

By Mr. Vien:

Q. In Montreal alone?—A. In Montreal alone and the Montreal district. So far as we have been able to ascertain, as stated just now, through Dun's bulletin, there have been perhaps thirty-five or forty cases in the Toronto district. We have figures for Winnipeg for the year 1936, and there were no cases there. There was one case in British Columbia.

By Mr. Martin:

Q. You have not cases for the provinces, only for the cities?—A. No, sir; but our information is that the Act has been very little used outside of the districts of Montreal and Toronto.

It was generally understood in commercial circles that the main purpose of this Act was to facilitate arrangements between companies and security holders, thereby avoiding bankruptcy proceedings and the delays and expense incidental thereto.

Instead however, it has been found that the Act has been used to a very limited extent by such corporations, but its provisions have been extensively used by a large number of small companies, the creditors of which have been almost wholly unsecured.

Unsecured creditors, unlike security-holders, have no control over the debtor company's property. Under this Act assets and operations of the company remain under control of the debtor except in so far as a security holder or secured creditor may have control over his security.

There is no evidence of any complaint from secured creditors as to the operation of the Act. The criticism comes principally from the ordinary trade or unsecured creditor.

The criticism may be summarized under the following heads:

- (1) Meetings are called at the instance of the debtor company, notwithstanding the fact that the company may be in bankruptcy or in liquidation under the Winding-Up Act.
- (2) The granting of a petition to call a meeting is invariably accompanied by a stay of all other proceedings.
- (3) Until the meeting is held, or an arrangement is effected, the debtor company may:
 - (a) make payments (e.g. to creditors, for salaries, etc.);
 - (b) process raw materials—a matter of vital importance in the Province of Quebec where the law permits revendication. During the delay required to submit the proposal the unpaid vendor may lose his right to repossess the goods sold.
 - (c) conduct its business without control.
- (4) When a meeting is summoned, unless the court so orders:
 - (a) a statement of the debtor's affairs need not accompany the proposal;
 - (b) a list of creditors need not be issued;
 - (c) there is no provision for an examination of the debtor's affairs;
- (5) The Act does not specify the period of time to be allowed in calling the meeting, so that creditors at a distance frequently find it impossible to attend or to be represented, on account of insufficient notice.
- (6) Frequently proxies are issued by the debtor company and executed in favour of the company or a nominee of the company by creditors unable to attend or by creditors for small amounts.
- (7) The debtor company may without notice to its creditors alter its proposal at the meeting.
- (8) There is no provision that a representative of the debtor company shall not preside and control the meeting and this often happens.