

The profits should be disposed of as follows :

1. In payment of expenses ; as to which all salaries and directors' fees might be fixed by the charter.
2. In maintaining capital account by proper sinking funds, etc.
3. In payment of the bond coupons.
4. In payment of a dividend, say, at the rate of five per cent. to shareholders.
5. In payment to the municipality of a sum equal to, say, three per cent. on the capital stock.
6. In payment to the shareholder of a further dividend, if earned, of one or two per cent.
7. In payment of the residue, if any, to the municipality.

There should be a right to the municipality to cancel the charter and take possession of the franchise properties and form a new company :

- (a) On default in payment of interest on the bonds.
- (b) Upon a resolution passed on a two-thirds vote by the municipal council that the franchises are not properly managed, and then only on repayment to the shareholders of their capital with a bonus of six months' dividend.

I need not further elaborate details. Many will occur to experts, and varying conditions will arise, making a hard and fast formula impossible.

The bond issue guaranteed by the municipality gives half the capital at the lowest possible rate. Say the total net earnings of the franchise company on the bond and share capital are at the rate of eight per cent., and the bonds are issued at par to pay three and one-half per cent. This would give twelve and one-half per cent. on the share capital, paying the shareholders the suggested five per cent. and the municipality three per cent., and there would remain for deferred dividend to shareholders two per cent., and a residue of profits for the municipality of two and one-half per cent.

The franchise company and the municipality are partners ; conflicts cease ; useless extensions are not required ; the company can start with one franchise acquired, and can increase the capital as required for further acquisitions as they fall in or are capable of being dealt with.

The key, or special feature, is the suggested method of dividing the profits. The first dividend to the shareholders should be enough to enable the stock to be readily placed at par. The