Alberta

This Section of The Guide is conducted officially for the United Farmers of Alberta by P. P. Woodbridge, Secretary, Calgary, Alberta.

RE CANADIAN SOCIETY OF EQUITY LIMITED

There appears to be a considerable amount of misunderstanding in some parts of the Province as to the part that the Central office has taken in connection with the work of winding up the old Canadian Society of Equity Limited (in liquidation). A brief history of the circumstances in connection with this affair may therefore be in order, showing the position of the shareholders, or rather contributories, and how we came to take any part in it.

It would appear that the Canadian Society of Equity Limited was organized in the year 1908, for the purpose of building elevators, flour mills and various other things. A large number of shares in the company were applied for. Except in a few cases there was no cash paid down, the agreement being that the shares were to be paid in five equal instalments of $10 each, the first instalment not becoming due until the first January following the year in which the share was applied for. Things appear to have gone wrong right from the commencement, and at a meeting of the shareholders, held the latter part of the first year, a resolution was put thru forcing the company into liquidation before anything at all had been done. It was here that the great mistake was made, the majority of the shareholders being apparently so disgusted with the turn affairs had taken that they promptly went home and tried to forget all about it, without considering the possibility that a number of liabilities had been incurred by the company during the few months of its existence. When a company goes into liquidation, there is a special ordinance providing that the liquidation shall be carried out in a certain form, and at the same time providing means for the shareholders to protect their interests should they so desire. This ordinance was, of course, used in the winding up of the Canadian Society of Equity, but the shareholders did not make any effort to make use of the provisions in the ordinance for their own protection, with the result that thru mismanagement and possibly even worse on the part of the liquidator, and others, expenses were piled up and legal costs incurred in addition to other liabilities, many of which have never been settled. This went on for some two years, the liquidator failing to comply with the terms of the ordinance which provided for the calling of a shareholders' meeting at least once a year. After some two years, the liquidator died, and for the time being the winding up proceedings of the C. S. of E. Ltd. died also, but, as a matter of fact, the old liquidator had very far from finished the winding up of the concern, and there were a large number of creditors still remaining unpaid. But, for some reason, none of those creditors seem to have worried about getting their money until the early part of last year, when one of them, a Mr. Von Mielecki, suddenly decided that it was advisable to have the whole matter re-opened, and by filing an affidavit in court, succeeded not only in getting the whole thing brought to life again, but also in having another liquidator appointed, all of which was done without the knowledge of any of the other shareholders, or indeed anyone outside of a few interested parties and court officials. Some few months later the shareholders all over the country were astonished at receiving a curt demand for a further $10 on each share, with a threat of legal proceedings unless the amount was forthcoming within a period of about three weeks. At the time this summons was sent out by the new liquidator the Central office knew absolutely nothing about the company or what was in progress, but immediately afterwards a considerable number of our members in various parts of Alberta, both by letter and by phone, called up and asked us to look into the matter, and as a result, after considerable trouble, legal proceedings were stayed for the time being, and the liquidator was forced by us to call a meeting of the shareholders to consider the whole business. At that meeting I, as your secretary, was allowed by a special resolution passed by the shareholders themselves, to be present and to take part in the interrogation of the liquidator, who had charge of the winding up proceedings, and eventually, while much against my inclination or desire, at the earnest request of the shareholders present, I consented to act as inspector, together with Messrs. H. W. Wood, of Carstairs, and Thos. Margetts, of Brant, two of the shareholders.

Now, in my opinion, an inspector is appointed by the shareholders of a company in liquidation and his duties are first, last and all the time to protect the interests of the shareholders, but his powers are limited to a certain extent. An inspector has full control over the liquidator, who represents the creditors primarily. An inspector has power to check up everything that the liquidator does and see that the expenses are kept as low as possible, to challege the claims of the creditors wherever there are sufficient grounds for doing so; in fact, his duties are to see that the shareholders are given fair play. He has, however, no power whatsoever to cancel the debts of the shareholders to the creditors of the company, nor can he prevent the creditors from taking legal proceedings against the shareholders of the company thru the liquidator. There is no room at this time to go into detail as to what we have been able to accomplish on behalf of the shareholders as their inspectors. At the time of the last shareholders' meeting, in November, 1913, we were able to show that in addition to having held up all proceedings during the time of our investigation, we had succeeded in reducing the total liabilities of the shareholders by a sum of not less than $3,500, with the possibility of adding still further to this amount. Now, in answer to certain criticisms which have reached us in a roundabout way, at the end of last year the inspectors sent a joint letter, signed by all three, to all the shareholders, endeavoring to put the matter plainly and fairly before them, advising them of the condition of affairs, assuring them of the careful supervision of their inspectors, and pointing out from the knowledge they had been able to gather in their investigations as inspectors that the only possible way of having the matter finally closed was to pay up as promptly as possible on the call of $7.50, which had been recommended by the shareholders themselves at the meeting held in Calgary in November last. This letter was sent out on plain paper, but in envelopes with my name and address as Provincial Secretary of the U.F.A. on the outside. This letter appears to be the cause of the criticisms which were made.

It has been stated, and truly, that the shareholders of the C. S. of E. received no value for their money. Unfortunately, the law is not interested in this part, and only recognizes the fact that certain parties applied for shares in the company, became shareholders and are liable for the liabilities of the company. It has been stated by a good many that their notes have been returned to them, and that they are therefore not shareholders in the company or liable for its debts. This is incorrect. When the company went into liquidation the applications for stock, with notes attached, were put into court and a list of such applicants made out, which list was confirmed by a judge of the court, signed and sealed by him as being correct, placed on the records and thereafter is known as a list of contributories, which cannot be disputed in any way. This list having been signed, sealed and put on record, rendered the notes given in application for stock useless, and they were therefore returned. The law states that if necessary it will insist on the assessments of each man appearing on this list of contributories for the full value of his share, if necessary, in order to satisfy the creditors. The inspectors have absolutely no power whatsoever to prevent the law from taking this course and collecting this amount, if the shareholders will not themselves see that the matter is finally wound up and closed by the courts before such an amount is required. As was pointed out by the inspectors, every day that the case was kept open meant added expenses and additional liabilities in the shape of liquidator's fees, lawyers' fees, etc., and urged upon the shareholders the necessity in their own interests of paying the call and thus meeting their liabilities, when the matter could be killed once and for all.

The efforts of the inspectors and their personal appeal to the shareholders were utterly disregarded by the majority, and their time and work given free on behalf of the shareholders appear to have been wasted, for not more than a very small minority of the shareholders have responded to the call. There has not been sufficient money come in to pay the debts of the company, and the creditors, thru their liquidator, are preparing to force the collection of the amount of the call, with costs, from all those who have not paid. The inspectors are absolutely powerless to prevent them from doing so.

So far as I personally am concerned, representing the Central office, I am not a shareholder, neither am I a creditor. It was only at the earnest request of the shareholders, at their meeting in Calgary, that I consented to have anything to do with the matter. I, with the other inspectors, have done my utmost to protect the interests of the shareholders, often at considerable inconvenience to ourselves. We unearthed a number of irregularities which resulted in the reduction of the liabilities by nearly $4,000. We have held up legal proceedings by the creditors against the shareholders for a period of nearly twelve months while these investigations were going on. We have prevented numerous legal and other expenses, which we have good reason to believe would have been incurred had we not been active in our work, and we are still watching the interests of the shareholders, but we cannot prevent them from being sued for debts which the law declares they are liable for and must pay.

What I particularly wish to point out is that the inspectors have had absolutely nothing whatever to do with the reopening of the case, with its continuation to the present time, with the assessments of $7.50 per share which have been made, or with the steps which the liquidator proposes to take on behalf of the creditors within the next few weeks. The Central office of the U.F.A. has, as ever, been doing its utmost to see that the farmers implicated receive fair play in the winding up of this company, and beyond that we can do no more. If any of the readers of this explanation still wish for further explanations in regard to the matter, I should be glad to hear from them, and give them any information at my disposal.

P. P. W.