

Let us enquire, first of all, whether or not this money is a "payment out of profits made by the Company," and, secondly, whether or not it has "been validly capitalized by the company by resolution or otherwise." Let us look carefully at my definition at the beginning of this article and discover, if we can, where this "found money" has its origin, then follow it into the shareholder's pocket. By its allotment a company offers a new share for one hundred and forty dollars which is worth one hundred and fifty dollars. In other words, it offers the shareholder a bonus of ten dollars. This ten dollars to the shareholder is "found money," as soon as he can procure a purchaser. He goes to his broker, conveys to him the right to purchase the new share, the broker accepts the right, pays \$140 to the company for the new share, obtains the new share in his own name, and pays ten dollars to the shareholder. Where does the ten dollars come from? It comes out of the company and is a payment by the company when it conveys to the broker a share in the company for ten dollars less than its value, that is to say, a share for \$140 which is worth \$150. It is hardly necessary to say that it comes out of the "profits made by the company," as all payments, whether in the shape of dividends or bonus or otherwise, are of necessity payment out of profits of the company. They cannot be paid from any other source unless they are misappropriated from capital. In the second place let us make the more important enquiry as to whether or not this ten dollars has been validly capitalized by the company. It has found its way into the shareholder's pocket and its history is concluded, so far as it relates to this discussion. The company has paid it indirectly, it may be said, but paid it all the same. It never receives it back. It never finds its way again into the exchequer of the company and has never been capitalized. It is like the ripe fruit that falls from the tree. It grows out of and comes from the tree. It never goes back to the tree. It never becomes capitalized. Let me emphasize here a most significant fact that in the *Bouch* case, and in every other English case dealing with the question of capital and income, whenever and wherever the disputed money was