AN ACT
To amend an Act entitled "An Act to establish a uniform system of bankruptcy throughout the United States", approved July 1, 1898, and Acts amendatory thereof and supplementary thereto.

SEC. 4. No Filipino who receives the benefits of this Act shall be entitled to return to the United States, its Territories or possessions, except as a quota immigrant under the provisions of section 8 (a) (1) of the Philippine Independence Act of March 24, 1934, during the period such section 8 (a) (1) is applicable.

SEC. 5. There is hereby authorized to be appropriated from moneys in the Treasury not otherwise appropriated, amounts necessary to carry out the provisions of this Act. All amounts so appropriated shall be administered by the Secretary of Labor, and all expenses, including those incurred by the Navy and War Departments, shall be charged thereto.

SEC. 6. No application for the benefits of this Act shall be accepted by any officer of the Immigration Service after December 1, 1940; and all benefits under this Act shall finally terminate on December 31, 1940, unless the journey has been started on or before that date, in which case the journey to Manila shall be completed.

SEC. 7. Nothing in this Act shall be construed as authority to deport any native of the Philippine Islands, and no Filipino removed from any State or Territory or the District of Columbia under the provisions of this Act shall hereafter be held to have been deported from the United States.

Approved, July 27, 1939.
“(4) ‘Creditors’ shall include all holders of claims, demands, and obligations of whatever character against the petitioner or its property, whether or not such claims would otherwise constitute provable claims in bankruptcy, including the holders of claims made, assumed, or guaranteed by the petitioner.

“(5) ‘Securities’ shall include those defined in section 20a of the Interstate Commerce Act, as amended, and also certificates of deposit and all other evidences of ownership of or interest in securities.

“(6) ‘Commission’ refers to the Interstate Commerce Commission.

“(7) ‘Adjustment’ shall include postponements or modifications of debt, interest, rent, and maturities and modifications of the securities or capital structures.

“Sec. 706. No creditor shall be deemed to be ‘affected’ by any plan unless such plan proposes a modification of the evidence of debt or other instrument defining the rights of such creditor, or a modification of the security, if any, for the claim of such creditor.

“ARTICLE III—PETITION AND POWERS OF COURT

“Sec. 710. Any railroad corporation not in equity receivership or in process of reorganization under section 77 of the Bankruptcy Act at the time of filing its petition hereunder, and which has not been in equity receivership or in process of reorganization under said section 77 within ten years prior to the filing of such petition, which shall have—

“(1) Prepared a plan of adjustment and secured assurances satisfactory to the Commission of the acceptance of such plan from creditors holding at least 25 per centum of the aggregate amount of all claims affected by said plan of adjustment (including all such affected claims against said corporation, its parents and subsidiaries), and

“(2) Thereafter obtained an order of the Commission, (but not of a division thereof), under section 20a of the Interstate Commerce Act authorizing the issuance or modification of securities as proposed by such plan of adjustment (other than securities held by, or to be issued to Reconstruction Finance Corporation), such order of the Commission to include also specific findings:

“(a) That such corporation is not in need of financial reorganization of the character provided for under section 77 of this Act;

“(b) That such corporation’s inability to meet its debts matured or about to mature is reasonably expected to be temporary only; and

“(c) That such plan of adjustment, after due consideration of the probable prospective earnings of the property in the light of its earnings experience and of such changes as may reasonably be expected,—

“(i) is in the public interest and in the best interests of each class of creditors and stockholders;

“(ii) is feasible, financially advisable, and not likely to be followed by the insolvency of said corporation, or by need of financial reorganization or adjustment;

“(iii) does not provide for fixed charges (of whatsoever nature including fixed charges on debt, amortization of discount on debt, and rent for leased roads) in an amount in excess of what will be adequately covered by the probable earnings available for the payment thereof;

“(iv) leaves adequate means for such future financing as may be requisite;
“(v) is consistent with adequate maintenance of the property;

and

“(vi) is consistent with the proper performance by such railroad corporation of service to the public as a common carrier, will not impair its ability to perform such service:

Provided, That in making the foregoing specific findings the Commission shall scrutinize the facts independently of the extent of acceptances of such plan and of any lack of opposition thereto: Provided further, That an order of the Commission (or of a division thereof) under section 20a of the Interstate Commerce Act, made prior to April 1, 1939, authorizing the issuance or modification of securities as proposed by a plan of adjustment (other than securities held by, or to be issued to, Reconstruction Finance Corporation), shall be effective for the purpose of this subparagraph (2) of the first sentence of section 710, notwithstanding failure to include therein the foregoing specific findings, if such order did include the specific findings that such proposed issuance or modification of securities is compatible with the public interest, is consistent with the proper performance by the railroad corporation of service to the public as a common carrier, and will not impair its ability to perform such service, and

“(3) Secured assents to such plan of adjustment by creditors holding more than two-thirds of the aggregate amount of the claims affected by said plan, which two-thirds shall include at least a majority of the aggregate amount of the claims of each affected class.

Assents by creditors.

Petition of inability to meet debts, etc.

Copy of Commission’s order to accompany.

Consolidation of proceedings.

Filing fee.

Conduct of proceedings before three-judge court.

Powers of court.
"Sec. 714. The special court, after hearing, promptly shall enter an order approving the petition as properly filed under this chapter if satisfied that such petition complies with this chapter and has been filed in good faith, or dismissing such petition if not so satisfied.

"Sec. 715. If the petition is approved by the special court, the said court, during the pendency of the proceedings under this chapter, shall have exclusive jurisdiction of the petitioner and of its property wherever located to the extent which may be necessary to protect the same against any action which might be inconsistent with said plan of adjustment or might interfere with the effective execution of such plan if approved by the court, or otherwise inconsistent with or contrary to the purposes and provisions of this chapter: Provided, however, That nothing herein contained shall be construed to authorize the court to appoint any trustee or receiver for said properties or any part thereof, or otherwise take possession of such properties or control the operation or administration thereof.

"ARTICLE IV—HEARINGS

"Sec. 720. The special court shall fix a date for a hearing to be held promptly after the filing of the petition and notice of such hearing or hearings shall be given to all persons in interest in such reasonable manner as the court shall direct. In such proceeding, the court may allow such interventions of persons in interest as it may deem just and proper, but any person in interest shall have the right to present evidence and be heard thereon, in person or by attorney, with or without intervention.

"Sec. 721. After such hearing, the special court may approve the plan as filed or propose to modify such plan and as hereinafter provided approve the same as so modified. If the court shall propose to modify the plan, then: (a) if such modification substantially alters the basis for the specific findings included in the order made by the Commission under section 20a of the Interstate Commerce Act, the plan as so proposed to be modified shall be resubmitted to the Commission and shall not be finally approved by the court until the Commission (but not a division thereof) has authorized the issuance or modification of securities as proposed by the plan as so modified (other than securities held by, or to be issued to, Reconstruction Finance Corporation) making the findings required by clause (c) of subparagraph (2) of the first sentence of section 710, even in a case where the original order of the Commission under said section 20a was made prior to April 1, 1939; and (b) if such modification substantially or adversely affects the interests of any class or classes of creditors, such plan shall be resubmitted, in such manner as the court may direct, to those creditors so affected by such modification and shall not be finally approved until after (1) a hearing on such modification, to be held within such reasonable time as the court may fix, at which hearing any person in interest may object to such modification, and (2) a reasonable opportunity (within a period to be fixed by the court), following such hearing, within which such affected creditors who have assented to the plan may withdraw or cancel their assents to the plan, and failure by any such creditor to withdraw or cancel an assent within such period shall constitute an acceptance by such assenting creditor of the plan as so modified. After such authorization and finding by the Commission, where required hereby, and after such hearing and opportunity to withdraw or cancel, where required hereby, the court may make the proposed modification, and as provided in section 725 finally approve and confirm the plan as so modified.
"Sec. 722. If the United States, or any agency thereof, or any corporation (other than the Reconstruction Finance Corporation) the majority of the stock of which is owned by the United States, is a creditor or stockholder, the Secretary of the Treasury is hereby authorized to act in respect of the interests or claims of the United States or of such agency or other corporation. If in any proceeding under this chapter the United States is a creditor on claims for taxes or customs duties (whether or not the United States has any other interest in or claim against the debtor as creditor or stockholder), no plan which does not provide for the payment thereof shall be approved by the court except upon the acceptance of a lesser amount or of a postponement by the Secretary of the Treasury certified to the court: Provided, That if the Secretary of the Treasury shall fail to accept or reject such lesser amount or such postponement for more than sixty days after receipt of written notice so to do from the court, accompanied by a certified copy of the plan, the consent of the United States insofar as its claims for taxes or customs duties are concerned shall be conclusively presumed.

"ARTICLE V—PROCEEDINGS SUBSEQUENT TO APPROVAL OF PETITION

"Sec. 725. If the special court shall find—

"(1) That, at the time of the filing of said petition as provided in article III hereof, the proposed plan of adjustment had been assented to by not less than two-thirds of the aggregate amount of all claims of the petitioner affected by such plan, including at least a majority of the aggregate amount of claims of each such class;

"(2) That the plan of adjustment as submitted or as modified by the court has been accepted as submitted or, if modified, then as modified by or on behalf of creditors affected by such plan holding more than three-fourths of the aggregate amount of the claims affected by said plan, including at least three-fifths of the aggregate amount of the claims of each affected class;

"(3) That the plan meets the requirements of clause (c), and the petitioner meets the requirements of clauses (a) and (b) of subparagraph (2) of the first sentence of section 710, and that the plan is fair and equitable as an adjustment, affords due recognition to the rights of each class of creditors and stockholders and fair consideration to each class thereof adversely affected, and will conform to the law of the land regarding the participation of the various classes of creditors and stockholders: Provided, That in making the findings required by this clause (3), the court shall scrutinize the facts independently of the extent of acceptances of such plan, and of any lack of opposition thereto, and of the fact that the Commission, under section 20a of the Interstate Commerce Act, has authorized the issuance or modification of securities as proposed by such plan, and of the fact that the Commission has made such or similar findings;

"(4) That all corporate action required to authorize the issuance or modification of securities pursuant to such plan shall have been duly taken;

"(5) That the petitioner has not, in connection with said plan or the effectuation thereof, done any act or failed to perform any duty which act or failure would be a bar to the discharge of a bankrupt, and that the plan and the acceptance thereof are in good faith and have not been made or procured by any means, promises, or acts forbidden by this Act; and

"(6) That, after hearings for the purpose, all amounts or considerations, directly or indirectly paid or to be paid by or for the
petitioner for expenses, fees, reimbursement or compensation of any character whatsoever incurred in connection with the proceeding and plan, or preliminary thereto or in aid thereof, together with all the facts and circumstances relating to the incurring thereof, have been fully disclosed to the Court so far as such amounts or considerations can be ascertained at the time of such hearings, that all such amounts or consideration are fair and reasonable, and to the extent that any such amounts or considerations are not then ascertainable, the same are to be so disclosed to the Court when ascertained, and are to be subject to approval by the special court as fair and reasonable, and except with such approval no amounts or considerations covered by this clause (6) shall be paid.

Said court shall file an opinion setting forth its conclusions and the reasons therefor and shall enter a decree approving and confirming such plan and the adjustment provided thereby, which decree shall be binding upon the petitioner and upon all creditors and security holders of the petitioner; and thereafter the petitioner shall have full power and authority to and shall put into effect and carry out the plan and the orders of the special court relative thereto and issue the securities provided by the plan without further reference to or authority from the Commission or any other authority, State or Federal, except where required by any law relating to the Reconstruction Finance Corporation, and the rights of all creditors and security holders with respect to claims and securities affected by the plan shall be those provided by the plan as so approved and confirmed: Provided, however, That the title of any owner, whether as trustee or otherwise, to rolling-stock equipment leased or conditionally sold to the petitioner, and any right of such owner to take possession of such property in compliance with the provisions of any such lease or conditional sale contract, shall not be affected by the provisions of this chapter.

"No plan shall be approved under this chapter unless the special court finds that with respect to the continuation of, or any change in, the voting rights in the petitioner, control of the petitioner, and the identity of, and the power and manner of selection of the persons who are to be directors, officers, or voting trustees, if any, upon the consummation of the plan and their respective successors, the plan makes full disclosure, is adequate, equitable, in the best interests of creditors and stockholders of each class, and consistent with public policy.

"Sec. 726. After the special court shall have approved as properly filed a petition pursuant to article III hereof, the special court, from time to time during the pendency of the proceedings hereunder, may enjoin the institution of, or stay, for a reasonable time, any action or proceeding to enforce any right against the petitioner or its property based upon claims affected by the proposed plan of adjustment in any court, State or Federal, whether for the enforcement of any such claim or for the appointment of receivers in equity or of the institution or prosecution of a proceeding under section 77 of the Bankruptcy Act or otherwise: Provided, however, That no such stay shall affect any proceeding based on or to enforce any claim which would be required to be paid if the plan of adjustment proposed by the petitioner were then in effect.

"Sec. 727. Unless the plan of adjustment as submitted or as modified shall have been confirmed by the special court within one year from the date of filing the petition, the proceedings shall be dismissed unless, for good cause shown, on motion of any party in interest the court, if satisfied that confirmation of a plan is in immediate prospect shall determine otherwise.
Continuation of payments during pendency of proceeding.

Proviso. Payments not to constitute a preference. Dismissal for non-payment.

Adjustments to conform to approved plan.

Deposit, etc., of security.

Tax provisions.

Income, gain, etc., with respect to adjustment of indebtedness.

Transmittal of copies of papers to Secretary of Treasury.

Notice of any order affecting Federal claims to Treasury.

"Sec. 728. Without prejudice to existing rights of all creditors, including those affected by the plan, and as a condition to the approval of any plan by the special court, the petitioner, from and after the filing of the petition with the court and until the making of a final order by the special court approving a plan or dismissing the petition, shall continue to make or tender payment to all creditors affected by the plan of sums currently payable to such creditors equal to the amounts proposed to be paid to such creditors under the plan: Provided, That the making of such payments shall not constitute a preference within the meaning of the Bankruptcy Act, nor shall acceptance of such payments constitute an acceptance of a plan. If, from and after the filing of the petition with the special court, there shall be any failure to make or tender such payments, the special court, unless there is good cause shown for the failure, shall dismiss the proceedings. In finally approving any plan, the court may make or require to be made such adjustments with respect to said payments or any of them as may be necessary to make the same conform to the provisions of said plan as finally approved.

"Sec. 729. In providing for any such payments the petitioner may require any bond or other security, including interest coupons affected by such payments to be presented to or deposited with a paying agent or depositary named by the petitioner for appropriate stamping to show the amounts of such payment.

"ARTICLE VI—TAX PROVISIONS

"Sec. 735. The provisions of Sections 1801, 1802, 3481, and 3482 of the Internal Revenue Code and any amendments thereto, unless specifically providing to the contrary shall not apply to the issuance, transfer, or exchange of securities or the making or delivery of conveyances to make effective any plan of adjustment confirmed under the provisions of this chapter. No income, gain, or profit taxable under any law of the United States or of any State, now in force or hereafter enacted, shall in respect to the adjustment of the indebtedness of any petitioner in a proceeding under this chapter be deemed to have accrued to or to have been realized by such petitioner by reason of a modification of or cancelation in whole or in part of any of the indebtedness of the petitioner affected by a proceeding under this chapter.

"Sec. 736. In addition to the notices elsewhere expressly provided, the clerk of the court in which any proceedings under this chapter are pending shall forthwith transmit to the Secretary of the Treasury copies of—

1. Every petition filed under this chapter;
2. The orders approving or dismissing petitions;
3. The orders approving plans as filed or as modified, together with copies of such plans as approved;
4. The decrees approving and confirming plans and the adjustments provided thereby, together with copies of such plans as approved;
5. The injunctions or other orders made under section 726 of this chapter;
6. The orders dismissing proceedings under this chapter; and
7. Such other papers filed in the proceedings as the Secretary of the Treasury may request or which the court may direct to be transmitted to him.

"Sec. 737. Any order fixing the time for confirming a plan which affects claims or stock of the United States shall include a notice of not less than thirty days to the Secretary of the Treasury.
"Sec. 738. The special court shall have power to determine the amount and legality of claims of the United States for taxes or customs duties, and to order payment thereof; and the order of the special court (provided for in section 714) approving the petition shall have the effect of an adjudication of bankruptcy of the petitioner for the purposes of section 274 of the Internal Revenue Code and the corresponding provisions of prior and subsequent revenue acts. The running of the statute of limitations on the assessment or collection of any internal-revenue tax shall be suspended while a proceeding under this chapter is pending and until it is finally dismissed.

"ARTICLE VII—INTERSTATE COMMERCE COMMISSION

"Sec. 740. If, in any application filed with the Commission pursuant to section 20a of the Interstate Commerce Act for authority to issue or modify securities, the applicant shall allege that the purpose in making such application is to enable it to file a petition under the provisions of this chapter, the Commission shall take final action on such application as promptly as possible, and in any event within one hundred and twenty days after the filing of such application, unless the Commission finds that a longer time, not exceeding sixty days is needed in the public interest.

"ARTICLE VIII—FINAL DEGREE AND REVIEW

"Sec. 745. Any final order or decree of the special court may be reviewed by the Supreme Court of the United States upon application for certiorari made by any person affected by the plan who deems himself aggrieved within sixty days after the entry of such order or decree, pursuant to the provisions of the Federal Judicial Code.

"Sec. 746. In the decree approving and confirming the plan the court may require such reports of the action taken by the petitioner thereunder in the execution of the plan as may be necessary to a final disposition of the cause, and in its final decree disposing of the cause the court shall retain jurisdiction in the district court to the extent necessary to protect and enforce the rights of the parties under said plan and the orders of the court thereon.

"ARTICLE IX—FILING RECORD WITH COMMISSION

"Sec. 750. The clerk of the court in which any proceedings under this chapter are pending, shall forthwith transmit to the Interstate Commerce Commission copies of all pleadings, petitions, motions, applications, orders, judgments, decrees and other papers in such proceedings filed with the court or entered therein, including copies of any transcripts of testimony, hearings or other proceedings that may be transcribed and filed in such proceedings together with copies of all exhibits, except to the extent that the court finds that compliance with this section would be impracticable.

"ARTICLE X—TERMINATION OF JURISDICTION

"Sec. 755. The jurisdiction conferred upon any court by this chapter shall not be exercised by such court after July 31, 1940, except in respect of any proceeding initiated by filing a petition under section 710 hereof on or before July 31, 1940."

Approved, July 28, 1939, 9:45 a. m., E. S. T.