

*“Investments to be Spread over Several Securities.*—To ensure an equitable distribution of securities consistent with economical operations and safety, the company has planned to invest its debenture capital in a large number of securities, and undertakes that upon completion of this issue of debentures in each series, not more than 10 per cent. of the total debenture capital received shall be invested in any one security.”

NOTE.—This provision is somewhat illusory, as the 10 per cent. stipulation applies only on completion of the issue. Nevertheless, it was unquestionably used as an inducement to investors to invest in the debentures. We examined on oath two ex-salesmen of V. B. McInnes and Co., Ltd., and set out hereunder certain questions asked by us regarding this 10-per-cent. clause and the witnesses' answers:—

*First Witness.*

*Question.*—“What did you understand by the provision in the debenture relating to the proportion which any one investment was to bear to the whole funds?”

*Answer.*—“I understood that not more than 10 per cent. of the total funds could be invested in any one particular investment, and I used this statement frequently as an argument for selling debentures.”

*Second Witness.*

*Question.*—“You know that in the debentures there is a special clause which appears to limit the investment in any one security to 10 per cent. of the total issue?”

*Answer.*—“I believe that was the case.”

*Question.*—“Did you emphasize that in any way?”

*Answer.*—“In approaching the prospect I on many occasions emphasized that not more than 10 per cent. of the debenture capital could be invested in any one concern, although I believed that, as I had been told the number of companies in which the debenture-holders' money was then invested was in the vicinity of 100, the percentage in each would be much less than 10.”

The 10-per-cent. clause was omitted from all subsequent prospectuses.

*“Administration.*—Owing to the nature of the company's business the office costs will be almost negligible.”

NOTE.—This provision was omitted from all subsequent prospectuses. The question of administration costs is further referred to in para. 221.

*“Brokerage.*—The company reserves the right to pay brokerage at the rate of 5 per cent. on the value of income debentures subscribed.”

86. The amount paid up on debentures of “A” Series and “B” Series issued by the Investment Executive Trust of New Zealand, Ltd., and presumably all issued under the first prospectus was, as at 30th June, 1934:—

					£	s.	d.
“A” Series	..	..	..	..	25,990	0	0
“B” Series	..	..	..	..	304,851	13	1

87. The second prospectus is dated 7th February, 1933, and a copy was filed with the Registrar of Companies, Auckland, on 7th February, 1933. A copy of this prospectus is appended. (Exhibit “S” [not printed].) We have not seen a printed copy of this prospectus and have no evidence that it was ever actually issued to the public.

88. The second prospectus was followed by a third prospectus dated 8th April, 1933, and a copy was filed with the Registrar of Companies, Auckland, on 8th April, 1933. A copy of this prospectus is appended. (Exhibit “T” [not printed].)

89. The third prospectus is, in many respects, identical with the second. A close comparison of the prospectuses reveals, however, the following points of difference:—

*Third Prospectus, 8th April, 1933.*

*Second Prospectus, 7th February, 1933.*

*Page 1, lines 13, 14, and 15—*

“Of the authorized share capital 50,000 preference shares only are offered for subscription by this prospectus. Terms of subscription: 10 per cent. on application, and the balance on allotment.”

Not in (but see under “Line 45” below).

*Line 23—*

“No portion of the first issue of debenture capital is offered for subscription by this prospectus.”

Not in.

*Line 26—*

“Second A.”

“A.”

*Line 32—*

“Second B.”

“B.”

*Line 45—*

“The whole of the second issue of debenture capital is now offered for subscription by this prospectus.”

“50,000 preference shares and the whole of the second issue of ‘A’ and ‘B’ Series debentures only are now offered for subscription by this prospectus. The terms of subscription for preference shares are—10 per cent. on application and the balance on allotment.”