

# **AORANGI SECURITIES LIMITED & HUBBARDS – STATUTORY MANAGEMENT**

## **FACT SHEET**

### **Aorangi Securities Limited**

Aorangi Securities Limited (“Aorangi”) was incorporated in 1974 and is currently solely controlled by Allan Hubbard and his wife Margaret, of Timaru. They are both directors and Mr Hubbard controls the shares in Aorangi via ownership of its parent company, Forresters Nominee Company Limited.

### **Complaint**

The Securities Commission (“the Commission”) received a complaint on 28 February 2010 from an investor in Aorangi. The investor did not receive an investment statement or a prospectus before depositing funds with the company.

### **Investigation by the Registrar of Companies**

A review of the company’s documentation by investigators appointed by the Registrar under the Securities Act 1978 and the Corporations (Investigation and Management) Act 1989 (“the Corporations Act”) led the investigators to conclude that:

- (a) Aorangi appears to have originally been a nominee company or contributory mortgage company but seems to have since transformed into a finance company, raising funds from investors and on-lending those funds to borrowers;
- (b) Aorangi has made “loans” of approximately \$134 million funded by deposits of at least \$98 million received from 407 investors living in Otago and Canterbury;
- (c) Many of the loans made by Aorangi:-
  - are inadequately documented by way of term loan contracts or loan agreements;
  - appear to be unsecured either by way of a registered mortgage over property or a General Security Agreement over the assets of a company;
  - appear to be made contrary to instructions given by investors that their deposits be lent under the security of a first registered mortgage.

A visual illustration of the manner in which investors’ funds appear to have been used is attached.

## **Statutory Management**

### *Corporations*

The Commission has recommended to the Minister of Commerce that the following corporations and associated persons be declared subject to statutory management under the Corporations Act:

- Aorangi Securities Limited
- Te Tua Charitable Trust
- Otipua Charitable Trust
- Oxford Charitable Trust
- Regent Charitable Trust
- Morgan Charitable Trust
- Benmore Charitable Trust
- Wai-iti Charitable Trust.

The Commission believes it is desirable for the corporations to be declared subject to statutory management for the purpose of preserving the interests of their creditors (including investors) or beneficiaries, and enabling the affairs of the corporations to be dealt with in a more orderly manner.

### *Legislation*

The statutory management provisions of the Corporations Act can be found in Part 3 (sections 38 -71A).

### *Effect*

The effect of the appointment of a statutory manager is that the corporation and all its subsidiaries are subject to a moratorium or stay of proceedings which suspends the rights of secured and other creditors (unless they obtain the leave of the statutory manager or the High Court).

The statutory managers will be given the power to manage the affairs, and carry on the business of, the entities and associated persons named in the Order. All assets of those individuals and entities will be placed under the custody and control of the statutory managers and the managers will also be able to exercise all powers, rights and privileges that any of corporations or associated persons have under any contracts or otherwise.

### *Statutory Managers*

Experienced accounting practitioners Trevor Thornton and Richard Simpson from Grant Thornton have been appointed as statutory managers.

Their contact phone numbers are:

Trevor Thornton ph. 03 379 9580

Richard Simpson ph. 04 474 8500

## **Mr and Mrs Hubbard**

The Commission also recommended that the directors of Aorangi Securities Limited, Mr Allan Hubbard and Mrs Margaret Hubbard, be declared subject to statutory management.

The Commission is satisfied on reasonable grounds that Mr and Mrs Hubbard are so closely connected with the business and affairs of the corporations that the statutory managers would be unable to effectively exercise the powers conferred by the Corporations Act unless they are also declared subject to statutory management. Mr and Mrs Hubbard are involved in the affairs of the corporations as managers, trustees, borrowers and depositors.

The last time a statutory management order was made was in 2003 when the International Investment Unit Trust was placed into statutory management. In that case, three individuals were also placed into statutory management because their personal affairs were intrinsically linked to the affairs of the Unit Trust, as is the case with the Hubbards and Aorangi.

Other previous examples of corporations being declared subject to statutory management include:

The Chase Group in 1989

Peninsula Club in 1994

CH Finance property group in 2003

## **The Charitable Trusts**

The charitable trusts listed above are included in the statutory management order as they are now borrowers of Aorangi following a recent restructure.

