

We, the four Loan Agents, subsequently discussed the matter (the member of the Stock Exchange having left), and you informed us that, in your opinion, it would be very advantageous to dispose of the whole four millions to Messrs. Rothschild and Sons, if necessary, at the price offered by them—viz. 88 net—but that you had reason to believe that they would give more, a net 90.

One of us declared in the most emphatic manner that he for one would neither accept nor entertain such a proposition till it had been proved that better terms could not be obtained elsewhere, and in this determination your other co-Agents agreed.

You informed us that you considered that a serious responsibility would rest with us if we rejected such terms. In turn we stated that, in our opinion, we should assume a much heavier responsibility by agreeing to such a sacrifice.

You stated that in your opinion it would be an immense advantage to the colony to have at its back such a financial house as that of Messrs. Rothschild and Sons; that the credit of New Zealand had already suffered seriously from the want of such an agency; and that, if Messrs. Rothschild and Sons had held such a position, you were sure that they would either have immediately answered the articles hostile to New Zealand which appeared in "Fraser's Magazine" and the "Pall Mall Gazette," or have telegraphed to the Government for instructions on the subject. We did not concur in either opinion.

During our discussion, finding that material differences of opinion existed between you and ourselves, we reminded you that we were clothed, by the Order of the Governor in Council, with equal powers with yourself, and that we were therefore bound to express our opinion freely, and exercise our own judgment, guided by past experience.

You then stated that if you, as Colonial Treasurer, gave us an order, as Loan Agents, to accept Messrs. Rothschild and Sons' terms, we should be bound to do so; and when, on a subsequent occasion, you repeated the same, we, without calling in question the propriety of such an intimation from our co-Agent, or allowing it to influence our independence of action in the trust confided to us by the Colonial Government, expressed our readiness and our intention to be guided by the necessities of the Government, upon which you alone could enlighten us. But, at the same time, one of us told you distinctly that, in his opinion, the Order of the Governor in Council appointing the Loan Agents gave you no power to give your co-Agents such an order; that he had carefully considered the question, and that if you were determined on your own responsibility to sell to Messrs. Rothschild and Sons, at a price he considered unsatisfactory, he would withdraw from all participation in the transaction; but, guided by the necessities of the New Zealand Government, would not decline to sign the debentures. Such appeared the only course open to him; but in return for the confidence which successive Colonial Cabinets had reposed in himself and Sir P. G. Julyan, which he had always highly prized, he would be compelled to record the reasons which had induced him to pursue such a course of action.

We have been forced most reluctantly to refer at some length to these discussions, because the eighth paragraph of your letter under acknowledgment appears to us to be open to erroneous inferences. We allude to the following portion of it, in which you say that, "in substance, what I stated to you was, that during this and the next year very heavy works would be completed; and that the requirements of the colony were such as to make me desire the negotiation of the whole amount, if possible, and to make me not content with the negotiation of less than three millions."

We frequently discussed with you the expediency or otherwise of raising the money by instalments, instead of dealing with the whole loan by one operation. We are not aware of your having told us that the proceeds of the sale of the Four Millions debentures would be required to pay for public works to be completed "during this and the next year." On the contrary, we endeavoured to elicit from you what the wants of the Government were which would justify us in consenting to the course you advocated of disposing of the whole at once; and although we failed to obtain from you any exact statement of your requirements, you distinctly informed us that negotiations must be conducted on the basis of a fixed or firm price for the whole—three-fourths of the money to be paid at short intervals ending in August, 1875, and the remaining fourth not later than February, 1876.

Had we been given to understand that the expenditure of the money was to have been spread over two years, we should most certainly have been no parties—in the absence of instructions—to the raising of the whole amount so far in advance, a step which may, and probably will, entail upon the colony considerable loss, inasmuch as we cannot hope to obtain upon proper security, for the temporary loan of the money, the same rate of interest as will be paid for it, the difference between the two rates being at this moment upwards of 2 per cent. against the Government.

We still think that a better price would have been secured for this loan if the requirements of your Government had permitted the sale of it by two instalments, and we agreed to the price finally given by Messrs. Rothschild and Sons (91), on the understanding that it was necessary to secure at once a "firm price" for the whole; but we beg to repeat what we have already stated in our report to the Colonial Secretary, dated 19th ultimo, that, considering its magnitude, "the terms upon which this transaction has been carried out appear to us exceptionally favourable."

We have, &c.,
P. G. JULYAN.
I. E. FEATHERSTON.
W. C. SARGEAUNT.

The Hon. Julius Vogel, C.M.G.

Enclosure 5 in No. 5.

The Hon. Sir J. VOGEL to the LOAN AGENTS.

7, Westminster Chambers, Victoria Street, Westminster, S.W.,
10th April, 1875.

GENTLEMEN,—

In your letter of 19th March, 1875, to the Colonial Secretary of New Zealand, a copy of which you sent to me, I observe a statement that the price realized for £500,000 $4\frac{1}{2}$ per cent. debentures