

30. Above the value ceded to the company, then, I suppose, the debenture-holders and the shareholders of the company would take a joint interest in that?—The debenture-holders have the first charge; there is no dispute between them and the shareholders on the subject.

31. *Mr. T. Mackenzie.*] In respect to that £700,000 odd: there ought to be a security on that in their favour of £500,000?—There ought to be.

32. The Government has taken that; it stands in the light of profit?—Yes.

33. Have the debenture-holders received any benefit from this £245,000, beyond their interest?—They have some land on hand.

34. The debenture-holders?—Yes, it is there; the company have it. The debenture-holders have first charge upon it; we do not understand that the Government claim to forfeit the land granted, they claim to take possession of and work the line and forfeit that.

35. *Mr. Button.*] Land set apart which has not been appropriated?—Only the line.

36. The unappropriated land?—They have not said that they claim land, other than railway-land. We do not say that the Government have taken possession of the land, other than the railway-land; the land on which it stands, they have not claimed to assert a right over that.

37. But there was a large area that would have accrued to them had they completed their contract?—That follows; they do not claim to forfeit the land in respect of which titles are issued; not to the back land which the arbitrator considered the company was entitled; they claim to forfeit all other rights of selection.

38. *Mr. T. Mackenzie.*] Do you consider that the Government is, to a certain extent, responsible to the debenture-holders, inasmuch as the Agent-General approved of the prospectus; and he did not see the important omission provided for in the Act of 1884, was it not so?—I do not wish to say anything implying the least imputation on the Agent-General, what I pointed out was this: he approved of the trust deed; the debenture is set out in the trust deed. The trust deed refers to a specific security over the railway constructed and to be constructed. This does not say you are getting a lien on the company's bargain, but on the company's railway: there is all the difference, coupled with the circumstance that the asset is there, as you say, to profit.

39. You said it was rather a glowing prospectus?—I was speaking of the share prospectus.

39A. Let us come to the debenture prospectus—to the timber, valued at £7 an acre?—I think the item "timber" has gone; I do not think it has turned out a source of profit.

40. To that extent the prospectus was too glowing?—I should not rely too much on a subject like that, which is local, and necessarily speculative.

41. *Mr. Button.*] In regard to the Agent-General, your argument comes to this: that he may be said to have assented to the prospectus in the way the proposers took it, to set out that such debenture-holders were excluded from making a prior claim in the event of the contract not being carried out?—They would rely on the prospectus.

42. You say the Government was a party to blinding their eyes?—They appeal to the statement that it was a specific security.

43. Because he saw the draft, and was willing to be trustee. The Government did not see the draft?—No; only the Agent-General.

44. If there was any neglect attaching to the Agent-General, for not pointing out the defective statements, that would equally attach to the gentlemen who signed the prospectus?—No doubt; but others who signed the prospectus were actually parties interested in the company.

45. It was not on the faith of what the Agent-General had done: it was not in consequence of any action of the public; the public did not see the draft?—The Agent-General saw the debenture in the trust deed, which he had perused and approved. What the public saw was the prospectus put forward by the promoters or directors. To the general public they would perhaps be unknown, considering the way they were taken up. They are usually taken up through parties. It would almost certainly be known that the prospectus would come through the office of the Agent-General.

46. The debenture-holders knew nothing of the dispute between the company and the Government?—They must have known it at a later stage; they would know it through the public; you must remember these persons were in England. It is very likely the debenture-holders would have known of it when it came to be actual stock; but so long as the company were engaged in constructing the line, and money was still in hand for the purposes of construction, it is very unlikely that the majority would hear anything of what was going on, for some were either directors or connected with them in some way.

47. They would know something about the Act attempted to be passed last year?—By that time they might have heard of it. They would probably know something, or somebody connected with those gentlemen. I saw a letter from the Chief Justice of the Bahamas, or some functionary similarly situated. He would not be likely to know much of what was going on in this matter.

48. But he would consider what the position was, in taking up these debentures?—If he lived in the Bahamas, he might or might not have heard of it.

49. You speak of the proceeds of these debentures being a charge, and the Government having the benefit, that the cost was £753,978—the cost of construction. Is it not the fact that this cost of construction would represent a larger amount through delay, for want of funds?—Personally, I am unable to say that, and I do not know that the Receiver is in a better position; that is what we pointed out: that the debenture-holders have not been cognisant of these matters.

50. *Mr. Hogg.*] Am I to understand that you mainly relied on the overtures that were made to the Agent-General to become a trustee, to connect the Government indirectly with the issue of these debentures?—That, and the fact that the Agent-General officially approved of the trust deed and the prospectus.

51. Is there any proof that this prospectus was the one he approved?—I refer to Mr. Salt's evidence before the arbitrator. It is scarcely conceivable that he would go to London intending to