

the Road would be such as to still protect the new capital, while the Municipal claim was restored to its original priority.

For whatever interest the Municipalities had paid, or, under the foregoing conditions, should pay to Government up to 31st December, 1866, fifteen years from that date were to be allowed this Company in which to repay by equal semi-annual instalments.

It was distinctly understood by me that these propositions were accepted.

In *subsequent* conversation, however, a member of the Committee remarked, "but what if there be a *surplus* before 1866?" Naturally I could only suppose him to mean a *further surplus*, after payment of interest on the New Bonds, as well as *working expenses*, and replied that, in such event, it belonged to the Municipalities.

By this interpolation a grave misconception arose, and, without my knowledge, was embodied in the *report* of the Railway Committee to the Council, to the effect that *all surplus earnings, after payment of economical working expenses*, were to be transferred to the Municipalities.

My attention was not directed to this until I came to peruse the formal Deed of agreement last October, and I cannot deem myself justly blamable for not having suspected the possibility of an interpretation so entirely foreign to the spirit and common sense of the arrangement which I supposed concluded.

Unless a *further surplus* were meant after payment of *Preferred Interest*, as well as of *working expenses*, why enquire *what if there be a surplus, &c.*? seeing we all knew there was a *surplus* over merely *working expenses*!

And unless I were negotiating to be allowed to supply such surplus, for a time, in protecting the *preferred* interest, for what could I possibly have been negotiating?

Unless the Municipalities conceded such application of the *surplus* up to 31st December, 1866, what concession did they make for *that period of 3 years*, and why was it specified?