

is working, I understand, very well indeed. It appeals to me as the wisest way of incorporating a company. The fixing of the par value at \$100 of a share of stock is not in itself a valuation. It tends to deceive the public. We speak of a company having a capitalization of \$10,000,000 when perhaps the stock is only worth ten cents on the dollar. The capitalization of the company in such a case is not \$10,000,000; it is only \$1,000,000. The issue of a share certificate of the par value of \$100 means nothing to the ordinary man buying it. The labourer, or the man who is not acquainted with company law, has the idea if he is getting it below \$100, that he is getting a bargain. I never could see any reason for issuing stock with a par value at all. I do not pretend to know as much about company law as some hon. members in this House.

Mr. A. K. MACLEAN: The result will be the same.

Mr. MEIGHEN: The result is the same in the end. For any one fully acquainted with all the facts and able himself to grasp what he needs to grasp, it is all right, but it is the other fellow who has to be protected. This would lead to the elimination of over-capitalization.

Mr. A. K. MACLEAN: I do not believe it is going to do that at all.

Mr. R. B. BENNETT: The practice which has been in vogue for the last few years in New York has been to incorporate companies without attaching a value to the shares.

Mr. A. K. MACLEAN: Very little of that has been done so far.

Mr. R. B. BENNETT: It has been done very largely lately, and one of the best examples of it is that given by the Cuba Sugar Company, and other examples are afforded by other large companies of a similar character. They simply state the number of shares—so many preference shares at seven or eight per cent—and then 2,000,000 common shares.

Mr. A. K. MACLEAN: It will bring about the condition that the Secretary of State is trying to avoid. If the company has a capitalization of \$50,000,000 par value with a large reserve and it desires to increase its capital issue, it will not like to do it without some reason for so doing. Large companies could reincorporate under the Act without a nominal or par value being given to their shares and they could issue a billion shares.

[Mr. Meighen.]

The value is soon established by the earnings of the company, it is true, and the market quotations for each year may not be so high; but this can be used actually to increase your capital stock. You simply have more shares.

Mr. MEIGHEN: You do not need to have this, you can increase anyway.

Mr. A. K. MACLEAN: Frequently corporations do not like to do that; they do not like to antagonize the public in some cases.

Mr. MEIGHEN: Would not the same restrictions apply here?

On section 6—tariff by Governor in Council:

Mr. MEIGHEN: There will be some expense in the administration of the Act in connection with the filing of returns, prospectuses, etc., and it seems reasonable that the companies should bear the cost of the administration, as they get the benefit.

On section 43 C—Obligations of companies where no prospectus is issued—meaning of "private company":

Mr. MEIGHEN: It will be observed that in subsection 2 the date before which this section shall not apply is given as the first day of September, 1917. I move to amend that to read "the first day of January, 1918."

Mr. A. K. MACLEAN: Is there such a thing as a private company under our Act, as there is in the English Act?

Mr. MEIGHEN: That is covered by subsection 3 of this section. We are establishing the power of restriction by this Bill.

Mr. MURPHY: They will exist after this?

Mr. MEIGHEN: Yes.

Amendment agreed to.

On section 43 D—Liability for statements in prospectus:

Mr. MEIGHEN: This is the British Act, followed in Ontario, British Columbia, Nova Scotia, Saskatchewan and Alberta. In Nova Scotia the Act is modified. I may say that in Quebec the company law has followed year by year the Dominion Companies Act. Whenever our Act was amended, the Act of Quebec was amended in the same way, and as a consequence there has been less confusion in that province. In the other provinces an entirely different course has been pursued.