

to the Gisborne manager on the 13th February, 1923, and he wrote again on the 26th February, and in that letter of the 26th appears the following:—

You are no doubt fully impressed with a sense of what the bank's position will be should negotiations for the sale to Vestey's fail and the latter then rebuild on their present site—as they almost certainly would do. Three freezing-works in the district would make very much against any possible sale of the Poverty Bay Farmers' works.

At page 715 of the notes a letter, dated 26th August, 1919, from Mr. Duthie, the then general manager of the National Bank at Wellington, to the Gisborne manager, is quoted, and it reads:—

With regard to the latter proposal, to remit £50,000 to pay deposit on the purchase of the steamer, I was faced with agreeing to make the remittance or putting the company in the position of having to repudiate the purchase to which they had agreed. Was very much averse to making the remittance, but considered that it was advisable to do so on clear understanding, as indicated in your letter, that company would make arrangements outside the bank to finance the whole purchase. I wish you to clearly convey to Lysnar that, Board having decided that the business was such as Board could not entertain, I cannot agree to go into even modified proposals, and he will have to make what arrangements he can to carry through the transaction, even if it means loss of the Meat Company's account. It may turn out that company have acted wisely, but I cannot now help thinking that in view of uncertainty of the future and present high price of shipping, the Meat Company would have done better to have let matter stand in abeyance, at least for the present. Having decided otherwise, it is for them to say how they can best implement their contract for purchase. Hope they will look upon it in reasonable light and make their own arrangements entirely outside company's ordinary business, enabling us to retain the very valuable connection of the Meat Company. If they decide otherwise I shall extremely regret loss of the account. I take it for granted it will not affect our personal relations with Lysnar, seeing we have met him in every way and desire to continue the amicable relations which have existed so long between us.

We have mentioned the loss that the company suffered on account of the fall in the price of the ship, but it also suffered another loss. A short extract from page 1088 of the notes reads:—

*The Chairman:* You mentioned something about some shipping troubles with your company. Were you referring to the accumulation of produce for the "Admiral Codrington" having made your turnover fall off?—I was referring to the shareholders. The "Codrington" was only making about one trip a year, and on account of not being able to get it away the shareholders' stock was going somewhere else.

And it was on account of that that the turnover of your works became less?—Yes. In 1921 we killed 300,000. In 1922 we went back to about 150,000—in one year.

That accounted for the bank's anxiety that you should get rid of the steamer?—Probably.

#### MANAGEMENT.

Mr. Lysnar was chairman of directors from the inception of this company. He is said to have possessed more business experience than the other directors. Judging by the evidence, he apparently exercised very considerable influence over the Board, and displayed very great optimism, amounting at times to either very poor judgment or want of prudence.

Evidence was given to the effect that the bank and the Meat Board came to look upon the directors and Mr. Lysnar as very much one and the same; and even Mr. Witters, the deputy or vice chairman, seems to have left matters very largely to Mr. Lysnar. The other directors also apparently left matters at the works very much to Mr. Lysnar. Mr. McLellan stated in the evidence—and he lived at Waipaoa while he was the managing secretary—that there was a Works Committee, but that the members seldom visited the works or met there.

It is also apparent that Mr. Lysnar devoted a very large amount of time and energy to the affairs of the company, as witness the evidence of Mr. McLellan, who said that Mr. Lysnar was frequently at the works at 7 a.m. Mr. Witters was not, by Mr. Lysnar, made aware of the declaration which in another part of the report is referred to. Mr. Coop did not even know that Vestey's offer for the works, which is mentioned in another part of this report, was only open for a week. Even when it came to giving evidence it was apparent that Messrs. Witters and Coop were not free from the influence of Mr. Lysnar. The cross-examination of Mr. Witters about the five or six pages of questions and answers handed to him by Mr. Lysnar, and which he had in his pocket at the time of his giving evidence, was illuminating; and when it came to the cross-examination of Mr. Coop he did not even attempt to explain, as Mr. Witters did, that the questions had been prepared