600 shares paid up to 10s. per share.

The company had an authorized capital of £40,000 in 40,000 shares of £1 each, and the prospectus states that the preliminary expenses of and incidental to the formation and establishment of the company and until the company should commence business were estimated to amount to $2\frac{1}{2}$ per cent. of the nominal capital of the company. A calculation shows that this estimate of preliminary expenses is £1,000.

(b) BROKERAGE ON DEBENTURES.

In the prospectus, under the heading “Brokerage and Flotation Costs,” there appears the statement:—

“The company has subscribed sufficient capital to pay the costs of the formation and establishment of the company and to pay the expenses of this debenture issue, including brokerage and commission.”

In this connection it should be noted that there is no authority anywhere for the deduction of “brokerage” or “commission” from the debenture-moneys. The foregoing allocation of the debenture-money accounts for the full £35 per debenture, without any reference to brokerage or commission. It is true that by clause “firstly” of the trust deed the company may apply any money not required for the stipulated purposes of the first £9 10s. to such purposes as the directors may determine. It is certain, however, from the history and accounts of the company that that position has never arisen. This most important matter is referred to again on page 4 hereinafter, under the heading “Brokerage and Selling Costs.”

In the prospectus there is also a disclosure of the interest of directors. This purports to be in compliance with the Companies Act, 1908, and is in the following words:—

“J. W. S. McArthur (one of the directors of the company) is the promoter of the company, and was interested in the promotion of the company and in the property purchased by the company to the extent of his interest as shareholder in both the Selwyn Timber Co., Ltd., and the Beulah Land Co., Ltd., and as the vendor of the lands described as Block III.”

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