NO PAR SHARES.*

Formerly the capital stock of a company had to be stated as a definite sum, divided into shares of a fixed amount, e.g., $500,000 divided into 5,000 shares of $100 each, the fixed amount of each share being its nominal or par value. As a general rule, a company cannot issue its shares for less than their par value, so that the company is supposed to have received on the issuance of its shares a sum of money equivalent to their par value. This is only actually true in the simple case where the shares of the company are paid for in cash. Where the shares are issued for a consideration other than cash as is most often the case, the rule holds good only in theory, for the actual value of assets acquired is usually a matter of estimation only and may be less or more than the par value of the shares issued therefor. Even where par value has any significance at the outset, it does not necessarily continue to bear any close relation to the market value of the shares, which will depend on different and variable factors, such as earnings, increase or decrease in capital assets, management and other matters affecting the company. As a share of stock, from the point of view of the shareholder, represents a proportional fractional interest in the assets and earnings and control of the company, it is considered to be more logical to state the capital stock of the company in such a way that the actual value of every share has to be ascertained without reference to any arbitrary or theoretical value assigned to shares such as is inherent in shares having par value. This is accomplished by expressing the capital of the company as a specified number of shares without any nominal or par value and having each share certificate state only the number of shares which it represents and the number of shares which the company is authorized to issue. Thus, if there are 100,000 no par shares authorized all of which have been issued, a certificate for 1,000 shares represents a one-hundredth interest in the aggregate equity for shareholders; if only 50,000 shares have been issued, a certificate for 1,000 shares would represent a one-fiftieth interest and so on.

*Editor's Note.—Footnotes indicated in text will be found in the appendix hereto.

As shares without par value have now become an established feature of Canadian corporation law and finance it is unnecessary here to consider the arguments for and against their use, although some of the advantages and disadvantages of shares without par value will incidentally be indicated in the following pages.

Shares without par value were introduced into Canadian company law some ten years ago and provisions authorizing the issuance of such shares now appear in the Dominion Companies Act and in the Companies Acts of Ontario, Quebec, Nova Scotia, New Brunswick and Manitoba. In all jurisdictions where the issuance of shares without par value is authorized, it is permissible for the company to issue preference shares having par value as well as shares of no par value. Preference shares may also be issued without par value, but not (except in Ontario) if they have a preference as to principal, in which case they must have a par value.[1]

There are three main types of legislation in force in Canada relating to shares without par value. Under the first type[2] the letters patent must state the amount of capital with which the company will carry on business, which amount, where no par shares alone are authorized, must be a sum equivalent to $5 or some multiple of $5 for each share of no par value authorized to be issued. Under legislation of this type, while the par value has been eliminated from the share certificate, the capital of the company is still expressed in terms of money. Such shares are commonly called "stated value" no par shares.

Under legislation of the second type[3] the amount of capital with which the company is to carry on business[4] is fixed by the Act itself and is to be not less than the aggregate amount of the consideration for the issuance of the shares without par value from time to time outstanding, plus an amount equal to the total par value of all shares having par value outstanding. The amount of such capital, however, in no case must be less than $500. Under this type, where all the shares outstanding are no par shares, the amount of capital is only ascertainable by reference to the amount of the consideration for the issuance of the shares. Such shares are commonly known as "true" no par shares.

In Ontario, which represents the third type of legislation, two alternative forms of capital stock clause are authorized: (i) a clause stating that the capital of the company is to be at least equal to the aggregate par value of all issued shares having par value plus $1 (or more, as specified in the letters patent) in regard to every issued

share without par value, plus such amounts as, from time to time, by by-law of the company, may be transferred thereto; or (ii) a clause stating the capital of the company to be at least equal to the sum of the aggregate par value of all issued shares having par value, plus the aggregate amount of consideration received by the company for the issuance of shares without par value, plus such amounts as, from time to time, by by-law of the company, may be transferred thereto. There may also be included in the letters patent an additional statement that the capital is not to be less than a specified sum. Under the Ontario Act, accordingly, the shares are stated value no par shares, if clause (i) is taken, true no par shares, if clause (ii) is taken. The Department has shown some reluctance in the past in granting clause (ii), but has done so on various occasions. Under the present practice clause (ii) is granted, but information is required as to the amount of the consideration for which the no par shares will be issued, for the purpose of fixing the fee payable on incorporation. Where the clause is granted, unless the maximum consideration is stated, the letters patent provide that a certified copy of the contract or by-law fixing the amount of consideration received by the company for the issuance of shares without par value is to be filed forthwith in the office of the Provincial Secretary.

The documents leading to incorporation are similar for companies with no par shares to those for companies with par value shares, except for the capital stock clause, the terms of which vary in accordance with the provisions of the governing Act and the departmental practice thereunder.[5]

It is usually desirable to provide in the capital stock clause that the no par shares may be issued for such consideration as may be fixed by the directors and this can be done in most jurisdictions. Where power is taken for the directors to fix the consideration for the issuance of no par shares it is usual under the Dominion and Manitoba Acts to state a maximum consideration for the issuance of no par shares in order that the incorporation fee may be based upon the aggregate consideration for which all the authorized no par shares may be issued.[6] What the result is if the directors issue shares for a consideration in excess of the maximum, has not been decided. This difficulty does not arise in jurisdictions, such as Quebec, where incorporation fees are based on the stated capital with which the company will carry on business.[7] In Ontario, the Department formerly was averse to granting a clause in the letters patent authorizing the directors to fix the consideration for the issuance of no par

shares, but such a clause may now be obtained. In some cases heretofore where the authority was inserted in the letters patent its exercise was limited in point of time but this is no longer done.[8] As no question of discount can arise in respect of the issuance of no par shares, a mining company cannot be incorporated under Part XI. with shares of no par value.

As to the commencement of business by a company with shares of no par value, under the Dominion and Manitoba Acts ten per cent. of the authorized no par shares and ten per cent. of any par value shares authorized must be subscribed and paid for; in Quebec the stated capital must be fully paid and the stated capital must be not less than ten per cent. of the amount of preferred shares having a preference as to principal plus $5 or some multiple of $5 for all other shares authorized.

Where, as often happens, the assets of an existing company having a surplus are acquired and it is desired to have the new company commence operations with an initial surplus, a difficulty arises in jurisdictions where the capital with which the company is to carry on business is required to be not less than the amount of the consideration received for the no par shares. Thus, if the assets of an existing company with a surplus of $500,000 are acquired by a new company for 100,000 shares of no par value, the no par shares will absorb and capitalize the pre-existing surplus, for the capital of the new company must be not less than the amount of the consideration for the issuance of its no par shares.

Various devices are adopted to obviate this, one of which is to have inserted in the letters patent an appropriate clause providing that the company may receive property on condition that it shall credit the value thereof to surplus and that any property so received to the value credited to surplus is not to be deemed to be part of the consideration for the issuance of no par shares issued on the occasion of the receipt of such property and, in the agreement of sale, to credit to surplus assets of the requisite value. In jurisdictions, on the other hand, where the capital of the company, or the amount of capital with which the company is to carry on business, is stated in the letters patent as a specified sum, or to be at least equal to a specified amount per share, it is submitted that if the amount so stated does not exceed, in the aggregate, the par value of the outstanding shares of the old company, a previous surplus may be carried over into the balance sheet of the new company as capital surplus. Even then, it is submitted that appropriate provisions to prevent the capitaliza-

tion of surplus are requisite in the sale agreement. Frequently the stated capital is fixed at a nominal figure, e.g., $1 per share, out of all relation to the value of the assets which the company will acquire and for which no par shares are to be issued, with the result that the company may acquire assets of a value of say $1,000,000 and show liability to capital stock of say $1 per share for 100,000 no par shares or $100,000, the difference of $900,000 being shown as capital surplus.[9]

The Acts provide that no par shares issued as permitted by their provisions are to be deemed fully paid and non-assessable and that the holders of such shares shall not be liable to the company or its creditors in respect thereof.[10] Some of the letters patent issued in the past have embodied a similar statement.

It is considered that a subscriber for no par shares, in the absence of fraud, cannot be made liable for more than or for anything different than the consideration which he has agreed to pay or deliver to the company.[11] It has been suggested that a subscriber for stated value no par shares may be liable to pay the full stated value, but it is difficult to see how this can be the case, for the obligation of the subscriber is not to contribute any specified proportion of stated capital, but to pay the agreed price of the shares taken by him. Possibly in the case of Ontario companies where shares have been issued under the authority conferred by section 5 (4) (b),[12] the subscriber may be made liable for the fair market value if fraud is proved.

One of the great advantages ascribed to no par shares is that all questions regarding over-capitalization and concerning the value of assets acquired in exchange for shares are avoided, as no valuation in terms of money need be placed on assets acquired by the company with a corresponding valuation of its shares issued for the assets.[13] In the case of the issuance of shares for certain kinds of property, such as patent rights or mining or oil properties or other speculative assets, the avoidance of any large arbitrary initial valuation is obviously desirable. A company can acquire property and issue no par shares therefor without placing any specific money value on the property acquired or the shares issued in exchange at the time of the transaction, which is in effect one of barter.[14] When the transaction takes this form, the vendor having given to the company what he agreed to contribute, it has been held in the United States that he cannot be made liable on the shares.[15] It is submitted, however, that, where fraud or secret profit are involved, a vendor promoter may still be made liable to the company or its liquidator notwithstanding that

the profit is obtained by a resale of no par shares issued to the vendor.[16]

There are various ways in which no par shares are carried on the balance sheet. One common method is to carry them at an arbitrary figure, being the stated value corresponding to the value per share fixed for minimum capital purposes, e.g., $1 per share in the case of Ontario companies which have adopted capital clause (i) with a stated capital of $1 per share. Another method, which is frequently used, is to carry such shares at their book value, i.e., combining capital stock and surplus and showing a figure representing the total equity for shareholders. An unusual method and one which appears to be without justification on legal or any other grounds is to show no par shares at their market value. A fourth method, which appears to be the most logical and satisfactory and to be the only proper method in the case of companies with true no par value shares, is to carry the no par shares at the actual amount of the issue price if sold for cash, or at the amount of the consideration, as determined at the time of issuance, if issued for a consideration other than cash. Such course, however, where the shares are issued for a consideration other than cash, involves the fixing of the amount of the consideration for the issuance of the no par shares. This the directors are often unwilling to do at the time of the issuance of the shares, preferring to leave the value of the assets acquired to be fixed later by appraisal or in some other manner.

Frequently in published balance sheets the only entry for capital stock is an entry of a sum in dollars with a foot note stating that the sum is represented by so many shares without par value. Thus: Capital stock.....$1,550,000 (a).

(a) represented by 250,000 shares of no par value.

Sometimes the entry is simply so many shares of no par value with a figure in dollars set opposite. Thus: Capital stock, 400,000 shares of no par value.....$1,000,000.

It is beyond the scope of this article to discuss the accounting problems which arise in connection with no par shares, but enough has been said to indicate, not only that there is considerable variation in the methods whereby no par shares are carried on the balance sheet, but also that it is not always a simple matter to determine without investigation the sum which represents the fund which must be kept intact and not diminished by the payment of dividends.

Under the earlier form of legislation with regard to no par shares,[17] where the shares were stated value no par shares, dividends

were forbidden which would reduce the amount of the company's capital below the amount stated in the letters patent as the amount of capital with which the company would carry on business. Under the more recent forms of legislation with regard to no par shares,[18] it is provided that the amount of capital with which the company is to carry on business shall be not less than the aggregate amount of the consideration for the issue and allotment of no par shares outstanding, plus an amount equal to the par value of par value shares outstanding, but no special provisions appear with regard to the payment of dividends on no par shares. However, the amount of capital with which the company is to carry on business must doubtless be kept intact. In Quebec there is an express prohibition against the declaration of a dividend which impairs the capital of the company. For this purpose the capital is defined as the amount of authorized preferred stock, if any, with a preference as to principal subscribed and paid up together with, in addition, the total amount of the consideration for which the other shares have been issued and allotted. In Ontario, as explained above, alternative forms of capital stock clauses may be adopted, i.e., (i) stated no par, and (ii) true no par, and there may also be included a statement that the capital is not to be less than a specified sum. As such statements are declared to be in lieu of any statements provided by the Act as to the amount of capital stock, it is clear that the stated capital must be kept intact where clause (i) is used, and that an amount equal to the aggregate par value of the par value shares plus the aggregate amount of the consideration for the issuance of no par shares must be treated as capital, where clause (ii) is used. In addition, any amount from time to time transferred to capital by by-law must be similarly treated. Moreover, if the letters patent contain the additional statement above referred to, the capital must be kept to that amount. Where clause (i) is used and the stated value of the no par shares is fixed at a dollar or some other nominal figure per share and the balance of the value of capital assets contributed is shown as surplus, the question arises whether the directors can treat as available for dividends everything over and above the stated capital. Apart from the impropriety of such a course, it is submitted that there is some doubt whether this can be done, at least where it has not been made clear in the original contracts, that the assets so contributed were not intended to form any part of the capital of the company.

In some jurisdictions there are special provisions permitting the payment of dividends out of moneys derived from the operation of

wasting assets, and where such provisions exist they are either expressly or impliedly made applicable where the company's capital stock consists of shares without par value.[19]

The procedure for paying cash dividends on no par shares is the same as in the case of par value shares except that, instead of declaring the dividend at a rate per cent., the dividend is declared at a rate of so many dollars or so many cents per share. Where stock dividends are declared, it would appear to be necessary for the directors to declare a dividend of a certain amount in dollars to be satisfied in no par shares at a specified rate per share to exhaust the sum so set aside.[20]

It has been argued that a stock dividend can be paid in no par shares without the allocation of any sum or the transference of any sum from surplus to capital, on the theory that the original issue of shares is sufficient consideration for the stock dividend.[21]

In all jurisdictions where no par shares are provided for, companies with par value shares can be recapitalized with shares of no par value. These facilities have been frequently made use of, not only for the purpose of modernizing the capital structure, but also for other reasons. For example, where the shares of a company have acquired a market value greatly in excess of par, the shares may be subdivided into a larger number of shares without par value, thereby facilitating dealings and often increasing the market value of the new shares; or, existing par value shares may be subdivided into a greater number of no par shares or consolidated into a smaller number of no par shares with a view to amalgamation with another company by an exchange of shares on a share for share basis; or, where there are accumulated arrears of dividends on preferred shares, such arrears can be satisfied by the issuance of no par shares without creating a large liability to capital stock in the balance sheet; or, where there is a large deficit in profit and loss, no par shares can be substituted for par value shares, at the same time adopting a capital stock clause stating the capital at a reduced amount and wiping out the deficit.

Under the Dominion, Ontario and Quebec Acts, these alterations of the capital structure can be effected by supplementary letters patent obtained under the relevant provisions of the governing Act,[22] and where necessary can be effected by way of a compromise or arrangement.[23] It is often necessary or desirable to adopt the latter method of procedure where there are preferred shares outstanding.[24]

It is an established feature of Canadian industrial financing to give away a bonus of common shares upon the sale of preferred shares to the public where it is desired to offer some additional inducement to the public beyond a fixed rate of dividend on the preferred shares. No par shares are commonly made use of for this purpose, for the reason that they can be issued for a nominal consideration and do not involve the inflation of values, where they are issued as fully paid to vendors on the acquisition of assets. While a similar result might be obtained by using shares of small par value, it is considered that the psychological effect on the buyer would not be the same.

No par shares can be issued for a nominal consideration, but they cannot be issued without any consideration[25] and on an application for supplementary letters patent for an Ontario company in 1925, where the material filed did not indicate that any consideration was to be received by the company on the issuance of the new no par shares to be created, the Department insisted on the insertion of a provision in the supplementary letters patent in effect requiring the addition of $1 to the capital for each no par share outstanding and providing that the no par shares might be issued by the company for such consideration as might be fixed by the directors.

Toronto. W. KASPAR FRASER.

REFERENCES IN FOOTNOTES.

[1] As to the manner in which no par preferred shares should be shown on the balance sheet, see "Some Phases of the No-par-value-stock Problem," by F. H. Hurdman, in The Journal of Accountancy, vol. XLIV, p. 419.

[2] Quebec and New Brunswick.

[3] Dominion; Manitoba; Nova Scotia.

[4] In Nova Scotia "the capital of the company."

[5] The following are typical capital stock clauses under the jurisdictions indicated:

DOMINION.

The capital stock of the company shall consist of 100,000 shares without nominal or par value, provided however that the said shares without nominal or par value may be issued from time to time for such consideration as may be fixed by the board of directors not exceeding in amount or value in the aggregate $2,500,000.00.

The capital stock of the company shall consist of twenty thousand (20,000) seven per cent. (7%) cumulative sinking fund convertible preferred shares of one hundred dollars ($100.00) each and one hundred and fifty thousand (150,000) common shares without nominal or par value. Provided however that fifty thousand (50,000) common shares without nominal or par value may be issued from time to time for such consideration as may be fixed by the board of directors not exceeding in amount or value one dollar ($1.00) per

share, and the remaining one hundred thousand (100,000) common shares without nominal or par value may be issued from time to time for such consideration as may be fixed by the board of directors not exceeding in amount or value in the aggregate four million dollars ($4,000,000.00).

ONTARIO.

The capital of the company to be divided into ten thousand Cumulative Sinking Fund Convertible Preference Shares of the par value of twenty-five dollars each and fifteen thousand common shares without any nominal or par value. (Statement of rights, limitations and conditions attaching to the shares). The capital of the company shall be at least equal to the sum of the aggregate par value of all issued shares having par value, plus one dollar in respect to every issued shares without par value, plus such amounts as, from time to time, by by-law of the company, may be transferred thereto; and the company may issue and may sell its authorized shares without par value from time to time in the absence of fraud in the transaction for such consideration as from time to time may be fixed by the board of directors (clause (i)).

The capital of the company shall be at least equal to the sum of the aggregate par value of all issued shares having par value, plus the aggregate amount of consideration received by the company for the issuance of shares without par value, plus such amounts as, from time to time, by by-law of the company, may be transferred thereto; a certified copy of the contract or by-law fixing the amount of consideration received by the company for the issuance of shares without par value to be filed forthwith in the office of the Provincial Secretary (clause (ii)).

QUEBEC.

The capital stock of the company is divided into fifty thousand (50,000) shares having no nominal or par value, and thirty thousand (30,000) 6½% Cumulative Redeemable Preferred shares of one hundred dollars ($100.00) each, subject to the increase of such capital stock under the provisions of the said Act, and the amount with which the company will commence its operations will be five hundred and fifty thousand dollars ($550,000.00).

Shares other than preferred shares shall be issued and allotted at such price, either in cash or other consideration, as may be fixed by the directors.

The said 6½% Cumulative Redeemable Preferred Shares (hereinafter referred to as the "Preferred Shares") shall be subject to the following preferences, priorities, rights, privileges, powers, limitations, conditions and restrictions: (statement of conditions applying to Preferred Shares).

MANITOBA.

That the capital stock of said company consists of ———— shares without nominal or par value. Provided that the said shares without nominal or par value may be issued for such consideration as may be fixed by the Board of Directors of the company from time to time. Provided, however, that the total consideration for the issue of the said ———— shares without nominal or par value will not exceed in aggregate value $————.

That the capital stock of the said company be ———— shares without nominal or par value. Provided, however, that the said shares shall be issued and allotted for the consideration of (e.g., 40c. each) or for such other consideration as shall be fixed from time to time by by-law or resolution of the Board of Directors. Provided further, where the capital of the company is increased beyond (e.g., $4,000 in the case where the number of shares is 10,000) by reason of an increased consideration for the issue of said shares, the fees payable to the Provincial Secretary of Manitoba in respect of such increase of capital stock, shall be payable at and with the next annual filing of the returns by the company with the Provincial Secretary or his department.

NEW BRUNSWICK.

The capital stock of the company shall consist of 1,500 preference shares of $100 each, and 30,000 common shares without nominal or par value, which said shares without nominal or par value may be issued and allotted at such price and for such consideration as the directors of the company may determine from time to time, not however to exceed the maximum value of five dollars per share in any such allotment at any time, and any common shares so issued shall be deemed to be fully paid and non-assessable, and the holders of such shares shall not be liable to the company or its creditors in respect thereof. (Statement of preference share conditions).

NOVA SCOTIA.

The capital of the company is Five Thousand Dollars ($5,000.00) divided into five thousand preference shares of one dollar ($1.00) each. The company also proposes to issue one thousand (1,000) ordinary or common shares without nominal or par value.

[6] Under the Dominion Act when a maximum amount at which no par shares may be sold is fixed by the letters patent, the incorporation fees are calculated according to the tariff on the aggregate of the capital at the maximum amount so fixed. When no maximum is fixed then each share is taken at $100 for the purpose of calculating the incorporation fees. Under the Manitoba Act the same applies where the maximum amount is fixed, but if no maximum amount is fixed incorporation fees are computed on the basis of $100 for each share of no par value, unless there are also shares having par value authorized, in which case the amount of the par value shares will be used in determining the fees to be paid. In both jurisdictions of course, if the amount at which the no par shares may be sold is definitely fixed in the letters patent, e.g., at $1 per share, the incorporation fees are based on such amount. In both jurisdictions, where the capitalization includes shares having par value, the aggregate par value of such shares must be added for the purpose of ascertaining the incorporation fees.

Under the New Brunswick Act the department requires a maximum value or issue price to be placed on the no par shares, and the incorporation fee is based on such maximum plus the aggregate par value of shares, if any, having par value.

Under the Nova Scotia Act the fees payable for registration are computed as if the no par shares had a par value of $5 each, or a par value of the amount of the consideration for the issue and allotment of such shares, whichever is greater.

[7] In Quebec the fee is based on an amount equivalent to the total issue of preferred shares (if any) with par value, and at least $5.00 per share for each share without par value.

[8] Under the Ontario Act and the departmental practice hitherto prevailing, where clause (i) is used the incorporation fee has been based on the stated capital, i.e., the number of shares multiplied by the amount per share inserted in the blank provided.

Where clause (ii) is used, incorporation fees are based upon the maximum consideration for which the no par shares may be issued with $1 per share as a minimum. Where no maximum consideration is stated the amount of the fees has to be arranged with the Department on the basis of the consideration for which it is proposed to issue the shares, and an undertaking given to remit further fees if the amount of such consideration is later exceeded. If the authorized capital consists in part of shares having par value, the aggregate par value of such shares must be added in computing the incorporation fee, whether clause (i) or clause (ii) is used.

[9] In the balance sheet of September 30, 1927, of the Goodyear Tire and Rubber Company, Limited, 133,299 issued shares of no par common stock are carried at $133,299.00, while a capital surplus of $479,880.00 and surplus

of predecessor company as of October 1, 1926, amounting to $3,105,025.61 are shown.

[10] The Nova Scotia Act contains a somewhat different provision, reading as follows:—"82(1) . . . (b) Every share without nominal or par value in any company shall be deemed and taken to have been issued and to be held subject to the payment in cash of the whole amount for which same has been subscribed for and allotted unless otherwise determined by a contract duly made in writing and filed with the Registrar at or before the issue of such share."

[11] *Johnson* v. *Louisville Trust Company* (1923), 293 Fed. 857; *Piggly Wiggly Delaware* v. *Bartlett* (1925), N.J. Ch. 129, Atl. 413; *Hodgman et al.* v *Atlantic Refining Co. et al.* (1924), 300 Fed. 590 (fraud proved).

[12] "(4) A company may issue and may sell its authorized shares without par value from time to time:—

. . . "(b) For such consideration as shall be the fair market value of such shares, and, in the absence of fraud in the transaction, the judgment of the board of directors as to such value shall be conclusive."

[13] Sub-section 7 of section 9 of the Dominion Act, however, and similar provisions of other Acts, appear to contemplate the fixing of the amount of the consideration for the issuance of no par shares in terms of money.

[14] This is not possible in the case of par value shares: *Toronto Finance Corporation* v. *Banking Service Corporation* (1926), 59 O.L.R. 278; affirmed [1928] 3 D.L.R. 1.

[15] *Piggly Wiggly Delaware* v. *Bartlett* (1925), N.J. Ch. 129, Atl. 413.

[16] See *Jubilee Cotton Mills Ltd. (Official Receiver and Liquidator)* v. *Lewis* [1924] A.C. 958, and [1922] 1 Ch. 100.

[17] Section 128 of the New Brunswick Act is an example.

[18] The Dominion and Manitoba Acts are examples.

[19] Ontario, s. 97(2) (3); Dominion, ss. 92, s.-s. 2, 110 s.-s. 3 (mining companies); Quebec, s. 69(a) (mining companies).

[20] See *James* v. *Beaver Consolidated Mines* (1926-27), 60 O.L.R. 420.

[21] But see *Dorenwends, Limited* (1923-24), 55 O.L.R. 413, at p. 422.

[22] Dominion, s. 39; Ontario, s. 16; Quebec, s. 41*a*.

[23] Dominion, s. 144; Ontario, s. 64*a*; Quebec, s. 131(*a*).

[24] For example, the preference shares of Brazilian Traction, Light and Power Company, Limited, a company incorporated under the Dominion Act, carried a right of conversion into ordinary shares. The ordinary share capital was increased and converted into no par shares in the ratio of four no par shares for each ordinary share of $100.00 par value, and the conversion privilege attaching to the preference shares altered so that the conversion should be into ordinary shares of no par value instead of into ordinary shares of $100.00 each, four ordinary shares of no par value being reckoned as the equivalent of one ordinary share of $100.00 par value (scheme of arrangement of December 8, 1927).

[25] *Stone* v. *Young* (1924), 210 App. Div. (N.Y.) 303; 206 N.Y. Supp. 95.