

Under existing conditions we regret to say that many of the foregoing desirable conditions do not exist. The balance-sheets of the different institutions attached to the bank which are in your possession will, we apprehend, clearly demonstrate that on the 30th August next the placing before the shareholders of the true position of the institution would be certain to have a disastrous effect. In order to enable the bank to be rehabilitated, we would, after anxious and careful deliberation, submit the following proposals:—

(1.) The capital of the bank is—

£2,000,000 “A” stock, called capital, but in reality and effect a fixed loan on deposit.
£900,000 in 100,000 shares of £5 5s. each, and 50,000 shares of £7 10s. each.

Besides the above there is a call of one-third of the reserve liability made 29th November 1894, payable in three instalments, of which the last is due on 25th November next, This is estimated to produce £450,000.

(2.) We propose that the £900,000 capital and the proceeds of the call, estimated at £450,000—total £1,350,000—should be applied as follows:—

£376,900 to writing off existing bad debts of the bank.

£200,000 to be put to a contingency fund for writing off existing debts which may hereafter prove to be irrecoverable. The balance

about £773,100 to writing down Estates Company shares in the bank's books and to be applied in the books of the Estates Company in wiping off the deficiency against which no assets exist, and in writing down to the latest valuation all those assets other than the freehold properties in New Zealand, and stock and implements.

(3.) In lieu of the £900,000 capital written off, and the reserve liability written off and otherwise applied, it will be necessary for the bank's credit to create £1,000,000 of fresh capital, and this we would propose should be done by the Government subscribing for that amount in preferred shares, to carry a $3\frac{1}{2}$ -per-cent. per annum cumulated dividend on the amount paid up, payment to be made by the Government for these shares in Government securities bearing $3\frac{1}{2}$ per cent. per annum, payable in London. It will not be necessary that the money for these shares should be paid into the bank at once, or that the whole of it should be paid at all, but that the shares should be subscribed for we consider absolutely necessary. We therefore suggest that payment for the shares should be made from time to time as agreed upon between the bank and the Government, and that the bank may from time to time repurchase these shares at a price equal to par value with accrued interest.

(4.) We would propose to create deferred shares amounting to £1,400,000 ranking *pari passu* with each other. These shares to be issued as fully paid up, free from further liability, and to be divided as follows:—

£900,000 in 150,000 shares of £6 each, to be issued share for share to such of the present shareholders as pay up the first call of one-third the reserve liability.

£500,000 in 50,000 shares of £10 each, to be held by the Assets Board as hereinafter provided against possible deficiency on realisation of freeholds in New Zealand, and stock and implements.

The dividends, when earned, to be payable on these deferred shares, but not without the consent of the Colonial Treasurer so long as the £2,000,000 “A” stock is outstanding.

5. The ordinary shareholders of the bank are to remain liable for the whole of the reserve liability, and may not transfer the deferred shares without the sanction of the Board of the bank.

6. All ordinary shares are to cease to carry dividends, and, after the next half-yearly meeting, any voting rights.

7. The remaining two-thirds of reserve liability to be hypothecated to the Assets Board as security for deficiency, and to be called up as the Colonial Treasurer from time to time requires.

8. The stations, with their stock and implements, and the other freehold properties in New Zealand, to be taken over by the Government at the present book-values at which they stand in the books of the Estates Company, and vested in a Board of Administration, to be called “The Assets Board,” and to consist of a chairman and two directors, to be appointed by the Government, and two directors to be appointed by the Bank of New Zealand. For these assets the Estates Company to receive from Government $3\frac{1}{2}$ -per-cent. securities, payable in London.

9. The Assets Board are to administer and realise the assets taken over, and are to keep an account, putting on the one side—

(1.) The total cost;

(2.) Interest payable on the securities given for the cost;

(3.) Charges, outgoings, and expenditure of the Board.

And, on the other side,—

(1.) All proceeds from realisations;

(2.) All income from the properties held, or other revenue;

(3.) Proceeds of further calls on reserve liability;

(4.) Dividends on the £500,000 deferred shares;

(5.) Any balance of the £200,000 Contingency Fund not required to make good deficiencies on any present debts due to the bank.

Any deficiency, after realisation of properties, is to be made good—

(1.) By proceeds from any remaining reserve liability of the bank's shareholders; and

(2.) If after that a deficiency should still remain, by sale of so much of the £500,000 deferred shares as may be requisite. Any of the 50,000 deferred shares not so required are to be cancelled, and any part of the Reserve Liability Fund not required is to be likewise cancelled. Any credit balance to the Realisation Account to go to the redemption of “A” stock.

10. The Government to have the appointment of one director of the bank in addition to the president so long as they hold preferred shares.