

ultimate increase in the capital to be repaid. If so, the next point is how much per cent. the colony may fairly give, beyond the arithmetical equivalent, in order to get in the bonds. This is a matter of expediency, upon which, as Stock Agents, we have no data to guide us, and are not able to express any advice ourselves; it seems to us one essentially for the Government to determine, and if the Government decide that it is worth while for the colony to give something beyond the equivalent, then it will only remain for us to be instructed as to how much per cent. in each case we should allow.

#### IV.—*Five-Thirties and Ten-Forties.*

9. If the Government should decide the general question we first mentioned in the affirmative, the only point remaining would be the amount of inscribed stock to be offered to holders in a direct conversion, as no new 5-per-cent. bond would come into consideration at all. With the reserve of force capable of being applied at any time, any excess over the equivalent would, of course, be considerably less in the case of these loans than in the case of sinking-fund loans; but still the same question would arise in principle, as to how much per cent. (if any) it would be worth while for the colony to allow beyond that equivalent.

#### V.—*Provincial Loans.*

10. The same practical questions arise here as in the cases we have just mentioned, and it does not occur to us that there are any special points to be submitted for your consideration in regard to the old provincial loans.

#### VI.—*General.*

11. It only remains for us to confirm what we said in our letter of the 26th November, No. 1,488, that we should like to be able to announce the operations early in February, to arrange for the consols drawing to take place in the first days of March, and to fix about the 20th March as the last day for bondholders to notify their intentions. In order that all this may be done, it will be necessary for us to receive instructions by cablegram very soon after this letter will be in your hands; and we transmit herewith, as promised, some ciphers which you may possibly find of use in communicating those instructions to us.

We have, &c.,

P. G. JULYAN,

F. D. BELL,

Loan and Stock Agents.

The Hon. the Colonial Treasurer, Wellington.

#### No. 50.

The COLONIAL TREASURER to the LOAN and STOCK AGENTS.

Loan Agents, London.

Waiwera, 4th February.

FIRSTLY: your letter of 18th December about conversions has been received and considered. Secondly: referring to second paragraph, you must not give assurance against raising loans during present year. Thirdly: you need not take any steps with the holders of the guaranteed loan of 1856. Fourthly: consols, full discretion left you. Fifthly: in no case give more than equivalent based on actual, not market value—in other words, annual charge on converted stock, including provision for redeeming premium and expenses, must be less than existing annual charge. Sixthly: as regards the fives of 1914 (loan of 1863) you may offer a new seven years' five-per-cent. bond; you may fix the amount of stock to be inscribed at the end of the new bond at such amount as you think necessary to success, subject to fifthly. Seventhly: as regards the sixes of 1891 (loan of 1863), you may offer up to 112 stock if such price necessary. Eighthly: four-and-a-half-per-cent. 5-30s. settled. Ninthly: 10-40s. better wait two years, unless you consider one hundred and three will bring in large amount. Tenthly: you are authorized to extend your February announcement so as to include all loans in which you think a successful operation can be made, subject to foregoing. Eleventhly: all foregoing subject your considering not interfere with raising million and a half this year. Twelfthly: hope options will be short. Thirteenth: syndicate you suggest for four-and-a-half-per-cent. 5-30s. should be carefully concealed, fear encourage brokers crab conversion. Fourteenth: in fixing dates exchange securities avoid increasing amount interest payable next financial year. Fifteenth: such risk cable errors desirable in replying you indicate understand chief points this message.

#### No. 51.

The COLONIAL TREASURER to the LOAN and STOCK AGENTS.

Loan Agents, London.

Waiwera, 6th February.

SUGGEST for your consideration inscribed stock so high duration various options should be short; but leave you full discretion.

#### No. 52.

The LOAN and STOCK AGENTS to the COLONIAL TREASURER.

Treasurer, Waiwera.

Received 9th February.

CONVERSION. Conference Bank of England terms announced to-night following loans: Consolidated Loan, 1867; five-per-cent. 10-40 Loan; New Zealand Loan, 1879; Loan of 1860 and Loan of 1863 at following rates: Firstly, Consolidated Loan, 1867; deference your wishes have reduced new bond one year, option given either five-per-cent. debenture six years converted then into hundred and seven inscribed stock, or take hundred and six inscribed stock immediately. Drawing fixed March 15th. Holders accepting before drawing unaffected. Secondly, fives Loan of 1863,