assets if the debtor's proposal were to be refused. Creditors should be given some control over the conduct of the debtor's business during this period.

Careful consideration of the terms of the Act does not indicate any completely satisfactory means of controlling this possibility. It is felt, however, that the provisions for appointment of a Trustee, as suggested in the proposed General Rules, go some distance towards controlling the debtor's affairs pending consideration of the proposal by the creditors and constitute a strong moral check on undesirable conduct by the debtor.

The Act does not provide for the appointment of an independent person to give all Creditors or possible Creditors reasonable and proper notice of the debtor's proposal and of the meeting to consider it, or for the appointment of an independent party to receive Creditors' proxies and to record Creditors' votes. The Act does not require statements of the debtor's affairs to be verified by affidavit and filed with the Court or for a summary of such statement and a list of Creditors to be sent out with the original proposal or to be submitted to the meeting of Creditors. A statement of affairs prepared by the debtor but unaccompanied by any declaration as to its accuracy is generally produced at the meeting of Creditors but unless some licensed Trustee has been consulted by the debtor, the statement submitted often fails to classify the Creditors (secured, preferred and unsecured) or to disclose the true position of the debtor's affairs. Investigations made by Creditors indicate that certain debtors' statements used in proceedings under this Act failed to make a complete disclosure of the debtors' assets or undervalued them. As the assumption is that the debtor will go into bankruptcy if the proposal is rejected, Creditors are reluctant to incur expenses on their own account to ascertain the actual value of the debtor's assets and the amount of its liabilities, including the validity of doubtful claims and of the preferences and securities attributed to certain Creditors when no provision is made in the Act for the payment of such expenses in the event of the proposal being rejected or the debtor being forced into bankruptcy.

With a view to eliminating these abuses and objections, it is suggested that the following General Rules, or General Rules to the like effect, shall apply to all proceedings respecting compromises or arrangements in which a proposal is made for modification of the rights of unsecured Creditors or any of them.

General Rules

1. Upon an application being made to the Court under Section 3 of this Act, a statement of the debtor's affairs substantially in Form I or in such other form, accompanied by a list of unsecured creditors, as the Court may approve, verified by the affidavit of a Director of the debtor company, and the debtor's proposal for a compromise or arrangement, shall be filed with the Court.
2. When the Court orders a meeting of the debtor's unsecured creditors to be summoned the Court shall select and appoint a Trustee licensed under The Bankruptcy Act to convene such meeting, in such manner and at such time as the Court may direct. The Court shall, as far as is possible, select a Trustee by reference to the wishes of creditors having substantial claims, if ascertainable at the time. The Chairman of the said meeting shall be the Trustee or such other person as the Trustee may in writing appoint.
3. When the Court orders a meeting of the debtor's unsecured creditors to be summoned, copies of the said Court Order, debtor's proposal and statement of affairs, Form I or other approved statement with a list of unsecured creditors shall fortwith be served upon the said Trustee.
4. Copies of the said proposal and notice of the meeting of creditors to consider the proposal, together with a summary of the debtor's state-