

Interim Report on National Finance Liquidation

Presentation of condition of affairs as at July 31, 1918 and Liquidator's comment on the various items.

Mr. H. W. Dyson, general manager of the Yorkshire and Canadian Trust, Limited, as liquidator of the National Finance Company, Limited, has submitted to creditors and shareholders an interim report on the condition of the liquidation as at July 31, 1918, which is as follows:

In order that you be acquainted with the progress of the liquidation of the National Finance Company, Limited, the liquidator wishes to place before you the following report. A statement in detail would be very expensive to prepare and would fail to present the outstanding features of the liquidation in a way that possibly the condensed statement, which forms a part of this report, can give you.

The policy of the liquidator has been throughout, to keep the expenses of the liquidation at the lowest possible figure; to conserve the assets of the company, so far as is consistent with the necessity of winding up the company's affairs until a reasonable price could be obtained for them; to avoid litigation; and to pay to secured creditors, with the least possible delay, any moneys derived from the securities to which they were entitled.

A study of the assets of the company as they came into the hands of the liquidator, shows that practically all which were available as security, had been hypothecated in order to secure moneys during the period of the company's operations. As a result of this, any assets which were free from encumbrance were those which might be classed as "cull assets," not being acceptable as security, although their nominal value was large. In addition to the difficulty of disposing of these assets under the depressed conditions obtaining since the time of liquidation, we have now to contend with the various moratorium and war relief acts throughout the different provinces of Canada, so that no foreclosure actions or suits can be taken on a large portion of the agreements for sale mortgages and bills and accounts receivable held by the company; and under the circumstances no one will offer any suitable price for the purchase of these claims, so that an early closing of the estate is impossible.

The following is a list of the assets of the company now in the hands of the liquidator; the book values shown being those at which the property was carried by the National Finance Company, Limited, at the date of liquidation, but do not include amounts of accrued interest:

	Book values at date of liquidation
Real estate	\$333,434.04
Copper River Coal Claims, 76½% interest.....	129,957.82
Shares in other companies.....	756,231.93

Amounts Due on Agreements of Sale—

North American Securities, Ltd.	\$364,600.00
Property sold	143,228.18
Agreements purchased	68,517.25
Sold to clients and guaranteed	34,243.70
Redeemed under guarantee.....	22,597.38
	<hr/> 633,186.51

Mortgages Receivable—

General	\$ 30,765.14
Covered by Sterling Mtge. Trust Certs.	41,682.90
Covered by Local Mtge. Trust Certs.	46,075.35
Paid to clients under guarantee	3,017.26
	<hr/> 121,540.65

Accounts Receivable—

Prudential Shareholders	\$ 5,250.65
Clients	155,100.30
Insurance	2,745.09
Calgary Agency	498.05
Bills receivable	57,325.19
	<hr/> 220,919.28
Mortgages as security to Debenture Issues guaranteed	209,350.00
Cash on hand and in Bank.....	5,800.50
Due from contributors.....	294,766.28
	<hr/> \$2,705,187.01

Real Estate—

Of the real estate, less than 10% is unencumbered.

Shares in Other Companies—

The greater portion of the shares in other companies are of little or no value.

Agreements for Sale—

The amount due from the North American Securities, Ltd., carries with it no security on any property, and that company is in liquidation and may not be wound up for a considerable time. The remaining agreements for sale are many of them hypothecated as security, while practically all of them are subject to underlying mortgages.

Mortgages Receivable—

Of the \$121,540.65 of mortgages receivable, \$3,017.26 represents money paid out by the National Finance Co., Ltd., on account of guarantees, and for this no security is held; \$87,758.25 represents investments held in trust, and against which trust certificates have been issued; of the balance of \$30,765.14, which represents a fractional interest in a great many mortgages, \$19,949.99 has been hypothecated as security.

Accounts Receivable—

Of these much is uncollectable, and over \$50,000,000.00 of the amount represents advances to the syndicate holding the Copper River Coal Claims and can be recovered only by the sale of these claims.

The claims, of which the National Finance Co., Ltd., hold a 76½% interest, consist of twenty square miles in the Hazelton, B. C., District, near the Grand Trunk Pacific main line, held under lease. The lease period under the provisions of the Coal and Petroleum Act was due to expire in 1920, at which time we would be faced with the necessity of raising approximately \$125,000 for the purpose of taking up the Crown grant. This being impossible under the circumstances, we secured from the Government an Order in Council extending the lease period by a period six months greater than the length of the war, so that there will be a period of over six years after the war closes before the Crown grant is necessary. In the meantime a rental of fifteen cents per acre has to be paid to the Government each year. This extension of time is of the utmost importance in realizing on this asset of the company, which we consider may prove to be valuable.

Mortgages as Security to Debenture Issues Guaranteed—

This represents mortgages held by the company on property of the Okanagan Falls Land Co., Ltd., and the Richlands Orchard Co., Ltd., both of which companies are in the hands of receivers. In neither case does the value of the property approach the amount of the mortgage. A reference to the list of liabilities to the public, which is given later in this report, shows the same amount as a liability to the holders of debentures. At a recent meeting of the debenture holders of the Richlands Orchards Co., Ltd., we retired from the trusteeship, and secured a release of the National Finance Co., Ltd., from all liability in this connection. This arrangement has to receive the sanction of the Court.