

gation and, if necessary, of taking action against the Dominion Securities Corporation who sold the securities. They claim that the prospectus of the company did not disclose the true position of the company. This circular came to the attention of the Dominion Securities Corporation, who floated the securities. The Dominion Securities Corporation have issued a circular letter to the preferred shareholders and I wish to quote the postscript, because it refers to the suggestion made by the minister that any company that floated securities improperly, or at least in connection with which proper information had not been disclosed, might be held liable for damages. Such action is contemplated and suggested by the protective committee to which I have referred, and this is what the Dominion Securities Corporation say in a postscript to their letter to the preferred shareholders:

We feel further that we should point out with reference to the form of power of attorney accompanying the circular of February 27, 1934, that if you give such power, and action is brought in your name and on your behalf, you may thereby incur a liability for substantial costs in addition to any funds which you contribute as suggested in the circular.

Here is the corporation that floated the securities issuing a warning to all preferred shareholders, discouraging them from getting together to take legal action if they have any ground therefor. As an hon. member suggests, it is a threat to the shareholders. I bring this to the attention of the minister so that when we come to discuss section 48 he will perhaps take it into consideration to see whether some better security or protection can be afforded shareholders who wish to take such action.

Mr. CAHAN: The clauses with regard to prospectus will stand for to-day and may be discussed further in connection with section 48 if hon. gentlemen wish to renew the discussion.

Section agreed to.

Section 53 agreed to.

On section 54—Penalty for concealment of name of creditor.

Mr. CAHAN: Hon. gentlemen will see as we go through these clauses that we are inserting penalties. For instance, in clause 54 we are inserting a penalty for misrepresentation:

Liable to five years' imprisonment or to a penalty not exceeding \$1,000, or to both such imprisonment and such penalty.

We are in this revision increasing the penalties very considerably.

Mr. HANSON (York-Sunbury): So far as I can see there is no change in this clause.

Mr. CAHAN: In this particular one the penalty may be the same, but in other clauses we are increasing the penalties very materially.

Section agreed to.

Sections 55 to 58 inclusive agreed to.

On section 59—Preference stock by bylaw.

Mr. DUPRE: I move in subsection 5 to strike out all the words after the word "part" in the 36th line.

Mr. CASGRAIN: What is the effect of the amendment?

Mr. CAHAN: This amendment is proposed because we think the latter part of the subclause does not add anything to the force of the previous part. The subclause reads:

(5) Holders of such preferred or deferred shares shall be shareholders within the meaning of this part, and shall in all respects possess the rights and be subject to the liabilities of shareholders within the meaning of this part.

That broad statement is regarded by the best counsel whose advice I can obtain as being clear and definite and the suggestion is made that the addition of the following words is unnecessary:

But in respect of dividends, and in any other respect set out in the by-law as authorized by this part, they shall, as against the ordinary shareholders, be entitled to the preferences and rights given by such by-law.

Of course they are, because the other provisions of the statute confer those rights upon them provided they are given by bylaw, and the best legal advice I can obtain is that the addition of those words after the word "part" simply befores the issue.

Mr. CASGRAIN: Who was the counsel that advised that because for the information of the committee—

Mr. CAHAN: I have had the advice of many lawyers in various parts of the country who have given the very best of counsel. This has also been before the leading accountants, professional institutes and professors of colleges and their advice has been digested to the best of our ability. The matter has been under discussion now for a year and a half.

Mr. CASGRAIN: Too many cooks spoil the broth.

Mr. HANSON (York-Sunbury): Although the minister states that these additional words are regarded merely as redundant and of no force or effect so far as the legislation is