

detail of the proposed undertaking and who is prepared to insert in the letters patent an expression of his own opinion which is contrary to the expert opinions of those engaged by the applicants to give them reliable estimates of the amount of capital required.

When increases in capital are required, under section 48—frequently the increases are so small that their necessity is obvious—we ask for the best estimates which can be given as to the application of this proposed increase in capital and the necessity for its issue. Having obtained that and the proper certificates from auditors and others, we are forced to rely largely upon the opinions and the certificates of auditors and the sworn statements of officials which are submitted to us. Beyond that we have no agency in the department which can be expected to give more reliable information than that given by the applicants on behalf of the company and that contained in the certificates of the engineers and agents which they have retained for the purpose of advising them.

Mr. COOTE: I should like to illustrate the case I am trying to put to the minister by referring to Burns and Company Limited. The securities of this company were sold for the purpose of purchasing and taking over the business of P. Burns and Company. The capital structure of the old company is shown here with \$3,078,000 in first mortgage bonds and \$3,943,000 in preferred stock, a total of \$7,021,000. The capital structure of the new company shows \$7,000,000 in first mortgage bonds and \$6,900,000 in preferred stock, a total of \$13,900,000. It will be apparent that the bonds were increased by 127 per cent and the preferred stock by 74 per cent. Certain extraneous assets belonging to the old company were not taken over. The increase averaged almost 100 per cent in preferred stock and bonds of the new company as compared with the old. As I say, I do not know whether this company was incorporated under the dominion act and it may be that I am taking up this matter in the wrong place. If so, the minister will correct me but, if not, I should like him at some stage of the discussion of this bill to advise the committee whether any steps are being taken in the drafting of this new bill to prevent occurrences such as those which took place in connection with this company. I might say that the preferred shareholders have had their equity almost wiped out. In the new company the management is confined to the holders of three management shares without

any par value. Although there is a total capital involved of nearly \$14,000,000, the preferred shareholders have no say whatever in the management of the company. I should be glad if at some stage of the bill the minister would indicate what action if any is being taken to prevent such occurrences.

Mr. CAHAN: I thank the hon. gentleman. I can make a statement on this section although there is another section which is very material and relevant. My acquaintance with the particular company to which he refers is due to the fact that the company applied recently to have its letters patent amended under an order of the judge who had presided over the meetings held to consider the reconstruction of the company. From my examination of the statements and accounts which were presented I know that there were and are probably very material grounds for the complaint made by the hon. gentleman. In order that such conditions may be prevented so far as possible, we have provided in this bill, in another section dealing with prospectuses, that any company issuing shares or purporting to issue shares for sale must issue a prospectus, which prospectus must be in the hands of every person who buys a single share of stock from the company or its underwriter and which also provides that, if there is any material misstatement in that prospectus, the company issuing it shall be responsible. In regard to the conditions under which the prospectus shall issue and the information which must be disclosed therein, we have gone the limit in compelling a company organized for the purpose of taking over a pre-existing company to give complete information with regard to the financial condition and the operating profits and losses of the pre-existing company so that every purchaser may have before him a most complete and detailed statement of the existing conditions for his own information. When we deal with prospectuses I shall be very glad to have any suggestion from the hon. gentleman or other hon. members of the committee. This bill is not a partisan bill, its object is to protect the public so far as it is within the legislative jurisdiction of this parliament so to do and at the same time to permit companies whose undertakings are above reproach and criticism to carry out such undertakings in industry and commerce for the benefit of the whole country.

Mr. NEILL: Will the minister allow me a question there? He stated that under certain circumstances of misrepresentation the issuing company would be held liable. Would