

we had conversations every two or three days, and Mr. Clayton knew very well how things were going on.

40. Do I understand that no conversation ever took place between you and Mr Clayton as to the amount expended by you being in excess?—I think I said to him several times “There are a great many thousands on the wrong side now.”

Mr Martin, on inspection of a ledger, explained the state of the account for Government House to be—

	£	s.	d.
Expended by him	14,905	12	9
Received by him	8,599	12	4
Balance	£6,306	0	5
Less unused material	563	2	4
	£5,742	18	1
Plus interest and contingencies	1,500	0	0
Now claimed	£7,242	18	1

41. All the material that you claim for was really used and expended at Government House?—It was, except that for which I have given credit in the books.

42. *Mr. Attorney-General.*] Will you produce the correspondence that took place between you and Mr Clayton previously to any notice of the insolvency?—I do not think there was any.

43. Do I understand you to say that you do not recollect any letters between you and Mr. Clayton previous to Mr. Smith's insolvency?—There might have been, but I think most of the communications were verbal before Smith's failure.

44. Were you not constantly written to and spoken to by Mr Clayton as to the incapability of Smith to go on, by reason of his not being able to pay his men?—Yes; Mr Clayton told me that several times.

45. Before Smith's insolvency?—It might be so.

46. Immediately after the contract began?—No; not for a long time. Not for many months after.

47. Who took the first progress payment?—Smith, I think, took the first three or four.

48. You had no orders at all?—No; not for a long time. I did not get an order until Smith failed.

49. What was the date of the contract?—The 3rd April, 1869.

[Contract and drawings, and also bond, put in.]

50. There is a mortgage to you of some land, and also of receipts from the Government House contract, by Smith, for a cash credit at the Bank for £500. When did you become liable to the Bank for this £500?—I suppose it must have been about the same time as the deed. I could not tell you to a day or week.

51. Was it not a long time before the date of the deed?—I dare say it was some time before that, but it could not have been very long. I think I gave him one for £500 and another for £200.

52. That cash credit bond is at an end now?—Of course it is.

53. Has it been returned to you?—I do not think I have taken it away yet.

54. Irrespective of that cash credit bond, at the time you received this mortgage, was Smith otherwise in your debt?—No; I think not.

55. Had he been in your debt and paid the debt off?—No; he never was.

56. Then you did not advance him any money from the time you entered into the surety bond?—I must have given him those £500. He must have wanted them for the Government House.

57. Now I ask you, whether you had advanced in any way any moneys to Smith after you had entered into the sureties?—Only that; only just the cash credit. I do not think there is anything in my books against him.

58. You did not advance him any moneys, or guarantee him any bills?—No. I paid that money to the Bank of Australasia.

59. What I wish to know is this:—From the time when you entered into the surety for the bond of £1,000, did you indorse, or accept, or were you connected with any bill transactions with Smith, up to the time of his giving this deed?—No; I do not think so. I could not speak positively until I looked.

60. Did Smith tell you how he was going to get the money to carry on this building when you became surety?—No.

61. Did you ascertain what means he had to carry on the building?—I did not. I ascertained this far, that I went up to Mr. Clayton, and he assured me he thought it a good price for the work, and there were to be reductions. It was supposed to be taken at a good price, and of course a man getting a good price for a thing of that kind will always get credit.

62. Now, what other deeds were made besides this?—I don't think any more. Mr Brandon made all the deeds I had.

63. You have no recollection of any other deeds between you and Smith except this one?—No.

64. This is an assignment of all the moneys coming due?—I believe it is. I never read the deed. I left it to Mr. Brandon.

65. You have no recollection of a deed assigning the contract to you?—I have no recollection.

66. Do you know whether you gave notice of this assignment to the Treasury?—I think that was done at once. I did not do it myself, but I think it was done. I might have taken it up in my hand and shown it to them.

[Guarantee of Ben Smith to John Martin put in.]