

creditors, because the bondholders have charge of it and if things have reached that stage they are not likely to do anything or feel that they can do much for the unsecured creditors.

In Ontario the only other alternative that we have is the amendment to the Adjudicature Act permitting the sale for a consideration other than cash, that is, securities or shares of a new company. But it has been held that if a company is insolvent, the provisions of that Act are not applicable. It has been so held by Mr. Justice McTague in the Abitibi case, and the case is now pending for judgment in the Court of Appeal. If the judgment of Mr. Justice McTague is sustained, the only Act under which a bondholders' reorganization can be effective is the Companies' Creditors Arrangement Act.

By Mr. Vien:

Q. In your opinion, should Judge McTague's opinion be sustained or should the Act be amended?

Mr. MARTIN: Well,—

By Mr. Vien:

Q. I mean to say, are you suggesting that legislation should be so framed as to permit even an insolvent company to be able to deal under this Act?—

A. Under the—?

Q. Under the Companies' Creditors Arrangement Act?—A. Yes, of course it should. It is a necessary condition that the company be insolvent. It is only if it is insolvent that it comes under the Act. I am quite in agreement with that. That is the only way by which the Dominion would have jurisdiction.

We say that this Act in the short time in which it has been really used has given very good service. The Act was passed in 1933. It was not until 1934 that the Supreme Court of Canada held that the Act was valid. And in 1936 the Farmers' Creditors Arrangement Act was held to be valid in a decision which supported and affirmed the decision under this Act.

In 1936 and 1937 there were very important reorganizations. There are at least six important reorganizations in which securities, debt securities,—I am not speaking of shares and other things that were reorganized,—amounted to \$61,200,000, starting in 1935 with the Gurney Foundry Company, the Winnipeg Electric Company, the Insurance Exchange Corporation of Montreal, the Canada Steamship Lines, the Western Steel Products Limited, and the Connaught Hotel Company Limited. So that you have had all over Canada important reorganizations, some of which, in the case of the Gurney Foundry Company, could not have been carried out at all under any other legislation that was available because the bonds did not provide for modification by a majority. It would have been necessary to have effected a sale.

The same was true in the case of the Insurance Exchange Corporation wherein, in connection with the circular that went forward to the bondholders, it was pointed out that if they wanted to accomplish the same result in the ordinary way by a realization sale, the additional costs and taxes, particularly taxes, would have amounted to \$65,000.

The Act is cheap and effective, and it enables reorganizations to be carried out which cannot be carried out in any other manner. It also preserves the investments and enables the Company to carry on.

In our experience, which is limited to corporation securities, we have found that the Act has been satisfactory. We find that these reorganization plans are only put forward after the fullest examination of the financial position and the prospects of the company. The plans are canvassed by the different committees representing different interests, and they go forward invariably with