

Consider in this connection the effect of s. 97:

"(a) Every company, the number of shareholders of which is increased to a number greater by ten than the number of applicants for incorporation . . . shall file a prospectus."

(b) No subscription for stock, etc., induced or obtained by valid representations shall be binding upon the subscriber unless, prior to his so subscribing, he shall have received a copy of the prospectus." Presumably the necessity of issuing a prospectus arises when the eleventh shareholder is about to be added to the company's members. What then is the legal position of those ten additional shareholders who were induced by verbal representations to subscribe before a prospectus was issued or was legally necessary? Are their subscriptions binding? May they recover any instalments paid thereon? What, in any case, is the need or purpose of the limitation to ten new shareholders? It can be avoided by procuring the incorporation originally of any required number of dummy shareholders.

With reference to companies offering shares for public subscription, s. 106 enacts that no allotment of shares shall be made until certain conditions therein named have been complied with, and s. 108 enacts that a company shall not commence any business unless certain preliminaries have been observed. Inasmuch as these conditions are not binding on companies not offering shares for public subscription, it is of vital importance to know what is meant by "public subscription." The Act contains no definition. Commentators on the Ontario Act have assumed apparently that all shareholders other than those originally incorporated are obtained as the result of an offering of shares for public subscription, and, therefore, that ss. 106 to 112 both inclusive, apply to all companies obtaining shareholders after incorporation. In Palmer's Company Law, in commenting upon this phrase in the Imperial Act, it is said: "This only applies where there is an offer to the public for subscription. It is not, therefore, available in the case of a strictly private company, or where the shares are only offered privately for subscription, but