

subsequent application for increase, it may be granted or denied. I do not think parliament or this committee ties its hands in any way by making this increase. If the increase is not given, if this section is not passed, the company may continue to loan millions to this company. Then if there is any interference with it later on, it would have the very same right to come and say on the strength of this legislation that parliament has passed, "We have advanced two, three, four, or five million dollars." They would have the very same plea under those circumstances as they would have if they were permitted to pay in five million dollars as capital stock. That is my view. I cannot make it any stronger than that. Should I deal with the amendment?

The CHAIRMAN: Please.

Mr. FINLAYSON: I see no objection whatever to the amendment. I would not say that it is necessary, because we have become so used to the fact that loan companies, insurance companies and trust companies know nothing about watered stock. There is no such thing in any of our dominion insurance, loan or trust companies. They issue stock at the par value, fully paid or partially paid; and if not fully paid, subject to call, and the payment must be actual cash. I am quite sure that is what would happen today. I cannot see that the company will take any objection to this, and I do not see any objection to it. The only words that I might think superfluous are the words "for accumulated profits". That might, as it reads, prevent the company from converting its reserve funds—

Mr. CLEAVER: That was my object.

Mr. FINLAYSON: —into capital stock, or declaring a stock bonus.

Mr. CLEAVER: That was my object. I think in companies of this nature the record should be kept absolutely clear.

Mr. FINLAYSON: Yes.

Mr. CLEAVER: And that if they wish to take accumulated profits and issue stock for them, it should be done in the strictly roundabout, regular way of declaring dividends, paying out the money in dividends and then subscribing for stock.

Mr. FINLAYSON: I think so. I think that would be permitted. This company, instead of declaring a stock bonus to the amount of its reserve fund, would pay out the reserve as a dividend and call it back as capital stock.

Hon. Mr. STEVENS: Which makes the whole amendment meaningless, superfluous, useless and senseless.

Mr. CLEAVER: You can vote against it.

Hon. Mr. STEVENS: I certainly will.

Mr. FINLAYSON: I do not think it is watered at all. I think it is actual cash, but it is done in that particular way.

Mr. MARTIN: Would not the words "for any consideration" take care of that? It is not superfluous, is it?

Mr. FINLAYSON: I do not say the whole amendment is at all superfluous. For instance, a company might issue capital stock against some sort of service or against a plan to be supplied. One of our provincial companies that I know of has done that, has issued all its capital stock against a loan plan supplied by the promoters. They provided that system and they got capital stock in exchange for the system. This would prevent absolutely anything of that kind.