

Of these debentures, £5,200 worth are held by the First Mortgage Freehold Security Co. of New Zealand, Ltd., and the remaining £800 by five holders.

Interest on debentures has been paid up to 1st June, 1934, but latterly this has been made possible only by cash advances being made by the Investment Securities Association, Ltd.

The debentures are repayable on the 1st June, 1936, but the present state of the realization of the property gives no indication that the company will be able to meet this obligation.

The deed of trust for bondholders provides that a specified proportion of moneys paid to the company by bondholders shall be applied by the company to the release of sections from the mortgage securing the debentures, and the debenture trust deed provides that the debenture-holders' trustees shall release such sections on payment to them at the rate of £240 per acre for such sections, any sum so received by the trustees to be invested by them in trustee securities.

9. PROPERTY BONDS.

As already mentioned, it was intended to dispose of approximately half the land by medium of "property bonds," each of which, when paid up, entitled the holder to a one-third interest in a quarter-acre section, the trust deed providing that the company should transfer to a trustee for the bondholders the sections to which bondholders became entitled on completing payment for their bonds. The company further undertook to form and dedicate such streets as were necessary to enable the giving of title to sections in respect of which bonds had been sold and to pay all rates and taxes for a period of five years from 21st October, 1930. It was also agreed that the company would apply the appropriate proportion of the moneys paid to it by bondholders to the release of sections to be transferred to the trustee for bondholders.

The bondholders have the right, after 30th September, 1935, or at such earlier date as may be determined by resolution of bondholders, to appoint a Realization Board to realize the sections vested in the trustee and to distribute the net proceeds of the realization rateably amongst the bondholders.

A copy of the prospectus offering these bonds for sale is attached hereto as Exhibit No. 3 [*not printed*].

In all, 220 bonds were recorded in the company's records as allotted, many being payable by instalments. The company had power to forfeit, if instalments were not kept up, any amounts paid to be retained by the company. At different time, 87 bonds were forfeited or their cancellation agreed to, and apart from these, the moneys paid in respect of 37 bonds were refunded to bondholders as detailed in the next succeeding paragraph. Thus, only 96 bonds remain effective, and of these, at 30th June, 1934, 54 were fully paid, and on 42 instalments were still payable.

At various dates, ranging from July, 1931, to June, 1934, complaints were received by the company that subscriptions for bonds had been secured by misrepresentations, the allegations being that canvassers had represented to subscribers for bonds that New Zealand Perpetual Forests, Ltd., had decided to erect pulping mills at Putaruru; that the Auckland Provincial Town Properties, Ltd., was a subsidiary of New Zealand Perpetual Forests, Ltd.; and that each bond gave the holder the right to the proceeds of one section, and not of one-third of a section as was actually the case. Under pressure on these and similar grounds the cancellation of 37 bonds was agreed to, and moneys paid on same were refunded by the company.

In respect of the 54 bonds fully paid, bondholders became entitled to have 18 sections transferred free of encumbrance to the trustee for bondholders. Two sections were so transferred in April, 1932, and a further seventeen were released from the mortgage on 1st August, 1934, and transferred to the bondholders' trustee on 2nd August, 1934, registration of both release and transfer being effected on 10th December, 1934.

10. FULFILMENT OF OBLIGATIONS TO BONDHOLDERS AND DEBENTURE-HOLDERS.

Up to 30th June, 1934, 54 bonds, representing £2,700, had been paid in full, and the trust deed required that £1,080 of this sum should be paid to the trustees for debenture-holders and invested by them in trustee securities. There should have been released from the mortgage and transferred to the trustee for bondholders 18 sections for ultimate disposal on behalf of bondholders.

In fact, the following has taken place:—

- (1) The company's books record the payment in April, 1932, of £120 to the trustees for debenture-holders; the trustees have at the Auckland Savings-bank a deposit account which, with interest up to 31st March 1934, amounts to £128 2s. 6d.
- (2) On 28th April, 1932, two sections were released from the mortgage and conveyed to the trustee for bondholders. The amount required by the agreement to secure the release of these sections corresponds with the payment to the debenture-holders' trustee of the £120 above referred to.
- (3) On 30th April, 1934, a meeting of debenture-holders was held, and approved the release of 40 sections and the taking back of a mortgage from the company to the debenture-holders' trustees for £2,400 secured over 23 of the 40 sections, and 4 additional sections to be acquired by the company from Mrs. E. C. Alcorn and Miss E. R. Alcorn for a total consideration of £600. All that was done at that time in pursuance of this decision was to release from the debenture mortgage 23 sections, and to execute a new mortgage for £2,400 secured over the same 23 sections and the 4 additional sections acquired by the company. The remaining 17 sections were released on 1st August, 1934, and transferred to the bondholders' trustee on 2nd August, 1934, registration of the transaction being effected on 10th December, 1934. The four additional sections, though transferred to the company and now mortgaged by them, have not been paid for, and no entry has been made in the books regarding same. The directors' approval of the transaction has not been minuted.