

of debentures of the New Zealand Shareholders Trust, Ltd., held on account of the "Second B" Series of debenture-holders of the Investment Executive Trust of New Zealand, Ltd., represents approximately only £880 of debentures in the first series of the Investment Executive Trust of New Zealand, Ltd. This may be illustrated as follows:—

First Series "B" Debentures acquired by the New Zealand Shareholders Trust Ltd., by transfer—nominal value	£	s.	d.
880	0	0	
Add Premium 10 per cent.	88	0	0
	968	0	0
Add Brokerage $2\frac{1}{2}$ per cent.	24	4	0
	992	4	0
Add Stamp duty on £968 at 5s. 6d. per £100 or part of £100. As debentures not necessarily transferred in multiples of £100, say	2	15	0
	994	19	0
Add Office expenses of the New Zealand Shareholders Trust, Ltd., say	5	1	0
Money advanced by the Investment Executive Trust of New Zealand, Ltd., for which debentures issued to the Investment Executive Trust of New Zealand, Ltd., by the New Zealand Shareholders Trust, Ltd.	£1,000	0	0

82. Certain reasons for these transactions have been advanced from time to time by those concerned with the carrying-out of the operations, but we are forced to the conclusion that the transactions were carried out primarily in an endeavour to enable the Investment Executive Trust of New Zealand, Ltd., to avoid or modify the burden of certain obligations placed upon it by the first prospectus issued by it and by the debentures issued thereunder. This matter is further referred to in this report under the heading "Exchange of Debentures of the Investment Executive Trust of New Zealand, Ltd., in First Series for Debentures in Second Series." (Para. 97; see also paras. 104, 219, and 226.) At this stage we say merely that if our supposition as to reason underlying the transactions is correct the transactions were, in our opinion, in the absence of full disclosure to the transferors of "first series" debentures, most improper; and further, the Investment Executive Trust of New Zealand, Ltd., has the same obligations under the debentures transferred to the New Zealand Shareholders Trust, Ltd., as it had to the original holders of such debentures, and so actually to the holders of the "Second B" Series debentures, who are the real owners of the Investment Executive Trust of New Zealand, Ltd., debentures held by the New Zealand Shareholders Trust, Ltd. We also consider that it was most improper to invest the funds of the "Second B" Series debenture-holders in this manner.

PROSPECTUSES ISSUED BY THE INVESTMENT EXECUTIVE TRUST OF NEW ZEALAND, LTD.

83. The first prospectus issued by this company is dated 12th March, 1931, and a copy was filed with the Registrar of Companies, Auckland, on 14th March, 1931. A copy of this prospectus is appended. (Exhibit "R" [not printed].)

84. This prospectus provided for the issue of debentures in two series—an "A" Series of 50,000 "First Mortgage Perpetual Income Debentures" of £10 each, and a "B" Series of 50,000 "First Mortgage Perpetual Income Debentures" of £10 each.

85. The following provisions are extracted from this prospectus:—

"The holders of the 'A' Series income debentures will have a first mortgage over the whole of the investments in the series, consisting of Government bonds, municipal debentures, first-mortgage debentures, and securities authorized by the Government of New Zealand for the investment of trust funds, and shall be entitled to 95 per cent. of the net revenue from the series after making provision for reserves."

"The holders of the 'B' Series income debentures will have a first mortgage over the whole of the investments in the series, consisting of any investments authorized by 'A' Series and preference and ordinary shares in approved financial, industrial, and commercial companies registered within the British Empire, and shall be entitled to 95 per cent. of the net revenue from the series after making provision for reserves."

"The whole of the proceeds of this issue, less administration costs of the issue, will be invested in the securities and investments authorized in each series."

"*Distribution of Profits.*—The annual net revenue received from all investments in each series, after deducting administration costs, will be distributed in the following manner:—

"Firstly, 95 per cent. shall be set aside for the income debenture-holders as interest, and shall, in accordance with the terms of the debenture, be paid to the debenture-holders, less 10 per cent., which shall be placed to a reserve in each series and which shall be reinvested by the company in such investments and securities as are specified by the debentures of each series.

"Secondly, the remaining 5 per cent. shall be the profits of the company, out of which the company shall pay the directors' fees,