mamma would have broken her heart. You see, there's no other boy but John and myself; and John can't live long, poor fellow, the doctors say. Besides, he isn't mamma's *own* son. Papa was married twice, and John's mother died when he was a baby. By the way, supposing I *had* been killed, who would have come in for the title? And the estates, too — Westwalden Court and the rest of it—are all entailed on the male line. Those little kids, Cissy and Maud, couldn't have had them. So who would? You, Harry?"

"No, of course not," rejoined Harry. "What are you thinking of? Isn't Aunt Saville your papa's elder sister? Grantly would have got them, to be sure."

Horace stifled an ejaculation which rose to his lips. *This*, then, was the explanation of that untimely demonstration of alarm which had well-nigh made poor George grow dizzy with terror, and so effected his destruction! This was the meaning of that guilty look he had surprised! Was it possible? On the way home from the picnic, Horace had puzzled himself to read the ugly riddle of that momentary expression which he had seen on Captain Saville's face; but, unable to find the solution, he had endeavoured to persuade himself that he had been the victim of ocular delusion—that the confounded and scared glance had been conjured up by his own excited imagination, and he had determined to think of it no more. But now it came upon him with the force of conviction that he had not been mistaken. A murderous desire had gleamed in the captain's eyes beneath the alarm of detection; and a murderous desire, Horace felt assured, had been in his heart. And this was the man who aspired to Verna Dalrymple's hand! This was the man on whose account he still suffered cruel pangs of jealousy! For Captain Saville, as he was aware, had spent a good part of the previous afternoon at Surbiton Park, and in his cousin's society; and Captain Saville had a "taking way," as his mother had, it will be remembered, declared upon one occasion to her daughter, and as Horace was not slow to perceive. Moreover, he had a "taking" face—not handsome, by any means, but open, with a good-tempered-looking mouth, and a frank, honest-seeming blue eye. If the testimony of physiognomy were invariably to be relied upon, Captain Saville was a kindly-natured, trustworthy man. But Nature chooses sometimes to be freakish and deceitful. Solid-looking ground may tempt the feet to the destruction of the over-hung precipice: the fatal crevasse may be concealed by snow of dazzling purity: luscious-seeming, golden-tinted fruit may be rotten at the core: and a countenance apparently ingenuous has ere now been proved to cover a depraved heart.

END OF CHAPTER THE FORTY-SIXTH

HOW LIMITED COMPANIES ARE FORMED.

MOST persons will remember the amusing colloquy between Sam and the elder Weller, touching certain mysteries in the busy money-world, yclept the Funds.

"Wot do you call them things again?"

"What things?" inquired Sam.

"Them things as is always a-goin' up and down in the City."

"Omnibuses?" suggested Sam.

"Nonsense," replied Mr. Weller. "Them things as is always a-fluctooatin', and getting theirselves inwolved somehow or another with the National Debt, and the 'Chequers bills, and all that."

"Oh! the Funds," said Sam.

Let it be hoped that we shall allow for the existence (of course in a very mitigated form) of any possible ignorance on such topics on the part of our readers, that we may successfully invoke some prosaic muse to avoid in this brief paper all vexatious technicalities and unknown terms, so that we may arrive at conveying a clear and intelligible impression to the minds even of the wholly uninitiated, of the way in which a Public Company is formed, matured, and worked, and how in due natural course, having settled its worldly affairs, it dies.

It need hardly be said that, in a great commercial country like ours, the desirability of a sufficiently plain law affecting the formation and control of all business enterprises in which the general public are invited to join, is a matter of paramount importance. Before the period of the passing of the well-known "Companies Act," 1862—which, with three quite subsidiary Acts afterwards passed, constitutes the existing law about public companies—some tentative efforts had been made by the Legislature to provide useful machinery of control over what may be termed partnerships on a large scale, where money profit is designed. Our legislators, in dealing with this subject, had two important points to keep in view: the first, to provide an easy and inexpensive mode by which the starters or promoters of any scheme or concern might raise the "sinews of war"—money—by inviting contributions from the public, in return allowing the latter to share in the fruits of such enterprises, and to arrange that they should be able readily to assume the status and rights of a "Company," and so be strong at the very outset. Prior to the Act of 1862 and its forerunners (the first Joint Stock Act was in 1844), it was open to persons to form a company by applying to Parliament for an Act with that particular object—or, as it is generally termed, a "Special" Act. But the attendant law and Parliamentary expenses were then (and still are) very large; and in addition the application might be in vain, seeing that serious opposition could be made by parties interested in defeating the scheme, and that full proof had to be given of the need and

bona fides of the proposal, while as regards the grant of special Acts, it was obvious that the decisions of different Parliamentary committees would introduce complications very much to be condemned into the constitution and management of trading companies.

The second point was to contrive, while affording free play to all who wished to associate for the promotion of schemes of every imaginable kind, that the interests of the public as shareholders, and likewise the interests of creditors of these easily-formed companies, should be protected by the strong arm of the law. It must be admitted that the task was a delicate and a difficult one, involving principles and questions which then were little agreed on by the great business luminaries, the highly skilled in commercial lore. This much at least may be said for the framers of the Act of 1862, that they succeeded in affording an easy means for promoters and shareholders to come together for weal or woe. If the maxim, *Caveat emptor*, infected too strongly the mind of the draughtsman who drew, and the senators who ultimately decided on, the clauses of the Act, it must be kept in mind that then, as at the present day, anything in the nature of paternal legislation was looked on with distrust. Further, it could never have been anticipated with what "leaps and bounds" company-forming would advance.

Before we follow step by step the formation and working out of a limited company, our readers' attention must be drawn to the marked change brought about by the Act of 1862, the provisions of which perfected the excellent principle of limited liability (*i.e.*, risk) to shareholders, a principle originated by previous Acts of 1855 and 1856. When Brown, Jones, and Robinson ally themselves to carry on a business, they are each and all bound by the law of partnership, and are liable as individuals to pay up in the event of things going wrong to the last sixpence in their pockets. They indeed incur *un*limited individual liability, the substantial terrors of which were recently gravely impressed on the public mind by the City of Glasgow Bank failure, when really innocent trustees to estates affected by shares in the bank were caught in the net and utterly ruined.

Let us now suppose that certain individuals are wishful to form a company under the title of "The Mine of Wealth Company, Limited." In seeking to be made a company under the Companies Acts, the promoters of our Mine might, had they so desired, been formed with unlimited liability. In this paper, however, we are concerned only with the formation of a Limited Liability Company. The earliest object sought is *publicity* by way of a prospectus, which is advertised in the newspapers, and disseminated in every quarter where it is likely that would-be investors (*i.e.*, persons who will respond by taking shares) are to be found. The prospectus of our model company is headed "Mine of Wealth Company, Limited," then follows the amount of capital required to work out the objects of the company, and what shares (or divisions) such amount of money is to be distributed into. With us the capital is £100,000, divided into 5,000 shares of £20 each. There is an imposing (we attach the best meaning to the word) list of names for the acting committee of management, the firm of bankers, solicitors, and secretary. It need hardly be said, it goes on to give a glowing (possibly a somewhat *too* glowing) description of the merits of the mine, and there is annexed a form of application for shares, to be signed by intending shareholders, addressed to the directors of the company. The applicant for participation in El Dorado requests that so many shares may be assigned to him, and he undertakes to pay the specified deposit (some small amount of the value of a share) thereon. It may here be remarked that the promoters of a company are bound to be careful what they say in the prospectus, for should the undertaking be unsuccessful, and the shareholders of opinion they have been lured on by false promises, or misled by the concealment of any facts important to be known, the promoters may be, and indeed have been, subjected to grave penalties in the law courts for such misstatements. Either prior to, or simultaneously with the issue of the prospectus (it is usually the former) the company is registered at the office of the Registrar of Joint Stock Companies, Somerset House, an office under the control of the Board of Trade. At this stage let us see what are the requirements of the Companies Acts, touching the constitution of a company limited by shares. It is requisite that at least *seven* persons shall sign a document termed a "Memorandum of Association," in other words, a deed or instrument constituting the company. This highly important document will run as follows:—

Memorandum of Association of the Mine of Wealth Company, Limited.

1. The name of the Company is The Mine of Wealth Company, Limited.
2. The registered Office of the Company will be situate in England.
3. The objects for which the Company is established are the acquirement and working of certain coal mines in the county of Northumberland, known as the El Dorado Pits, and the doing of all such other things as are incidental or conducive to the attainment of the above objects.
4. The liability of the Members is limited.
5. The Capital of the Company is £100,000, divided into 5,000 Shares of £20 each.

We, the several persons whose names and addresses are subscribed, are desirous of being formed into a Company, in pursuance of this Memorandum of Association, and we respectively agree to take the number of Shares in the Capital of the Company set opposite our respective names.

Names, Addresses, and Descriptions of Subscribers.	*Number of Shares taken by each Subscriber.*
1. Samuel White, of —— in the County of ——	10
2. John Black, of —— in the County of ——	5
3. William Blank, of —— in the County of ——	15
4. George Young, of —— in the County of ——	10
5. Francis Smart, of —— in the County of ——	5
6. Joseph Green, of —— in the County of ——	10
7. Henry Brown, of —— in the County of ——	5
	60

Dated the —— day of October, 1880.

Witness to the above signatures,

David Davids, of ——.

It will be seen that the Memorandum of Association lays it down that "the liability of the members is limited," so that whatever ill-luck happens to our Mine, a shareholder's loss is confined to the amount of his share (£20). It indicates by the position of the registered office in what division of the kingdom are the Law Courts which shall have jurisdiction in the affairs of the company; and by its express statement of the objects desired to be attained, it fixes the company to those objects. For a company cannot be registered, stating that it aims at different (*i.e.*, several distinct) objects; at the same time it may and should so word the statement of objects as to allow sufficient latitude for their due accomplishment.

The Memorandum of Association having thus determined the primary fundamental conditions of the company's existence, all details of internal management, and arrangement of the directorate, are left to be regulated by what are called "Articles of Association," or, as they may otherwise be named, "Rules and Regulations." Now it is open to our company either to adopt and register such Articles at the time the Memorandum of the company is registered at the Registry Office, or by the fact of failing to register any articles, to allow the model form prescribed by the Act (as provided) to legally become the company's Articles. Let us suppose the latter plan is followed, and briefly enumerate the matters regulated thereby. First, it is laid down what may and may not be done as regards shares—their transfer, transmission, forfeiture, and conversion into stock. Then there are provisions enabling the company to raise more money, the calling and conducting of General and Extraordinary Meetings, voting thereat, the appointment and powers of directors, dividends, the keeping of accounts, and their proper audit. Touching the last very necessary matter, a model form of balance-sheet is prescribed, headed—

BALANCE-SHEET OF THE MINE OF WEALTH COMPANY, LIMITED.
Made up to ——, 1880.

Dr.	Cr.
(Capital and Liabilities.)	(Property and Assets.)

and minutely specifying the entries to be made thereon.

The agent or secretary of the company, having (at least it should be so) ascertained that there is no company already registered with a name similar to, or too closely resembling, that of the Mine of Wealth, now betakes himself to the office of the Registrar of Joint Stock Companies, and presents the signed Memorandum of Association for registration, paying a small fee for the stamps which must be affixed to the document (for the Registry Office supports itself by charging fees in the shape of stamps). If the Registrar be satisfied that the Memorandum is *primâ facie* correct, and has no doubts or difficulties concerning registration, he at once issues his Certificate of Incorporation, or a short statement that the company has been registered as a limited one, and been duly incorporated as required by the Act. The Mine of Wealth Company thus obtains a legal incorporate being, a status in the Law Courts to sue and be sued, with perpetual succession, and a common seal, and power to hold land. Indeed, it is henceforth recognised as so important that it may not drop out of existence and "pass into nothingness" if the scheme fail, but must be properly wound up and expire as the law demands.

After registration comes the allotment of shares. This is done by a letter from the company's secretary, informing the applicant that the directors have allotted so many shares to him at his request. In some cases where the shareholder pays the money required as a deposit, what is called a scrip certificate is issued. This entitles the *bearer* to a specified number of shares in the company. Here speculation frequently commences. The written declaration or certificate, which passes under the slang term of "scrip," *i.e.*, something written (and City ways are noted for technicalities of this kind), has a current value. It may go from A to B, and from C to D at an increasing price—or, to put it quite simply, A has paid so much for his claim to have so many shares given him, but as meanwhile the company's prospects are extolled in newspaper paragraphs, and therefore profits are discounted and so made sure of, through the medium of the Stock Exchange, B is anxious and ready to give A something more for the latter's scrip certificate than the deposit that has been paid thereon, either with the idea of selling again if its value still further advances in the money market, or actually applying for and holding the shares such certificate entitles him to acquire. Let us say that the Mine of Wealth Company has been cleverly supported, and that when the due time arrives for changing these certificates or scrip into shares, the transfer is eagerly made. Now the directors hasten to arrange for meeting the various items of expense which the promotion of the undertaking has involved. They comprise solicitor's charges for drawing up legal documents and advising on legal points of difficulty; sums paid for acquiring necessary rights incidental to the carrying out of the company's undertaking; agents' fees, &c. &c.

We have previously mentioned that in most cases registration or incorporation of a company is accomplished as early as possible, otherwise the transactions of the embryo company are attended with serious difficulties that cannot be easily surmounted. Why the Memorandum of Association is made so binding on a company is apparent. Its name may not, for example, be altered except upon formal application to and approval by the Board of Trade. If it were not so, the claim to shares would be rendered doubtful, and creditors incur trouble in recovering debts. When a company desires to make so important a change, it must first pass a special resolution in its favour, and then file a printed copy of the same at the Registry Office, simultaneously applying to *headquarters*, the Board of Trade, for formal sanction to receive from the Registrar a fresh certificate of incorporation, altered to meet the circumstances of the case. By a resolution of a majority of its members a company may also increase its capital, but further than this the conditions of the Memorandum of Asso-

ciation may not be altered. The Articles of Association, so far as they touch the practical development and purely internal conduct of the company, may be altered or amended, though it is necessary that such alterations or amendments be filed with the original Memorandum and Articles at the Registry Office, so that the public can at any time, by visiting that office, ascertain everything that has been done. Further, the company has power to make bye-laws or regulations which are binding on all its members so long as such bye-laws do not conflict with the intention of its incorporation, or the general laws of the country. It has before been presumed that the Mine of Wealth Company, Limited, wisely adopt the principle of allowing the model Articles of Association to become the articles of the company. Thus, having proper regulations for the calling of extraordinary general meetings, it is not afterwards left open for shareholders to complain (and justly) that any matters of importance have been decided on without their concurrence first obtained. Under a penalty not exceeding £5 a day, the company must annually file at the Registry Office a statement of the following particulars :—

1. The amount of the capital of the company, and the number of shares into which it is divided.
2. The number of shares taken from the commencement of the company up to the date of the summary.
3. The amount of calls made on each share.
4. The total amount of calls received.
5. The total amount of calls unpaid.
6. The total amount of shares forfeited.
7. The names, addresses, and occupations of the persons who have ceased to be members since the last list was made, and the number of shares held by each of them.

With the provisions of the Act of 1862, in the interest of shareholders, we may fittingly close our observations on the business life of a company. In addition to providing that a general meeting *must* be held at least annually, section 56 of the Act arranges that the Board of Trade may appoint one or more competent "inspectors," to examine into the affairs of the company—in the case of the Mine of Wealth Company, upon the application of members holding not less than one-fifth part of the whole shares of the company for the time being issued—the inspectors being empowered to require all necessary evidence, and examine witnesses on oath. Conditions are very properly attached to this proviso to do away with applications for malicious motives only, and action is not obligatory on the Board of Trade. A majority of shareholders may also by special resolution have a similar inquiry held and report made.

A few words on the winding or settling-up of a company, and its dissolution or dispersion into thin air, and we have done. There are two very different ways of winding-up. One is winding-up by the Court of Chancery, or forced or compulsory winding-up ; the other, what is termed voluntary winding-up, *i.e.*, at the mere motion of the company itself, possibly with the intention of rising Phœnix-like from its ashes to an altered life, or alliance with some other company. The Act amply provides for this, the Court of Chancery being authorised to consider and act upon the wishes of members and creditors as shown by any valid statements advanced, and to order the holding of meetings to determine similar questions.

Now, as to the *modus operandi* of winding-up. Whichever system be chosen it results in the appointment of officers termed "liquidators," who act first for the creditors, and secondly for the shareholders of the company. These officers have full power to convert into money all the property of the company, apportioning it first among the creditors, and next among the shareholders. Where this operation is "voluntary," and the assistance of the Court of Chancery is slight, the attendant expenses are proportionately modest. The Companies Act arranges that the Court shall have full jurisdiction in regard to allowing creditors and members a substantial representation. Circumstances under which a company may be wound-up are minutely stated in the Act, and section 80 gives the definition of a "company when deemed unable to pay its debts."