

Charter had been granted, to purchase the first fifty miles of railway then under construction by them, they to enter into a contract with the Company that they would complete the same in accordance with the terms of the agreement between the Company and Her Majesty, and the specifications thereto attached, and to the satisfaction of the Minister of Railways, so as to earn the land grant. For the line so completed—the land grant, all the shares in the Company and its property of every description—I offered them the full sum of £200,000, upon condition that they consented to pay to the trustee named by me a sum to meet the claim of myself, and others to whom I was liable through my connection with the old North-West Central Railway Company. This proposal was accepted by the five shareholders, as well as by the persons interested with me in London, who approved of it as being the only way left open to settle claims that otherwise would prevent the road being financed in England.

Afterwards, in lieu of this agreement being carried out by the five persons holding the shares in Ottawa, it was found advisable by them to nominate Alphonse Charlebois to carry the agreement out for them, so far as constructing and equipping the railway.

The effect of this was, that upon the shares in the Company being transferred to the new shareholders, the said Alphonse Charlebois, acting in lieu of the original five shareholders, did contract on the 16th September, 1889, as he repeatedly admitted, to do for the Company, that which the Company had contracted to do for Her Majesty, by the agreement made in 1887, namely, to build and equip the said first fifty miles of railway according to the terms of the said agreement made on 12th September, 1887, and the specification attached thereto, so as to earn the land grant.

Upon the persons whom I had arranged with in England becoming shareholders, the contractor was paid \$243,333 and furnished with rails for fifty miles of line, upon the express agreement that the balance of money, £150,000, should not be due or payable until the final report of the Chief Engineer of Government Railways, or Inspector of Railways, was made, that such fifty miles had been constructed and equipped by the Company and was in running order, in accordance with the terms of the agreement with Her Majesty and the specifications forming a part thereof. This was to be a report on the contract as between the Government and the Company, not between the Government and Charlebois. The Chief Engineer was not named in Charlebois' contract, as the Engineer to act between the said contractor and the Company although it was provided that in case disputes should arise on any question, such should be referred to him as referee, if he consented to act, which he never did, and the matter was never referred to him.

The Company, namely, the new shareholders, relied upon the fact that the usual course of the Railway Department in regard to the final inspection of the railway, previous to the line being worked or operated as required in the agreement between the Company and Her Majesty, would be in accordance with Sections 200 and 202 of the Railway Act, 1888, which clearly does not contemplate such inspection being made until the Company notifies the Minister that in their opinion the line is ready for inspection. Certainly the shareholders did not contemplate that such inspection would be made, not only