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BONDS AND BONDHOLDERS

When is a bond not a bond, will become a popular vaudeville question in Canada if some of our financiers continue to indulge in financial novelties. Instances have been too numerous in recent years wherein a company's bond has proved a poor thing, indeed. Investors are taught to regard the average bond as an investment giving a fair interest return with the maximum amount of safety. Reorganizations of certain Canadian companies have done much to blast that idea, which happily was becoming well established.

The reorganization of the Canadian Coal and Coke Company is another example of unfortunate financing. It involves the surrender of mortgage bonds for preferred stock, a transaction which no one will label desirable. This scheme, it is said, was practically the only way to solve the difficulties of the companies interested. Working capital was urgently required, and it was thought that this could be secured only through the removal of the existing mortgages held by the bondholders. This is a sort of "Now you hold it and now you don't" finance, which might appeal to office boys, but reflects little credit upon modern financiers.

A holder of Canadian bonds should know that he has a security which cannot be swept away at the whim or in the troublous times of company promoters, reorganizers and financiers. The sooner we get back to the old English idea that a bond is an investment surrounded with a fence of financial purity, and live up to that idea, the better will it be for Canadian credit.

We are told that only one bondholder dissented from the reorganization plan of the Canadian Coal and Coke Company. It is pleasing to know that at least one holder was not stunned by the trend of events.

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Another matter to which bondholders must give attention is the recent innovation of those who draft trust deeds, giving facilities in the trust deed for complete control by the majority of bondholders over the mortgage, which is security common both to the majority and minority. If this practice spreads, minority bondholders' rights will not be worth a tinker's expletive.

LOCAL GOVERNMENT BOARD FOR CANADA

The suggestion that a Local Government Board should be established in Canada is a healthy sign. Mr. W. Sanford Evans, of Winnipeg, raised the question at the municipal convention, Saskatoon. He advocated the establishment of a board which shall fulfil the same functions as the Local Government Board of Great Britain, so that before municipal debentures can be floated the official approval of the board would have to be given for proposed expenditures under the loan.

The growth of the country having been so rapid, the volume of municipal securities to be marketed has greatly increased. It is somewhat difficult for those in older countries to appreciate the rapidity of legitimate municipal growth in Canada. The constant increase in population, natural and by immigration, has multiplied cities and towns and maintained a continuous demand for funds for local improvements of all kinds. Considerable sums have been obtained and expended in that way. Civic authorities, seeing local needs, have sometimes expended money before it was actually obtained by the sale of debentures. This may have passed in times when the supply of capital was almost unlimited, but that it was questionable financing is now proved in these days of financial stringency. Many committee members, town