

The heavy losses incurred at Brockville, Chatham, Quebec, and St. Catharines, were made several years ago by persons not now in the service of the Bank, and are of course not attributable to the present Managers of these Branches.

Before entering on the question as to the best mode of meeting this deficiency, I shall briefly allude to several accounts of considerable magnitude, which, from time to time, have been the subject of discussion at the Annual Meetings of the Bank.

The Morton debt at the Kingston Branch has been reduced to about \$250,000. The assets held as collateral security for payment of principal and interest, have been valued by Mr. Hinds, the Manager, and by Mr. Kirkpatrick, the Solicitor of the Bank, and also by other competent disinterested parties, as worth \$355,000, thus leaving a sufficiently large margin for unforeseen contingencies.

The Zimmerman debt proper is \$340,000, secured by lands, real estate, mortgages, and other property, which at a fair and moderate valuation amount to \$475,000, showing a probable surplus of \$135,000.

It is right, however, to mention, that there is another sum of \$250,000 due by the Zimmerman Bank not included in the above. This debt was caused by the transfer of the government deposit in that Bank, and the circumstances connected with it are, in my opinion, and in that of the Board, sufficient to constitute a strong claim for the consideration of the Provincial Government, and which will hereafter be submitted in due form.

The advances made to the Grand Trunk Railway Company, amounting to \$883,000, have been secured by attachment obtained against the property of the Company in the State of Maine, worth nearly the amount of the debt.

I therefore feel confident from this fact, and circumstances to which it is unnecessary to allude, that the debt will be speedily arranged to the satisfaction of the Bank.

The foregoing statements will, I trust, satisfy the public mind as to the perfect solvency of the Bank, and for the future prevent those attacks in the public papers which have been so injurious, not only to this Institution, but to the other banking establishments of Canada. Editors of papers, and especially those of the rising commercial Metropolis of the Province, should remember, that all classes of the community are deeply interested in the welfare and prosperity of the monetary institutions of the country, and in none more than in the Bank of Upper Canada, which has, for a period of nearly forty years, aided so largely in developing the industrial and agricultural interests of this great Province.

The subscribed capital of the Bank consists of 63,722 shares of \$50 each, amounting to \$3,186,100.

It will be at once apparent that the only course which can with propriety be adopted to meet the deficiency ascertained, is to reduce the capital of the Bank. This course was adopted with success some years ago by two Banks in Canada, both now holding deservedly high financial positions. I would therefore recommend the Stockholders to authorise the Board of Directors to apply to the Provincial Parliament at the next Session, for power to reduce the shares from \$50 to \$30 each, retaining the right at same time, again to raise them to their present value, when the Bank shall be in a position to do so. This reduction would place at the disposal of the Board the sum of \$1,274,440, thus covering the deficiency, and leaving the sum of \$23,932.48 at credit of Reserve Fund. The available capital of the Bank would then amount to nearly \$2,000,000.

Application should at same time be made to Parliament for power to increase the capital again to its present limit of \$4,000,000, obtaining the right to issue new shares to present stockholders first as preference stock, in such sums and at such times, as the Board shall deem expedient; such preference stock to be first entitled to a dividend, out of the profits of the Bank, at a rate not exceeding 8 per cent. per annum, to continue at this rate until the Directors are enabled to declare a similar dividend on the whole capital of the Bank.

By this means the capital would be raised, and the Bank be again enabled to afford ample facilities to the mercantile, manufacturing, and agricultural interests of the Province.

There are two items which have not yet been alluded to, viz. interest on over-bills, and loss or non-circulation.

Of the former, a large amount is still due and may ultimately be recovered. Of the latter, only £10,000 has been written off since the establishment of the Bank in 1822, and the actual gain can only be ascertained some years hence, after the old circulation shall have been withdrawn. That a considerable sum will be obtained from this source I have no doubt, considering the large and extended sphere of the Bank's operations.