

Mr. VIEN: Therefore, the amendment proposes to limit the Act to such companies as have a bond or debenture issue and for which there is a trustee appointed.

Mr. KINLEY: Mr. Chairman, I have in mind just at this moment a case that I am interested in now. A man made an improvident contract. He contracted to build a ship and he could not finish the work because he took the job too cheaply. Now, his creditors got together; instead of putting him into bankruptcy and destroying his shipyards and his plant in the community, they all got together and gave him an opportunity to try to work the thing out and make certain arrangements. That man had no bond issue. He had no debentures. He had common stock in his company. I do not want that man eliminated from any such arrangement as this, because I think it is a mistake. When I say "that man," I mean that class of men.

The WITNESS: I understand.

Mr. McLARTY: That class of company.

*By Mr. Martin:*

Q. What do you say about that?—A. What we say is that Mr. Piper has represented that there have been abuses which have existed in the cases of that type of man where there are only unsecured creditors. We regret that we have to concede that that is the case. We are sure there are no such abuses in the type of transactions which are still preserved under the amendment and which are of the utmost importance to the investors.

Mr. McLARTY: Mr. Piper went a little further, I think; to meet this situation which Mr. Kinley raises, he makes a definite suggestion as to amendment of the Bankruptcy Act.

The WITNESS: Yes.

Mr. McLARTY: It is true that we in this committee have no power over the Bankruptcy Act or any amendment thereto, but I am inclined to agree with Mr. Kinley; I would not want to see an amendment of the Companies' Creditors Arrangement Act adopted unless we had some definite guarantee that that class of corporation that Mr. Kinley mentioned will be protected. Of course, amendment to the Bankruptcy Act goes even further, including partnerships as well as corporations. I think that is pretty generally the feeling of the committee, that we are almost stymied, so to speak, Mr. Chairman. The order of reference clearly does not cover anything in the Bankruptcy Act. As Mr. Stevens said, we are in this position: I think we are willing to agree to the amendment to the Companies' Creditors Arrangement Act provided we can receive some assurance somewhere that the other class is going to be taken care of.

I have a great deal of sympathy with a great many companies that can avoid bankruptcy under the provisions of the Companies' Creditors Arrangement Act. I have had several applications and in each case they worked out successfully in the end, but here is my difficulty: under our reference we have not power to deal with the Bankruptcy Act. I do not see how we can deal with these amendments unless we get that power.

Mr. VIEN: We cannot.

Mr. MARTIN: Oh, yes, we can, easily.

Hon. Mr. STEVENS: Mr. Chairman, I very much dislike to appear to be discourteous to the gentlemen who are appearing here. But this is the first time I have even seen these proposed amendments to the Companies' Creditors Arrangement Act. These are very important amendments; they need to be studied. I have just glanced at them, but I can see from just a glance that they are far-