

*Dominion Companies Act*

that company be criminally liable? If not, they could easily evade their civil responsibility by setting up a straw company.

Mr. CAHAN: There are sections of the criminal code which make directors who issue false statements liable. However, in the matter of criminal jurisprudence I shall have to submit to the more experienced judgment of my hon. friend the Minister of Justice, though I may say that if this discussion is postponed until we deal with the representations that must be made by a company issuing its shares, and the nature and extent of the information which must be disclosed, I shall be able to justify the statement which I now make to hon. gentlemen, that I know of no act in a British country in which the provisions are more stringent than those incorporated here.

Mr. COOTE: Will the prospectus to be issued under the new act, in connection with any company whose capital structure is being reorganized, require those issuing the prospectus to state the capitalization of the old company as well as the capitalization of the new? If not, will the minister consider making provision in that respect?

Mr. CAHAN: All the material facts necessary to allow an intelligent reader of a prospectus to determine the actual financial condition of the old company must be disclosed, and if on further examination of these sections the hon. gentleman has any suggestions to make I shall be most happy to consider them.

Mr. STEWART (Edmonton): I was intensely interested in section 48 for the very reason given for the present discussion.

Mr. CAHAN: That section stands.

Mr. STEWART (Edmonton): I understand that, but the minister has taken this occasion to discuss the matter with another member of the house and I want to say this to him. I wish he would reconsider some of his statements, particularly as regards the inadvisability of going to the trouble of supervising the capitalization of companies. Some authority will have to undertake this unless, as he points out, he has surrounded the organization of companies with the safeguards and penalties that will make it impossible for companies to evade the law. Eight or nine years ago I raised this very question in the House of Commons and I was told then—I do not blame the minister who at that time made the reply—that such provision could not be incorporated in the

[Mr. Neill.]

Companies Act. Well, we have reaped the whirlwind in consequence since that date, companies having been allowed excessive capitalization whereby they have exploited the public. I feel very strongly on this particular feature of the bill. Surely it is possible so to supervise the capitalization of companies obtaining charters from the dominion government so as to ensure that the sort of thing that has gone on, not only in connection with the Burns company but with half a dozen other concerns, where the public have been exploited in Canada, shall be prevented. I say this now in the hope that some provision will be made in this bill that will make that sort of thing impossible.

Mr. CAHAN: Section 48 stands. I think we have gone as far as it is possible for this parliament to go, if in the future any companies are to be incorporated under the authority of dominion legislation.

Mr. HANSON (York-Sunbury): The crux of the evil complained of, under the capital structure set up in the letters patent, as I apprehend it, or in the borrowing powers that may be asked for by by-law, is the writing up of assets taken over from one company by another. Unless you meet that evil and provide for supervision over that aspect of the matter you will never meet the situation which at present confronts the investing public of Canada. You can put what you like into the requirements of the prospectus, but unless there is a true valuation on the assets being exchanged by the old company for the securities of the new, or something of that character you will never prevent the crying evil which is complained of here and elsewhere. After very careful consideration, I believe I am correct in saying that this is the point to which we ought to direct attention. I will say this however, that if you do try to do that you will have a wholesale job on your hands; more than that, you will drive out of the federal jurisdiction the incorporation of practically all these companies. Unless therefore you can get uniformity as between the dominion and the provinces, I do not see any chance in the world of remedying the evil, and it is a great evil, which is complained of.

Mr. COOTE: In connection with Burns and Company Limited, the preferred shareholders, who are going to lose most of their equity, formed the preferred shareholders protective committee. That committee issued a letter to the preferred shareholders in which they asked them to subscribe to a fund to be used for the purpose of carrying out an investi-