

and for convenience allotted them, at the same time that the dividend was declared, the amount called upon the new shares being covered by one-half of the increased dividend declared on the old shares. Sterling, J., says:—"I do not think that it was intended to capitalize any existing assets of the company under the guise of first declaring a dividend and then issuing new shares to the existing shareholders and I think the object was to give any share holder who might desire it an opportunity of increasing his holding in the company (this being a benefit) and to do so in a way which would at once secure to the company the desired increase of capital without putting the shareholders under an obligation to find the money out of their own pockets . . . the conclusion at which I arrive on the question of fact is that the company by the resolutions . . . did really intend to distribute its accumulated profits as dividend to the extent to which those resolutions purported to sanction such a dividend. In my opinion, therefore, the tenant for life was on the principle laid down in *Bouch v. Sproule* entitled to the dividend declared by these resolutions. . . . If an offer were made to the trustees unconnected with the payment of any dividend the option would have to be exercised on behalf of all the beneficiaries, and if the instrument creating the trust did not authorize the retention of the shares it would be the duty of the trustees to sell them and deal with the proceeds as capital; and, in fact, such a course has been repeatedly authorized by the Court." The shares taken up by the executors in this case having been sold the Court held that the life tenants were entitled to the full amount of the dividend out of the proceeds of the sale of the new shares, the balance of such proceeds being capital.

The result of the cases may be summarized as follows: In the case of companies with a capital stock limited by law a bonus or special dividend out of the accumulated profits of the company which have been held and used by the concern as part of its working capital is capital and so remains in the hands of the shareholders. In the case of companies authorized by law to increase their capital stock what is declared by them as dividend is income for the old shareholders, but any capitalization of profits by the company, whatever form it may take, is binding on all the holders of stock and enures to the benefit of all persons interested in such