ceased to be revenue producing capital. —Then during the four years ending July, 1881, the excess of expenditure over revenue amounted, allowing for arrears of interest outstanding, to $10,300. As I stated in the beginning of my remarks, the amount of the nett deficiency in the year we have just finished was about $3,600, and was of course the largest of the four alluded to. So that by reason of the items of which I have spoken—the amount paid to the Seminary, the amount paid to the city for taxes and other such like sums—and the excess of expenditure during the past four years, we have something like $42,000 less capital, which would produce an income of about $2,500 a year. Our loss, in the next place, arises from the fall in the rate of interest. It is unnecessary to say to a meeting so largely composed of the merchants of Montreal how serious this loss has been and how greatly the value of money has changed during the last three years. The figures in reference to McGill Universtiy, show the change which has taken place even within the last financial year. On the 31st July, 1880, we had $110,500 invested at 8 per cent; on the 30th July, 1881, we had only $59,500 invested at that rate. On the same date in 1880, we had $214,000 invested at 7 per cent. This year we had $143,000 only invested at that rate. In July, 1880, we had $63,000 invested at 6 per cent. This year we had $169,000 invested at that rate. This shows that there was a decrease within the recent financial year of $51,000 in the 8 per cent. investments, and $71,000 in the 7 per cent investment, while there has been an increase of the 6 per cents of $106,000. Those investments which formerly yielded 7 and 8 per cent. had been invested at 6 per cent, or rather in most cases renewed at that rate. We stood out against making reductions as long as we could, but when we began to find our money flowing in upon us, and that investment was difficult, we saw that we would have to reduce our rates or leave our money lying in the banks at 3 per centum. Of course in cases in which the mortgages were not yet due, and the parties not entitled to repay the money, we have made no reductions, but you will see how serious has been the effect upon us of the change in the value of money. Within the past year we have sustained a loss of $1,700 in interest in this way. The figures which I have mentioned refer to the state of matters on 30th June last; this reduction has gone on since, and is still in progress.

Thus, gentlemen, we came to the conclusion when we met in July to consider the estimates for the year that we would have a deficiency of at least $8,500, and this position led us to ask the question, how were we to meet this state of affairs. As the trustees of a public institution, it would have been our duty to have at once made our expenses agree with our income, and we carefully considered whether it was possible to do that. Schemes were laid before the Board of Governors, by which perhaps nearly the whole of that deficiency could have been made good by means of reductions, but they were of the most trenchant kind, and would have affected in a serious manner the efficiency of the University. After mature deliberation we only made those reductions which seemed unavoidable and which amounted in annual amount to $3,000, but which during the present year will affect the accounts by about $1,800 only. In regard to further reductions we made up our minds that we would not make them but appeal to the citizens of Montreal to help us over the present difficulty (applause). We did this because the reductions proposed were of a most severe and painful nature—the pro rata reduction of all the salaries, and the removal altogether of some from our list. The scheme was one which would have made both ends meet, but, when we considered the inconvenience to which it would put on our whole staff, we decided not to adopt it. Our professors are now underpaid, and I do not think there is one member of the Board who, if we had the means, would not increase the inadequate salaries which we have been compelled to offer. We have given our officers in the past all we could, but when we found our revenue so much impaired it became a question, not to be postponed, whether we must not at once reduce them. As the trustees of a public fund we were perhaps bound to reduce them when we found, after two or three years experience, that the annual deficiency was not temporary, but continued to augment, and was clearly permanent.. But we determined to trust ourselves to the citizens of Montreal, believing that they would by increasing our endowment enable us to avoid this most serious contingency. We determined to call this meeting and appeal to the citizens of Montreal for aid. As the Chancellor has said, McGill owes its existence to the successful merchants and citizens of Montreal. They have