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ment should be at liberty to exempt the annexed territory from all payments to the Hudson's Bay Company, which payments would thenceforth be exclusively leviable, (without any deduction from their amount) on the territories acquired by the Crown to the west of the above line of demarcation."

In regard to the second part of Sir Edmund Head's letter of 14th March, Sir Frederic Rogers explained that the Duke of Newcastle was quite willing to recognize the transference to the Hudson's Bay Company, of the rights and responsibilities of the Atlantic and Pacific Telegraph and Transit Company—"if it is recognized by the Colonies concerned." And he goes on to say that His Grace "is further willing that on the completion of the Road and Telegraph from the Frontier of Canada to that of British Columbia, lands adjacent to the line shall be granted to the Company at the rate of one square mile for every lineal mile of Road and Telegraph constructed on Crown Lands between the line of demarcation above described and the frontier of British Columbia."

VIII. On the 13th of April, the Company accepted the offer of Government in principle, but considered that the *amount* of the payments within 50 years out of the land and Gold Revenues should not be limited, or if limited, should be limited to £1,000,000 instead of £250,000. They asked in addition to be allowed—

- (1) To retain 'us private property "their posts and stations" (on which buildings had been erected) "outside the Red River settlement with an area of 6,000 acres round each such post."
- (2) To retain "all lots set out and occupied by them."
- (3) To receive for every 50,000 acres of land sold by the Crown, "a grant of 5,000 acres of wild land" of their own choice.

They also require exemption from exceptional taxation and relief from every expense of government.

As the basis of an arrangement, for "through communication," they expressed their readiness to adopt Mr. Watkin's plan (modified, as it necessarily would be by the amalgamation of the Hudson's Bay Company, and the Transit and Telegraph Company,) but they required five square miles of land per lineal mile of Telegraph and Road instead of one square mile as offered by Government.

IX. On the 6th of June Mr. Cardwell declined to accept these proposals without considerable modifications, but deferred any counter-proposal until after consultation with the Treasury and with the Canadian Government.