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Saskatchewan Co-operative Elevator Company



(PAMPHLET No. 1)

(CONTAINING)

THE SASKATCHEWAN
CO-OPERATIVE ELEVATOR
COMPANY ACT



TOGETHER WITH

An Explanation of Its Provisions and a Discussion
of Its Principles.

Prepared and published by the Provisional Directors of
the Saskatchewan Co-Operative Elevator Company
(who are also the Executive of the Sas-
katchewan Grain Growers'
Association).

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Moose Jaw.
REGINA.

REGINA.

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REGINA

THE ELEVATOR ACT IN PLAIN ENGLISH

In this pamphlet the true facts concerning The Saskatchewan Co-operative Elevator Company are presented. Practically everything in it is contained in the Act creating the Company, but here the facts are presented in simple language free from legal phraseology. It has been deemed advisable to adopt the categorical, or question and answer, style of presenting the subject. In order that the facts may be verified, the Act itself is included with this pamphlet and may be referred to. At the end of each answer the number of the section (of the Act) that applies to the point under discussion will be found.

Question—What is The Saskatchewan Co-operative Elevator Company?

Answer—The Saskatchewan Co-operative Elevator Company has been created by the Saskatchewan Legislature and at present is composed of the members of the Executive Committee of The Saskatchewan Grain Growers' Association. As other farmers subscribe for its stock or take shares, they, too, become members. (Section 2.)

Question—Why has it been created; what is its purpose?

Answer—It has been created in response to the requests of the organised farmers of Saskatchewan for relief from the exactions of corporate interests, controlling, in a large measure, the grain trade and other industries. It is the most promising measure of relief that the Elevator Commission and Saskatchewan Legislature could devise and has the unanimous endorsement of The Saskatchewan Grain Growers' Association. Its purpose is to create a company of farmers as well directed and as strong financially as any existing corporation in the grain trade. This company will by its mere presence in the trade raise the level of business practice and insure a larger measure of fair dealing. By its operations in the trade it expects to honestly make fair profits and distribute them amongst its patrons and supporters. (Section 2.)

Question—How will the company proceed?

Answer—As soon as sufficient shares have been taken by farmers in at least twenty-five different districts to enable the company to start to build elevators, it will call a general meeting of the shareholders. Of course not all the shareholders could come to one place at one time any more than all the members of The Grain Growers' Association could come to Regina to a convention. Therefore, the shareholders, or members of the company living in one district, will first meet and appoint three delegates or representatives to attend the general meeting of the company and represent their district and elevator. A body of shareholders who are all interested in one elevator and live in one district is called a "local." (Section 1.) Thus these three delegates from each group of shareholders or

local will constitute the first general meeting, and there will be at least 75 farmers present. At this meeting nine directors will be elected, three of them for three years, three for two years, and three for one year. These nine directors will then carry on the affairs of the company until the next general meeting, and so on. (Sections 7, 8, 10.)

Question—In the meantime who are at the head of affairs?

Answer—Until such time as twenty-five locals have been organised, the members of the executive of The Saskatchewan Grain Growers' Association have been appointed provisional or temporary directors. They have no power or money with which to buy elevators or build new ones. Their work is confined to organising locals, selling stock in the company, and preparing bylaws and other matter in readiness for the first general meeting. (Section 6.)

Question—Where is organisation being conducted from?

Answer—The head office of the company is at Regina, but the Act provides that any other place may be selected by the company; but at the present time the offices of The Saskatchewan Grain Growers Association at Moose Jaw are being made use of and the organisation work is being carried on from there. All enquiries on any subject should be addressed to Chas. A. Dunning, Provisional Secretary, Saskatchewan Co-operative Elevator Company, Moose Jaw. (Section 5.)

Question—What may the company do?

Answer—The powers of the company are very wide as it may do "all things incidental to the production, storing and marketing of grain." Thus if it wishes it may not only own and operate elevators and buy and sell grain, but it may own and operate lumber yards, deal in coal, wood, flour, feed, twine and machinery, and, in short, do anything—carry on any business—incidental to the production of grain. Under section 2 of the Act, therefore, the company may engage in any business needful to grain growing, if it judges that the farmers are not getting a square deal from those already engaged in it. It was felt very strongly that farmers were getting less than justice from those engaged in the business of buying, storing and handling grain; the creation of this company is the result. It has taken years of effort and agitation to secure it, but on account of the wide powers given to this company it will never again be necessary for the organised farmers to ask for assistance of this kind from the Saskatchewan Government. There is now no business affecting farmers in this province in which farmers may not lawfully and effectively engage on a co-operative basis. (Sections 2, 4.)

Question—What is the capital and how is it divided?

Answer—The capital stock of the new company is not a fixed amount, as is the case with other companies; it may be changed from time to time by the Government. The reason for this will be referred to later. All of the stock, however, is divided into shares of fifty dollars each. These shares can be held *only by farmers* and no

person will be allowed to take more than *ten shares*. Thus no farmer can hold more than \$500 worth of stock in the company. To secure \$500 stock, however, it will not be necessary that a farmer pay \$500 in cash. Only \$75 need be paid in cash. This represents 15 per cent. of the face value of the shares. The remaining 85 per cent. will remain subject to call. A farmer may take any number of shares from one to ten. (Section 3.)

Question—How may a local be organised?

Answer—If a group of farmers wish the company to buy one of the elevators at their shipping point, or to build a new one, they should write to Charles A. Dunning for application forms in order that they may subscribe for stock in the company and induce their neighbours to do the same. If a 30,000 bushel elevator (the size that is usually built at the present time) is needed, at least as many shareholders as will represent 6,000 acres of land under crop will be required before an elevator of that capacity can be acquired there by the Company. (Sections 12, 13.)

Question—Explain that more fully—give an instance.

Answer—Suppose, then, that ten farmers, each having about 100 acres under crop; ten, each having about 200 acres; five, each having about 300 acres; and four, each having about 400 acres under crop, each took from one to ten shares of stock and paid up from \$7.50 to \$75 on their shares. The total acreage under crop of these twenty-nine farmers would be 6,100 acres. The Act requires that the shareholders shall represent 2,000 acres of crop for each 10,000 bushels capacity of the proposed elevator. Thus these 29 farmers and shareholders would enable the company to build or buy a 30,000 bushel elevator.

These requirements are quite reasonable, and are designed to secure and retain the interest and support of a sufficient number of the actual grain-growing farmers to insure the success of the local even if no grain other than that grown by shareholders were handled by the elevator. The objectionable and unworkable feature of requiring a guarantee of support from the farmers of a district is absent; but the self-interest of a sufficient number is invoked, and support practically assured.

Question—Does a shareholder pledge or bind himself in any way to put his grain through the company's elevator at his point?

Answer—No pledge or guarantee of any kind, expressed or implied, is expected, asked for, or required. A shareholder is as much at liberty as any other farmer to ship his grain how he pleases or to sell it to the highest bidder. It is confidently expected, however, that the company will be able to do for its supporters at least as well as anyone else can do and its shareholders will realise that by dealing with it they instead of others will receive the profits. Section 12.)

Question—Is the company compelled to organise a local and acquire an elevator at every point that requests are received from?

Answer—As the company is a commercial concern—that is, it exists to conduct a certain line of business at a profit—it is evident that it must be allowed to carry on its affairs and develop in its own way, and always with a view to make a financial success of its work. Therefore it may not always be possible for it to establish an elevator immediately it is asked to do so. The elevator might be far distant from any existing local so that the cost of inspection, etc., would be very heavy. To be administered economically elevators should be located in groups or in lines (hence the term “line companies”) and if it is to succeed financially and otherwise the company must act in harmony with economic laws, just as the Government would have to do. (Section 12.)

Question—Can the company organise locals or establish elevators at points where the shareholders have not enough acreage or have not subscribed for enough stock?

Answer—Provision is made in the Act for the establishment by the company, with the consent of the Government, of elevators at points where there may not be enough shareholders to form a local, or where the shareholders may not represent sufficient acreage of crop. The purpose of this provision is apparent. Supposing that on a line of railway running out of Regina locals were organised, elevators built and put in operation, and lumber yards established at points distant 40, 50, 70 and 80 miles, we will say, from Regina. There are good towns at points 30 and 60 miles distant, but a sufficient number of the farmers tributary to them have not become enthused. Yet elevators and lumber yards could be operated at these two places with great profit to the Company and incidentally to the locals at the other four points. Under section 13 of the Act the directors might establish locals at these two points, with the consent of the Government. (Section 13.)

Question—How will the affairs of the company be managed?

Answer—For every local there will be a local board of management. There are some things in connection with the running of an elevator that can best be done by the people who are directly interested in it, and who are supplying it with grain. For doing this work the shareholders of a local will elect annually five of their number to be the local board of management. This board will have such powers as are given to it by bylaw at the general meeting of the company, together with such as may be delegated to it by the directors. (Sections 14, 16.)

Question—What about the central management that we hear of?

Answer—Just as there are certain things in elevator management that can be attended to best by local bodies, so there are many other matters that can best be looked after by a central body. Were this not so there would be no need for a co-operative company. It is that each may have the strength, support and encouragement of all, that the company is formed. In such matters as selling the grain, employing managers, inspecting elevators and records, pur-

chasing building material and supplies, making financial arrangements, and in a score of other ways it is evident to all that a central body has a great advantage over a number of scattered units. This is why wide powers will have to be given to the board of directors. (Sections 9, 11.)

Question—Is this a new principle or has it already been applied to other affairs?

Answer—This is the principle underlying representative government and it is the principle upon which all the great business concerns of the day are conducted—and these are the concerns which this company is created to cope with. In our Government the voters elect representatives to form a legislature, and they also elect others to form a council. The representatives elect a leader; he, in turn, invites other representatives to join with him in forming a government, and to that Government is entrusted the task of conducting the affairs of the country. Many minor powers, however, are delegated by the representatives (the legislature) to the local body (the council), but only such as in their judgment can best be administered by a local authority. Thus our method of governing ourselves is identical in principle with the method by which this company will be administered. The shareholders will appoint representatives to a general meeting, and will elect a local board of directors; the general meeting will appoint the government of the company—the board of directors. This meeting will also define the duties and powers of the local boards of management and of the central board of directors. Then, too, just as the legislature gives to the government power to delegate certain duties to local bodies, if it sees fit, so the directors will be given power to delegate to the local boards certain of their powers if it should appear desirable. (Section 16.)

Question—Has not this feature been criticised as being unworkable?

Answer—Some criticism has been directed to this feature of the Act, but there are many precedents to warrant the prediction that the distribution of powers between the local and the central authority can be and will be arranged without friction. This method of administration is a working feature of the arrangement under which the provincial government operates a number of co-operatively owned creameries. The local boards arrange for ice supply, fuel, and the gathering of cream, if that is done, while the department of agriculture, through the Superintendent of Dairying, hires the managers, instructs them and inspects the plants, markets the butter, and distributes the proceeds amongst the patrons. Why, if this division of responsibility works out satisfactorily in the marketing of one product, should it not do so in that of another?

Question—Is there danger that the central board of directors will take all the power and leave local boards of management with none?

Answer—The central board will have no powers other than those given it by the general meetings, and these meetings are made up solely of delegates from the locals. Thus the source of authority is in

the local, and the remedy for any undue or unwise centralisation or decentralisation of power lies with the locals through their appointed delegates. The authority that gives the power in the first instance can surely withdraw or modify it, if necessary. (Sections 11, 16.)

Question—What is this general meeting that has been referred to?

Answer—This is the company's annual convention or parliament. At it reports of the year's work will be presented and officers for the ensuing year elected. Another part of its work will be the passing of bylaws to regulate the affairs of the company. The "bylaw" of a company corresponds to the "Act" of a legislature, the "resolution" of a local improvement district, or the "bylaw" of a rural municipality. It is a regulation governing some matter concerning which the company has jurisdiction. The company is given certain powers under the Act. One of them (section 29) is the power to regulate its own affairs under the Act. This power is exercised by the general meeting through the bylaws. A bylaw differs from the resolution of a grain growers' convention in one important respect; it is a definite piece of legislation concerning a matter over which the company has control, while a resolution of a convention may only be an expression of opinion on a matter over which it has no control. (Section 8.)

Question—What are some of these matters which the company may pass bylaws concerning?

Answer—Some of the matters which the company may definitely determine by bylaw at its general meeting are the following:

Where the head office of the company shall be located. (Section 5.)

Whether a shareholder at a meeting of his local shall have voting power in proportion to his shares (having, say five votes if he holds five shares) or whether voting shall be on the basis of one man one vote. (At the general meeting of the company each person is present as a delegate and not as a shareholder, therefore each will have one vote and only one in such meetings.) (Sections 15, 10.)

Determine what shall be the power of the local boards of management and when the annual meetings of locals shall be held. (Sections 16, 14.)

Determine what shall be the powers of the central board of directors. (Section 11.)

Authorise the directors to make all necessary financial arrangements. (Section 30.)

How the profits of the company shall be divided. (Section 20.)

Generally, concerning the conduct in all particulars of the affairs of the company. (Section 29.)

Question—Where is all the money that will be required to come from?

Answer—The company must have money, first, to secure shareholders and organise locals; second, to buy or build elevators; third, to buy

grain, and fourth, to enter into such other lines of business (fuel, feed, twine, etc.) as it may wish to take up. The money for organisation work has been given to it by the Government to the extent of \$6,000, if necessary. This money is not a loan, but a grant—not repayable. Of the money required for the second purpose—acquiring elevators—fifteen per cent. is to be paid by the farmer shareholders and eighty-five per cent. by the Saskatchewan Government. This money is loaned by the Government and is not a grant. Money for the third and fourth purposes may be obtained in any of several ways. The company may borrow from a bank on the security of part of the eighty-five per cent. of its stock that is not paid up. It may hypothecate to the bank the grain which it will buy. It may mortgage any real or personal property it acquires, and, generally, it may arrange to raise the necessary funds in exactly the same manner as other companies do. The Government neither gives nor loans to the company any money with which to buy grain or carry on any other lines of business whatsoever. (Sections 27, 24, 30, 4.)

Question—How will the earnings of the company be spent?

Answer—The money earned by the company will be spent as follows:

- (1) Expenses of operating and maintaining the elevators, etc., will first be paid; this will include head office expenses, salaries, etc.
- (2) Amounts due to the Government for principal and interest on loans made for the purpose of acquiring elevators will next be paid.

DIVISION OF PROFITS.

(3) A dividend of not more than 6 per cent. may come next; it rests with the company to decide whether any, and if any, how much, of the profits shall be distributed in the form of a dividend.

(4) The balance, if any, may then be divided according to any one of several plans. Half of it may be divided amongst the shareholders on the basis of the business brought by them to the company; thus, the man putting five thousand bushels of wheat through a co-operative elevator would receive five times as large a share of the balance after the dividend has been paid as would the man putting only one thousand bushels through. This should naturally encourage loyalty to their own elevator upon the part of the supporters of a local. Or half of the balance may be paid to the shareholders upon the basis of the profits earned by the particular local to which each belongs compared with the profits earned by others. Under this plan if local number 10 with a capital of \$6,000 should have a balance to its credit of \$1,000 after expenses, proportion of Government loan and, perhaps, a dividend had been paid, \$500 could be paid to its shareholders as an additional dividend or bonus of $8\frac{1}{3}$ per cent. This surplus might be due entirely to the loyalty of the farmers comprising local No. 10 to their elevator and to the good work of their local board of management. Local No. 12, perhaps, was poorly handled, the farmers were tempted by higher prices elsewhere and did not support their elevator. Consequently, it showed no profit and there would

be no surplus to distribute in the manner above described as a bonus.

Or the balance (after the dividend, if any, has been paid) may be distributed half according to each of the above two plans, and half to a reserve fund which would be a nest egg for use in a bad year, should one be experienced. Thus, four plans for the distribution of profits are provided in the Act, and the choice of any one, or two, or three, or all four lies with the general meeting of the company. (Sections 20, 21.)

Question—It is not a fact, then, that all profits and losses must be pooled and that the supporters of a successful local will get no more than the supporters of an unsuccessful one?

Answer—It has been wrongly thought by many that all profits and losses must be pooled, and that the division of any surplus would be on the basis of share and share alike. It will have been seen from the foregoing that this is not the case, and that provision is made in the Act for various divisions of a surplus, and that the choice of which division shall be made rests with the general meeting. The earnings of all locals need only be pooled until operation and maintenance charges on all have been paid and the amounts due to the Government have been refunded. Of course, the basic principle of a co-operative enterprise is that of union for strength, and that the strong or fortunate may uphold the weak or unfortunate. If the policy of share and share alike were not a feature of the company to some extent it would lose half its usefulness and use only half its opportunity. But to follow that policy through thick and thin would be to almost put a premium on carelessness and disloyalty, as some local would be sure to slacken its efforts towards success and rest on the assurance that the others were succeeding and that it would share in the profits. Therefore provision has wisely been made for a system of dividends or of bonuses to be divided either among the supporters of each local according to the profits created by that local, or on the basis of the business brought to the company, or of the shares held, by each supporter. Is not such an arrangement eminently fair and wise, and does it not commend itself to your judgment? (Section 20.)

Question—What assistance does the Government give to the company?

Answer—In the first place the legislature has voted \$6,000 to meet the expenses incidental to the organisation of the company. This money is paying the cost of (a) literature required to place the whole question squarely before the farmers; (b) other printing, such as stationery, stock certificates, application forms, etc.; (c) salaries and travelling expenses of organisers; (d) advertising, rent of offices, halls and numerous other items. It is a cash grant and not a loan. Then the Government will advance in cash 85 per cent. of the cost of each elevator bought or built by the company. The Government has no say as to whether or not a certain elevator shall be bought, what shall be paid for it, whether one shall be built at a certain place, or what shall be its capacity or arrange-

ment. The directors of the company, or those appointed by them, decide these matters, and the Government will put up the money. This money is to be loaned to the company, not to the local. (Sections 27, 24.)

Question—When is this money to be repaid, and what is the Government's security?

Answer—The Government will take for its security a first mortgage on the elevator and other property of the company at that point, and will also have a claim on some portion of the subscribed stock that is not yet paid up. The amount loaned on each elevator will be repayable in twenty equal annual instalments of principal and interest; but the first of these payments will not become due until (in most cases) more than two years after the elevator has been built. For instance, the first instalment of money loaned by the Government to the company in May, 1911, will not be due and payable until August 31, 1913. Thus the elevator built with that assurance will have had the whole of two crops passed through it before it is called upon to pay one cent either of principal or interest upon its loan. Is this not a satisfactory arrangement? (Sections 24, 25, 26.)

Question—Why does the Government control the amount of stock to be issued?

Answer—The Government has to borrow the money which it will loan to the company in the manner described. It also has to borrow money at intervals for a variety of capital expenditures such as construction of telephone lines, bridges, buildings, etc. It is expected to keep the credit of the province on a high level, and must borrow money only at times when the money markets are in a buoyant condition; otherwise it cannot sell its bonds—or promise to pay—to such good advantage. It is for this reason that the amount of the capital stock of the company is by section 3 of the Act kept under the control of the Government. This is not done in the case of other companies, joint stock or otherwise. But then, no other company comes to the Government and borrows from it a large percentage of its subscribed capital! Surely it is right that the party who puts up the money shall decide the amount that he will provide? The Government is as interested in the success of the company as the farmers are, and there is no fear of the company being restricted in its operations for lack of the 85 per cent. of the cost of the elevators that the Government is pledged to supply. But in fairness to the credit of the province and the other interests that must be provided for and protected, the Government must be allowed to decide in a general way, by controlling the amount of stock the company may issue, how much money it shall be called upon to advance for the construction or purchase of elevators. (Sections 3, 26.)

Question—Will a shareholder be liable, in the event of the failure of the company for more than the amount of the stock he holds?

Answer—He certainly will not. This cannot be made too specific, because enemies of the company are already telling the farmers that the liability of shareholders is unlimited. The man who subscribes for \$100 of stock and pays up \$15 cannot under any circumstances be made to pay more than \$85 more, either by the Government or anyone else. Nor can he be made to pay that until all means of getting a settlement out of the company itself have been exhausted by creditors. If anyone disputes this statement refer him to subsection (36) of section 6 of The Interpretation Act which is Chapter 1 of The Revised Statutes of Saskatchewan, 1909. (Section 2.)

1910-11

An Act to incorporate The Saskatchewan
Co-operative Elevator Company

[Assented to March 14, 1911.]

HIS Majesty by and with the advice and consent of the
Legislative Assembly of Saskatchewan enacts as follows:

1. In this Act the term "local" unless the context otherwise requires means the body of shareholders who support an elevator organised and established at any point in the province, and the term "local board of management" means the board of managers elected at any such local according to the provisions of this Act. <sup>Interpreta-
tion</sup>

INCORPORATION, POWERS, ETC.

2. John A. Maharg, of Moose Jaw; Charles A. Dunning, of Beaverdale; Fred W. Green, of Moose Jaw; Allan G. Hawkes, of Percival; James Robinson, of Walpole; Dr. T. Hill, of Kinley, all in the Province of Saskatchewan and all such persons as shall become shareholders of the company shall be and are hereby declared to be a body corporate and politic under the name and style of "The Saskatchewan Co-operative Elevator Company" with power to construct, acquire, maintain and operate grain elevators within Saskatchewan, to buy and sell grain and generally to do all things incidental to the production, storing and marketing of grain. <sup>Incorpora-
tion</sup>

3. The capital stock of the company shall consist of such amount as shall from time to time be fixed by the Lieutenant Governor in Council and shall be divided into shares of fifty dollars each to be held only by agriculturists: ^{Capital stock}

Provided that no person shall hold more than ten shares and no assignment or transfer of any share shall be valid unless approved by the directors.

4. The company shall have power to acquire by purchase or otherwise and to hold any interest in real or personal property which the directors may deem requisite for the purposes of the company and to dispose of the same or any part thereof. ^{Powers}

5. The head office of the company shall be at Regina in the Province of Saskatchewan or at any such other place in Saskatchewan as the directors may from time to time determine by bylaw. ^{Head office}

Provisional directors

6. Until directors are elected as hereinafter provided the aforesaid John A. Maharg, of Moose Jaw; Charles A. Dunning, of Beavertdale; Fred W. Green, of Moose Jaw; A. G. Hawkes, of Percival; James Robinson, of Walpole; Dr. T. Hill, of Kinley, all in the Province of Saskatchewan, shall be the provisional directors; and they or a majority of them are hereby empowered to take subscriptions for shares and to receive payments thereon, to organise locals, to make all necessary payments for costs and expenses incident to the sale of shares and the organisation of locals and generally to perform all acts and things necessary for the organisation of the company.

Commencement of business

7. The company shall not commence business until twenty-five locals have been organised as hereinafter provided.

First general meeting

8. As soon as the conditions for the commencement of business as set out in the next preceding section have been complied with the provisional directors shall call the first general meeting of the company at the head office of the company by giving twenty days' notice of the holding of such meeting to each shareholder; such notice to be given by registered letter; and at the said meeting a board of directors comprised of nine duly qualified shareholders shall be elected who shall be paid such remuneration as the meeting may determine.

Directors

9. At the first general meeting of the company three directors shall be elected for three years, three for two years and three for one year and thereafter a sufficient number of directors shall be elected each year to fill the vacancies occurring on the board; and all directors elected annually subsequently to the first general meeting shall hold office for three years.

Persons entitled to vote

10. The persons entitled to vote at the first general meeting and at all subsequent general meetings of the company shall be the shareholders who have been elected delegates by the locals for that purpose under the provisions of section 14 hereof; each delegate shall have one vote; and excepting as provided in this section no shareholder shall vote at any meeting of the company on account of any shares held by him or otherwise and all acts done by a majority of the delegates at any meeting of the company shall be deemed to be the acts of the company.

Powers of directors

11. The business of the company shall be managed by the directors who may affix the seal of the company and make all contracts on behalf of the company and may exercise all such powers of the company as are not by this Act required to be exercised by the company in general meeting or as are not conferred by bylaw of the company upon the local boards of

management and any other powers not contrary to the provisions of this Act which may be conferred upon them by bylaw of the company.

LOCALS.

12. Any number of shareholders may request the directors to establish a local at any railway shipping point in the province.

13. The directors shall not without the consent of the Lieutenant Governor in Council establish any local unless it appears to their satisfaction that the amount of shares held by the supporters of the proposed local is at least equal to the value of the proposed elevator, that fifteen per cent. of the amount of such shares has been paid up and that the aggregate annual crop acreage of the said shareholders represents a proportion of not less than 2,000 acres for each 10,000 bushels of elevator capacity asked for.

14. Upon the establishment of a local and annually thereafter upon a date to be fixed by bylaw of the company a meeting of the supporters of the said local shall be held at which all matters pertaining to the management, operation and maintenance of the elevator shall be reviewed and discussed and a local board of management consisting of five duly qualified supporters shall be elected to hold office until their successors are appointed; and at the said meeting there shall be elected from among the supporters of the local three delegates or such other number of delegates as the company may by bylaw determine to attend the general meetings of the company.

15. Unless otherwise provided by bylaw of the company at all meetings of the supporters of any local each shareholder shall have one vote for each share held by him:

Provided that no person shall have more than five votes.

16. The local board of management shall have such powers and duties as shall be determined from time to time by bylaw of the company or as may be delegated to them by the directors.

FINANCE.

17. It shall be the duty of the directors to make provision for keeping an accurate account of all the business and financial transactions of the company and for that purpose all books, records, forms and methods of accounting shall be submitted to the provincial auditor for approval before being adopted.

Financial
year

18. The financial year of the company shall end on the thirty-first day of July in each year on which date the books and accounts of the company shall be closed and balanced.

Audit by
provincial
auditor

19. Annually in the month of August it shall be the duty of the provincial auditor to arrange for an audit of the accounts and an inspection of the books and records of the company for the preceding financial year and such audit and inspection shall be under the supervision of the provincial auditor and the costs and expenses thereof shall be paid by the company.

Disposition
of moneys
received by
the company

20. Out of the moneys received by the company as a result of the operation of the elevators under its control there shall first be paid all charges for operation and maintenance including salaries.

(2) If after the said charges are paid there remains a surplus on hand at the end of the financial year the company may at its discretion pay out of such surplus to each shareholder a dividend of not more than six per cent.

(3) If after the said dividends, if any, are paid there remains a balance on hand the company may at its discretion distribute:

- (a) To the shareholders of the company such sums as may be fixed by the company but not exceeding fifty per cent. of such balance on a co-operative basis, each shareholder being entitled to receive such sum hereunder as shall be fairly and equitably proportionate to the volume of business which he has brought to the company; or
- (b) To the supporters of locals such sums as the company may fix but not exceeding fifty per cent. of such balance on the basis of the aggregate relative net financial results of the respective locals: or
- (c) To the shareholders and supporters of locals partly according to each of the schemes of distribution provided for in clauses (a) and (b) of this subsection such sums as the company may fix but not exceeding on the aggregate fifty per cent. of such balance.

(4) Should there remain a surplus on hand after all payments and disbursements are made as provided in the next preceding subsection of this section such surplus shall be set apart in a separate account to be styled "The Elevator Reserve Fund" which fund shall be drawn upon by the company only in case the receipts of the company are not sufficient in any year to pay operating and maintenance expenditures.

21. The provisions made in the next preceding section for the payment of dividends, the distribution of surplus moneys and the creation of a reserve fund shall not be put into effect unless and until all moneys then due and payable to the government under this Act have been paid.

Restriction upon next preceding section

22. All moneys received by the company or any of its officers on behalf of the company shall be deposited forthwith in such chartered bank or banks as the directors may determine and shall be paid out under regulations to be framed by the directors by cheques signed by the president and treasurer of the company.

Moneys to be deposited in chartered bank

23. The treasurer of the company and each of its officers, employees or servants whose duty it is to receive or handle moneys on behalf of the company shall before entering upon the duties of their office furnish a bond or covenant of some guarantee company to be named by the directors to secure the due accounting by them for all moneys that come into their hands which bond shall in each case be in such form and for such amount as shall be approved by the directors and the directors shall pay the premiums for such guarantee bonds out of the funds of the company.

Security by officers of the company

GOVERNMENT ASSISTANCE.

24. The Lieutenant Governor in Council is hereby authorised from time to time and on such terms and conditions as may be agreed on with the company to loan to the company for the purpose of aiding in the acquisition or construction of any local elevator a sum not to exceed eighty-five per cent. of the estimated cost of the said elevator.

The Lieutenant Governor may make loan to the company

25. Any sums loaned to the company by virtue of the next preceding section shall be repayable in twenty equal annual instalments of principal and interest, the first of such instalments to be due and payable on the thirty-first day of August in the second year next following the granting of the loan and shall be secured by a mortgage or mortgages upon the said elevator and any interest in real or personal property which the company may hold and use in connection with the said elevator.

Terms of repayment and security therefor

26. The form and terms of the mortgages and of any other evidences of debt which may be given by the company on account of any such said loan, the times and manners in which the sums loaned shall be paid to the company and the disposition of all moneys loaned shall be such as the Lieutenant Governor in Council may approve.

Form and terms of securities

27. The Lieutenant Governor in Council shall have power to pay to the provisional directors of the company any sum

Payment of expenses of organisation

net exceeding the amount granted by the legislature for that purpose which may be required to cover the expenses incurred in the organisation of the company and of locals; any sums so paid to the provisional directors shall be expended in such manner as may be approved by the Lieutenant Governor in Council and all such expenditures shall be subject to the audit of the provincial auditor.

GENERAL.

General powers of the Lieutenant Governor in Council

28. The Lieutenant Governor in Council shall have power to make all provisions not inconsistent with this Act which may be required for the better carrying out of the purposes of the Act.

BYLAWS.

Power to make bylaws

29. The company may from time to time make such bylaws not contrary to law or inconsistent with this Act for the administration, management and control of the property and business of the company and for the conduct in all particulars of the affairs of the company as are considered necessary or expedient for carrying out the provisions of this Act according to the true intent and meaning thereof.

Power to borrow money

30. The company shall have power to borrow money for the purpose of carrying out the objects of its incorporation and to hypothecate, pledge and mortgage its real and personal property and to sign bills, notes, contracts and other evidences of or securities for money borrowed or to be borrowed by the company for the purposes aforesaid.

(2) The board of directors may exercise these powers when duly authorised thereto by bylaws of the company.