

The Commercial Bank Liquidation.

The first formal meeting of the creditors and shareholders of the Commercial Bank of Manitoba was convened in Winnipeg on August 17, and was continued on following days, as directed by the order of the court. City Alderman Gilroy took the chair by appointment of the court. The first business was the ascertaining of the list of creditors. By order of the court currency holders were to be classed as creditors upon presentation of a statutory declaration, and giving other evidence, if required, to the satisfaction of the chairman.

After considering the list of creditors, Mr. Ferguson, chief provisional liquidator, proceeded with a financial statement of the affairs of the bank. He stated that he had arranged with the Merchants Bank for an interest at 4 per cent on the daily balance of an ordinary deposit account, and had deposited the funds in that bank. Later the account was transferred to the Imperial Bank on the same terms.

LIQUIDATOR'S STATEMENT.

The following financial statement up to the 8th of August was presented by the liquidator: Statement of liabilities and assets of the Commercial Bank of Manitoba, on the 8th of August, 1893.

Capital authorized: \$2,000,000; subscribed, \$740,700; paid up, \$552,650.

TO THE PUBLIC.		LIABILITIES.
Notes in circulation...	\$ 430,260	
Balance due Provincial Government.....	\$81,294 20	
Deposits by the public, payable on demand...	403,318 05	
Deposits by the public, payable after notice...	108,939 76	680,312 61
Loans from other banks in Canada, secured...		103,323 00
Loans from other corporations, secured...		30,000 00
Deposits by bank in Canada.....		51,612 00
Balance due by agencies of the bank in foreign countries...		78,374 00
Liabilities not included under foregoing heads.....		1,235,365 00
		\$1,231,319 42

LIABILITIES TO STOCKHOLDERS.

Paid up stock.....	\$552,650 00
Reserve Fund.....	50,000 00
Profit and loss.....	6,820 79
Total liabilities.....	\$1,843,830 21

ASSETS.

Specie.....	\$ 356 50
Provincial notes.....	194 00
Deposit with Dominion Government for security of note circulation.....	19,750 00
Notes of and cheques on other banks.....	6,800 08
Deposits with other banks in Canada payable on demand.....	170,384 66
Balance due from other banks in Canada in daily exchange.....	5,105 10
Balance due from other banks in foreign countries.....	1,039 18
Balance due from agencies of the bank in the United Kingdom.....	4,683 54
Current loans.....	1,148,882 66
Overdue debts.....	415,243 04
Real estate the property of the bank, other than the bank premises.....	\$2,815 87
Mortgages on real estate held by the bank..	12,112 33
Bank premises.....	10,160 00
Other assets not included under foregoing heads.....	18,202 50
	\$1,843,830 21

The Commercial Bank of Manitoba has been in operation for the past eight years. During that period I find that \$27,835.76 have been charged to contingent account and written off as bad. No contingent account was ever opened until May, 1892, but losses aggregating \$29,000.00 had been debited to profit and loss and charges accounts, making the total loss written off by the bank to date \$56,835.76.

Mr. Macarthur's (the president) account is as follows: There is an overdraft in the name of D. Macarthur amounting to \$23,196.83, also an overdraft in his name (called special account) amounting to \$4,049.85, making a total overdraft of \$27,246.68.

There are other accounts in the books charg-

ed with large sums and which Mr. Macarthur guaranteed to the bank; these amount to \$80,188.02. Mr. Macarthur also appears to be indirectly liable to the bank to the amount of \$56,030.07, making a total direct and indirect liability of \$164,065.37.

In connection with this liability the bank held, when the receivers took possession, securities valued at \$10,000.00. The security, which Mr. Macarthur has since transferred, has been valued at \$14,470; the indirect securities are estimated worth, \$46,698; making a total value of securities, \$101,068—showing a deficiency of security on his account amounting to \$62,997.30.

On the 19th of July, about eight days after the appointment of liquidators, about thirty-five writs were issued against Mr. Macarthur by various creditors, and on the same day judgments were obtained to the amount of about \$55,000. On the same day, after these judgments had been signed, Mr. Macarthur handed the liquidators two lists of securities, one containing lands and stocks valued by Mr. Macarthur at \$34,730, said to be deeded and transferred to I. M. Ross and myself as trustees for the bank, and the other a similar list of lands and stocks, said to have been transferred to Mr. Gilmour in trust, to be conveyed by him to a nominee of the bank upon an agreement being come to by the bank not to attack the above judgment.

The investigation of the titles were at once made. Some titles were found complete, or have since been made so, some defective, and others, situate in the Northwest Territories and elsewhere, have not yet been finally reported upon. An accurate valuation from personal inspection has not yet been made, except where titles were complete, as that expense was deemed unwise until the titles were, as far as possible, perfected.

Part of the property in the list stated as being transferred to Mr. Gilmour consists of Mr. Macarthur's stock in the bank, upon which 20 per cent only has been paid. By reason of the banking act the bank has a lien on this stock for any indebtedness owed by Mr. Macarthur.

The only other account with which I desire to deal is that of the late vice-president and manager, Mr. Rokeby. He appears by the books of the bank to be indebted to the bank in the sum of \$64,847.02, and for this the bank has no security other than a guarantee by Mr. Macarthur as to \$25,000 included in his indirect liabilities.

In consequence of my examination of the books of the bank prosecutions of two of the officers were commenced after all the facts obtainable were laid before the proper authorities, but as these proceedings are now pending before the court I think I am precluded from discussing here or elsewhere the matters in connection with those prosecutions.

CIRCULATION.

The total amount of notes printed was \$390,000; of this sum there has been destroyed, \$240,080; held by the bank, \$249,660; making a total of \$489,740; (\$100,000 of these are unsigned and in the hands of the assistant receiver-general for safe keeping) leaving a balance outstanding of \$400,260.

SHAREHOLDERS.

Of the \$740,700, the capital subscribed, \$552,650, has been paid as follows:—

STOCK.	
2200 Shares 20 per cent paid up ..	\$44,400 00
5 " 30 " " ..	150 00
172 " 50 " " ..	8,600 00
51 " 63 " " ..	3,250 00
18 " 80 " " ..	1,430 00
7 " 88 " " ..	620 00
32 " 90 " " ..	2,900 00
4913 " 100 " " ..	491,300 00
7407 Shares	\$552,650 00

I find that two parties gave demand notes to the bank, which were discounted and paid up stock was purchased with the proceeds. On

this stock these gentlemen subsequently qualified themselves as local directors of the bank, and one of them still retains that position. The notes were paid to bear interest at seven per cent per annum and the dividends on the stock were used in meeting this interest.

I also found among the assets of the bank a demand note for \$2,500 made by a member of the bank staff. On enquiry he informed me that this note was given at the president's request to the bank in order that it might be discounted and stock purchased. I also find that about the same time paid up stock to that amount was purchased by that gentleman and still stands in his name. I further find that the dividends on the stock were used to meet the interest on the note. All these are still held by the bank and included in its discounts.

It further appears that on the 18th of April last the bank held amongst its securities certain bonds of the town of Portage la Prairie. A note made by the same clerk who signed the \$2,500 note, payable one year after date bearing 5 per cent. interest appears to have been given the Confederation Life Association, in Toronto, and these bonds were hypothecated by the clerk as collateral security thereto. An additional hypothecation was given by the bank and \$30,000 was then advanced by the Confederation Life Association to the bank. The bank received the money and credited it to deposit receipts at 5 per cent. interest. The effect of this transaction is that it was really a loan to the bank on security.

ESTIMATE ON BAD AND DOUBTFUL DEBTS.

The liquidators have subjected the assets to a very careful analysis, and as a result I beg to submit the following approximate estimation: The probable losses amount to....\$265,126 91 Debts of doubtful character 129,247 69

Making a total of bad and doubtful debts of\$395,374 60

In estimating these losses every name was considered individually on its merits, and the circumstances surrounding each transaction taken into account. While this was done with the utmost care, and while I have a personal knowledge of the standing of the larger number of the debtors of the bank, such estimate, as will be readily understood, must be merely approximate. This is especially applicable to some of the security held by the bank, upon which we were bound to place a definite value.

None of the doubtful debts are at present collectable, but security may be obtained in some cases, and with careful and judicious management a fair percentage could be recovered. I have estimated a possible loss of 50 per cent from the doubtful debts, which, added to the estimated loss above referred to, make a total of bad debts of \$330,750.75. This sum subtracted from the surplus of \$609,480.79, would leave a balance of \$278,730.03. On this estimate creditors will eventually be paid in full. Leaving a balance for the shareholders of between forty and fifty per cent. of the paid up capital. If the liquidation of the bank is efficiently and economically conducted, a large proportion of the assets should be converted into an earning power of considerable value. By this means it is estimated that the interest payable on deposits and circulation, and all interest and charges connected with borrowed moneys should be provided for and a sufficient surplus left to pay the ordinary office expenses connected with the winding up.

While I make this preliminary approximate report I wish it to be understood by the creditors that with the short time at my disposal and the excessive amount of work which had to be transacted in that period, I can conceive it quite possible that the shrinkage usually consequent upon compulsory liquidation may still further depreciate the assets of the bank and the above apparent surplus.

In addition to devoting careful attention to the bank's securities for the purposes of estim-