obvious result would be, under the present wording, that the parent or associated company would practically control the election of the trustee or inspector, and of course quite naturally would see that someone acceptable to it was appointed to the position. To all intents and purposes it would then exercise complete control of the subsequent administration of the bankrupt subsidiary.

The fundamental reason, as we understand it, for providing that an officer, director or employee of a company may not vote on the appointment of a trustee or inspector is simply that the probabilities are that his interests are adverse to the interests of the creditor. We feel and we submit for your consideration that this same reason applies with equal force and equal effect to the situation where a parent or associated company is in the position of creditor of a bankrupt subsidiary.

Our submission, then, is that section 79 (3) (*b*) be extended to cover that situation or that a new subsection be added to take care of it.

Hon. Mr. FOGO: You mean that any interest would disqualify; are you suggesting that it would have to be a controlling interest in the company for the disqualification to operate?

Mr. MERRIAM: No; we are suggesting at least a substantial interest. I would not say that any small quantity of stock would be sufficient to disqualify. That would be a matter for discussion, as to how far that was going to be carried. I would be inclined to feel that a controlling interest would be a disqualification.

Hon. Mr. FOGO: It would necessitate a further definition of what was a substantial interest?

Mr. MERRIAM: That is true.

Hon. Mr. HAIG: Mr. Chairman, Mr. Merriam, supposing a parent company had a large claim, but I was a minority stockholder in the company: your proposed legislation would preclude me from having anything to say in the vote on that trustee. I do not know why I should not be allowed to have it. The companies are different corporations with a different set of shareholders.

Mr. MERRIAM: That is true. They are individuals, regardless of their interlocking directorates.

Hon. Mr. HAIG: But there are generally heavy minority shareholders. In a good many companies I know of they say, "Such-and-such a company is controlled by the Standard Oil", but there are a tremendous number of shareholders in the other company which are not in the Standard Oil.

Mr. MERRIAM: Our feeling was that in many instances that is not the case.

Hon. Mr. HAIG: I have not read the details of the provision, but the old act provided that the small fellow had quite a vote. I can imagine a $100,000 claim, and 10,000 other claims; the 10,000 would have as many votes as the 100,000. It was not so under the old bill. If you had one hundred, let us say, you had a vote; if five hundred, you had two votes, and so on. Well, then the smaller debtors had a tremendous control. I did a lot of work under this in Winnipeg up until twenty years ago; and the small creditors came always very near controlling.

Hon. Mr. CAMPBELL: I understand you had in mind that if a company is a bankrupt, then any company that is controlled by the bankrupt should be deprived,—that is their officers should be deprived of the right to vote?

Mr. MERRIAM: No, just the reverse of that.

Hon. Mr. HUGESSEN: The case envisaged is where the parent company is creditor of a subsidiary which goes bankrupt and wishes to vote for the appointment of the trustee?

Mr. MERRIAM: Yes.