

Reports and Notes of Cases.

Dominion of Canada.

SUPREME COURT.

DORCHESTER ELECTRIC CO. v. KING.

DORCHESTER ELECTRIC CO. v. THOMSON.

DORCHESTER ELECTRIC CO. v. INDUSTRIAL SECURITIES CO.

Lane, J.]

[24 D.L.R. 373.]

1. *Specific performance—Agreement for subscription of bonds—Right to remedy.*

An underwriting agreement providing for subscriptions to an issue of debentures, whereby subscribers agree to give money by instalments or otherwise in exchange for debentures or bonds is tantamount to an agreement to borrow and loan money, and hence is not susceptible of specific performance.

2. *Corporations and companies—Bonus stock—Illegal issue—Effect on bond subscription.*

Where a company as a special inducement to subscribers for its debentures offers a bonus of common stock such inducement is an essential and important consideration of the contract; and therefore if such issue of stock is null and illegal the underwriting agreement itself becomes void.

3. *Corporations and companies—Issue of stock before payment—Watered stock—Illegality.*

Under the Quebec Companies Act, stock issued direct from the treasury of a company without being paid for in cash is watered stock and therefore illegally issued and void, even though it be claimed that such stock represents the increased value of the company's property.

4. *Corporations and companies—Issue of stock—Mode of payment—Statutory requirements.*

Under the Quebec Companies Act no issue of stock not paid for in cash is legal unless a contract be filed with the Provincial Secretary at or before the issue thereof shewing that payment in a form other than cash had been sanctioned.

ANNOTATION ON ABOVE CASE FROM D.L.R.

Etymologically it is nothing more than Latin word "debentur." The word was the first in the form of acknowledgment used by the Crown in old days, and given by it to creditors of the Crown, to soldiers and to the King's servants for payment of their wages. (Parliamentary Rolls, 3 Henry V. 1415.)