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OFFICIAL PAPER.

New-Orleans Daily Bee.

Saturday Morning, Feb. 16, 1850.

To the Honorable the Senate and House of Representatives of the State of Louisiana.

The Board of Bank Managers respectfully report as follows:

First, On the affairs of the *Citizens' Bank of Louisiana*:

When, on the 25th May, 1847, the Board of Managers, as constituted under the act of 6th April preceding, took charge of the bank, the arreared interest due on the bonds, from and after the 1st February, 1843, amounted to $698,910 97

Subsequently, though a considerable amount of coupons were offered in payment of debts at the counter of the bank, the amount of the arreared interest went on increasing, being,

1st Aug. 1847,	$767,792 47
1st Feb. 1848,	714,931 09
1st Aug. 1848,	736,873 34
1st Feb. 1849,	883,736 43

Two other semi-annual payments of interest for $161,000 each, coming due again the following year, it was obvious that on the 1st Feb. 1850, when the first series of the bonds, amounting to $1,279,557 14 will arrive at maturity, though the cash collections in the intervening period might be applied to the discharge of part of the arrear overdue, a large balance of said arrear, together with the principal of the bonds of the first series would remain unpaid, and leave the State and the bank disposed to an amount of about $2,000,000.

As early as June, 1847, the Board felt it their duty to the State and the stockholders to take such measures as would avert the evil, and in conformity with the act of 1847, a negociation was entered into with the bondholders in August, 1848, by which the payment of the 1st series of bonds was extended to five equal yearly instalments payable on 1st February of each year, from 1851 to 1855, and $675,000 of arreared interest were funded in seven equal yearly instalments from 1st Aug. 1849, to 1st Aug. 1855, the bank being able, through its own collections and the proceeds of the sale of fifty-five State 6 per cent. bonds, to meet, besides the current interest, the balance of the arreared coupons. The undersigned have the gratification to state that the present day there is no arreared debt, and the first seventh of bank bonds has been paid, and the payment of the 1st Feb. 1850, provided for, besides $19,555 63, the amount of forty-four bonds, Series A, to which the assent for renewal has not been obtained.

At the same time, by comparing the liabilities of the State on 31st Jan. 1848, amounting then to $7,187,827 14

with the same on the present day, 7,026,333 22

there will appear to be a decrease in the responsibility of the State on account of this bank, within the past year, of $ 161,493 92

The above negociation, on the part of the Board, was not only an act of duty to the State and the stockholders, it was the incipient step to a plan to be hereafter submitted, which, if supported by the State and the stockholders, will, it is confidently believed, insure permanently hereafter the punctual payment of the interest and principal of the debt.

In order to ascertain the future working of the bank under the above related arrangement, it became necessary critically to examine its assets, and after ascertaining their actual value, to estimate how far the collections for some years to come would go towards meeting, besides the semi-annual interest, the gradual discharge of the extended State bonds of 1850, and the bank bonds issued for the funding of the arreared interest, the last series of the latter to mature on the 1st Feb. 1855, or the latter on the 1st Aug. 1855.

A strict and thorough examination of the various assets of the bank having consequently been made, and all the items reduced from their actual cost or nominal amount to their real value, immediately after the last balance of 31st July, 1849, an account of profit and loss was charged with the amount of $522,654 95

Subsequently to said balance, a further allowance was made for doubtful claims and credits, of 119,539 94

Leaving a total estimated loss of $642,194 89

This heavy reduction will show how much this Board were determined to lay before you a true statement of the condition of the bank.

The assets were thereby reduced on 31st July last, as per annexed Statement A, to $6,435,486 22

And the undersigned declare it to be their opinion that the assets are therein put down at their real and substantial value.

The liabilities amounted at that date to 7,066,454 19

Leaving on the said day a deficit *in capital* of $ 630,967 97

This estimated deficit being considerably below the amount at which it was previously estimated at different periods, lest it should be inferred that the value of the present assets has been overrated, we beg leave to point out by what process the bank has been retrieving its losses. It is due solely to the fact that while for most part of the last six or seven years the interest has been accruing against the bank on only the 6-7ths of its debt, all its assets—nearly equal in amount to the active debt—have been bearing interest at a larger rate.

In exemplification of the above fact, we beg to submit the following remarks and figures:

Among the various reports made at sundry times on the situation of the bank, three of them, at their respective dates, attempted to estimate the existing deficiency.

In the report of the Committee of Investigation on 7th [illegible] 1842, the deficiency was supposed to amount on 15th Oct. preceding to $ 851,629 59

In a report of the Board of Currency on May 8, 1844, it was put down at 2,060,869 62

In a report of a committee of the Senate, in the session of 1846, it was estimated on the 1st Feb. of that year at 1,227,613 70

The first and last estimates appearing to be nearer the fact, we will suppose it to have arisen at the end of 1842, to $1,100,000 00

The estimate on 31st July last being, as above stated, near 630,000 00

There appears to have been an improvement in the condition of the bank, in the last six years and a half, of $ 470,000 00

The source of this improvement can easily be traced out.

The liabilities amounted, on

15th Oct.	1842, to	$8,689,468 87
19th April,	1843, to	9,192,721 15
1st Feb.	1846, to	7,821,686 80
31st July,	1849, to	7,066,454 19

An average of which would be $8,178,582 75; but as a medium between 1842 and 1849, we will take the above amount of liabilities on 1st Feb. 1846, which being less than that average, will more forcibly show the correctness of the assertion.

The liabilities on that day amounted to $7,831,686 80

Consisting of:

Liabilities not bearing interest,		
To wit, coupons of State bonds,	$933,542 16	
Int'st on post notes,	6,187 50	
Circulation notes,	56,759 00	
Individual and special deposits,	60,075 22	
Distant banks,	19,061 81	
Public officers, city corporation & sundry other creditors,	3,117 88	
		$1,078,734 98
Liabilities bearing interest,		6,752,951 82

To wit,

State bonds, $6,527,[illegible] 17 at 5 [illegible]		
Depo'ts on int's, $49,053 78 at 5 o|o	2,452 68	
Bills pay'le to sundry banks $95,565 87 at 6 o|o	5,717 15	
Post notes, $61,050 00 at 5 1-2 o|o	4,457 23	
Total of yearly in'st on liabilities,		$339,005 68

The assets being, as supposed above, short of the liabilities by $1,100,000, amounted to 6,731,686 80, which can fairly be estimated to have yielded, on an average, 6 1-2 o\|o per annum, to wit, 437,559 64

Leaving a yearly surplus of 98,553 96

From which, deducting for expenses, 26,000 00

There remained a yearly nett surplus in favor of the bank of $72,553 96

Or for six and a half years, from 1st Feb. 1843, to 31st July, 1849, $471,600 94, which bears us out in the above assertion that within that period the bank has actually improved its condition by at least $470,000 00

The above figures conclusively show that whether the deficiency in 1842 amounted to one or two millions of dollars, the institution, maimed as it has been, strip of its privileges, has been gradually recovering, under the higher rate of interest yielded by its assets, while it paid no interest on a large portion of its liabilities, and on redeeming State bonds here as it did, to the amount of $720,888 88, extinguished at the same time the yearly interest thereon, being the gainer besides of the 8 per cent difference of exchange on both principal and interest.

The above digression was necessary to explain the difference in the amounts of the present and former estimates of the deficiency and to satisfy your honorable body that by fixing it now at $630,967 97, the amount has been arrived at after a severe scrutiny of the assets.

The undersigned will now proceed with the matter before them:

In estimating the future working of the bank, in order to place ourselves in harmony with her own accounts, we have taken our departure from the date of said statement, A, on the 31st July, 1849, her situation having not materially changed since. By order of the Board, 15 semi-annual exhibits were made of the future estimated receipts and disbursements from 1st August, 1849, to 1st February, 1859. These exhibits are annexed to this report, marked from 1 to 15 and are followed by an explanation of the data on which the estimates were based.

A Synoptical statement of the same, hereunto annexed, marked C shows, for every 6 months, the sources of receipts and disbursements under each separate head, for account of capital and for account of interest respectively.

Statement D exhibits, in a more condensed form and in juxta-position, the totals of said semi-annual receipts and disbursements, the excess of either, every six months and in an intermediate column, the amount of deficit resulting therefrom, as it varies at each semi-annual period.

This deficit, as will be seen, increases from June to December, and decreases from December to June, which fluctuation is explained by the fact that, while in the last named period the collections on stock loans, are the largest; about $275,000—the 1-7th of bank bonds fall due, amounting to $96,000—and while in the following half year the collections on stock loans average only about $97,000, the bank has to provide for the 1-5th of the extended bonds: $250,000.

After making its first appearance in December, 1851, to the amount of $63,630 20

It increases for three successive years at the rate of about $160,000, a year, arising in December 1852 to 222,445 19

" " 1853 393,275 46

being at its maximum in December, 1854 at 555,114 74

From which time, owing to the last 5th of extended bonds having just been discharged, it decreased about $110,000, being in December 1855 444,473 49

and on the following year, the last 1-7th of bank bonds, having been also satisfied, it decreases again by $156,000 and settles finally on December 1856 at 288,241 08

and, if the calculation were carried further, the deficit would be seen to disappear entirely at the end of 1856, until it broke up again at the maturity of the second series of State bonds in February, 1859, which will amount to $1,296,000.

But, to limit our remarks for the present to the working of the bank, between this and 1856, the excess of disbursements over the receipts within that period arises solely from the fact that, independently of the payment of the current interest, the bank shall have to discharge the principal of its debt, as shown by the column intermediate to statements A and B, to the amount of $1,878,009 75. True, the above deficit can at any time be met by the sale of a corresponding amount of assets, the St. Louis building and other real estate, and the State 6 per cent bonds. But it would be but a palliative and would leave the gap in the capital just as deep in the end.

Let us now examine what will be the situation of the Bank in 1856. The excess of cash matured debts over cash collections, or what may be termed the deficit income, independently of the interest which will have accrued thereon if not met at its first and successive appearances by additional resources, will amount, as has been shown, to $288,241 08

And by a reference to statement B, it will appear that, after deducting the amounts collected and paid on account of capital within the preceding seven years, the interest of 1st February, 1857, being provided for, the deficit *in capital*, or excess of liabilities over assets, shall amount to $678,478 10

Forming a total of deficit on 15th December, 1856 of $966,719 18

It being borne in mind at the same time that the interest of 5 per cent. on the foreign debt, costs the bank annually 6 1-2, and that for the payment of the principal, every State bond of $444 44, at an average premium of 8 per cent. can only be discharged at a cost here of $480. This premium on each of the successive payments of the principal in 1859, '68, '77 and '86, will amount to $172,750, to meet all of which it would require, on 15th December, 1856, a sum of about $170,000, at a compound interest of 7 per cent. per annum:

Critical as the position will be in 1859, there is another cause of decay, already at work, to which we must call your attention, as it will hasten the downfall of the institution, unless a remedy be promptly applied.

It has been shown above that for some years past, though at a yearly decreasing rate from 1842 to 1849, the bank did gradually recover, owing to a higher rate of interest accruing on its assets, and a large portion of its liabilities bearing no interest. This gradual improvement can no longer be expected. By the above related negociation last year, the funding of the arreared coupons converted a dormant into an active debt to the amount of $675,000. On the present day all the liabilities of the bank with the exception of some $15,000, are bearing interest. While the burthen thus imposed on the bank has been gradually decreased by the portion thereof that has been collected, the higher rate of interest on a lessened capital has ceased to outweigh the interest of the debt, and the scales are turning the other way.

It is the case of a merchant who owns a capital of $100,000, yielding 7 per cent. interest and owes a debt of $120,000 bearing 5 per cent. the interest on his capital will be $7,000

The interest on his debt, 6,000

Leaving him every year with a surplus of income of 1,000

Let him apply $60,000, of his capital to the extinguishment of so much of his debt, his capital will be reduced to $40,000, and will yield at 7 per cent. $2,800

His debt will be reduced to $60,000, the interest on which at 5 per cent. will be 3,000

Leaving a deficit in income of $200

The Bank is coming to that critical turn, as the following figures from the said statements will show:

On the other hand the collections on account of interest shall amount to $2,412,627 74

Leaving a payment for interest on the debt and expenses to 2,750,378 95

Being an excess of interest accruing against the bank of $337,751 21

Which surplus of interest, after applying toward it the above excess of collections on capital, shall leave a deficiency, as shown in a former part of this report, of $288,241 08

which cannot be met but by a new encroachment on the capital.

At such a rate it has been calculated that the remaining capital of the institution would be totally absorbed by the payments coming due on the principal in 1859 and 1868 and the interest to accrue until then, the institution remaining at the latter period with a debt of $2,500,000, with no representative but the stock mortgages.

Having thus far, laid before you, in their naked truth, the present and prospective situation of the bank in its financial point of view, we trust your honorable body will arrive equally with us at the melancholy conviction that the critical hour has come, that, if maintained much longer under its present system of liquidation and unless additional subsidies be brought to its relief, the institution is doomed to an early ruin. Nothing short of unity of action on the part of the State and stockholders can avert the crash; but a proper spirit on the part of both is sure to restore the bank to a sound and flourishing condition.

The State has pointed out the readiest and most obvious remedy. The act of 1847 makes it a duty on the managers and directors to require such annual or periodical payments from the stockholders, independently of their stock obligations, as will accumulate a fund sufficient to meet faithfully and regularly the obligations of the State, for account of this bank.

Under present circumstances within the narrow sphere of action assigned to them, the undersigned consider a call, upon the stockholders as the only means to protect the State from loss, as obligor on the bonds they would, ere this, have resorted to that measure, but, as long as the negociation with the bondholders was pending, it was deemed inexpedient to hurry into it. It was out of the power of the board to ascertain what amount of the matured, or fast maturing, foreign debt would remain outstanding, and to determine, in the relation of the available means to the active liabilities, for how many years and for what amount the annual call upon the stockholders would have to be made; and as it would be made more or less onerous, according to the results of said negociations, it was proper to show the nature and extent of its necessity. It was but lately that those data could be ascertained, and while the undersigned are determined to perform that duty, if no alternative is left, the legislature being about to meet, and there being no urgent necessity for immediate action, they have paused before that last resort, for the purpose of submitting to the most earnest consideration of your honorable body, its practical difficulties, and in some respects, its pernicious consequences.

The stock of this bank, secured by mortgages to the amount of $11,400,000, consists of shares 114,000

A part of which is now inactive, being attached to property seized and brought in by the institution, and remaining unsold on the present day, (26th January, 1850), to wit: shares 2,756

Another portion is held by stockholders whose inability to effect any payment, in addition to the reimbursement of their loans on stock, is either ascertained, or considered as very probable, shares, 21,244—24,000

Leaving about shares 120,000

The holders of which are reputed able to respond to the call, because hitherto they have regularly discharged the instalments and interest on their debt.

It is estimated that a contribution of $7 per share, on the 120,000 shares, at the rate of $1 per share, during seven years from and after the 15th February next, would be sufficient to meet both the deficit in income and the deficit in capital, which, as has been stated in a former part of this report, are expected to form, in December, 1856, an aggregate amount of $966,719 18

For an estimate of the proceeds of said contribution, reference is craved to annexed statement E, in which will be seen, in juxta-position, the gradual increase both of the deficit in income and of the fund to be derived from the contribution, what each will amount to on the 15th December of every year, with interest added thereon at the rate of seven per cent. per annum. It will show that, by means of said contribution, the deficit in income will at all times be met and the deficit in capital ultimately filled up, there being a small surplus which, on 15th December, 1856, the interest of February following being provided for, would leave $5,198,000 of assets, and $5,188,000 of liabilities. The contribution, at whatever amount it shall be fixed, must bear equally upon all. In duty to such stockholders as will pay, compulsion must be used against the co-partners that will not, whether their delinquency arises from unwillingness or inability. We cannot calculate upon any contribution on at least 24,000 shares, and it is but fair to presume that there will be a large portion of the remaining 120,000 shares that will not readily respond to the call. While the measure must prove the most effective means to enable the bank regularly to meet the obligations of the State, it is evident that the present indebtedness of a large number of stockholders is as much as they can, in their present condition, be expected gradually to discharge, and that the payment of the contribution shall only be enforced in many cases by a foreclosure of the mortgages. Thus brought under the hammer, the mortgaged property must either be bought in by the bank itself, or by third parties. If adjudicated to the bank, the stock, sold along with it, would thereby cease to be liable to the contribution, as must at present be the case with the 2756 shares formerly attached to property seized, bought in and now owned by the bank, the additional ones being thereby shifted on the rest of the stockholders: a large amount of property, too, would be thrown on the hands of the bank, much less productive, as is well known, when forced upon a corporation, than under the fostering management of private enterprise.—If bought by third parties, it must sell at a sacrifice proportionate to the additional burden put upon it, in the shape of annual contribution and the disgrace attached to the stock, spreading in either case distress and ruin upon the delinquent stockholders. In a remarkable report by a committee of the House, in the session of 1847, it is estimated that 23,856 shares are secured by mortgages on property worth only $10 per share over the amount of the loan on stock, and 30,000 shares by mortgage on property worth only $20 per share over the loan; should any such depreciation of the property take place as, under such circumstances can be apprehended, a large additional portion of the stock must become unsaleable, or be converted into a dead weight in the hands of the bank.

Hence, the contribution must bear the heaviest upon such stockholders as will be able to respond to the call, as they shall have to pay, besides their own proportion, the proportion accruing upon the inactive stock that has been and will hereafter be forced upon the bank at the purchases at sheriff's sales.

Experience has proved that the bank is always loser in these forced purchases. From 1840 to 1849, the judgments under which the bank foreclosed upon stock mortgages, have amounted to $718 922 47

The property was adjudicated to her at 590,160 69

Being a difference of $128,761 78

Being a loss of value to that extent in the latter year, the same property that subsequently resold for $646,585 92, reducing her loss to $72,326 55, besides taxes, insurance, loss of income and interest, and other incidental charges.—Those losses may be ascribed in part to the original over-valuation of the property, when offered to secure the stock; but they are, in a great measure, due also to the depreciation which the stock brings upon the property to which it is attached. A further proof of it is found in the repeated offers that have been made for property belonging to the bank, provided it should be sold free of stock. The necessity of selling the stock with it, consequently involved a loss which could not be avoided.

We regret to be compelled to add that resistance is expected at the hands of such stockholders as call into question the constitutionality of the act of 1842, and subsequent acts relative to the bank. In alluding to such resistance, we do not mean to imply that it can ultimately be successful; our sole object is to show that litigation and delay, involving expenses and loss, are to be expected, before the tax can be levied. The uncertainty of its ultimate collection will be, for the less unwilling among the stockholders, a pretext or an excuse for holding back; and it is the additional onus is to be thrown upon them, through a deficiency in the general gathering, it is expecting too much from human nature to suppose that they will long retain the untiring energy which can alone extricate them from their present difficulties.

The contribution was easily obtained from the stockholders of the Consolidated Association, because their position was different. Their charter was so near its expiration, that they could gain nothing by appealing to it. In submitting themselves to the contribution, they obtained a delay of seventeen years for the payment of a debt, the whole of which was already due, or nearly so.

There is another fact to which your attention should be called. On looking at the transfers of stock, that have been made for several years past, a deterioration in personal responsibility of the transferees is greatly apparent and easily accounted for. Every stockholder is conscious that his stock is not only an incumbrance on his property, but will sooner or later make him liable to a per centage of loss, which, though the amount thereof be not ascertained, and perhaps because it is not ascertained, makes him anxious to throw off the risk. As rats will desert a sinking ship, such stockholders as could afford to reimburse the amount of their stock loans have hastened to get clear of the bank, the more willingly, too, as in the eagerness of the purchasers to obtain the 39 or $38 per share, amount of the loan—three per cent. premium on the stock—or in fact, as it is the loan and not the stock which commands a premium, eight per cent. premium on the loan has been paying, and is now being paid, by the purchaser. From this fact it can readily be inferred that many of the original partners, who still figure on the stock ledger of the bank, are so locked in from sheer inability to reimburse the amount borrowed by them, and that many new stockholders could have been enticed only by the bait of the loan to encounter an actual sacrifice of eight per cent. premium and the prospective risk of an unascertained deficit. In the transfers that are daily applied for, this board have been very particular in requiring that the value of the new property offered for mortgage should amply secure the amount of the stock; it is nevertheless true, that the personal responsibility of the new purchasers is much inferior to that of the former stockholders, and the undersigned think it their duty to improve this opportunity to call the attention of the legislature to the disasters which a weak or compliant administration of the bank might inflict upon the State, if, besides this unavoidable gradual deterioration in the personal security of the stockholders, they should suffer any insufficiency in the new mortgage recently offered on the daily transfers of stock. The former evil, if alone, would retard the regular payment of the annual semi-annually due, and place the State again temporarily under protest, though the property securing the stock might ultimately prove amply sufficient. But the latter evil would involve the State, as surety, in heavy responsibilities, which could be met only by general taxation.

Those are the considerations which, before making a call upon the stockholders pursuant to the act of 1847, we have deemed it our duty to submit to your honorable body.

The preceding detailed examination of the present position of the bank, and of its future prospects, lengthy as it may appear, has been thought necessary, to show distinctly the dangers to which both the stockholders and the State are exposed, if the bank is compelled to continue its liquidation under the existing laws, and nothing is done to stop the gradual eating up of its capital. The above data clearly show, in the opinion of the undersigned, that, to avert the impending ruin, something is required besides a contribution from the stockholders; that other measures should be adopted, in conjunction with it, to increase the resources of the bank, and that the surest means to attain the end is to permit it to resume active operations.

But can the Citizens' Bank resume active operations after the decree of forfeiture which has prostrated it? Would the legislature, if they were so disposed, be authorized, under the constitution, to restore to it its banking privileges? The undersigned are supported by the opinions of persons well versed in our laws, in believing that those questions can both be answered in the affirmative.

The act approved 14th March, 1842, to provide for the liquidation of banks, establishes a striking difference between the ordinary chartered banks and those for which the State has loaned her bonds. When one of the former incurs a forfeiture of its charter, that charter is to be declared null and void. But if a decree of forfeiture be pronounced against any of the latter, the corporation is not deemed to be dissolved, but retains all its corporate powers and privileges, with the following exception: if the stockholders agree within ninety days, first, to renounce the right of issuing a paper circulation; secondly, to guarantee, in the manner prescribed by said act, the payment of all the liabilities of the State, the bank remains in possession of the whole of its assets, under the superintendence of the Board of Currency, retains all its corporate powers and privileges, and is to have, moreover, the right of charging an interest of eight per cent. on all loans having more than ninety days to run. If the stockholders do not enter into the foregoing arrangements, it is no where said that the charter shall, on that account, be declared void, and the corporation dissolved. The only penalty for their failing to do so, is, that the bank shall, in that case, pass from the stockholders to the State, and be liquidated by six managers appointed by the Governor, who are invested with the powers and duties of the president and directors of said bank. The legislative makes an express reservation, not of the right to annul the privileges of the bank, which are maintained by the law, but of their own power to change, in future, the mode of conducting the liquidation.

[illegible] Bank, is not, therefore, as in the case of the banks in which the State was not stockholder or bond issuer, a total dissolution of the charter, but a divesting of the right of the stockholders to the exclusive control of the bank. The banking privileges are not annulled and destroyed; they are merely suspended. During ninety days the stockholders might, under certain conditions, have recovered the use of them all, except the power of issuing paper for circulation. So clearly was it understood that they could not be deemed to have absolutely lost by the decree of forfeiture all their banking privileges, that they were required to renounce formally that of issuing notes for circulation, which, at the time, it was not thought safe for them to exercise. The stockholders having complied with neither of the two conditions imposed upon them, all the banking privileges descended, at the end of the 90 days, to the managers appointed by the State, who are invested with the same powers and duties as the president and directors of the bank, to be used and exercised as the legislature might from time to time direct.

The reasons for which the act of 1842 did not dissolve the charters of the property banks, and destroy their privileges, are obvious. No man, or body of men, can be presumed to act deliberately in opposition to their own interest; and the object of the legislature was to protect their constituents against the heavy responsibility which had been incurred in favor of those institutions. The law changes into insolvent estates all the liquidating banks in which the State has nothing to lose: it orders the assets to be collected and distributed, and after a final settlement, the commissioners are to be released from all responsibility on their bonds. What would have been the result if the same course had been adopted in relation to the property banks, for the payment of whose bonds the State had pledged its faith? After a few years of liquidation, a distribution of all the available assets would have been made, and the State would have remained responsible for whatever balance there might have been due to the holders of its bonds: ruin or repudiation would have been the consequence. The only remedy was to keep and preserve the privileges and rights of the corporations in which the State was so deeply interested, to be exercised as an off-set against her liabilities, in the manner and at such time as circumstances could point out to be most to her advantage.

The operation of the law of 1842, and of the decree of forfeiture, is confirmed by the action of the legislature. By an act approved April 5th, 1843, modifying and explaining the afore-said law, it is declared that the powers, rights and duties, of the managers of the Citizens' Bank, are to be *the same*, and that they shall be subject to the same responsibilities as those defined by law with regard to the president and directors of the Citizens' Bank *before its being brought into liquidation, with the only exception*, that the managers are not permitted to issue notes or bonds for circulation; and because the bank could no longer issue its notes or obligations, they repealed the necessity of observing the first section of the act of 5th February, 1842, concerning dead weight and movement.

So stood the bank when the State constitution, now in force, was adopted, with a decree of forfeiture that does not amount to a destruction of the charter, but to a temporary sequestration by the State, and with six managers expressly authorised to use all the rights and privileges which existed before the decree of forfeiture, except the power of giving circulation to their notes. What were the other rights and privileges? They are plainly stated in the charter: "All usually accorded to banks, to buy and sell or trade in bills of exchange, drafts, or other mandates, either foreign or domestic, to discount bills, notes and bills of exchange, to lend money upon mortgage or pledge of property moveable or immoveable, or other effects; to buy, sell and trade in all kinds of stocks, and gold and silver bullion, and receive pledges thereof; all upon such terms and securities as the directors shall judge proper."

If the legislature were determined to restore this bank to active operations, the constitutional objections against the creating of corporate bodies with banking privileges cannot stand in their way. This corporate body existed with banking privileges when the new constitution went into operation; it wants no act of incorporation, the charter needs no renewal, nor any extension beyond the thirty-six years it has yet to run.

The legislature never destroyed the charter of the bank; they put it in sequestration, and in the hands of their own officers, as judicial sequestrators, giving to them all the powers of the president and directors, excepting the right to issue notes for circulation. This last power they did not take away from the corporation, which is stated to have preserved all its rights and privileges, but from their own judicial sequestrators, forbidding them to exercise it, and there is nothing in the constitution to prevent the legislature, if they think proper to do so, from restoring it to the corporation.

If there be any obscurity in the position of the words of art. 125, the meaning is at once explained by the French text: "no corporate body shall be hereafter created, renewed, or extended with banking or discounting privileges."

"Aucune corporation ayant le privilége de faire la Banque ou l'escompte, ne sera créée, renouvelée ou prolongée."

I. E. "No corporate body with banking or discounting privileges, shall be hereafter created, renewed or extended." Renewed, refers to the corporate body and not to the banking privileges. The banking privileges previously existing can be renewed to a corporate body heretofore created and not [illegible] but such corporate body, when [illegible] once expired, cannot be renewed [illegible] legislature is no where forbidden to [illegible] previous privilege, illegally [illegible] a corporate body, with banking [illegible] already existing.

[illegible] foregoing considerations, the undersigned are of opinion that it is competent for the legislature to give new life to the expired charter of the institution [illegible] increase the efficiency of its discounting and banking privileges, so as to secure the payment of the State bonds, the constitutional question is not at issue, but that the measure is only one of expediency, and this they think is fully answered by the statements and explanations herein before submitted.

The prostrated condition under which, since it was taken possession of by the State, this institution has until lately laboured, had put the exercise of its banking privileges entirely out of the question. They could of course be of no avail as long as it was not in the power of the bank to use its assets, so as to meet its liabilities. The negociation entered into in 1848, and concluded in 1849, with the bondholders, by enabling it to receive specie from its debtors, has supplied it with means of paying also all its obligations in specie and has therefore placed it in a position to justify the resumption of its banking operations. But although impressed with the necessity of increasing the resources of the institution and convinced that, under the present legislation, it retains all its privileges, except that of issuing paper, the undersigned do not consider it prudent, [illegible] to recommend their use; the [illegible] to the [illegible] makes it [illegible] matured bonds, provided they can be obtained at or below par, is not what stands most in the way. It becomes a dead letter; First, because there unfortunately are no surplus funds; and Second, because the unmatured liabilities next falling due, the only ones which in the present condition of the bank, it would be justified in purchasing, could not be had except at a loss to the bank. With heavy dividends to be remitted to Europe every six months, the amount collected in the mean time is barely sufficient to discharge the next succeeding engagement. The sums not immediately wanted for that purpose are certainly not to be suffered to remain unproductive when they can be safely used, but they can only be invested in paper not averaging over four months at a discount of 6 per cent. By reference to statement C, it will be seen that the profits to be derived from discounts between 1849 and 1856, are not likely to exceed $9,200 per annum.

Deposits might be received, but those usually flow only where discounts are to be expected and no institution can safely operate upon them which has not, besides a proportionate specie fund, circulation issues to meet unexpected calls of depositors. In private banking, deposits can to some extent, be made an available fund for discounts, but only when, by previous arrangement with some moneyed institution, the means to meet a sudden demand are provided as soon as applied for.

The privilege of dealing in exchange must always be in this great centre of commerce, a fruitful source of profits and the bank must, to pay the interest on its bonds, trade to some extent in bills of exchange. It could easily obtain the credit necessary to extend its operations in that line, if the opinion entertained by those who have never investigated the subject that the institution has irrecovably lost its charter, did not impair the confidence it must be possessed of in order to enter into such business, with well grounded hope of success. The fact is that the privilege, left in this bank are all rendered illusatory and of no practical avail to increase its resources by the withdrawal of a single one, that of issuing paper.

The original organization of the bank was so powerful that, in spite of all it had had to encounter, the element of life are yet left in it. The combined action of the State and of the stockholders may still give it health and vigor. But unless something is done to replace it in its former standing, the undersigned, after the most careful examination of the subject, must repeat that the institution is finally bound to fall and that both the State and the stockholders are doomed to be ultimately much injured by it.

The only effective means which they can find for preventing such a result is the recommendation to the legislature of the decree of forfeiture, provided the security which the State had in view in obtaining it be otherwise attained, that is to say: on condition that without increasing in any manner the present responsibility of the State, the deficit now existing in the capital of the bank shall be filled up by the stockholders, and the institution shall besides possess a sum sufficiently large, over and above the present assets, to guarantee in the opinion of the legislature, the future stability of its banking operations.

The banking privileges if restored, are worth much more than the amount of the new existing deficit. It could soon be filled up by a small share in the immense profits which will soon be monopolized in New-Orleans, by only three institutions: The State, Canal and Louisiana Banks, the aggregate capital of which cannot be extended beyond $10,000,000. It is well known that under less favorable circumstances, several of the banks, which were permitted to continue their operations after the revulsion of 1842, have in a few years filled up deficits which, when compared to their capital, were much larger than the one now existing in the Citizens' Bank.

As an instance of what can be done by an institution similar to this one, we beg to refer to a legislative document already quoted. Comparing the situation of this bank to that of the Union Bank, it says: "That company was founded on the same principles as the one under consideration, the difference has been that the one commenced the principle of reduction, 5 years before the other and that the one has always been managed by the private interest and supervision of the stockholders, whilst the other has been for nearly 5 years under the control of State managers and the interest of the stockholders (the whole subject acted on) has had no representative."

A statement, appended to said document, of the relative situation of the Union Bank, in 1836 and 1847, shows that during the intervening period, she reduced her liabilities $8,273,709 89

To do which she reduced her assets only 8,193,618 42

Leaving consequently a profit in those ten years of $1,080,091 47

In connection with this fact we find in a statement of the situation of said bank, on the 1st January, 1844, submitted at a meeting of the stockholders on the 18th day of said month, when it was put into liquidation, that the bank, while in active operation, had sustained losses amounting to $1,564,321 46, which, after being made up by its profits during the same period, still left at the date above mentioned a reserve of profits of $1,624,541 26.

If the Union, like the Citizens' Bank, had been put into liquidation with a deficit in its capital, it would have laboured under the same difficulties, it owes its present prosperous condition to the fact just shown of having a large surplus of capital at the time it closed its regular business, which surplus had been realized before, out of its active operations, and but for the losses just stated, would have swelled its profits, previous to its ceasing to operate to $3,218,563 72. When its banking operations were put to an end, there was no danger in the measure; that bank only lost the opportunity of adding further to its profits. With such a surplus capital in 1844, the interest yearly accruing in favor of the bank, amounting to much more than the interest it had to pay, the surplus was bound to increase, though the bank had ceased to operate, and it actually did so, until it amounted on 31st July, 1849, to $6,452,186 69, of which $4,[illegible] or nearly $27 25 per share, accruing to the stockholders and $393,859 81 coming to the State, for its share of the profits in the institution.

The Citizens' Bank, on the contrary had a large deficit when it was put into liquidation. Its charter has still thirty-six years to run, a much longer period than the Union Bank had before it, when it was first put into operation. With the existing laws to prevent overbanking, with a much healthier tone than formerly in the commercial condition of the country, if relieved from the consequences of the decree of forfeiture, it cannot be considered as improbable that it shall, before the expiration of its charter, realise results as favorable as those which have just been stated of the Union Bank.

Different plans may be devised to enable the bank to raise the additional capital required from it as a condition of the restoration of its active privileges, with a view to the absorption of the bonds of the State or the further security for the payment thereof. The following, if embodied in the Bank of a bill [illegible] into a law, would, it is believed, reach the end intended.

First. That whenever the bank shall have procured independently of its present assets, and without adding to the liabilities of the State, additional assets for $1,600,000, not less than one half of which in State bonds at their par value here, and after said State bonds shall have been delivered to the State to be cancelled, that then and in that case it shall be the duty of the Governor of the State to issue his proclamation declaring said bank to be entitled to exercise and enjoy, with a capital never to be increased beyond $8,000,000 all the rights and privileges granted to it by its act of incorporation and the several acts amendatory and supplementary thereto as they existed before the said bank was put into liquidation.

Second. That in order to obtain the bonds and money required to enable the bank to recover the use of its privileges as aforesaid, the stockholders shall elect three commissioners, in the manner and form and with the qualifications stated in the charter for the election of directors, to serve without a salary for a term of two years, and to be empowered to carry out the following measures:

1st. Said commissioners, as soon as possible after entering into their duties, to make a call upon the stockholders for a sum not exceeding $7 per share, and not below the amount necessary to raise at least $630 000; said contribution to be payable in from one to seven years at the rate of $1 per share, per annum, or in advance of said time, if they think proper to do so.

2d. That independently of the preceding obligatory contribution, voluntary contributions shall be received from the stockholders, payable either in specie or in State bonds, of each series, or the maturity of which, in an average, shall be equivalent thereto, until both the aforesaid contributions shall together have reached the sum of at least $1,600,000, when said commissioners shall cease to require or receive either of said contributions.

The amounts paid to the bank in payment of either contribution to bear an interest in favor of the stockholders so contributing at the rate of 5½ per cent. per annum to be paid at such times, and in such a manner as the commissioners shall direct, and to be entitled to a share in the eventual profits of the bank in proportion of the amount contributed to the amount of the present assets of the bank, estimated at $6,435,000. Said share in the eventual profits to be payable only as provided in the charter for a division of the profits between the stockholders and the State.

3d. That in order to facilitate the payment of said contributions, each stockholder shall be authorised to sell the one-eighth part of his stock, the buying stockholder to pay the same to the bank at the rate of $100 per share, in specie or in State bonds, as aforesaid, and not to be required to secure the same by mortgage, provided the stock so sold shall remain secured, together with the rest of the stock, by the mortgage previously consented by the stockholder so selling the same, who shall remain subject to all the obligations imposed by the charter for the security of said stock. The holder of the stock so purchased to be entitled, on the amount of the stock thus paid by him, to the same interest of 5½ per cent., per annum, as is above allowed on the amounts paid for contribution and to all the privileges belonging to stockholders.

4th. That the said Commissioners shall be especially authorised to enter into arrangements with the bondholders for the exchange at par by the stockholders of their stock for State bonds, for the amount of which certificates shall be issued by the bank, bearing 5½ per cent. interest, payable, as well as the principal at its maturity, at the counter of the bank; no certificate to be issued unless the bonds be delivered up to be cancelled; the stockholder thus transferring his stock to transfer with it his share in the eventual profits of the bank, but to be at liberty to retain the loan that may be due thereon at the time being, said loan to continue payable and renewable as heretofore and to remain secured by mortgage.

The said commissioners to be also empowered to contract and agree with such bondholders as may not wish to become stockholders, that on their bonds being surrendered by them to be cancelled, an interest of 5½ per cent., per annum, shall be payable at the counter of the bank on the amount of said bonds, said bondholders to be moreover entitled to a share in the eventual profits of the bank, in the proportion above stated in relation to contributors.

Third. That immediately after the promulgation of the law, it shall be the duty of the Board of Managers and Directors to call, after thirty days notice, a meeting of the stockholders to vote for or against the acceptance of said law, which shall be considered null and void, unless accepted by a majority in number and amount of those entitled to vote. If it be so accepted and the said three commissioners elected by the stockholders as foresaid, the Board shall afford to said commissioners the means necessary to facilitate the performance of the duties imposed upon said commissioners until the expiration of the term of service or until the issuing of the above mentioned proclamation, by the Governor, when the administration of the bank shall be transferred and its assets delivered over to the directors to be appointed by the State, and elected by the stockholders in conformity with the original charter.

Fourth. That the stockholders shall have the exclusive management of the bank, so soon as all the bonds shall have been returned to the State to be cancelled.

The above plan tends in its main features to the extinguishment of the bonds of the State, or to the increase of the resources of the bank towards their punctual discharge