

if they knew the bankrupt was insolvent at the time they took the lien. I have had a number of transactions where banks were concerned.

Hon. Mr. KINLEY: I am just asking for information. Let us suppose we are the creditors of the concern in bankruptcy, and you four gentlemen up there have big preferred claims and want to carry on the business, and the rest of us have smaller claims which are not preferred. What voting power have they? Do they vote by the size of their accounts, and thus control the situation?

The ASSISTANT CHAIRMAN: Which Act are you referring to, senator?

Hon. Mr. KINLEY: I am referring to either the Bankruptcy Act or the Creditors' Arrangement Act. Suppose we are all creditors here trying to decide what is best to be done. The four up there have all preferred claims, big claims, and the rest of us have unpreferred claims. We might want to wind up the business, and they might want to carry it on. What power have they over us?

Mr. JUSTICE BOYER: As far as the voting is concerned, the preference creditors are generally what you call secured creditors, and as secured creditors they can vote. Suppose one man is a creditor for \$10,000, and he estimates his security at \$5,000. Then he is a creditor for \$5,000 and he can vote accordingly.

The ACTING CHAIRMAN: Is the voting according to the amount of the claims or the number of the creditors?

Mr. JUSTICE BOYER: I forget now.

Hon. Mr. HAIG: As the claims increase you do not get as many voting as for the smaller creditors. For instance, if I have a claim for \$1,000 and you have one for \$5,000, you have not five times as many votes as I have; you probably have three times as many.

Mr. REILLEY: You would have three votes, he would have about six.

Hon. Mr. KINLEY: That is the safeguard there.

Hon. Mr. HAIG: Yes. There is another position which I think the judge would know of.

The ACTING CHAIRMAN: Preferred creditors.

Hon. Mr. HAIG: Yes. Not only can a preferred creditor value his securities as the judge said, but he can add 10 per cent to his security and if the trustee takes over the claim he must take it over at that value.

Mr. REILLEY: I do not think so.

Hon. Mr. HAIG: He cannot take over my claim without paying me the extra value.

Mr. REILLEY: No. I do not think that has ever been in the Act in that way. No creditor who files a claim as a secured creditor can do that. You can offer him his dollars, and he has got to take them.

Hon. Mr. HAIG: No.

Hon. Mr. FOSTER: You said there was a provision in this bill that the bankrupt can put a proposition before his creditors before making an assignment.

Mr. JUSTICE BOYER: Yes.

Hon. Mr. FOSTER: Under the Act he cannot do that.

Mr. JUSTICE BOYER: He had to go into insolvency, which meant a lot of costs before making an assignment.

Hon. Mr. FOSTER: This gives him a better chance.

Mr. JUSTICE BOYER: Yes.

The ACTING CHAIRMAN: You favour that amendment?

Mr. JUSTICE BOYER: Yes, I do.

The ACTING CHAIRMAN: You don't think it is open to abuse as it was apparently in old days?