

We subsequently conferred with Mr. Dunscomb, Collector of Customs; Honorable Mr. Irvine, Solicitor to the Commissioners; Captain Armstrong, Harbor Master, and others, from whom we believed we could get reliable information.

As a preliminary step, we took out a balance sheet from the books as they stood on the evening of 12th inst.

We would here note that the books appear to have been regularly and properly kept by Mr. Martel, and that the office duties have been conducted throughout the period of his charge, with attention and efficiency.

It will be most convenient to take up first the financial position of the Trust, and reply to points 2, 3, 4, and 5, and thereafter to remark upon the various properties of the trust.

A condensed statement, Appendix B., shows the liabilities and assets as they would be, if the books had been balanced for the year on 12th inst. (the usual period for closing them has been 28th February.)

It will be seen from this condensed statement that there would be a balance of \$19,449.03, at debit of profit and loss account, which may be called the present deficiency arising from the whole proceedings of the trust, and to this the bills payable \$54,000.00, and coupons, maturing 2nd January, \$24,000.00, may also be fairly added, making a total deficit of \$98,000.00 in round figures, less \$14,000.00 of cash items.

On the other hand, there is a balance of \$47,513.88 at credit of "Beach and Deep Water Lots" account. This arises from these lots, which were donated to the trust by the Government at, first having been "granted" to sundry individuals at stipulated amounts, bearing an annual rent by way of interest. The individual parties have been charged with the principal sums, and periodically with interest or rent, and in this way the "Beach Lots" account having been credited with the principal charged to these parties, shows the Cr. balance. In the position of the affairs of the Trust, it would be well to have that balance carried to credit of profit and loss, which would extinguish the present debtor balance of the latter account, and leave \$28,000.00 to be applied in reduction of such of the properties as show cost in excess of the present value. Meantime, we deduct the \$47,513.00 from the total cost of the properties, as a convenient disposition of the item.

The causes of the financial embarrassment of the Trust may be thus briefly stated.

1. The properties, as a whole, are yielding only $2\frac{1}{2}$ per cent. upon their cost, while the Trust has been paying 8 per cent. on say five-sixths of the bonds on which the money was raised to acquire and improve the properties. The tonnage duties were inadequate to meet the annual deficit.

2. The mode of issuing the bonds was injudicious. Instead of having an important amount negotiated through a channel commanding access to monied circles, and at a fair rate of interest, comparatively minor amounts were issued through a broker, and at 8 per cent. interest, thus establishing, at the outset, that the Commissioners could not borrow at 6 per cent. Then, instead of purchasing properties for cash, bonds were used, adding to cost and rate of interest. Some of the bonds were sold at a premium varying from $\frac{1}{2}$ to 5 per cent, but the greater part were sold at par, and the total premiums received only amounted to \$1,834. The Commissioners twice advertised for tenders for bonds, but no sales resulted from this mode of action.

3. The progressively increasing deficiency in the revenue as compared with interest to be paid.

The position of the trust at present is financially critical, and if the January interest on the bonds be not met, and an arrangement made for extension of time on the principal, the most serious consequences must ensue. A portion of the bonds, \$20,000.00, fell due 1st July last, and are unpaid. One holder of \$4,000 has instituted proceedings, and judgment will be got in due course. (Another mistake about the bonds was their having been issued at first at short dates—a very grave error.)