

*(g) Change in Directorate.*

We have evidence to the following effect :—

In 1929 when the mortgagees of the land on which the forests were planted were threatening to exercise their power of sale, Mr. McArthur proposed to meet the position by an investment of the "trust funds." Although the New Zealand Insurance Co., Ltd., was trustee for the debenture-holders, the trust deed contained the peculiar provision that the investment of the funds was to be made by the Redwood Co. and the instruments of security handed over to the trustee. Mr. McArthur's suggestion was that the directors should lend £12,000 of the trust funds to the Selwyn Co. so that that company could thereby pay off the mortgage on the land, including overdue interest. This proposition was put forward more than once by Mr. McArthur, but strongly resisted by the other directors, including Mr. G. W. Hutchison, the debenture-holders' representative on the Board. McArthur also proposed to take the steps necessary to alter the articles of association so as to give the company power in general meetings to postpone payment of calls in arrears. He proposed further to place the office arrangements of the Redwood Co. in the hands of the secretary of the Selwyn Co., dispensing with the services of Mr. Twigden, who was the Redwood secretary, and requiring Mr. Glasson, the Selwyn secretary, to take over the secretaryship of both companies. These proposals were objected to by the other directors. Mr. McArthur then announced that he thought that the number of directors should be increased from four to six, and that it was his intention to propose that Messrs. Hampson and Hockly, who would shortly become shareholders, should be added to the Board. Mr. G. W. Hutchison, debenture-holders' representative, expressed concern at these proposals, and pointed out that with Messrs. Hampson and Hockly as the Chairman's nominees, Messrs. Wallis, O'Brien, and himself could be outvoted at a directors' meeting; and that in view of the fact that Mr. McArthur held a preponderance of shares he could carry any resolution at a shareholders' meeting, which would create an undesirable position.

At the same directors' meeting three transfers of shares were submitted to the meeting and approved. The transferor in each case was Albert Edward Olsen, and a cheque for £100 arrears of calls accompanied the transfer forms. The transferees were, respectively, Frank Franklin Hockly, 100 shares; Edgecumbe Forests, Ltd., 150 shares; and Maslin Heywood Hampson, 150 shares.

At the general meeting of the company held five weeks later a resolution to increase the number of directors was carried in spite of strong objection urged by three directors, Messrs. Hutchison, Wallis, and O'Brien. Messrs. Hockly and Hampson were then elected. The newly constituted Board met a fortnight later—viz., on the 27th September, 1929—and Mr. McArthur moved that Mr. H. C. S. Glasson be appointed secretary to the company. This was declared carried on the casting-vote of the Chairman (J. W. S. McArthur). Mr. Twigden's services were then dispensed with on an exercise of the same voting-power.

Following on this, Messrs. Hutchison, Wallis, and O'Brien resigned, and Mr. Hutchison, as debenture-holders' representative, gave notice by letter, addressed to the trustee for the debenture-holders, of the reasons for his resignation. (See pages 60 and 61 of the printed Case on Appeal, *New Zealand Insurance Company, Limited v. New Zealand Redwood Forests, Limited*, filed in the Supreme Court as Number M. 296 of the year 1930, for a copy of Mr. Hutchison's letter of resignation; and pages 183 to 188 of the same Case on Appeal for an affidavit filed therein sworn by Mr. Hutchison.)

*(h) The New Regime.*

(1) We can find no evidence of any audited balance-sheet having been prepared since the year 1929; we have, on the contrary, evidence that no balance-sheet has been prepared and audited.

(2) From about September, 1929, Messrs. Hampson and Wiseman commenced to act as solicitors for the Redwood Co., *vice* the solicitors acting formerly.