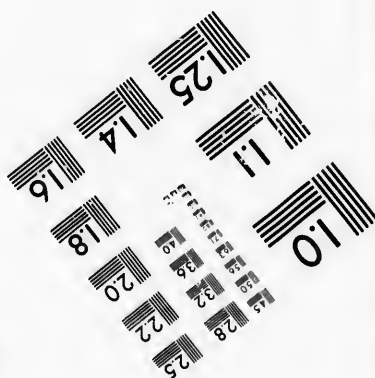
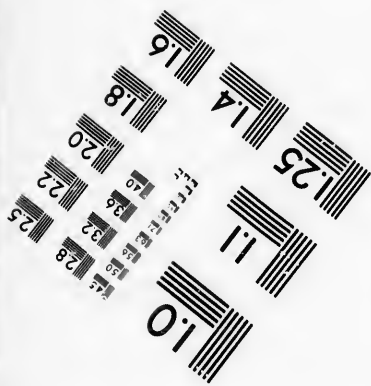
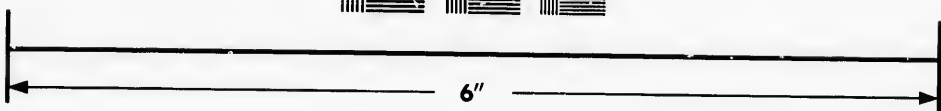
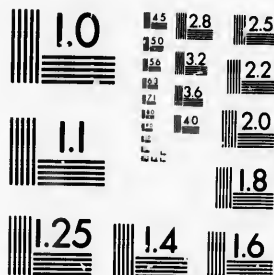


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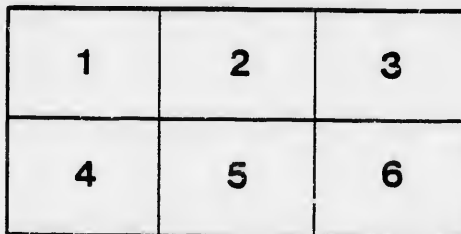
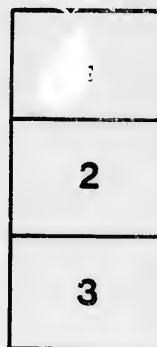
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Montreal Providence &

The Trustees of the M. P. & S. B. consider it a duty which they owe to the Depositors as well as to the Directors by whom they were appointed, to give a brief statement of the affairs of the institution, prefaced with some observations on its management before and subsequent to the suspension.

Shortly before the annual meeting in May, 1848, which had been postponed for some months, owing to delay on the part of the Actuary to furnish the necessary statements, it had come to the knowledge of several Directors that that officer had, in various particulars, been guilty of neglect of duty. Measures were at once taken to guard against such derelictions in future and the completion of the annual statement was pressed on. This having been at length obtained, the annual meeting took place in May, 1848, as above stated, and thereat it was deemed expedient to effect a change in the management by the appointment of the Hon. William Morris as President, and to adopt other means to secure a better supervision of the Actuary's conduct, and of the affairs of the Bank.

Immediately afterwards it was ascertained that the Actuary had been using the funds of the Bank for his own purposes, and further investigations brought to light for the first time, that for months and even years he had practiced a system of deception on the Directors by furnishing falsified balance sheets, by misrepresentations as to loans and securities, and by the misappropriation of monies paid through his hands. Having secured from him and those who had participated in his defalcations as much property as could be obtained, the Directors were under the painful necessity of dismissing one, who, up to a short period before, had possessed their confidence, and whose misconduct was, until then, wholly unknown to them.

As stated, the new Board after their appointment took means to secure a better and more efficient management, and there is no reason to doubt but that the Actuary's defalcations, as well as other losses, would soon have been made up from the previous and subsequent profits, had not the run and consequent suspension taken place. Indeed, had the Bank been allowed to go on as usual until the securities held by it had attained their present value, it would have ultimately paid the Depositors in full.

In investigating the causes of the Bank's failure it is necessary to keep in view, that for several years previous to the suspension, money was abundant, and all kinds of Bank Stocks and other Securities were at a high premium. The calamitous year of 1847, however, began about that time to be seriously felt, especially in Montreal, where the heaviest losses had occurred, and the previous prosperity was succeeded by a period of unprecedented calamity and depression in all kinds of property. Now it was at this time of extraordinary pressure that a sudden "run" upon the Bank withdrew deposits to the extent of £52,605: a state of things which the Directors could not possibly have foreseen, and for which they were not provided.

After an ineffectual attempt to meet the demands which were daily increasing in magnitude, in consequence of rumours of the Bank's insolvency, industriously circulated by certain debtors to it, whom the Directors had been obliged to sue—the latter were reluctantly compelled to suspend operations and come to the conclusion of winding up the Bank, rather than exhaust the available assets to the injury of those Depositors who still retained confidence in the institution.

After this the Directors proceeded to realize in the manner which seemed most judicious the assets of the Bank, and no better proof of the propriety of the course pursued can be given than the simple fact, that they have been enabled to pay 18s. in the pound, notwithstanding the unprecedented depression of all kinds of money securities and real estate in this city. Bank Stocks fell from 20 to 60 per cent below their former rates; the loss upon this species of security alone, which has been considered the best, being nearly £7000, equal to 15½ per cent upon the amount invested; so that had all the assets of the Bank been of this description, the loss would have been much greater. Real estate, in many cases, fell to less than half its former value, and, in other cases was altogether unsaleable, whilst many also, of the personal securities to the Bank became insolvent. The successful winding up of the Institution, the Trustees, however, attribute in a great measure, to the adoption of a system of transfer of mortgages to the depositors, wherever it could be done with advantage, and the consent of parties. These transfers were all made at the rate of 90 per cent,—10 per cent being reserved as the estimated amount required to meet the ultimate deficiency.

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In conclusion, the Trustees would only add that they have diligently and faithfully, to the best of their abilities, discharged their onerous and gratuitous duties in the midst of much obloquy, with as much regard to the interest of the depositors as if the case had been their own.

JOHN REDPATH,
JAMES FERRIER, } Trustees.
JOHN TORRANCE.

Montreal, 30th June, 1851.

To JOHN REDPATH, Esquire, }
President, &c. }

DEAR SIR,—Having been requested by you to give our opinion upon the general management of the Directors of the Montreal Provident and Savings' Bank, since the time of its suspension, we beg to state, that we have examined the several statements submitted to us, exhibiting the liabilities and assets at the time of the suspension, and at several periods subsequently. Mr. Freeland, late actuary, has also given explanations on the leading points of the matter, and on review of the whole we are of opinion,

That the course adopted by the Directors of liquidating claims of Depositors on the Institution by transfer of mortgages at the rate of 90 per cent. on amount of claims, has, beyond doubt, resulted favorably to the depositors generally. Those depositors who did not take mortgages for their claims in this way have received in cash 16s in the pound on their claims, and there is every probability of their receiving 2s more, or in all 90 per cent. It thus appears they have sustained no loss when compared with those who took mortgages, except the loss of interest since the suspension until the dividends were paid. Against this loss of interest, the delay and risk in recovering the mortgages have to be placed, and from the depreciation in value of real estate in Montreal, and the state of business generally, it may be fairly assumed that a great number of the mortgages taken by the depositors have not realized the amount. There are instances of great loss and perhaps of not recovering at all. The general result therefore has not been unfavorable to those depositors who did not take mortgages. On the contrary, we have no doubt that their interests were most materially benefited by the course adopted. To have foreclosed all the mortgages held at the suspension, and brought the property to sale, under execution, would have been most disastrous to the interests of the depositors generally, and we do not believe such a large dividend could possibly have been paid as has been already done, had the property and securities been pressed to sale.

We are also of opinion that the resolution of the Directors to give mortgages for depositor's claims, at 90 per cent. was sufficiently public. Any party holding such claims could have ascertained it on enquiry at the Bank, and generally the fact was well known.

We further believe that the deduction of 10 per cent first made was sufficient, as is evidenced by the result so far as ascertained, though we think, that had not the Directors taken the course they did, that of giving mortgages for claims, the 10 per cent would have been considerably short of the amount required.

We also think, that all circumstances considered, the 2d dividend could not have been paid sooner with propriety. The loans from Bank of Montreal and Bank of British North America, to meet pressing demands, previous to the suspension, and thereafter to pay the dividend of 20 per cent, had to be refunded before a second dividend could be paid.

From an examination of the realization of the assets, and reference being had to the depressed state of all stocks and securities in 1848 and 1849, and the great difficulty of realizing them at any rate short of absolute sacrifice, we are of opinion that the course adopted by the Directors was highly favorable to the interests of the depositors, and that any forced sale of the assets, would have defeated the object in view, that of paying the depositors, as nearly as possible, the amount of their claims.

With respect to the question, whether due diligence has been used in winding up the affairs of the institution, we are of opinion that any precipitancy in realizing, must have resulted in great loss to the depositors. That

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At the time of the suspension upwards of £100,000 was due to the Bank by mortgage on real estate, in addition to £88,000 in Stocks, and had the Directors proceeded in the ordinary course to collect the monies secured on real estate, so much property would have been brought into the market, as greatly to depreciate its value, and result in a ruinous loss to the Depositors; and to any one who knows the delays incident to the collection of debts in Lower Canada, it will be apparent that the course followed by the Trustees, was the most judicious that could be adopted.

In order to meet the money borrowed during the "run," and the first dividend of 4s. in the £ to the Depositors, the sum of £64,000 had to be provided, and to obtain this, nearly all available securities had to be pledged to the Banks which made the necessary advances. In consequence of the large privileged amount thus requiring to be met, and the difficulty experienced in realizing the assets, it will be easily seen that a considerable time necessarily elapsed before a second dividend could be paid.

It was, therefore, not until November, 1850, that by the sale of £23,800 Road Bonds to the Government, at a comparatively small discount, the Trustees were able to clear off all advances and declare a second dividend. This amounted to 7s per £, and was followed in April last by a third of 5s, which, with the present one of 2s, makes, including the first dividend, a total of 18s per £, on the amounts due at the Bank's suspension.

Appended is a statement shewing in figures, the affairs of the Bank. It will be seen that the assets on hand are estimated to realize £13,393 18s 10d of this amount, £8,500 can be shortly realized, and as experience shows that the Depositors do not all come forward at once, to claim their dividends, the Trustees have not hesitated to declare the dividend, believing that the other assets can be realized as the payments are needed.

Before concluding, the Trustees feel called upon to notice the course adopted by some of the depositors in this city, no doubt influenced by certain parties whom they (the Trustees) had to sue as debtors to the Bank. But in doing so, they do not desire to impute other motives to those persons than their actions warrant. That course has been to throw discredit on the Bank, impugn the good faith of the Trustees' statements, impede the collection of debts, and induce depositors to sacrifice their claims. The case of the depositors who were thus led astray, is, doubtless, a hard one; but, with the exception of a few who may have been compelled by necessity, and for whom none can feel more deeply than the Trustees, they would not thus have suffered had they not chosen to believe the misrepresentations of irresponsible persons rather than the statements of the Trustees, which have been verified to the letter, and who had no object whatever to serve, except the right discharge of a duty which they had undertaken for the public good.

The Trustees would only further add in connection with these proceedings, that they cordially acquiesced in the appointment of a Commission of enquiry appointed by Government as prayed for by the parties above referred to, believing that it only required an impartial investigation into the management of the Bank to set their conduct right before the Depositors and the public. On the appointment of the Commissioners, every Book and paper was placed at their disposal, and every facility afforded them; and it was hoped that they would have proceeded with dignified impartiality to the investigation of the truth. On the contrary, however, they had scarcely commenced when the chairman distinctly stated that the object of himself and the Commissioners was to make the directors personally liable, and the Trustees are prepared to prove that all the subsequent proceedings of the Commissioners had in view the same object, namely to inculpate them and their predecessors, and to promote the end and objects of their accusers. In fact, the Commissioners have allowed themselves to become prosecutors instead of, as the nature of their appointment required, impartial investigators.

The Trustees make these statements to guard the minds of Depositors against the conclusions and opinions expressed in the Report of the Commissioners now ordered by the Legislature to be printed, and which may be in circulation before the opportunity which the Trustees have sought from the Legislature, of proving its contents to be most one-sided and unfair, can be afforded them.

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From an examination of the realization of the assets, and reference being had to the depressed state of all stocks and securities in 1848 and 1849, and the great difficulty of realizing them at any rate short of absolute sacrifice, we are of opinion that the course adopted by the Directors was highly favorable to the interests of the depositors, and that any forced sale of the assets, would have defeated the object in view, that of paying the depositors, as nearly as possible, the full amount of their claims.

With respect to the question, whether due diligence has been used in winding up the affairs of the institution, we are of opinion that any precipitancy in realizing, must have resulted in great loss to the depositors. That the result has been so favorable, we are in justice bound to state, is mainly to be attributed to your personal exertions and unwearied attention. Without such care and attention on the part of yourself and Mr. Freeland, it was impossible the assets could have been so well realized. For this the depositors are much indebted to you.

On review of the whole, we are of opinion that the mode of settlement adopted by the Directors has been for the best interests of the depositors, and we doubt if the same favorable result could have been attained by any other means.

We are,
Dear Sir,
Your most obedient servants,
(Signed)

A. SIMPSON, Cashier,
Bank of Montreal.
F. MACULLOCH.
J. ROSS.

From an examination of the various papers and documents submitted to me, and from the testimony I have received from the gentleman employed as Actuary after the suspension of the Provident and Savings' Bank, I fully concur in the opinions expressed in the above document, and think the Trustees entitled to great credit for their assiduity and attention to its affairs in the winding up.

HUGH ALLAN.

Montreal, Aug. 2, 1851.

ABSTRACT STATEMENT OF THE LIABILITIES AND ASSETS OF THE MONTREAL PROVIDENT AND SAVINGS' BANK, ON THE 31ST JULY, 1851.

The Liabilities to Depositors at Suspension amounted, per printed statement, to.....	£158,719 19 4
Of which there has been paid in cash and transfers of mortgages to the extent of 90 per cent., including reserve of 10 per cent., say.....	99,309 18 4
Amount due remaining Depositors, say.....	59,410 1 0
Upon this balance three Dividends have been declared, equal to 16s per £, the amount of which already paid is.....	£41,224 11 11
Outstanding, and now in course of payment, viz. :—1st Dividend,.....	£ 323 7 8
2d "	2467 4 1
3d "	3175 7 3
Petty Balances... ..	132 5 0
	6098 4 0
Add reserve of 10 per cent., say.....	6201 1 6
	53,523 17 5
Amount required to pay 2s per £ additional..	5886 3 7

ASSETS.

To meet this Dividend the amount to be received from Bank Stocks, Corporation Bonds, Loans, &c., is estimated at.....	£13,393 18 10
From which deduct Dividends declared and in course of payment as above.....	6098 4 0
	7295 14 10
Estimated surplus after paying all the Depositors 90 per cent. or 18s per £.....	£1309 11 3

N.B.—It is to be observed, that as a considerable portion of these Assets is yet in litigation, and no allowance has been made for future expenses, this estimated surplus may be greatly reduced.

E.E. MONTREAL, 31st July, 1851.

JAMES COURT,
Actuary.

