

for realisation and division amongst the beneficiaries, which appears to the committee to be the simplest way of dealing with them, a trust being created by the Act in favour of the Corporation for this purpose; and, in order that the realisation of these securities and property may not be prejudiced by the necessity for a forced sale or transfer, it is thought that the Corporation (or trustees) should be authorised (so far as is consistent with the agreement) to deal with the securities in the way which they consider most advantageous to the beneficiaries, so that the contemplated exchange of bonds may be effected in their case as soon as possible after the passing of the Act.

The Act must also conserve to the holders of the consolidated loan all the rights and powers at present vested in the Corporation, except the right to any continuation of any sinking fund, especially the power to increase the rate so as to make it always adequate to meet the interest due upon the loan and the power to the bondholders given by the Act of 1886, section 24, to have a receiver appointed who shall be enabled to exercise all the powers provided by the present Acts or any of them relating to the present loans, including the right to increase the rate, and generally the same powers as the Corporation in respect to all matters and things appertaining to the management and control of the financial affairs of the borough.

The necessity for a new Act of Parliament also arises from the fact that there is not at present any power of the majority of the bondholders to bind any single dissentient or non-assenting bondholder, however large the majority of the bondholders may be, in favour of a scheme which they consider favourable and necessary to the general interest.

At a meeting of the holders of all the loans held in London, on the 17th January, 1893, the scheme for consolidation was approved, no one voting against it, and a copy of the agreement has been sent to the bondholders, and assents have been obtained from the holders of the great majority of the bonds of all issues, and it is proposed to forward such assents, verified by declaration before a notary, and that in case of need the fact of such assents having been given should be communicated to the Legislature, and possibly referred to in the Act of Parliament, and it is essential that the Act when passed should be absolutely binding, and that bondholders of the original issues should have no other rights than to exchange their bonds for the bonds of the new issue.

It may be said to be a strong measure to deprive the minority of their rights, but that is a course which is by no means unusual. In the case of the great majority of issues of bonds or debentures made by companies in this country, it is stipulated by one of the conditions that resolutions with regard to the bonds or debentures or securities for them passed by specified majorities of holders shall bind the minority.

It will also be borne in mind that, in the case of companies in liquidation, the Court, under "The Companies Act, 1862," has power to summon meetings of creditors, and adopt the decisions of the meetings; and, under section 136 of the same Act, arrangements between a company in voluntary liquidation and its creditors are binding on the creditors if assented to by three-fourths of them.

By the Act of 33 and 34 Vict., c. 104 ("The Joint-stock Companies' Arrangement Act, 1870"), compromises and arrangements sanctioned by a majority of three-fourths of creditors at a meeting are made binding on the majority.

The same thing has been done in this country by legislation. It may be remembered that a good many years since, in the case of the Chatham and Dover Railway, the affairs of which had got greatly confused, an Act was passed, and arbitrators were appointed to investigate matters, and make awards dealing with and binding the various debenture-holders, bondholders, and shareholders.

In a recent case, that of the Milford Docks, which had also become much involved, an Act of Parliament was passed (a copy of which is sent herewith) in which, after reciting (see page 5 of the print) the approval of the proposed Act by majorities of holders of debentures, &c., provisions were made for settling disputes by arbitration, and for issuing fresh consolidated stocks (see section 25); and section 31 contained provisions that the stocks allotted by the arbitrators should be accepted by the holders of debentures, stock certificates or Lloyd's bonds, and the creditors of the company in satisfaction of their claims and demands against the company.

There is, therefore, nothing unusual in principle in what is sought, and, if the scheme be beneficial, there seems no reason why legislation should not give effect to the request of a large majority of the persons interested.

New securities are added to the new loan, and the grouping of all the old loans into one, and aggregating all the now separated rights as one common security for the whole loan, is a benefit of considerable value.

It is not necessary to go fully into the reasons which have induced the bondholders to assent, but the main inducement to them to do so has been the fact that, owing to the state of the municipality, it is anticipated that, if their existing rights were enforced to the full extent, infinite confusion and difficulty would be created between the various classes of bondholders in the assertion of their rights, and the probable result would be to create such burdens and charges upon the municipality, and to diminish its population and prosperity to such an extent, as to imperil seriously the interests of all the bondholders.

It will be extremely desirable—indeed, it is considered essential—that the Act of Parliament should define accurately and fully the rights to which the bondholders are entitled. At present those rights are to be found in various Acts and ordinances. A summary (which, however, must not be relied on as absolutely correct) is sent herewith, showing what are believed to be the origins of the various loans and the Acts and ordinances defining the privileges attached to them, and some notes are also sent herewith which have been made from such of the Acts of Parliament as we have seen. But you will no doubt have all these materials readily accessible, and will take care that full effect is given in the Bill to the rights of the bondholders.