

We would remind you that the state of your health forbade us to hope for the possibility of your meeting us. We considered that we adopted the most convenient course open to us under the circumstances of the case—viz., to prepare a draft report, and to furnish you with a copy of it. We regret that it has appeared to you that we did not desire to consult you on the subject. We certainly were ready to confer with you, not only as regards the draft report, but also as regards the letter; and we think that the concluding paragraph of Sir P. G. Julyan's letter of the 17th ultimo fairly conveyed our views on the subject. It is as follows:—"Be good enough to return the draft, with any alterations you may have to make on it at your early convenience; or if you prefer a personal conference with your co-Agents on the subject, I am sure they will be willing to meet your wishes in the matter at any time you may name."

With respect to the preparation of the draft by us, to which step you take exception, we would observe that you had yourself prepared a report of your joint proceedings without consulting any of us, that you read your draft letter to one of us, and that the other two have not yet even seen it.

As the draft report and letter forwarded to you in Sir P. G. Julyan's semi-official letter were, as you were afterwards officially informed, withdrawn, with a view of meeting the objections you had verbally expressed to one of us, and another report substituted, they may be properly treated as having no existence, discussion based on them would therefore seem superfluous.

You observe that we have wisely modified the remarks in which we implied that only embarrassed States used the services of "financial houses," and that the Government of New Zealand exposed themselves to that charge by employing Messrs. Rothschild and Sons. Without pausing to discuss your comments on that paragraph, we think it due to ourselves to point out that we are not aware of having used the term "financial houses," but "financial contractors," and in our opinion there is a wide difference between the two. A financial house, remunerated by a fixed commission, should have no interest to serve but that of its employer: it is obviously otherwise with a financial contractor.

You state that, in the letter we have sent out, we "disguise" the fact that, after calling for tenders for the last two issues at a certain rate, we disposed of a portion at that rate, and the balance at £1 8s. 3d. per cent. less. It appears to us that the term "disguise" is quite inapplicable under the circumstances of the case.

We were not reporting to the Government of New Zealand the course we had pursued on previous occasions: that we had already done most fully, and we would invite your attention to our letters of the 9th February and 2nd June last year, in which these circumstances are fully set forth, and to your replies of the 8th May and 29th August. Our letter of the 2nd June last explained at length the result of our negotiations with respect to the sale of the one and a half million debentures, and in your letter of the 29th August last you informed us that our letter had received your careful consideration, and you thanked us for the "clearness of our statements."

We agree with you in thinking that the sale of a loan, or a portion of one, a few days after public tenders had been sent in, at less than the advertised price, is a proceeding which nothing but necessity can justify; but in our opinion it is equally objectionable to sell a loan to a contractor, say at 91, and allow him, acting as the declared agent of the borrowing Government, to invite subscriptions at 93. We think that nothing but necessity could justify either proceeding.

In the case of the one and a half million issue you say that we sold £826,600 at £1 8s. 3d. per cent. less than the advertised price, by making an allowance to the buyers of 1 per cent. under the name of commission, and 8s. 3d. per cent. for accrued interest. The course we adopted may be thus described: We certainly agreed to take less cash for the debentures than we first asked, and we did so to force a sale. It is, however, somewhat inconsistent with this view of the case, or "fact," as you describe it, to urge us not to forget that, as against the 2 per cent. paid to Messrs. Rothschild and Sons, the various charges for commission agency and brokerage paid by us for that portion of the loan amounted to at least 1½ per cent.

We accepted either the lower price, or we paid a higher commission—one or the other—not both; but in whatever way that operation may be described, there is no gainsaying the fact that, after deducting commission and allowances to the purchasers by way of accrued interest on each transaction, the net average prices respectively on the three issues of New Zealand Government 4½ per cent. 5/30 debentures were,—

				£			Price realized.	£	s.	d.
January, 1874	...	...	...	500,000	...	...	97	7	3	
May,	..	..	..	1,500,000	...	...	95	4	2	
March, 1875	...	...	...	4,000,000	...	...	91	0	0	

We had no desire to enter into any discussion as to the commission paid by the Government of New Zealand on the respective operations under review. Thinking it of importance, we recorded a comparison we had made with respect to the results of the three issues of 5/30 4½ per cents as had been done on former occasions.

Neither had we any wish to refer to our discussions prior to our contract with Messrs. Rothschild and Sons; but as you have alluded to those discussions, we have no option in the matter, and must therefore recall to your memory what passed between us.

On the 18th February last we met, at your request, at your residence, No. 49, George Street, Portman Square. We found a leading member of the Stock Exchange with you, and you stated to us that he had informed you that, in his opinion, two millions might be placed at a price to realize 92 per cent; three millions, 91; and four millions, 90. He added, that if two millions were sold to a syndicate at 92, he was of opinion that the other two millions might, in about eight months, be likewise disposed of. He suggested that the syndicate should have the option of taking the last two millions at any time within the eight months.

You objected to those terms, and stated in his presence that "the necessities of the Government of New Zealand were such that you must have the four millions taken firm," and added, "In fact the Government was in a mess, and must get out of it as best it could."