

were contained in the relevant trust deeds or some of them for modification of the rights of the bondholders under the trust deeds. However, there were agreements in existence on the part of the parent company in respect of its guarantees given to holders of securities of the subsidiaries which were to be released and it was found necessary or convenient to hold meetings of security holders under the Act.

It appears from the note at the foot of page 20 of the Plan that it was considered desirable to take advantage of the provisions of the Act, notwithstanding that the trust deeds may have contained provisions for modification. It is pointed out that the majorities under the Act were less than those required under certain of the trust deeds but that court sanction under the Act was necessary though not necessary under the provisions of the trust deeds.

Court sanction is a very desirable protection.

Committees of various classes of security holders had been formed and the plan carried their endorsement. Accordingly, this was a case where the provisions of the Act facilitated the carrying into effect of a comprehensive reorganization.

#### *Insurance Exchange Corporation Limited (1936).*

There were outstanding in the hands of the public first mortgage bonds maturing serially. Defaults in payment of maturities from 1932 on had occurred; interest was in default for several years; the revenue from the property which was an office building had decreased materially and a further reduction in revenue was expected.

The issuing house claimed to rank as a bondholder in respect of a substantial amount of bonds acquired by it and for interest coupons paid by it at maturity, which claim was not admitted. In addition, the issuing house held junior bonds, a junior mortgage, a substantial amount of unsecured indebtedness and all the capital stock. Under the plan the claim of the issuing house was settled on the basis of its ranking as a bondholder for a reduced amount.

The trust deed contained no provision for modification.

If the bondholders had pursued the only other remedy open to them, viz, realization by judicial sale, it would have been unlikely that any reasonable bid would have been forthcoming; the bondholders would have had to bid in the property and the procedure would have involved the payment by the bondholders in cash of a special provincial tax and costs and expenses which were estimated to amount to not less than \$65,000.

The scheme of arrangement (in addition to the settlement of the claims of the issuing house) involved an exchange par for par of the existing bonds for new bonds carrying a reduced rate of interest part of which was at a fixed rate and the balance was payable if earned.

In addition the bondholders received approximately two-thirds of the equity in shares of the company represented by voting trust certificates issued under a voting trust agreement ensuring control of the company's operations by the bondholders.

The trust deed contained no provision for modification of the rights of the bondholders and accordingly the scheme could only have been carried out under the provisions of the Act.

#### *Canada Steamship Lines (1937).*

The principal feature of interest as regards this reorganization for the purposes of the present discussion, apart from the sums involved, was that the plan was the result of long continued negotiations between the bondholders' committee and the Company and that the plan was recommended by the committee as being preferable to the alternative of expensive proceedings to enforce the security. I do not know whether the trust deeds contained provisions for