

*Dominion Companies Act*

department many regulations which are not expressed in specific terms, which it is difficult to express in a statute, but in case of every reduction of capital the Secretary of State demands from the applicant a statement of its accounts verified by an auditor and verified also by affidavit, so that it is easily seen from the documents so submitted whether the interest of the creditor is prejudiced or not, and in every case in which there is any possibility of the interest of the creditor being prejudiced we insist on having it brought to the notice of the creditor and the receipt of a waiver from the creditor over the creditor's signature before we exercise the discretion which is vested in the Secretary of State in subsection 2. I think that is about as near accuracy as we can reach.

Section agreed to.

On section 51—Objections by creditors and settlement of list of objecting creditors.

Mr. BUTCHER: I will read subsection 4:

Where a proposed reduction of capital involves either the diminution of any liability in respect of unpaid capital or the payment to any shareholder of any paid-up capital, the Secretary of State may, if having regard to any special circumstances of the case he thinks proper so to do, direct that this section shall not apply as regards any class or any classes of creditors.

What relation is there between shareholders and creditors in this subsection?

Mr. CAHAN: That has to do again with the reduction of capital. If any reduction of capital is proposed that involves a reduction of the assets of a company which would prejudice the rights and interests of the creditor, then the Secretary of State must intervene. This section as now submitted is taken from the English act. If a creditor or any class of creditors is thoroughly secured, it gives the Secretary of State a discretion in those special circumstances to direct that notice, et cetera, to creditors shall not apply. I have simply followed in this amended section the English act where the courts have found that if creditors were amply secured it was not necessary to go through the form of giving notice.

Section agreed to.

On section 52—Order confirming reduction.

Mr. CAHAN: I wish to delete the marginal note, Mr. Chairman, and substitute the words "supplementary letters patent confirming reductions," which is more accurate. As the marginal note is not subject to amendment by

[Mr. Cahan.]

resolution of the house I am simply calling attention to it, and I would ask the officials of the house to change the marginal note accordingly.

Amendment agreed to.

Mr. COOTE: I do not know whether this is the correct section on which to direct this question to the minister. I am not very familiar with this bill, and have not had much time to devote to it. I should like to ask the minister just what supervision does the department exercise over the capital structure of companies that are incorporated. It seems to me that that is where many investors get into trouble, putting their money into stock or securities of companies that are over-capitalized. I have received many complaints lately from the shareholders of one company. I must admit I do not know whether it is incorporated under the dominion act or not. The company in question is Burns and Company Limited. The shareholders have invested in about seven million dollars of preferred shares of this company, and they are going to lose practically all the money that they have put into those preferred shares. Would the minister be good enough to give us an idea of the supervision exercised over the capital structure of companies that are being incorporated?

Mr. CAHAN: Mr. Chairman, I have spent many anxious hours over the question of the capitalization of companies by the terms of the original application and the issue of letters patent whereby the capital structure is limited in the first place, and secondly with regard to increases of capital which arise under section 48. The proposed capital of the company is indicated by the applicants in the petition to the department for incorporation by letters patent. How a department can ascertain whether any restriction should be placed upon the capital asked for is one of the most difficult questions in connection with the administration of the Companies Act. A company may be undertaking a work of construction, it may be a factory, a hydro electric station or some other engineering work and I assure the hon. gentleman that it is impossible for the department to revise the estimates of construction or the estimates of the probable outlay on the engineering work so as to determine with any degree of reliability that the amount of capital asked for in the petition is greater than the work necessitates. That would make necessary having an official in the department who could enter into almost every material