

The following is a note of the Government obligations to the Bank, as at 20th January last, interest being calculated on the overdrafts, provisionally, at seven per cent. only, until a definite rate shall have been fixed on:—

Overdrawn Accounts	...	...	...	...	£128,980	5	4
Promissory Note	...	...	...	...	10,898	16	11
Greville and Whiting's Contract	...	...	...	...	3,385	3	1
					<u>£143,264</u>	<u>5</u>	<u>4</u>

The Oreti Debentures at par would yield £110,000, leaving an uncovered claim of the Bank on the Government of nearly £35,000.

The above statement and explanation is given by me as to the best of my knowledge and belief correct, but is not intended to be held as in any way authoritatively on the part of the Bank defining or affecting its rights in relation to the Government, a thing the Colonial Manager only is empowered to do.

JOHN MURRAY,
Manager.

Bank of Otago, Invercargill, 17th Feb., 1864.

Sub-Enclosure No. 1 in Enclosure No. 1.

AGREEMENT BETWEEN THE PROVINCE OF SOUTHLAND AND THE BANK OF OTAGO.

MEMORANDUM of Agreement between the Provincial Government of Southland, New Zealand, on the one part, and the Bank of Otago (Limited), of London and New Zealand, on the other part. Dated this eighth day of January, one thousand eight hundred and sixty-four.

It is agreed upon by the said parties, as follows:—

1st. The said Bank shall be the Bankers of the Provincial Government, and shall transact all their monetary business in Southland and London, excepting always the negotiation of, and payment of interest upon the last loan which has already been entrusted to the Bank of New South Wales.

2nd. It shall undertake the disposal of the present authorised loan of £110,000 in security, of which land is to be set aside, and reserved by the Government, and until the said loan is disposed of, shall make any advances required, at the rate of seven pounds sterling per cent. interest; as the loan is negotiated, the proceeds shall be retained in extinction "*pro tanto*" of their advances, interest, and commission.

3rd. The commission to be allowed to the said Bank for negotiating the said loan shall be, including brokerage and all charges, one and a quarter (25s.) per cent.

The selling price of the Debentures shall be fixed by the Agent of the Government in London. So long as the Debentures are unsold, they shall be held by the Bank in security of their advances at par. In the event of their not being sold within twelve months from being placed in the market, they shall be again exposed at a reduced price, to be fixed by the Agent for the Government and the Directors of the Bank in London, so as to insure a sale.

4th. The exchange charge in London or Invercargill to be the current rates of the day.

5th. The Coupons, or Interest Warrants, shall be issued, payable at the Bank of London or Invercargill; and the Bank shall be allowed a commission on the amount of interest paid by them, at the rate of $\frac{1}{4}$ per cent. The Provincial Government shall impress into the hands of the Bank, half-yearly, the amount of interest due.

6th. In the ordinary account current between the Government and the Bank, the Government shall be allowed to overdraw their account, the proceeds to be applied to the public service only, to the extent of one half year's revenue, and which overdraft seven per cent. interest shall be charged; if the overdraft should remain a year uncovered, a Loan Ordinance shall be passed to discharge the debt by Debentures, to be held in security for a time to allow the Government to redeem the same by the proceeds of land sales, but in the event of a sale of the Debentures being advisable, they shall be issued in the usual manner, and on the like conditions as the negotiation of the present loan is to be conducted.

7th. The entire revenue of the Government, from whatever source, shall, from time to time, be paid into the credit of the Government in account current.

J. A. R. MENZIES,
Superintendent of Southland.

JOHN MURRAY,
Colonial Manager and Attorney
for the Bank of Otago (Limited).

Witness to Signature—

W. H. AYLMER,
Clerk to Superintendent.