STANDARD RELIANCE ASSETS OVER-VALUED

Statement Issued by Receiver Effects Reduction of $3,118,483 in Assets—Nominal Deficit of $352,078—Plan of Reorganization

On June 30th, a statement was issued by G. T. Clarkson, liquidator of the Standard Reliance Mortgage Corporation. This statement indicates that new valuations placed upon the assets of the company will materially affect the outlook of the depositors, debenture holders and shareholders. The statement is as follows:—

The assets of the Standard Reliance Mortgage Corporation, and its subsidiary, the Dovercourt Land, Building and Savings Company, Limited, consist principally of real estate and mortgages, with agreements covering the sale of land. The real estate is comprised almost wholly of improved properties in the central part of the city of Toronto and subdivisions on its northerly and northeasterly outskirts, part within and part without the city limits. The majority of such properties are subject to mortgages; some of them are free from encumbrances.

Mortgages receivable and agreements covering the sale of land consist almost entirely of three classes, namely:—

(1) Loans to the public, secured by real estate, mostly improved property in various parts of Canada;

(2) Loans to companies owning real estate—largely adjacent to Toronto—for subdivision and sale;

(3) Agreements covering property subdivided and sold by the Dovercourt Land, Building and Savings Company, Limited, and other allied companies.

To a large extent the properties covered by classes 2 and 3 are subject to prior encumbrances. The mortgages in class 1 mentioned are mostly first mortgages, obtained to some extent by the corporation by virtue of the amalgamation between the Standard Loan Company and the Reliance Loan Company, and through its acquisition of the assets of the Sun and Hastings Loan Company.

In the statements submitted, real estate appearing upon the records of the companies as of a net book value of $2,593,927, has been included at $1,249,194, a reduction of $1,344,733; in addition, approximately $925,000 has been written off as the difference between book values and the amounts realized from sales of Lawrence Park properties at a recent auction sale. Mortgages receivable and agreements covering sales of land appearing upon the companies' books at $3,445,321, have been included as of a value of $2,596,571—a reduction of $848,750.

In attributing the values above mentioned, effort has been made to be conservative and fair, having regard to the information available within the short period of time at disposal. At the same time it should be fully appreciated that such estimates of value are matters of opinion only. The amounts which will be realized on such assets will in the end, however, depend very largely upon conditions in the future.

The statement of the Standard Reliance Mortgage Corporation submitted shows assets of $4,756,961, against liabilities—excluding capital stock—of $5,109,039, indicating a nominal deficit of $352,078. This statement should be accepted as the best estimate which it is possible to make at this time, and with information available, as to the situation. If transportation facilities in North Toronto, and conditions pertaining to sale of real estate, shall improve in the next year or two, however, it is entirely possible that a higher return may be obtained from the assets than is allowed for in the statement; on the other hand, if general conditions do not lend themselves to the sale of real estate at fair prices, or extended delays take place in the disposition of assets, an increased impairment must be looked for.

The statement of the assets and liabilities of the Standard Reliance Mortgage Corporation as revised to June 18th, 1919, shows:—

Assets

Investments in and advances to the Dovercourt Land, Building and Savings Company, Limited, $5,008,162, valued at $2,150,000.

Mortgages receivable and agreements covering the sale of real estate, $2,379,824, estimated value, $1,752,570.

Stocks, bonds and debentures, $453,632; less loans there against, $100,000; $353,632.

Real estate and office premises, $542,566; estimated value, $343,123; less mortgages there against, $33,000; $310,123.

Loans against shares of company, $7,631. Estimated value, $2,500.

Furniture and chattels, $13,966.

Cash on hand and in banks, $146,105.

Rents accrued, $4,379.

Sundry assets, $51,631. Estimated value, $23,683.

Estimated value of assets, $4,756,961.

Liabilities

Deposits, $1,032,409; deposit receipts, $216,029; debentures, $4,024,578. Total, $5,273,017.

Less—Securities held by depositors, $100,000; trustee, $70,164. Total, $170,164. Accounts payable and cheques outstanding, $6,186. Total liabilities, $5,109,039.

Nominal deficiency to creditors, $352,078.

Dovercourt Land Values Cut Down

The Dovercourt Land, Building and Savings Co., Ltd. revised balance sheet as of June 18th, 1919, shows:—

Assets

Assets pledged or assigned to the Standard Reliance Mortgage Corporation—Real estate and collateral securities appearing upon company's books as of value of $3,932,182, valued at $2,786,832.

Less prior mortgages thereupon, with accrued interest, $1,491,791. Taxes in arrears and for 1919, $131,029. Total, $1,622,821.

Nominal surplus, $1,164,010.

Mortgages and agreements receivable, including those covering Lawrence Park sales, as per company's books, $1,065,497, valued at $844,000.

Rents accrued, $13,224.

A total of pledged assets of $2,021,235.

Assets not pledged—Stocks, bonds and debentures, as per company's books, $431,326. Valued at $97,050.

Loans against securities, book value, $146,132. Valued at $25,106.

Accounts receivable, as per list, $114,388. Valued at $25,000.

Cash on hand and in bank, $1,268.

Furniture and chattels, $3,229.

Total estimated value of all assets, $2,172,889.

Liabilities

Standard Reliance Mortgage Corporation—Advances, secured by mortgage and assignments, $3,765,024. Advances, direct, $799,984. Advances, by way of overdrawn account, $33,652. Total, $4,598,662.

Accounts payable, $8,354.

Reserves to cover contingent losses, $84,640.

Contingent liabilities re taxes of British Land Company, Limited, $4,000. A grand total of $4,691,657.

The nominal deficiency is $2,518,768.

Upon the basis of the valuations included in the above statement, the claims of the Standard Reliance Mortgage Corporation against, and its investments in, the Dovercourt Land, Building and Savings Co., Ltd., amounting in all to $5,008,000, would appear to have a value of about $2,150,000.

On July 2nd circulars were issued announcing the plan of reorganization. A new company is to be formed with a provincial charter. Cumulative preference shares are to be issued which will go to the creditors and common shares will be issued to the stockholders. The creditors comprise depositors, debenture holders and others. If this plan is ratified the company will pay interest and make payments on capital account of the shares from time to time as the assets are realized. The proxy form to be sent to each creditor will be accompanied by a statement of the financial standing of the company. The whole of the preferred stock must be paid off, including interest, before the common stock can receive anything.