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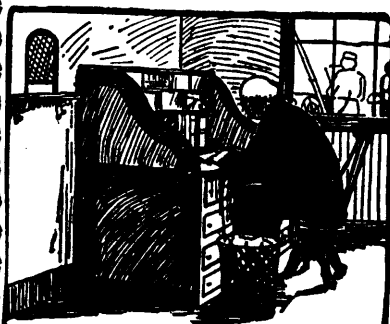
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FRAUDULENT PROMOTION.

A recent decision in the Massachusetts Supreme Court, if applied to the promoters of some of the Canadian companies that have been floated within a year might possibly press them rather severely. The Court holds that it is a fraud on the part of promoters, even though they do not intend fraud, to sell to fellow stockholders shares that did not possess the value the purchasers were led to suppose they were getting. The fact that the promoters, who in the case cited happened to be directors, were absorbing forty per cent. of the cash contributed by the shareholders as middlemen without the knowledge of the shareholders, was held to be wrong if not a fraud on them.

The case referred to is that of the East Tennessee Land Company against the promoters of that concern. It appears that a syndicate of about a dozen men, of whom Fred. Gates, Chattanooga, was chief, entered into a mineral land speculation under an agreement that they should acquire options on the land, organize a company of which most of them were to be directors, and sell the land to the company at a profit of nearly 100 per cent. They estimated, according to the N. Y. Journal of Commerce, that the land would cost \$900,000, including \$100,000 of expenses incurred by the promoters which was to be reimbursed them. The company they organized would take the land off their hands at \$1,500,000, which would pay for all the land and afford a profit of \$700,000 to be equally divided between Gates and his associates, who had contributed nothing but their information, and \$30,000 or less to bind the contracts.

Without waiting to acquire options on the whole tract the promoters organized their company and divided the stock when only one-third of the options had been acquired. Paid-up stock to the face value of \$700,000 was issued in ostensible payment for lands, but the Court says it was really "issued to the promoters as remuneration for their services as promoters."

The persons to whom stock in the East Tennessee Land Company was sold were not informed of this transaction; they did not know that of the million and a half they contributed less than 60 per cent. went for land and over 40 per cent. was the net profits of the promoters. On the contrary, the prospectus contained the statement: "The capital stock of this company represents actual value without inflation, but does not approximate the entire value of the properties on which it is based." Naturally they supposed that they were obtaining land worth more than a million and a half instead of getting only \$800,000 worth. If some of our public promoters resided in Massachusetts instead of Canada, it is feared that they would not feel quite so comfortable as at present.

THE advertisement which calls for tenders up to the 4th of July next, for some \$40,000 of Ontario Government annuities, is one which will naturally attract attention and ought to be of interest to those who are on the look-out for securities of the first rank.

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