

CHAPTER II.

PROMOTION OF COMPANIES.

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1. **Prospectus.**—The formation of a company is usually preceded by the publication by its projectors of a prospectus, setting forth the nature and objects of the proposed company, the number and value of shares intended to be created, and the amount of capital supposed to be required.

2. **Prospectus must disclose Contracts by Directors or Promoters.**—Under the Dominion Joint Stock Companies' Act,¹ "every prospectus of the company, and every notice inviting persons to subscribe for shares in the company, must specify the dates and the names of the persons to any contract entered into by the company or the promoters, directors or trustees thereof, before the issue of such prospectus or notice, whether subject to adoption by the directors, or the company, or otherwise; and every prospectus or notice which does not specify the same shall, with respect to any person who takes shares in the company, on the faith of such prospectus or notice, and who has not

¹ R. S. C., ch. 119, sec. 80. A similar provision exists in the New Brunswick Joint Stock Companies' Act, 1893, sec. 39, and in the Nova Scotia Act, R. S. N. S., ch. 79, sec. 83, but not in the Manitoba, Quebec, Ontario or British Columbia Acts.