

Had the terms of the Railway Committee Report been the correct basis of our understanding, I think any one will allow that it would have been expressed somewhat thus: All surplus earnings, after payment of economical working expenses, are to be given to the Municipalities, *until the back interest due them is refunded*. After which such surplus shall be applied in payment of interest according to its priority. Had such been our understanding, no Bonds thus palpably rendered liable to dishonor could have been sold, and therefore the funds for extending the Road could not have been raised.

This explanation is considered advisable, in order to correct the mis-statements and confusion which have arisen upon *this important point*.

I am happy to state that, on appearing before the Council last October, to rectify this error, *an amendment* restoring mutual understanding was finally carried; but not without such an exhibition of hostility as to force me reluctantly to believe that the good faith and honor of their Council were not so valued by some of its members as they should be.

A corrected *agreement* having been prepared, I hoped all difficulty was ended; instead of which, the Counsel who acted in our behalf, advised that we decline executing this instrument for the reason that, by the *wording* of certain of its clauses, this Company *might* be construed to have renounced the benefits conferred by the Act of 1860, and to have reassumed, in full, their *original liabilities*.

Further interviews then occurred and *provisos* from each side were offered, but the difficulty being so purely technical there was no solution save by a meeting of the respective Counsel.

Before this could be accomplished, the official term of the Counties' Council expired.

At its assembly, I laid the matter before the new Council, and subsequently had an interview with a Committee appointed for the purpose. From the nature of our conference, I trust that the meeting between the Counsel, the satisfactory arrangement of their technical