

and providing for the issuance of such new securities or shares or other evidence of title or interest therein as may be necessary to carry out the terms and formalities of the proposal.

That is where the teeth are in this bill. The teeth may work both ways. That, I take it, Mr. Reilley, means that the rights of secured creditors, bondholders and debentureholders, may be affected.

Mr. REILLEY: Yes.

Hon. Mr. HAIG: That is going pretty far.

Mr. REILLEY: It is and it is not. You have to consider the fairness of the court in protecting all the interests as far as it can be equitably done.

Hon. Mr. HAIG: Let me illustrate, Mr. Reilley. Here is what happened under the Farmers Creditors' Arrangement Act, which contains a similar provision. A farmer, the owner of a half section of land, had mortgaged it to some company, he owed money to the bank and to the storekeeper, and he was in default with his municipal taxes. Now, as everybody knows, taxes are a first charge. The Judge satisfied the taxes or part of them. Then he set aside the mortgage and gave the bank and the merchant, who were unsecured creditors, rights in the estate. That destroyed the mortgage security. When the first mortgage on a half section worth \$5,000 is as high as \$8,000 there may be some justification for cutting that down to \$5,000, but I can never see any justification for cutting it down to \$3,000 and letting the bank and the other unsecured creditors jump in. You are doing virtually the same thing here.

Hon. Mr. MORAUD: I am very much against leaving everything to the discretion of the judge. One man can say to the bondholders: "Now, you will get only so much, and you shareholders, who should not get anything, you will divide the assets with the bondholders." I do not think we should leave that to the discretion of one man.

Mr. REILLEY: Subsection 10 of section 23 can of course be separated from the rest of the section. I admit it was put in there as a last resource. I felt that was the tendency and that there should be some final resource to get at a settlement of certain very difficult, intricate and involved matters. But, I repeat, subsection 10 is not a necessary part of the section.

Hon. Mr. ASELTINE: Is that copied from the United States Act?

Mr. REILLEY: No, it is purely a device of my own mind.

Hon. Mr. MORAUD: Don't you think the experience we have had under the Farmers Creditors' Arrangement Act has been very unsatisfactory? As you know, some of the judges ignored the Act in trying to be equitable.

Mr. REILLEY: I don't like to comment on the operation of another Act of Parliament because—

Hon. Mr. MCGUIRE: The Farmers Creditors' Arrangement Act was intended to be an Act of confiscation, and that is what it was.

Hon. Mr. MORAUD: This is exactly the same thing.

Hon. Mr. MCGUIRE: No. This is to make the best arrangement for both the debtor and the creditors.

Hon. Mr. MORAUD: It is confiscation of the rights of the bondholders.

Hon. Mr. MCGUIRE: Confiscation is the spirit of the Farmers Creditors' Arrangement Act. That is why under it you can take an \$8,000 mortgage and cut it down to \$3,000. That was never intended in the Bankruptcy Act.

Hon. Mr. EULER: It can be done under this provision.

Hon. Mr. MCGUIRE: No. What is more, can you think of any better man to rely on for the exercise of discretion than a judge with his experience and ability?