

V.T. SREENIVASAN

3192

Personal

"Avanthi",
90, South End Road,
BANGALORE-4
7th November 1971.

My Dear Dr. Cooper,

The new Executive Committee, under the leadership of Mr. Ganapaiah, has started kicking up a row in regard to the formation of the Educational Trust (4 years ago) in order to conserve the surplus funds of the Party from being frittered away on Party elections (which would definitely mean the closing down of the Office of the State Party). I enclose herewith for your kind information Copies of the correspondence exchanged between me and the new Treasurer of the State Unit. The Trustees felt that, as the well wisher of the Trust and the person who gave us valuable advice to enable us to bring the Trust into existence, they should keep you informed and seek your advice if the new Executive of the Party ^{goes} to extreme measures in order to get hold of the funds invested by the Trust.

With kind regards,

Yours sincerely,

V. T. Sreenivasan
(V.T. SREENIVASAN)

P.S. Mr. Masani has Seen these papers when he was in Bangalore a week ago.

To:

Dr. R.C. Cooper,
C/o M/s P.C. Hansotia & Co.
Chartered Accountants,
Jehangir Wadia Building,
51, M.G. Road,
Fort,
BOMBAY 1.

M. S. V. Raju

Confidential

Pl. see this & talk to me

RE
9.11.71

Copy of the letter dated 1-10-71 from Mr. V.L. Narasimha Moorthy, Treasurer of the Mysore State Swatantra Party, to Mr. V.T. Sreenivasan.

* * * * *

May I request you to furnish the following information and particulars to enable me to place a correct picture of the Statement of the Party accounts before the State Executive at its next meeting:

- (1) The actual amount deposited in Trust with the Bangalore Educational Trust. The date on which they were deposited and the resolutions if any, which authorised the deposits of such amounts.
- (2) Please let me know the F.D. Nos of those deposits and the respective interest earned by each of the deposits.
- (3) Please also let me know whether the last investment made, that is during 1971, whether it was authorised by the State Executive or the Finance Sub-Committee. Whether a meeting was held and whether the decision was unanimous. If there is a dissenting note please state the same.

I may bring to your notice that admittedly the funds held in Trust belong to the Party and presumably when the Trust was created, the present Trustees were appointed because they happened to be then Office bearers of the Party. Now that there is a change in the Office Bearers of the Party, may I suggest to you and to other Trustees that it is desirable that the Board of Trustees should correctly represent the present Office Bearers and has to be reconstituted to enable the Party to exercise proper supervision and control over its own funds. Since this step is a very urgent matter may I suggest that you place this before your Board of Trustees and take a decision at an early date.

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"Copy"

V. Sreenivasan

Copy of the letter dated 25th Oct. '71 from the Secretary, Bangalore Educational Trust to Sri V.L. Narasimha Moorthy, Treasurer, Swatantra Party Mysore State.

The contents of your letter of 1st October '71 asking for particulars of investment of Party funds etc were considered at a meeting of the Board of Trustees of the Bangalore Educational Trust held on Sunday the 24th October '71. For the information of the Trustees, I had prepared a detailed confidential note answering the points raised in your letter. The following resolution was passed by the Board :-

"The letter of Sri V.L. Narasimhamoorthy dated 1-10-71 was read and recorded. The Secretary is authorised to send to Sri Narasimha Moorthy a copy of the Note which was circulated by him to the Trustees as it covers all the points raised by Sri Narasimha Moorthy in his letter".

Accordingly, I enclose a copy of that note and request you to ^cacknowledge receipt of the same.

-o-o-o-

"Cofz"
B. Srinivasan

CONFIDENTIAL

NOTE PREPARED BY THE SECRETARY OF THE BANGALORE EDUCATIONAL TRUST FOR THE INFORMATION OF THE TRUSTEES WHO ARE MEETING ON 24-10-'71 :

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1. This special meeting has been called to consider the issues raised in the letter of 1st October '71 received from Mr. V.L. Narasimha Moorthy, Treasurer of the State Unit of the Swatantra Party - copies of which have already been circulated to the Trustees. Before putting down my own views on the points raised by him, I wish to give the following background of the manner in which the funds of the Party were invested from time to time.
2. Until the National Convention was invited to hold its session in Bangalore in 1964, due to the initiative and imagination of the late Mr. V.P. Menon, the Party had no funds for being invested. Soon after that session was over, we were able to invest as much as Rs.60,000/- with the Krishnarajendra Mills but the interest rate was only 7½%. The interest was also being received only once in six months. This was not convenient from our point of view. In 1966, at the suggestion of Dr. I.S. Patel, Rs.50,000/- were invested with M/s. Deepchand Kishenlal in the personal names of M/s. K.H. Srinivasan, B.V. Narayana Reddy and V.T. Sreenivasan at 15% interest being paid monthly. This was a convenience from the point of view of the maintenance expenses of the Party Office.
3. It will be noticed that the amounts available for investment got reduced from Rs.60,000/- to Rs.50,00/- between 1964 and 1966 as Rs.10,000/- were spent on miscellaneous Party activities. There was a further drop of Rs.5,000/- which amount was taken out of the invested funds and handed over to a weak candidate who was set up to contest the Shahapur by-election in 1967. He fared miserably and lost his deposit also. It was then that the late Mr. Jinaraja Hegde conceived the idea of investing the surplus funds in a Trust so that they would not be frittered away in connection with Elections. He wanted the Executive Committee to pass a resolution as follows :- "It is resolved to invest the surplus funds of the Party in the Trust with the object (1) of meeting the maintenance expenditure of the Party Office without difficulty in future and (2) of avoiding the liability to pay Income tax on the income accruing from the funds invested in the Trust". This resolution was passed without any discussion at one of the meetings of the Executive Committee held in the year 1967. Mr. K.H. Srinivasan moved it and I seconded it. It was only after this fact was communicated

to Mr. Hegde that ^{he} nominated the existing five Trustees. He did not wish to be one of the Trustees as, due to continuing ill health, he would not be able to attend any of the meetings.

4. In the meantime when Dr. R.C. Cooper paid a visit to Bangalore on 21-5-1967, he warmly commended the idea of forming an Educational Trust "with the professed object of disseminating literature on matters of financial and economic interest through the medium of a fortnightly journal". "In this way," he observed, "the monthly expenditure on Office maintenance etc will get debited to the funds of the Trust and will not come within the mischief of the Incometax Act". Dr. Cooper also took the trouble of drafting the Trust Deed and the final draft had his approval. The Deed on stamped paper was executed on 8-5-1968. However, the Incometax Department refused to grant exemption as a case was pending in ^{the} Mysore High Court where the point at issue was whether exemption could be granted if one of the objects was the running of a news paper. On 12-2-70, the High Court gave an unfavourable judgment. This necessitated our executing a supplementary Deed to remove the offending ~~clause~~ from the Original Deed. This was done on 10-10-1970. The Trustees cannot be too grateful to Mr. N. Jayaraman, Advocate, for his ~~fix~~ valuable help and advice in executing the Trust Deeds.

5. I now come to the questions asked by Mr. V.L. Narasimha Moorthy in his letter. The answers are as follows :

- (1) On 11-12-68, Rs.25,000/- were invested with M/s Deepchand Kishenlal at 15%.
- (2) On 7-1-69, Rs.20,000/- were invested with M/s K.L. Poddar & Sons at 15%.
- (3) On 30-4-71, Rs.25,000/- were invested with M/s Mysore Transport and Machinery Co at 15%.

There are only promotes and no Fixed Deposit Numbers. The investments were made only after the then Finance Sub-Committees approved of the same by circulation.

When the last investment was made on 30-4-71, five out of six members of the Finance Sub-Committee gave their approval. The sixth Member, Mr. V.L. Narasimha Moorthy, made a suggestion that the matter might be discussed at a meeting of the Finance Sub-Committee. However as five members (out of Six) had given their consent, I did not call for a meeting to discuss the question.

6. It is in the last para of his letter that Mr. Narasimha Moorthy has raised certain fundamental issues which need careful ~~consideration~~

consideration. When Mr. Hegde nominated the existing five Trustees, one of the reasons could be (as stated by Mr. Narasimhamoorthy) that three of them were Office-Bearers of the Party at the time. Another consideration that may have weighed with Mr. Hegde is the fact that all the three of them were not only founder Members of the Party but also enjoyed, in their personal capacity, a certain amount of standing in public life and society. If the argument is conceded that the Board of Trustees should always reflect the existing set-up of the Office-Bearers (which can change once in two years) when Party elections are held, the very object with which the Trust was created may be defeated. This is not to say that the Office Bearers should go without any representation. The President of the State Unit himself is now on the Board of Trustees. The argument that those who happen to be the General Secretary and Treasurer of the Party from time to time must also be on the Board and if that is not so, there cannot be proper supervision and control over the invested funds appears to me somewhat farfetched. If a time comes when the Board does not contain even a single Office Bearer of the Party, the Trustees can surely be relied upon to make it possible for an Office-Bearer to get into the Board. After all, the present Trustees are also dedicated members of the Party and their concern for the safety and proper utilisation of the invested funds cannot be less than that of the Office Bearers who can come and go every two years. The contention that ^{who}soever happens to be the Secretary of the Party should automatically find a place on the Board of Trustees is nowhere evident in the terms of the original Trust Deed. The same remark applies to whoever may happen to be the Treasurer of the Party from time to time. Further, there is no vacancy at present on the Board of Trustees to accommodate one or more present Office Bearers of the Party. As a matter of fact one of the primary purposes of creating the Trust was to avoid the payment of Income-tax on the interest income received from the investments. Any Trust created to serve objects of a political nature is not entitled to claim the exemption under the Income-tax Act. That was why a reference to the Party was deliberately omitted in the Trust Deed. This is my own personal view with my intimate knowledge of the facts that brought this Trust into existence.

"Copy"

B. S. Srinivasan

Personal

V.T. SREENIVASAN

"Avanthi",
90, South End Road,
BANGALORE-4
7th November 1971.

My Dear Dr. Cooper,

You may remember my informing you of the very dirty trick that was played on me by the State President by omitting my name from the list of 13 new Members of the General Council (although I have been on that Council during the last 12 years). To add insult to injury, the new ~~XX~~ Executive, at its very first meeting held on 19-9-71, has cast unwarranted aspersions on me and my fellow Office-Bearers M/s K.H. Srinivasan and B.V. Narayana Reddy at the instance of Mr. Ganapaiah who told them an untruth to the effect that, by not getting the Party accounts audited, we had shirked an obligatory duty laid on us by the Constitution and thus given room for all kinds of suspicions about the use of Party funds. I enclose an extract from the Committee proceedings and a copy of my reply to Mr. Ganapaiah counter-signed by M/s K.H. Srinivasan and B.V. Narayana Reddy. I have no doubt these new postures of Mr. Ganapaiah and his new friends will shock you. Copies have already been sent to Mr. Masani for his information.

With kind regards,

Yours sincerely,

V.T. Sreenivasan
(V.T. SREENIVASAN)

To:

Dr R.C. Cooper,
C/o M/s P.C. Hansotia & Co.
Chartered Accountants,
Jehangir Wadia Building,
51, M.G. Road,
Fort,
BOMBAY 1.

Mr. S.V. Raju

Confidential

*Pl go through this & spls
to me*

RC
9-11-71

EXTRACT FROM THE PROCEEDINGS OF THE MEETING OF THE MYSORE
STATE EXECUTIVE COMMITTEE HELD ON 19-9-'71 :

* * * * *

The President at length explained to the members present various aspects of the Party finances and also explained the existence of the Banalore Educational Trust.

He also explained to the members that the Party accounts have never been audited for the last 12 years. The members felt that this was a very unfortunate state of affairs and regretted that the Party funds were treated with scant respect and that too from people who were well versed with the financial procedure.

The feelings of the members were mixed. Firstly they felt extremely unhappy and shocked to be told by the President that the Party accounts were not audited so far. Secondly they also were at a loss to understand how the Party funds were diverted at whims and fancies of individuals.

At this stage Dr. T.L. Lingaiah expressed his utter indignation at the way the finances of the Party were handled and how the Party accounts were not audited at all. He requested the Chair to request the General Secretary to kindly take over the charge of the finances without any further delay in order that the present Finance Sub-Committee can go into the affairs in detail and submit a report to the next Executive Committee meeting.

The present Treasurer Sri V.L. Narasimha Moorthy was of the strong opinion that the Party funds have been diverted from time to time, which according to him, was most irregular and unwarranted. He also felt that many of the investments done in a hush hush manner and the Executive was kept totally in dark as to the finances of the Party."

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"Cp3"

N. Srinivasan

Dear Mr. Ganapaiah,

Messrs. K.H. Srinivasan and B.V. Narayana Reddy have shown me the copies of the Proceedings of the meeting of the Executive Committee of the Party held on 19-9-71 and signed by Mr. C.L. Rao, Joint Secretary. I do not know why I have not been similarly honoured by a copy being sent to me also - seeing that I held the post of the General Secretary for 12 years (ever since the Party was founded). As these proceedings have been duplicated only after the Draft had been approved by you as the President of the Party, I am addressing this letter to you.

2. On page 2 of the Proceedings certain remarks are stated to have been made by you as well as other members (the names of only Messrs. T.L. Lingaiah and V.L. Narasimhamoorthy have been quoted) which constitute an insult to me, to Mr. B.V. Narayana Reddy (the previous Treasurer) and Mr. K.H. Srinivasan who was the senior Vice-President of the Party until the Party elections of 1969. I shall explain how utterly unwarranted aspersions have been cast on us by members (including yourself) who are obviously grossly ignorant of the provisions in the Party Constitution. You are stated to have remarked that the Party Accounts have never been audited for the last 12 years. At once there was a hue and cry from the other members as if, as a direct consequence of this, Party funds had been misused during the last 12 years. Have you taken the trouble to read the relevant Article in the Constitution? I shall quote it for your benefit: Article 5(c) says "Every Unit shall maintain appropriate accounts of the receipts and expenditure which shall be available for audit in such manner and at such times as may be prescribed by the National Executive". Is it the contention of yourself and your colleagues in the Committee, who are stated to have felt "shocked and unhappy", that during these 12 years the National Executive wanted the accounts to be audited and that the then Office-Bearers failed to carry out the directive of the National Executive? Or can it be your contention that the previous Office-Bearers should have begged the National Executive to order an audit of the Mysore Party accounts by invoking Article 5(c) of the Constitution when no one cast any suspicion on the financial administration of the Party? Are you also ignorant of the fact that the accounts of a Political party are not like those of a Co-operative Society the accounts of which have to be compulsorily audited once a year under the Act? Are you also ignorant of the fact that the Article in our Constitution was deliberately worded in that manner in order that the sources of income to an opposition political party from sympathisers who wished to remain anonymous may not become public property and thus make them targets of attack by the Ruling Party? This is not to say that

a confidential audit by a member of the Party should not be undertaken at any time if a need was felt for the same. However, those who constituted the Executive Committee until the 1971 Party Elections did not consider that such a confidential audit was even called for as they had no reason to suspect that there was any "hanky-panky" in the financial administration of the Party. In the circumstances, remarks such as "the Party funds were treated with scant respect, and that too from people who were well versed with the financial procedure", "they were at a loss to understand how the Party funds were diverted at whims and fancies of individuals" are not only in a very bad taste but absolutely unwarranted by the facts on record. If the present Committee feels so suspicious about the financial management of the previous Committee, they are welcome to go into the entries in the Cash book and other records which have been handed over ^{to} the present General Secretary. It may also interest you to know that, when I wrote to the Centre as well as to two or three State Units asking whether they had got their accounts audited, I got only negative replies.

3. The Treasurer, Mr. V.L. Narasimhamoorthy is stated to have expressed "his strong opinion that the Party funds have been diverted from time to time, which according to him, was most irregular and unwarranted. He also felt that many of the investments were done in a hush hush manner and the Executive was kept totally in dark as to the finances of the Party".

It is most surprising that you, having been in the Finance Sub-Committee all along and knowing that every investment was made only after the approval of the Members of the Sub-Committee, permitted Mr. Narasimhamoorthy to go on record with such utterly irresponsible and untrue allegations. You were aware of the fact that the Educational Trust was duly constituted by the State Executive in order to safeguard the surplus funds of the Party from being frittered away on Party Elections and to provide a permanent source of income to maintain the Party Office. You are also one of the Trustees and was thus in a position to correct the wrong impression sought to be created by Mr. Narasimhamoorthy by his unwarranted remarks. Why did you not do so? You also know that the Finance-Sub-Committee had full powers in regard to investing the Party funds. In view of this, where is any sense in stating that "the Executive was kept totally in the dark"? If questions had been asked at an Executive Committee meeting, the answers would have been given.

4. It is extremely easy for members attending a meeting to cast aspersions on those who are not present to defend themselves. But such conduct has to be condemned as dis-honourable. It is a great pity that, even though you were aware of the facts and knew that the aspersions were unwarranted, you have been a consenting

party to their going on record, Elementary courtesy would have demanded that the incoming Executive should have passed a resolution of appreciation of the services rendered to the Party by the outgoing Executive. Instead of doing this, all that you have done is to cast unwarranted aspersions on the previous Office-Bearers. This is something of which the present Executive should be heartily ashamed.

5. Mr. B.V. Narayana Reddy feels very strongly that, after this exhibition of pure malice on the part of the present Executive Committee towards the previous Office-Bearers it is no longer consistent with his self respect to continue as a member of the State Party. I have also come to the same conclusion. If and when an Executive Committee with a proper sense of values and a true sense of proportion comes into existence in this State, it will be time for us to rejoin the Party as we have no grievance against the Party in the principles and Policies of which we have firm faith.

Both Messrs. K.H. Srinivasan and B.V. Narayana Reddy have countersigned this letter in token of their approval of the views expressed by me.

I request an acknowledgement of this letter and request you to place it before the next meeting of your Committee.

Yours sincerely,
(Sd) (V.T.SREENIVASAN)

I hereby concur with the above views.
If the unwarranted remarks in the proceedings of the Committee are not expunged, I will be reluctantly constrained to resign from the Party.
(Sd) (B.V. Narayana Reddy)

I agree with the views expressed both by Mr. Reddy and by Mr. V.T.Sreenivasan
(Sd) (K.H. SRINIVASAN)

"Copy"

K. Srinivasan

To:

Sri N.K. Ganapath, President, Swatantra Party, Harley Estate, Saklespur Post, Hassan District.