

April 5, 1937.

Hon. Walter Chandler,
House of Representatives,
Washington, D.C.

My dear Congressman Chandler:

I have gone over the revised draft of Section 77B of the Bankruptcy Act (Subsection 18 II of the Chandler Bill) and I wanted you to know that I think a very fine job has been done. Before you personally finish your study and work on the draft, I wanted to place before you the following matters so that you might be fully apprised of the views here.

1. h(4), k(5) and (7) deal with tax claims of the United States Government. I understand that the Treasury has these under consideration and study. I do not know what to tell you, as I previously told the members of the National Treasury Bankruptcy Conference group, that pending advice from the Treasury, the Commission did not want to take any final position on these provisions.
2. As I understand it, the present draft of the Chandler Bill provides in effect that the provisions thereof shall be applicable to pending cases "so far as practicable". We feel that this proceeds in the right direction so far as Subsection II is concerned. We feel that there are necessities pending cases which should receive the benefit of the new enlightened provisions of Subsection II. We are not, however, completely satisfied that the language of the present draft is adequate. I merely wanted to indicate to you the thought that we would like to reserve opportunity, if possible, to suggest a more particularized and improved treatment of that phase of the subject.
3. The following two matters were discussed by members of our staff and of the staff of the National Bankruptcy Conference group. I cannot definitely say that the members of the National Bankruptcy Conference group agreed with these suggestions, but on the other hand, I do not believe there was disagreement. At the last conference time was pressing and these two matters were merely overlooked. We feel that they should be included and submit them to you with that recommendation for your consideration.
 - (a) There should be added immediately preceding the last sentence of subdivision d(1) of Subsection 12 II: "Any attorney or attorneys for the trustee or trustees shall also be disinterested person."

We deem this an important addition because it seems to us quite obvious that if a disinterested trustee can appoint without restriction any attorney much or all of the benefit to be had by requiring the trustee to be disinterested and independent might be lost. The requirement for a disinterested and independent attorney is doubly necessary and desirable in view of the importance of lawyers in these reorganization proceedings.

(b) There should be added immediately proceeding the last sentence of the subdivision i(8) of Subsection 12 II, the following: "The court shall direct copies or summaries of such reports to be mailed to the creditors, stock holders, indenture trustees, and the Securities and Exchange Commission, at least annually."

We feel that is a necessary and desirable in order to make certain that the reports covering operation and management will go out regularly to interested parties. From our point of view this omission was a pure oversight.

If there is any way in which we can be of assistance, I wish you would feel free to call upon us.

With warm regards and best wishes, I am

Yours faithfully,

William O. Douglas,
Commissioner.

P S -- I just heard through Mr. Opper of the Treasury that the Treasury may possibly have some suggestions to make in addition to these mentioned in paragraph 1 above.