

I at once declare that with respect to the paying of the contractors the company has fulfilled all its obligations.

Mr Langelier appears to be completely ignorant of the terms of the contract between the company and C. N. Armstrong, of the 6th June, 1886, for the building of the first hundred miles of its railway (C). Still it was necessary in order to establish the position and responsibility of the parties respectively, to ascertain the clauses of this contract, as well as of the contract of the sub-contractor MacFarlane, who was subject to the obligations imposed by the Armstrong contract.

The cost of this contract is based upon a uniform rate of \$20,000 per mile, payable to the contractor, partly in money from the subsidies and in part by debentures or obligations of the Company.

This contractor has a right to all the subsidies granted by the Federal and Provincial Legislatures, and the balance of the contract price is payable to him by debentures.

There is no occasion, therefore, for asking if these subsidies were sufficient, seeing that the contract obliges the contractor to build the one hundred miles of road by means of the payment to him of the whole of the subsidies, plus the amount of the debentures necessary to make up the \$20,000 for each mile of road. It is quite evident that the company did not receive subsidies enough to build the entire road. But it was able to obtain through the sale of its debentures the sum of money sufficient to complete it; and the construction of sixty miles put it into a position to give satisfactory guarantees to capitalists who might be desirous of purchasing these debentures.

The company has taken steps towards the accomplishment of this object. And, had it not been for the obstacles raised up against these schemes, the company would have continued without interruption the building of the road. One of the principal causes of the delay in this respect, was the failure on the part of Mr MacFarlane to complete his contract, and his refusal to deliver up to the company possession of the road. The company has brought an action against MacFarlane to obtain such possession, and is in hopes of succeeding shortly in this action.

The company has faithfully fulfilled the obligations of the contract with respect to the paying over of the subsidies granted for the first sixty miles already built. It has kept back no portion of the moneys of these subsidies, which have been made over and paid to the order of the contractor, who had a right to them by virtue of his contract, as the annexed receipts of Mr. C. N. Armstrong, the contractor in chief, will testify. (E.)

It is expedient to examine the sub-contract of M. MacFarlane to ascertain whether the company has fairly carried out its obligations in this respect.