

mention: it transpired that he has not even yet paid up his calls. Take one of the largest landowners of the district—a director and a guarantor—the evidence shows that he had not paid up his calls, and in fact still owed, at date of hearing, some £3,000 in respect of calls. The action of another of the directors is illuminating. The evidence shows that while he has paid calls in respect of shares which stand in his own name, he and another co-owner of certain shares still owe some £500 in respect of calls.

Vestey's offer became known to the directors on the 6th September. This director last referred to admitted that he knew of the offer, and that the bank recommended that the offer should be accepted, and six days afterwards, as mentioned elsewhere, he executed a mortgage to his son for £30,000 for moneys said to have been owing to his son since the year 1919. We think the bank was fully justified in feeling alarmed about the position, both from a security point of view and also because of the personnel of the directorate.

We have mentioned before that only two freezing-works were needed for this district. We have mentioned elsewhere as to the value of freezing-works when there were more works in a district than the district could profitably use. The Taranaki works were sold for £75,000. The mortgagee was in possession of the Waingawa works, and up to the date of the hearing the mortgagee had only been able to get some one to take a lease with an optional purchasing clause for, say, £140,000. The Whakatane works were in trouble: they had failed to sell at £100,000. Kakariki has not sold. Other works were not being operated, and the bank-manager had to consider what would be the value of the Waipaoa works if he had to take them over. He also had to consider what was the value of his other securities.

There is a dispute as to whether or not a document drawn after the directors had said they were prepared to assign to the bank any rights they had in connection with any surplus arising on the sale of the ship was or was not an assignment to the bank. In considering the present question it does not much matter whether it was an effective assignment or not. The bank represented £303,000 out of a total debt of £310,000. Therefore the all-important point was: What was the value of the assets of the company, and what was the value of the guarantee that the bank held?

Apart from the works, the other principal asset was the ship. We have dealt elsewhere with the fact that there was a mortgage upon her for £60,000, and the attempts of the mortgagees to get clear. It is our opinion that there was no margin of importance (if any) in the ship. It is our opinion that the works were not worth more in the circumstances than they realized at auction. It is our opinion that the bank was justified in taking a very gloomy view of the chances of getting much money from the unfortunate guarantors.

And there is another matter that needs to be considered—the personnel of the directors, their capabilities, and the experiences which the bank had with them in the past. From the inception of this company Mr. Lysnar was chairman of directors. The evidence shows that he prided himself upon his business experience, and that the other directors were farmers, and none of them—not even the deputy chairman—had any extended business experience. It is also quite clear from the evidence that Mr. Lysnar in many cases dominated or influenced the Board, and apparently the one director who did give counsels of prudence was not *persona grata* to Mr. Lysnar. We refer to Mr. Bowen, about whose evidence we make mention in another part of our report.

The evidence is clear that the bank knew the position. Mr. Bowen swears to Mr. Smallbone having expressed his views about this position when Mr. Bowen was director; and if there had been no other cause to make the bank alarmed, and to justify the bank refusing to lend this company any more money, we think that the episode about which Mr. Lysnar told Mr. Jolly, and in respect of which Mr. Jolly made a diary entry, was quite sufficient to justify the general manager of the bank, to which so much money was owing on such comparatively poor security, in determining to close up the account as soon as he reasonably could.

Mr. Lysnar placed some importance on the fact that Mr. Carney accompanied him to the bank parlour relating to certain proposals regarding a guarantee of the bank's interest, and the finding of £25,000 for working capital. It must, however,