

the Directors will be represented by a contingent liability to the State bearing no fixed interest, and secondly by virtue of section 38 of the Act, under which any capital losses from such mortgages will be a charge against the State and not against the Reserve Fund of the Corporation.

Distribution of Profits.

The financial year of the Corporation shall end on the 31st day of March. After such provision as the Board thinks proper has been made for dividends on shares, depreciation in assets, superannuation or retiring allowances for the officers or staff, and all such other matters as in the opinion of the Board are necessary for the efficient conduct of the business of the Corporation, the surplus for each financial year shall be applied in terms of paragraphs (a) and (b) of section 42 of the Mortgage Corporation of New Zealand Act, 1934-35, which provides that so long as there exists any contingent liability of the Corporation to the Crown, arising out of the transfer of State Advances or other Crown mortgages to the Corporation, the surplus shall be paid into the Public Account; otherwise the surplus for any year shall be credited by the Corporation to its General Reserve Fund.

Security of Capital.

It is provided by statute that the Mortgage Corporation may lend on first mortgage of land up to the recognized trustee margin—namely, two-thirds of the value of the security as determined by the Board. It may be stated that in the case of rural lands valuations for the purposes of the Board will be on a basis primarily influenced by the earning capacity.

The business of the Corporation is mainly lending on long-term instalment mortgages, under which system the margin of security is a steadily increasing factor. In addition the Corporation may lend on the security of a mortgage of stock or other chattels, but only where, in the opinion of the Board of Management, the interests of the Corporation in any mortgage of land then held will thereby be more adequately safeguarded.

Provision is also made in the Act for advances in excess of the two-thirds margin and up to four-fifths margin in the case of advances made to repay any mortgage debt existing at the commencement of the Act, but the Minister of Finance is required to guarantee the Corporation against any loss that may be incurred by it in respect of so much of the loss as is attributable to the excess of an advance over two-thirds of the value of a security. Thus the Corporation will be responsible for advances up to the two-thirds margin only.

Rates of interest to be charged on loans granted by the Corporation will be determined by the Board of Management from time to time, provided that the net rate of interest payable under any mortgage of land shall not exceed by more than 1 per centum the rate of interest payable by the Corporation on its last issue of bonds or other securities.

Furthermore, an initial Reserve Fund of not less than £2,750,000 is being provided by the State in the form of debentures or other securities at present vested in the State Advances Superintendent in respect of advances to local authorities and transferable to the Corporation pursuant to section 36 of the Act. Mortgagors will also be required to pay to the credit of the General Reserve Fund an amount equal to 2 per cent. of their loans, and these contributions will accumulate at compound interest.

The borrowing of the Corporation being limited to fifteen times the sum of the subscribed capital and the amount at credit of the General Reserve Fund ensures the building up of substantial reserves in order that the business of the Corporation may expand accordingly. Security to investors is further enhanced by the fact that funds are distributed over a wide range of securities located in different parts of the Dominion. The share capital of the Corporation is therefore adequately safeguarded, and an investment therein should rank as a first-class security.

General Meetings and Voting Rights of Shareholders.

Ordinary general meetings of shareholders shall be convened by the Board once in every year and shall be held not later than the 31st day of July in each year, though the first general meeting need not be held before 31st July, 1936. Every shareholder of the Corporation, other than the Minister of Finance, will at any meeting be entitled to one vote for every share of which he is the registered proprietor, but no shareholder may at any meeting exercise more than five thousand votes, whether in his own right or as proxy.

Shares and Transfers.

The shares of the Corporation will be registered and may be transferred.

The Corporation may decline to accept—

- (1) Any transfer of shares except to a British subject who is ordinarily resident in New Zealand, or who having been so resident is at the time of transfer temporarily out of New Zealand for the purpose of his business or for other sufficient reason; or to a company or other corporation incorporated in New Zealand, or to any company incorporated outside New Zealand but having a place of business in New Zealand.
- (2) Any transfer of shares that would increase the holding of the transferee beyond 5,000 shares.

Except with the special consent of the Minister of Finance no transfer of shares allotted to any person will be recognized pending incorporation.