recognized that abuses had taken place in some cases in the compromise under the Act of the rights of trade creditors where there had been no general public investment interest. To prevent the kind of abuses which had occurred and to insure that so far as small companies are concerned recourse will be had to the Bankruptcy Act, we suggested amendments to the Arrangement Act in the form of a draft bill appended to our Brief. These amendments were prepared by Mr. R. B. F. Barr of the legal firm Blake, Anglin, Osler & Cassels, Toronto, in consultation with the late Mr. W. Kaspar Fraser, K.C., Toronto, and the late Mr. Gilbert S. Stairs, K.C., Montreal.

We continue to hold the views we expressed in 1946 and desire to reiterate our submissions to you at that time.

While we appreciate that the Companies' Creditors Arrangement Act is not before you, we feel that Bill N and the Arrangement Act are related in their operations. In our view, there is grave doubt that compromises of claims arising under bond mortgages can be carried out effectively under Bill N because of the secured nature of the claims and because the scheme of Bill N does not lend itself to dealings with holders of bearer securities. Where a company has outstanding obligations evidenced by trust indentures, both secured and unsecured, as well as ordinary trade debts, and where the rights of preferred and common shareholders of various classes are involved, the situation is greatly complicated. We believe that the Bankruptcy Act and the Companies' Creditors Arrangement Act, as well as the Winding-up Act, can and do each perform useful and necessary functions side by side and that each should continue to operate. We are, therefore, much opposed to any suggestion for the repeal of the Companies' Creditors Arrangement Act. Further, we consider that section 38 (2) of Bill N is a desirable provision (as is its counterpart, section 10 of the Arrangement Act) whereunder compromise proceedings under the Bankruptcy Act may be transferred by the Judge to proceedings under the Arrangement Act.

We have noted a suggestion that provision be made in the Arrangement Act for the intervention of a licensed trustee in proceedings under that Act. We consider that such a provision would be undesirable as the investor-creditor is already fully protected by Bondholders' or Debentureholders' Committees and by the Trustees under The Trust Indentures evidencing the debt. The intervention of a licensed trustee could only add to an already involved procedure and result in additional delays and expense.

We have no amendments to suggest to Bill N and view with favour the new provision permitting proposals for compromise before as well as after bankruptcy so as to permit the compromise of the claims of trade creditors. The enactment of the amendments to the Arrangement Act which we proposed in 1946 and which we again propose would, we submit, prevent the abuses which have taken place in the past under the Arrangement Act where trade-creditors were involved and would cause such compromises to be undertaken under this new provision of the Bankruptcy Act.

We shall be glad to attend before you in Ottawa should you desire to examine us on our views in this matter.

Respectfully submitted,

JULES E. FORTIN,
*Secretary-Treasurer.*

The Honourable Elie BEAUREGARD, K.C.,
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