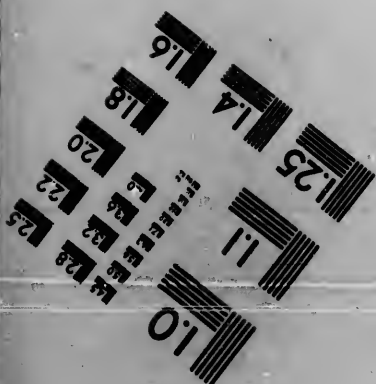
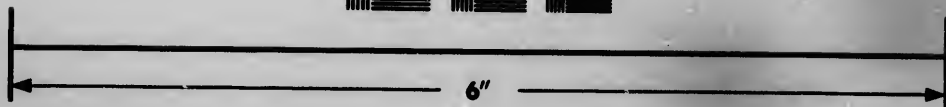
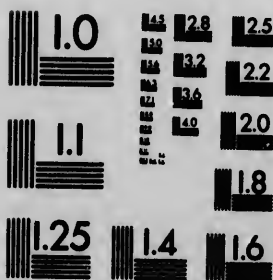


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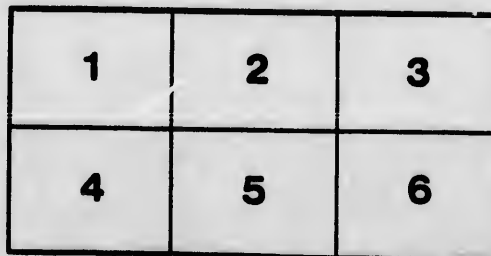
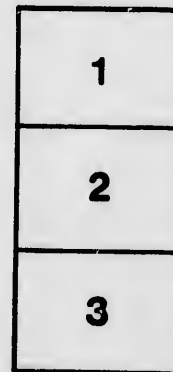
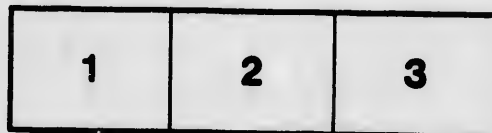
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INQUIRY

INTO THE

BAIE DES CHALEURS RAILWAY MATTER

REPORTS,

Proceedings of the Commission and Depositions of Witnesses,
Appendices and Indices.



BY AUTHORITY.

QUEBEC:

CHARLES FRANCOIS LANGLOIS, PRINTER TO HER MAJESTY THE QUEEN.

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INQUIRY
INTO THE
BAIE DES CHALEURS RAILWAY MATTER.

INTERIM REPORT.

To

HIS HONOUR A. R. ANGERS, ESQ.,

Lieutenant Governor of the Province of Quebec.

We, the undersigned Commissioners have the honour to report to Your Honour as follows :—

The grave illness of the President of the Commission has suspended, and for an indefinite period, further joint deliberation and progress on a final report.

We, at the same time, appreciate from the point of view of public interest, the necessity of Your Honour being at once made aware of the results of our deliberations. Mr. Justice Jetté now intimates to Your Honour that the state of his health makes his intervention in any report, for the present impossible.

Conscious of the great responsibility which our acceptance of this difficult charge imposes, we deem it our bounden duty to deliver without further delay, and without comments, a summary of certain conclusions at which we have arrived. We reserve our reasons for a final report.

During the J. J. McDonald negotiations, and afterwards, during those of A. M. Thom, with whom C. N. Armstrong was allied, Pacaud acted as intermediary between the parties interested and the members of the Provincial Government ;

Both McDonald and Armstrong were convinced that the intervention of Pacaud was necessary to ensure success.

The bargain made between Armstrong and Pacaud on or about the 19th of May, 1891, by which the sum of \$100,000 was promised and afterwards paid to Pacaud, was fraudulent, contrary to public order, and an audacious exploitation of the Provincial Treasury; and it was carried out under a pretext which had all the appearance of plausibility.

When the Order in Council No. 237 was passed, on the 21st and 23rd of April, 1891—and when the letters of credit were issued, on the 28th of April—the Government had nothing before it to show that the persons with whom it was supposed to be dealing were legally bound to fulfil the conditions of the Act 54 Victoria, cap. 88.

The Order in Council in question was founded on the reorganization of the Baie des Chaleurs Company, and yet such reorganization had not taken place when the letters of credit were issued irregularly and without the knowledge of Your Honour.

This Order in Council replaced the expression "privileged debts" found in sub-section j of section 1 of the 54th Victoria, cap. 88, by the words "actual debts." In our opinion the variance was one of great gravity.

Armstrong's claim, as established in Exhibit 3 of the record, amounted to the sum of \$298,493.62. It was not due and therefore not exigible; it was moreover not privileged. The sudden and unexpected appearance of this claim after the Order in Council had passed, and its payment by advances taken out of the public treasury, seem to have caused considerable embarrassment, annoyance and anxiety to the Honourable Mr. Garneau. They were the evident causes of the issue of the letters of credit.

We are of opinion that in the course of the whole Thom transaction, Mr. Garneau was subjected to considerable pressure on the part of several of his colleagues and showed lack of care, but he acted in good faith and did not, in any wise, benefit by the bargain.

The possession by the Honourable J. E. Robidoux, Attorney-General, of Pacaud's note for \$20,000, endorsed by P. Vallière, to which was attached one of the \$20,000 cheques signed by Jean-Chrysostome Langelier, the Commissioner in the Baie des Chaleurs affair, and a letter of Cashier Webb to Cashier Bonsquet promising that the cheque would be honoured on the payment by the Government of the \$100,000 letter of credit, coupled with his endeavour to obtain a discount, are highly compromising facts. It is not proven that Mr. Robidoux received any part of the \$100,000; his personal declaration under oath supports this belief.

Out of this sum of \$100,000, Pacaud, at different times, paid to the

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Honourable Charles Langelier, Provincial Secretary, different sums of money amounting to \$9,291.23; there appears to be a pretention that \$2,872.76 should be deducted from this total.

Mr. Langelier was one of the ministers who most actively interested themselves in securing the adoption of Thom's proposal. He knew of, and gave his assistance to, the endeavours made by his intimate friend, Pacaud, to obtain the discount, at La Banque Nationale, of the letter of credit for \$100,000. He was aware of the discounts obtained by Pacaud at La Banque Nationale and at La Banque du Peuple.

After having seriously weighed and considered all the facts relating to Mr. Langelier, we are forced to believe that he was aware of the source whence came the moneys received from Pacaud.

Notes amounting in all to \$28,000, discounted for political purposes, were paid by Mr. Pacaud out of the Baie des Chaleurs money. This debt, as shown by the testimony of Mr. Mercier, had been contracted with the formal understanding that the responsibility, as between the signers and endorsers, should be equally borne without regard to the order in which the signatures or endorsements appeared. Mr. Pacaud's payment of these notes, although apparently without the knowledge or consent of the several debtors, none the less as to each of them effected the extinction of a personal debt, and when, later on, this payment became known, it was not disavowed by those for whose benefit it was so made.

Messrs. Mercier and Charles Langelier were among the endorsers.

The \$5,000 required for the draft sent by Mr. Pacaud to Mr. Mercier were taken, for the moment, out of the proceeds of a note of \$20,000 discounted the same day at La Banque National, and to which one of Commissioner Langelier's cheques, in favour of Armstrong, was attached.

The contradiction which appears between Mr. Mercier's explanations to Your Honour, as reported in the official correspondence, and the testimony given before us, cannot escape attention.

In his answer to the memorandum of Your Honour of the 7th September last, Mr. Mercier expresses himself in the following words:—

"At page 23 of your letter, Your Honour says:

"The same day (15th May) Mr. Pacaud buys, with a cheque drawn against the same account, a bill of exchange on Paris, in favour of the Honourable Mr. Mercier, of the amount of \$5,000, realizing 25,000 francs.

"The testimony of Lafrance, Cashier of La Banque National, at Quebec, pages 77 and 78, establishes that these \$5,000 came out of the proceeds of Mr. Pacaud's note, endorsed by Mr. Valière and guaranteed by one of the cheques mentioned by Your Honour.

" On the other hand, I am informed that this sum was raised by means of one of the notes in blank which I left with Senator Pelletier before leaving for Europe. I have not had occasion to verify which of the two versions is the right one.

" But, however that may be, I do affirm to you : That while in Europe and in want of that sum, I asked for it, with the conviction that it might be procured by means of the notes signed in blank which I had left behind, and, of course, with the intention of paying myself for the commercial paper to be used in raising the money, inasmuch as it was to be applied to my own personal expenses.

" I further affirm, that when I asked for this sum I was not aware, and so continued long afterwards, that the Baie des Chaleurs transaction had taken place, and that I was only informed sometime after my return to Canada by the report of the proceedings before the Senate, published in newspapers, that Mr. Pacaud had received this sum of \$100,000, or any sum."

Yet, both Mr. Mercier and Mr. Pacaud testify that this first draft was called for by a letter written in the first days of May, and that the funds required to be raised through the cheque for \$5,000 which Mr. Mercier had left with Mr. Pacaud before his departure to Europe. The latter advised him of its transmission. It is much to be regretted that this correspondence was not produced.

We cannot account for Mr. Mercier's omission to tell Your Honour, as he stated before us, that this cheque of \$5,000 with another for \$3,500 had been left with Mr. Pacaud, for his own personal use.

We also regret that the following letters were not produced : the letter from Mr. Garneau to Mr. Mercier and the answer of the latter ; Mr. Charles Langelier's letter to Mercier ; Mr. Pacaud's letter to Mr. Garneau ; and the correspondence between the former and Mr. Mercier, to which reference is made in his testimony.

It is not proved that Mr. Mercier was aware of the bargain between Armstrong and Pacaud ; and he has declared that he has in no way benefited by it.

The Honorable Messrs. Ross, Shehyn, Boyer, and Duhamel, did not in any wise, benefit by the transaction.

The whole humbly submitted.

Quebec, December, 15th, 1891.

(Signed,)

G. BABY,

C. P. DAVIDSON,

Commissioners.

To His

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RETURN TO COMMISSION.

TO HIS HONOUR

THE LIEUTENANT-GOVERNOR

OF THE PROVINCE OF QUEBEC.

HONOURABLE SIR:—

We, the undersigned, the Commissioners named "to make an enquiry into and report on the facts and circumstances which preceded, accompanied, caused and followed the transactions made under the Act " 54 Vict., chap. 88, in so far as it relates to the Baie des Chaleurs Railway " Company," have the honour to transmit to Your Honour :

1. The *procès-verbaux* of our proceedings.
2. The evidence taken and exhibits fyled before us, with the schedules thereto appertaining.
3. The whole record as printed in both languages, with appendices and indices.
4. Our reports on the enquiry.

We have the honour to be,

Sir,

Your obedient servants,

(Signed)

L. A. JETTÉ.

At Quebec, 8th February, 1892,

(Signed)

G. BABY.

At Montreal, 5th February, 1892,

(Signed)

C. P. DAVIDSON.

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To His

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REPORT OF THE
HONOURABLE JUSTICES BABY AND DAVIDSON.

TO HIS HONOUR
THE LIEUTENANT GOVERNOR
OF THE PROVINCE OF QUEBEC.

HONOURABLE SIR :

We, the undersigned, Commissioners, have the honour to report to Your Honour as follows —

In consequence of reports of the Honourable the Prime Minister, the Honourable the Executive Council and an order of the Lieutenant Governor in Council, Your Honour, acting under the authority of 596 and following sections of the Revised Statutes of the Province of Quebec, was pleased, in the public interest, to issue a Royal Commission, bearing the great seal of the Province, and dated the 21st day of September, 1891.

By this Commission Your Honour named the Honourable Louis A. Jetté and the undersigned, Commissioners "to make an enquiry into and report on the facts and circumstances which preceded, accompanied, caused and followed the transactions made under the Act 54 Vict. chap. 88, in so far as it relates to the Baie des Chaleurs Railway Company."

Your Honour did further, thereby, call the Honourable Louis A. Jetté to be President of the Commission and did authorize its sittings to be held at the City of Quebec, or elsewhere in the Province, if the ends of justice required it.

Inasmuch as this duty was assigned to the Commissioners without their previous request being sought, we considered that it was one which we were bound to perform. We have therefore conducted the enquiry so ordered, and in compliance with the terms of the Commission, now submit to Your Honour our report on the proof.

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The sittings of the Commission, all of which were held at Quebec, began on the 6th of October, extended over twenty-one days, and ended on the 7th of November, 1891.

Fifty-two witnesses were examined and their printed depositions form a volume of 800 pages. There were produced in addition, five hundred and ten (510) Exhibits inclusive of many lengthy statements of accounts.

The Commission named Leopold Laflamme, Esquire, Advocate, as Secretary. Illness compelled his resignation and Jules Bélanger, Esquire, Clerk of the Circuit Court at Quebec, was appointed in his stead.

The Commission gave notice in the newspapers, at Montreal and Quebec, of the proposed opening of the investigation and called upon all concerned to govern themselves accordingly.

At the first sitting, Messieurs Béique, Q.C., and Amyot, Q.C., appeared for the Government of the Province of Quebec. This appearance was afterwards limited to the Ministers.

George Irvine, Esq., Q.C., appeared for Mr. Pacaud.

Messieurs Cook, Q.C., Hall, Q.C., and Casgrain, Q.C., also appeared and stated that certain persons, who were interested in the enquiry, intended to be represented. They applied for and were granted an adjournment until the 8th of October, so that they might determine as to their future action. This request was granted.

At the second sitting, the 8th of October, Messieurs Cook, Hall and Casgrain asked permission to appear for Messieurs J. O. Villeneuve and Owen Murphy, both members of the Legislative Assembly. They sought, at the same time, the privilege of conducting the investigation, of assigning witnesses and of producing papers.

At the next sitting, held on the 14th of October, the appearance was allowed, and it was adjudged that the Commissioners would themselves conduct the investigation, leaving it to Counsel to put all questions deemed pertinent and permitting them to assign such witnesses as were shown to be essential.

This method of procedure undoubtedly imposed much greater labor than if the Commissioners had simply presided over an investigation conducted by Counsel. It also, of necessity, delayed the preparation of a

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report, in consequence of the daily need which existed of making ready for the examination of successive witnesses. But the procedure adopted tended to shorten the evidence and in other respects conduced to the advantage of the enquiry.

The widest possible latitude within the limits of the enquiry was given to Counsel, and we believe that no essential witness has been omitted.

In accordance with the terms of the Commission, its proceedings have been printed in full in English and in French. It was a work which again involved delay, no small difficulty and a serious amount of additional labor. We have, however, the satisfaction of believing that this publication—the pages of which are everywhere referred to in the present Report—will, with its indices and tables of references, prove of great public convenience.

On Saturday, the 12th of December, the Commissioners determined on the policy of reporting *ad interim*, and Your Honor at the time was officially notified of the fact. Before the close of Monday the President was compelled, to our great regret, personal and official, to wholly cease from work.

The undersigned thereupon, by their report of the 15th of December, 1891, presented, *ad interim*, to Your Honour their matured opinions on certain leading features of the enquiry.

This Act was in discharge of what they believed to be, a high public duty.

The present report gives proof of our anxiety to make known every detail of "circumstances and facts."

All concerned are entitled to the fullest possible narrative of what "preceded, accompanied, caused and followed" the passing of the Order in Council of the 23rd of April, 1891, and the subsequent issue of Letters of credit for \$175,000.

Every statement concerning facts, every appreciation of conflicting testimony and every assertion of opinion are supported by marginal references to the evidence on which they are based.

On all points of importance the evidence itself is textually and copiously quoted.

We thus place our opinions, and the proof connected with them side by side.

In the historical part of the report, we adopt the general principle of giving events in the order of their occurrence.

In relation to points of collateral importance, we, at once, state opinions possible of such brief expression as not to seriously disturb the narrative.

But the bargain for \$100,000, the facts specially affecting the Ministers and others of like kind, are, as a rule, simply spoken of in sequence of date and afterwards developed in actual connection with the person, or subject, they specially concern.

We are sensible that repetitions, more or less frequent, of circumstances and dates will appear in the report—but they were deliberate.

It is in our belief of primary importance that all material facts should be brought into immediate relation with the different persons whom they affect—even at the cost of re-stating them.

Joint action on the part of the Commissioners settled the scope of the enquiry. Their decisions on objections taken as to the relevancy of evidence were, also, without exception unanimous.

Our report neither attempts nor effects any re-arrangement of the mutual responsibility thus assumed by and still imposed on each member of the Commission.

We deal with the facts in their entirety as we find them before us.

It only remains to add that the general scheme of our report was sketched out and worked upon during last December. It would be ungracious of us not to mention how largely we have drawn on collaborations of facts and other matter which were the results of united effort, and in connection with which we express our indebtedness to the President.

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 STATUTORY HISTORY OF THE COMPANY.

By section 1st. par. b., the Lieutenant Governor in Council ¹⁸⁸² is authorized to grant 10,000 acres of land per mile, to aid in the ^{45 Vic. Cap. 23} construction of a Railway between Metapediac and Gaspé Basin, ^{Provincial.} the length not to exceed 180 miles. By section 6, the value of the lands so granted was not to exceed \$10,000 per mile.

This statute incorporates the Baie des Chaleurs Railway ¹⁸⁸² Company, and allows it to build a Railway, starting from a point ^{45 Vic. Cap. 53} on the Intercolonial, near the Restigouche River, as far as New ^{Provincial.} Carlisle or Paspébiac Bay, with power to prolong the same as far as Gaspé Basin.

Section 4 fixes the capital stock of the Company at \$3,000,000, divided into 60,000 shares of \$50 each.

Under section 1, par. 1 of this Act, a subsidy of \$3,200 per ¹⁸⁸³ mile for 100 miles, from Metapediac to Paspébiac, was granted to ^{46 Vic. Cap. 25} the Baie des Chaleurs Railway Company. ^{Federal.}

This Act grants a subsidy of \$300,000 "for a branch of ¹⁸⁸⁴ the Intercolonial Railway from Metapediac eastward towards ^{47 Vic. Cap. 8} Paspébiac, twenty (20) miles in the Province of Quebec." This ^{Federal.} subsidy, according to section one (1), was to be paid in the manner and at the times agreed upon between the Federal Government and the Province of Quebec.

By this Act the subsidy of \$3,200 per mile, granted by the ¹⁸⁸⁶ Act 46 Vic., Cap. 25, is taken away from the first twenty (20) ^{49 Vic. Cap. 17} miles of the road and doubled up on the next twenty (20) ^{Federal.} miles.

Section 1. "It shall be lawful for the Lieutenant-Governor-in-Council to convert, in whole or in part, any subsidy of land to which any Company may be ¹⁸⁸⁶ entitled in virtue of the Act 45 Vic., Cap. 23, or of any Act passed during the present ^{49-50 Vic.} session of the Legislature, into a money subsidy, by paying a sum not exceeding ^{Cap. 76.} thirty-five (35) cents per acre at the time the said subsidy becomes due, and another sum not exceeding thirty-five (35) cents per acre when the lands allotted ^{Provincial.} to the said Company shall have been sold and paid for pursuant to the rules and regulations of the Department of Crown Lands, and subject to such conditions to secure the construction of the road to which the said subsidy shall apply, as the Lieutenant-Governor-in-Council may think proper to establish, provided that the companies entitled to any land subsidy shall declare their option within the delay of two years after the passing of this Act, in favor of the said conversion of the said subsidy, by resolution of their Board of Directors, duly communicated to the Government through the Commissioner of Agriculture and Public Works."

1886
49-50 Vic.
Cap. 80.
Federal.

By this Act the Baie des Chaleurs Railway Company is simply authorized to issue paid up shares.

1888
51-52 Vic.
Cap. 91
Provincial.

This Act declares that the Lieutenant-Governor-in-Council may take away from the last eighty (80) miles of the road the first thirty-five (35) cents per mile of subsidy converted into money and apply them to the preceding eighty (80) miles, so as to double up the subsidies on the eighty (80) miles extending from the twentieth to the one hundredth mile, and in that case the second thirty-five (35) cents per mile on these 80 miles were to apply *pleno jure* to the last 80 miles of the road (Section 12). Section 14 then re-enacts the provisions of section 1 of the Act 49-50 Vic., Cap. 76, respecting the conversion into money of the land subsidies granted to the various railway companies, and extends for two years from the 12th of July, 1888, the delay fixed for the application for such conversion.

1889
52 Vic. Cap. 86
Provincial.

Section 5. No subsidy is payable unless for a complete section of 10 miles at least, and in such case the Government, upon notice given to it by the Company, causes the completed section to be examined.

1889
52 Vic. Cap. 3
Federal.

By Section 1, item 9, the Parliament re-votes to this Company the unpaid balance of the grant mentioned in the Act 49 Vict. Cap. 17, and amounting to the sum of \$244,500.

And by section 2 the subsidy of \$3,200 on the thirty miles, from the seventieth to the one hundredth, is doubled up on the thirty miles from the fortieth to the seventieth, so as to bring the subsidy to \$6,400 on those last thirty miles.

1890
53 Vic. c. 101
Provincial

Section 7 declares:— "The Lieutenant Governor in Council shall be authorized to pay, out of the original subsidies under the Act 45 Vict. Cap. 23, sect. 1, sub-sec. b, granted to the Baie des Chaleurs Railway Company, as specially authorized by the Act 51-52 Vict., Chap. 91, sect. 12, according to circumstances, the wages due to workmen, the amounts due to farmers for land taken for sect. K of the said railway, the amounts due to the other persons having privileged claims against the said Company, and to others having claims that may be fairly considered as privileged, in proportion to the amount of work performed on the said section K, as established by the special report of the Government engineer, although the Company may not be strictly entitled to claim the sum as fully earned; the whole in accordance with a resolution respecting this matter adopted *nemine contradicente*, by the Legislative Assembly on the 5th day of March, 1890, and provided the said amount does not exceed the sum of \$20,000."

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This Act merely prolongs the delays for the conversion of ¹⁸⁹⁰ subsidies in favor of companies which have not yet declared ^{54 Vic. c. 37} Provincial. their option for such conversion.

This Act grants to the Lieutenant Governor in Council ¹⁸⁹⁰ power to cancel the charter of any railway in certain specified ^{54 Vic. c. 37} Provincial. cases.

This Act contains the following provisions:—

Section 1. "It shall be lawful for the Lieutenant Governor in Council to grant ¹⁸⁹⁰ the subsidies hereinafter mentioned to aid the construction of the railways herein- ^{54 Vic. c. 37} Provincial. after enumerated, or railway and other enterprises; to wit: (I) To contribute to the cost of constructing the bridge to be built on the Grand Cascapedia River, on the Baie des Chaleurs Railway, a subsidy not exceeding in all \$50,000.00.

"(J) To aid in completing and equipping the Baie des Chaleurs Railway throughout its whole length, for the part not commenced, and that not finished about 80 miles going to or from Gaspé Basin a subsidy of ten thousand acres of land per mile, not to exceed in all 800,000.

"Payable to any person or persons, company or companies establishing that they are in a position to carry out the said works and to supply the rolling stock for the whole road and keep it in good working order, and also upon condition that the balance of the privileged debts due by the Baie des Chaleurs Railway Company, be paid, the whole to the satisfaction of the Lieutenant Governor in Council."

Section 7 allows the Lieutenant Governor in Council to revive the provisions contained in sect. 14 of the Act 51-52 Vict., Cap. 91, respecting the conversion into money of the subsidy in lands.

Section 8 states: "Before claiming any of the subsidies above mentioned, the Company shall establish to the satisfaction of the Lieutenant Governor in Council that it has sufficient means and is in a position to complete the projected road and keep it in good working order."

**CASH SUBSIDIES GRANTED UP TO BUT NOT INCLUDING THE ACT
54 VICT., CAP. 88.**

MILES.	FROM WHAT GOVERNMENT.	AMOUNT GRANTED.	TOTAL	AMOUNT PAID HEREBON. EXHIBIT NO. 178.
A-E 1 to 20	Federal	\$300,000.00	.....	\$299,800.00
	Provincial	70,000.00	\$370,000.00	70,000.00
F 20 to 30	Federal	64,000.00	.....	55,800.00
	Provincial	70,000.00	134,000.00	70,000.00
G 30 to 40	Federal	64,000.70	.....	55,000.00
	Provincial	70,000.00	134,000.00	70,000.00
H 40 to 50	Federal	64,000.00	.....	61,100.00
	Provincial	70,000.00	134,000.00	70,000.00
J 50 to 60	Federal	64,000.00	.....	52,475.00
	Provincial	70,000.00	134,000.00	70,000.00
K 60 to 70	Federal	64,000.00	.....	.....
	Provincial	70,000.00	134,000.00	20,000.00
L 70 to 80	Federal	Doubled back.	.....	.....
	Provincial	70,000.00	70,000.00	.....
M 80 to 90	Federal	Doubled back.	.....	.....
	Provincial	70,000.00	70,000.00	.....
N 90 to 100	Federal	Doubled back.	.....	.....
	Provincial	70,000.00	70,000.00	.....
	Total cash Subsidies granted by Fed. Gov.	620,000.00	& paid by Fed.	524,175.00
	Total cash Subsidies granted by Province.	630,000.00	.....	370,000.00
	Total Cash Subsidies .....	.....	1,250,000.00	.....
	Total paid on first 70 miles .....	.....	.....	\$894,175.00

ADDITIONAL SUBSIDY BY 54 VICT., CAP. 88.

	AMOUNT GRANTED.	AMOUNT PAID.
Brought forward	\$1,250,000.00	\$894,175.00
Subsidy granted by 54 Vict. Cap. 88, sect. 1, I & J, Cascapedia Bridge	50,000.00	.....
800,000 acres of land regarded as converted into money at 35 cents per acre	280,000.00	216,000.00
	\$1,580,000.00	\$1,110,675.00

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If the Legislature of Quebec authorized payment in cash or otherwise, in lieu of a subsidy in lands, it was stipulated that Mr. Armstrong should "receive the said cash, bonds or other securities, in lieu of an equivalent amount of the above mentioned bonds of the railway company; and the amount necessary to make up the said sum of \$13,600.00 per mile shall be paid by the Company in cash or in first mortgage bonds of the Company, as the Company may select."

During the construction of the first forty miles Mr. Armstrong was to receive in money 85 per cent. of the amount of the estimates to be made monthly, as soon as each amount of cash shall have been received from the Governments of Canada and of Quebec; the whole amount to be so paid on the first forty miles not to exceed an average of \$12,000.00 per mile, nor more than \$150,000.00 on any one section of ten miles.

The balance of the contract price to be paid in bonds or in cash, as the Company may select."

During the construction of that portion of the line between the 40th mile and the terminus at Paspebiac (100th) Mr. Armstrong was to receive sixty per cent. in cash of the amount of the monthly estimate, and on completion of each section of ten miles, the balance of the contract price for such section as soon as the Government subsidies were paid.

All these payments were to be made in cash and in bonds in the proportion of \$6,400 in cash and \$13,600 in bonds.

Upon all the estimates a sum of 15 per cent. was to be retained by the Company as security for the completion of the line as far as Paspebiac.

In all cases in which the Company was bound to pay in its own bonds, it had the privilege of discharging its obligations by paying in cash or in Government debentures.

The Company was to be put in possession of the road on the 1st of July, 1888, and in the event of the first forty miles not being completed on the 1st of July, 1887, and of the whole road not being completed on the 1st of July, 1888, the Company was to have the right of taking possession of the road and completing it.

In addition, Mr. Armstrong was not to transfer his contract without the consent of the Company.

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A contract by which the Federal Government agreed with the Company to obtain Parliamentary sanction for the transfer of the subsidy of \$3,200 per mile upon the thirty miles from the 70th to the 100th miles, to the 30 miles from the 40th to the 70th, so as to bring the subsidy on the latter 30 miles up to \$6,400.

1888
2nd June.
Exhibit 170,
p. 961.
Federal.

It resulted from this contract of the 9th June, 1886, that Mr. Armstrong was intrusted with the construction of the first 100 miles of the road, which, by the three contracts signed with the Government of Canada, the Company had undertaken to build.

In June, 1888, Mr. Armstrong had, as well personally as by his sub-contractors, performed more or less work on the first 40 miles.

By contract of this date, Macfarlane agreed with Armstrong:

1. To complete the first forty miles, and to provide rolling stock additional to that already on the works, to the amounts specified in a schedule annexed to the contract;

Armstrong
24, 25, 26.

2. To build the road from the 40th to the 60th miles;

8th June, 1888.
No. 173, p. 969
Provincial.

The work was to be completed on the 1st January, 1889.

On his part Armstrong obliged himself towards Macfarlane to make the following payments:—

1. "For all expenditure necessary for the purchase of rolling stock, rails, steel bridges, right-of-way, and other necessary material, as well as engineering. The said contractor shall pay to the said sub-contractor, in addition to the actual costs, five per cent. on the total amount, together with the interest which the said sub-contractor may be obliged to pay to the bank advancing the necessary funds.

2. "For all labor required to complete the said 40 miles partially completed the said sub-contractor shall be paid, in addition to the actual cost of the same, twelve and a half per cent.

3. "For the twenty miles of new road, in extension of the said 40 miles, the said contractor shall pay to said sub-contractor the prices as detailed in the schedule of prices hereunto annexed and paraphed by said parties *ne varietur*."

The transfer of certain subsidies was stipulated as security for the fulfilment of the above payments.

Moreover it was declared that:

"The railway now partially completed, with all rolling stock thereon, as well as that portion from said 40 or 60 miles to be built with all appertences pertaining thereto, shall remain in the possession and under the control of said sub-contractor as additional security until the final payment of all sums of money to which he may be entitled under this agreement."

FROM MACFARLANE CONTRACT, 8TH JUNE, 1888, TO SEPTEMBER,
1890.

Armstrong
p. 28

Macfarlane began his contract and made sufficient progress, to enable regular trains to run over the 60 miles, during the two or three months which preceded the final suspension of the work.

Armstrong
27, 28.

Meanwhile difficulties arose with Armstrong in regard to bridges and other matters of detail; financial embarrassments followed; the workmen were not paid; strikes were organized; finally, Macfarlane was forced to make an abandonment of his property to Riddell and Watson, accountants, and all work on the road was suspended in 1889.

p. 27

Exhibits:
No. 5, p. 887.
No. 115, p. 516.

On the 5th of October, 1889, Mr. Charles Langelier was appointed Commissioner to enquire into the amount of unliquidated claims resulting from the construction of the road, and the complaints made against the Company and its sub-contractors.

He made several reports on the subject.

Exhibits,
No. 184, p. 719.
Exhibits,
No. 185, p. 719.
Exhibits,
No. 186, p. 719.
Exhibits,
No. 6, p. 888.
Exhibits,
No. 116, p. 944.

On the 25th November, 1889, Mr. Jean Chrysostome Langelier was, by Order-in-Council, of that date, appointed a Commissioner to settle and pay a certain number of claims for land, work, provision accounts and other charges. To these ends the Government placed the sum of \$41,500 at his disposal, of which he has since rendered an account.

This complete suspension of the works and of the non-payment of many existing claims against the road were causes of general discontent in the locality, a discontent of which the Government was informed both by personal representations and by petitions presented by municipalities and citizens.

Bérubé, 101.
Larivée, 101.
Crépeau, 120.
Dion, 124.
Guitté, 135.
Thivierge,
199-201.
Fauvel, 226.
Mercier,
515-516.

Towards the month of September, 1890, and while matters were in this condition, Mr. Heaton Armstrong, of London (England), banker, who had formerly negotiated the bonds of the Temiscouata Railway on the English market, being in Canada, was introduced to Mr. Pacaud by Mr. Hector Cameron, Q.C. It was agreed that Mr. Pacaud should aid in the formation of syndicate for the reorganization of the Baie des Chaleurs Railway Company and the continuation of the work already begun.

Pacaud, 361.

Shortly after Mr. Heaton Armstrong came to Quebec, the matter was discussed anew, and he requested Mr. Pacaud to obtain him an interview with the Honorable Mr. Mercier, but

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the latter's engagements rendered this for a time impossible. However, the following week, about the 21st September, 1890, Mr. Pacaud arranged a meeting and it took place at the Government offices in Montreal.

The matter was discussed and Mr. Armstrong declares himself satisfied with the result of the conversation.

Some time afterwards, at Mr. Heaton Armstrong's suggestion, Mr. John J. McDonald, the builder of the Temiscouata railway joined Mr. Heaton Armstrong, and thenceforth he appears to have conducted all the negotiations in their behalf.

In October, 1890, Mr. Pacaud, Mr. McDonald, and Mr. Cameron visited the department of the Honorable Mr. Garneau. They obtained from Mr. Bouchette, one of the employees, all the Statutes applicable to the undertaking, and Mr. Pacaud after requesting Mr. Moreau to give Messrs. McDonald and Cameron every possible information, withdrew.

While Mr. McDonald was actively employed in overcoming the difficulties which arose from conflicting interests between the railway company, Mr. McFarlane and the Ontario Bank, and was generally working for the success of the undertaking, Mr. Pacaud, at his request, had several interviews with the Premier, who invariably asserted that the propositions submitted to him were extravagant.

Mr. McDonald's offer apart from the Dominion subsidies were as follows :—

1. To complete the first 100 miles for.....	\$400,000 00
And a grant for Cascapedia Bridge of.....	50,000 00
	\$450,000 00

2. To deposit \$840,000 with the Government in the guarantee of interest on the bonds.

3. To pay out of his own funds \$175,000 for the franchises of the old Company clear of liabilities.

4. And he has since stated, before the Commission, that the figures included a proposed allowance of \$50,000 to Mr. Pacaud.

Shortly afterwards Mr. McDonald had another interview with Mr. Mercier on Mr. Pacaud's request, the first having been the result of an accidental meeting at New York between Messrs.

McDonald, Heaton Armstrong and Mercier (who was on his way to Europe).

Mercier, 505.

On the 5th of December, 1890, Mr. Cameron addressed a letter (No. 108) to the Prime Minister, in which, after recalling what they had been ready to undertake and the end which they had wished to attain, he wrote: "The Company refused our proposal, and I can say nothing more now than to express, in the name of my clients our regret that we have not been able for the above mentioned reasons, to undertake the work of completing the Baie des Chaleurs Railway Company."

Mercier, 507.

The Premier, on the 9th of December, acknowledged receipt of this letter. The conclusion indicated by Mr. Cameron, although apparently decisive, does not, however, appear to have been so considered, for a third interview, also arranged by Mr. Pacaud, took place between Mr. McDonald and Mr. Mercier in the Speaker's room, on the 22nd of December, 1890, the day of the presentation to the Legislature of certain resolutions affecting the railway.

McDonald,
353, 499.
Mercier, 507.
Machin, 594.

Mr. McDonald submitted these resolutions (which are reproduced in the statute 54 Vict., cap. 18), to counsel and obtained an opinion that they were sufficient to cover his proposals.

Armstrong,
31, 34.
McDonald,
346, 350, 352,
496, 500.

During his negotiations with the Government, Mr. McDonald had also endeavored to settle on a basis of arrangements with the old Company. By his last proposal, he offered to pay it \$175,000, in order to become proprietor of all its shares and of its assets, free from liabilities including the claims of Charles N. Armstrong, Macfarlane and the Ontario Bank. Under the impression that his offer had been accepted, Mr. McDonald wrote Mr. Cameron about the end of January or beginning of February, asking him to visit Quebec for the purpose of closing the contract. But Mr. Riopel declared that an acceptance had not been given. He insisted on retaining an interest in the new Company, and the assumption by it of existing liabilities.

McDonald, 348

Mr. McDonald appears to have been discouraged by these demands and did not again see Mr. Riopel.

With these negotiations the Government does not seem to have intermeddled.

Mercier, 508.

On the 7th February, 1891, Mr. Cameron, in a letter to the Premier (No. 110), wrote that he had seen Mr. Riopel, that a

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guarantee of \$10,000 a mile as far as Paspébiac would be necessary, and that the charter of the Company ought to be confirmed by a statute of the Parliament of Canada. The Premier answered: (No. 111) "Our Government can do nothing more for the Baie des Chaleurs Railway."

There was no further apparent movement in connection with the matter until the 12th March, 1891.

Mercier, 509.

FROM THOM'S NEGOTIATIONS MARCH, 1891, TO ISSUE OF ORDERS-
IN-COUNCIL 23RD APRIL, 1891.

On the 10th March, 1891, Mr. C. N. Armstrong wrote Mr. Pacaud as follows:—

"MY DEAR PACAUD:

MONTREAL, 10th March, 1891.

"You will remember my asking you if I could arrange with you with reference to the subsidies voted for the Baie des Chaleurs line, last session, if McDonald did not arrange. It seems quite clear that McDonald will do nothing, and matters cannot remain as they are. I think I am now in a position to form a small syndicate here who would join me in taking hold of the whole matter and put it through. They would be men of sufficient means to carry it through successfully. We would buy out the present Company, who would have nothing more to do with the line, and form a new Company. The Government would have to advance, out of the subsidy voted last session, a sum sufficient to pay all debts due along the line, etc., and to settle up with the sub-contractors. The new Company would find all the means necessary for fully completing the line and would arrange so as to commence construction at once. Pacaud, 344.

"I thought of going down to-night, but I hear Mr. Mercier will be here to-morrow, and you will probably be with him, so I may see you here. In case you are in Quebec I think it would be well for you to come up to-morrow, so as to see Mr. Mercier before he leaves, and come to an understanding.

"Please acknowledge receipt of this letter by wire, and let me know if you are coming up.

"Yours,

"C. N. ARMSTRONG.

"Please let no one know that we are negotiating."

Mr. Pacaud replied to him that he could only be at Montreal on the evening of the 11th of March, and on that day during the morning received a second letter from Mr. Armstrong, in the following terms:—

Pacaud, 365. "My Dear Pacaud:

"Your telegram to hand. I have seen my friends again to-day, and think there is now no difficulty in arranging the whole Baie des Chaleurs matter if Mr. Mercier is willing to treat the parties reasonably. Can I see you to-morrow evening, on arrival, and where? Please telegraph me. As there will not be much opportunity of meeting Mr. Mercier to-morrow night, I might, perhaps, accompany you part of the way to New York, and we could discuss the matter fully on the train.

"Yours,

"C. N. ARMSTRONG."

Mr. Armstrong and Mr. Pacaud met on the 11th during the evening, when Mr. Pacaud declared himself as still bound by his arrangements with Mr. McDonald, and refused to enter into new negotiations until relieved.

Mercier, 509.

The same evening Messrs. Cooper and Thom, on whom Armstrong depended for the formation of a syndicate, accompanied by Mr. Laflamme, their Counsel, had an interview with the Premier. The following letter, written by Mr. Laflamme on the same day, appears to give a *resumé* of what took place:—

"Honourable Mr. Mercier,

"MONTREAL, 12th March, 1891.

Mercier, 510.

"Premier of the Province of Quebec.

"Dear Sir,—

"In reference to my conversation with you to-day regarding the Baie des Chaleurs Railway Company, Mr. Cooper has been considering the matter, on the understanding that your Government has agreed to pay the following subsidies: 10 miles, from 60 to 70, \$7,000 per mile, \$70,000; special for bridges, \$50,000; 30 miles, from 70 to 100, \$7,000 per mile, \$210,000. Also, a further subsidy equal to 800,000 acres of land, upon which 35 cents per acre is payable in cash, equal to \$280,000.

"Will you kindly say if the above representations are correct, and what proportion of the last item (\$280,000) your Government will pay on account of the miles 60 to 100.

"Mr. Cooper has an option from Mr. Riopel, which is satisfactory, and he (Mr. Cooper) will be prepared to make a proposition for the completion of the road as soon as he is informed that such proposition will be entertained, with condition of payment of all privileged claims.

"Mr. Cooper understood from his conversation with you that the question could be determined within a week.

"Yours truly,

"(Signed,) R. LAFLAMME.

Mr. Mercier replied by the following letter:—

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"Honourable R. Laflamme,

"New York, 13th March, 1891.

Mercier, 511.

"Montreal.

"My dear Mr. Laflamme,—

"In answer to your letter of the 12th instant, in reference to the Baie des Chaleurs Railway Company, I have to inform you that the Government is ready to pay to the Company or syndicate accepted by the Lieutenant Governor in Council the whole subsidy actually voted to said Company, provided all the conditions mentioned in our provincial statutes are fulfilled to the satisfaction of the Lieutenant Governor in Council.

"Yours truly,

"(Signed) HONORE MERCIER."

On the 12th of March, 1891, Mr. Mercier left for New York, ^{Departure for New York.} (en route for Europe) in company with the Honorables Messrs. Chas. Langelier, Robidoux and Boyer; they were together in a private car.

Mr. Pacaud was on the train but in another carriage. During the journey, he requested Mr. Mercier to grant an interview to Mr. Armstrong, who desired to secure a favorable ^{Pacaud, 366.} response to Mr. Laflamme's letter, but Mr. Mercier absolutely refused to see him in regard to the matter, saying that he had ^{Pacaud, 417, 418} received a letter from Mr. Laflamme to which he would reply directly.

On arrival at St. Johns, Mr. Armstrong left the train, and Mr. Pacaud telegraphed to Mr. Irvine in the following terms:—

"Honourable George Irvine,
"Quebec.

"Please wire me at the Brunswick, New York, Mac's answer about Baie des Chaleurs. If anything new, answer. He has preference, but I would not like to miss the chance. ^{Armstrong, 46}

"(Signed,) ERNEST PACAUD."

Mr. McDonald himself replied to Mr. Pacaud:—

"Ernest Pacaud,
"Hotel Brunswick,
"New York.

"OTTAWA, Ont., 13.

Pacaud, 367.

"Going Montreal to-morrow to meet Armstrong about Baie des Chaleurs. If I can arrange with him and Riopel, am prepared to take hold of scheme on conditions discussed with you.

"(Signed,) JOHN J. McDONALD."

And on the 21st he telegraphed anew as follows:—

Pacaud, 371.

" To Ernest Pacaud,

" Brunswick Hotel,

New York :

" Leaving here Monday for New York, taking steamer for Liverpool Wednesday. I am very anxious to see you before sailing. Can you meet me in New York Tuesday, or in Montreal Monday?

" JOHN J. McDONALD."

Mercier, 512.

Mr. Pacaud interviewed Mr. Mercier a second time during the journey of the 12th of March, and asked him to favorably consider the proposal made by the new syndicate in the case of McDonald withdrawing. Mr. Mercier contented himself with saying that he much regretted seeing Mr. McDonald retire from the matter, and, says Mr. Pacaud, " he requested me to do all in my power, during my absence, to prevent Mr. McDonald from withdrawing."

Armstrong, 47

On Monday or Tuesday of the week following Armstrong was summoned to New York, and, in company with Mr. Thom, met Mr. Pacaud at the Brunswick Hotel. Mr. Thom was, on this occasion, introduced to Messrs. Charles Langelier and Robidoux; he made them a proposal for the construction of the road, but no definite arrangement resulted, and the Ministers told him that they would return to Montreal in three weeks.

Armstrong,
47-48.

Mr. Armstrong then asked Mr. Pacaud what he would have to pay him. Mr. Pacaud replied, \$100,000, and Mr. Armstrong immediately consented to it. The question had been before asked, but Mr. Pacaud had refused to reply, seeing that he still considered himself bound to McDonald. The details of this arrangement will be considered when we deal with the facts specially affecting Mr. Pacaud.

From this date onwards Thom, Armstrong and Pacaud were active in the promotion of the new scheme.

On the 17th of April, Mr. Robidoux telegraphed Mr. Garneau as follows:—

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" The Honorable Pierre Garneau,
" Commissioner of Public Works, Quebec.

" I fear to be detained here by illness longer than I thought. You may proceed to business in my absence. I ratify in advance all that you will do in the matter of the Baie des Chaleurs Railway. Langelier will tell you exactly what was decided upon before the departure of Mr. Mercier. I am informed that any delay in this matter may be prejudicial to the interests of the enterprise and of the Province."

" (Signed)

J. E. ROBIDOUX."

The same day, Thom addressed a formal proposal to Mr. Garneau. It stated the final result of his negotiations with the Government, and was accepted by an Order-in-Council (No. 237), passed on the 21st and sanctioned on the 23rd of April, which for convenience of reference we quote in full :—

FROM ORDERS IN COUNCIL TO ISSUE OF LETTERS OF CREDIT,
28TH OF APRIL, 1891.

" Report of a Committee of the Honorable the Executive Council, dated the 21st of April, 1891, approved by the Lieutenant Governor on the 23rd of April, 1891. No. 237.

" (Concerning the Baie des Chaleurs Railway Company.

" The Honorable the Commissioner of Public Works, in a report dated 20th of April instant (1891), sets forth :—

" That he has received a letter from Mr. Angus M. Thom, of date the 17th of April instant, reading as follows :—

" To Honorable P. Garneau,

" Quebec, 17th April, 1891.

" Commissioner of Public Works, and Premier ad interim.

" Sir :

" We are in a position to secure the transfer of the charter of the Baie des Chaleurs Railway, if the following proposition is accepted by the Government ; the Company under the management of a new board of Directors will be prepared to go on with the works, complete the road and have it ready for traffic on or before the 31st of December, 1892, from Metapedia to Paspebiac and thence to Gaspé Basin as soon as circumstances will permit.

" For the carrying out of the present proposition it is understood that the Government shall pay the Company—

" 1. The balance of the subsidy granted by the Statutes of Quebec, 45 Vic. Cap. 23, and its Amendments, and 51-52 Vic. Cap. 91, Sec. 12, amounting to \$260,000 to be payable as earned ;

" 2. The subsidy of \$50,000 granted by the Statute of last session, 54 Vic. Cap. 83, Sec. 1, sub-sec. I, to be payable as soon as a bridge over the Grand Casapedia is finished and accepted by the Government ;

" 3. To comply with the intention of the law, the subsidy of 800,000 acres of land granted by the Statutes of last Session, 54 Vic., Cap. 88, Sec. 1, sub-sec. J, shall be converted, and the proceeds thereof shall be used by the Government to pay the legitimate and privileged claims, in accordance with the above cited Act, now existing against the road or against the Company; and if any surplus should exist after the payment by the Government of all claims now existing against the said road as aforesaid, such surplus, if any, shall go to the new company on final settlement.

" The said debts and claims, after they shall have been approved and certified by A. M. Thom, representing the company, shall be paid by a person appointed by the Government for that purpose, and failing such approbation and such certificate by Mr. Thom, they shall be paid upon a judgment of arbitrators' report in favor of any claimant. When the Commissioner appointed by the Government shall accept the claim, and Mr. Thom refuses his certificates and approbation, then and in each case the claimant has an absolute right to arbitration, and the decision of the arbitrators shall then state that the cost incurred shall be paid by the party against whom the decision is given. If Mr. Thom fails to appoint an arbitrator after fifteen days' notice to do so the Commissioner may then pay the claim, and his action shall be binding on all parties.

" As a guarantee that they will go on with the work, build, complete, and run the road, the Company will deposit with the Government bonds of the actual emission to the amount of five hundred thousand dollars (\$500,000), which shall be exchanged for an equal amount of bonds of another issue of same amount and value in case the company would deem proper to cancel the present issue and replace it with others, or other satisfactory security in lieu thereof, it being distinctly understood that the company will be handed back the bonds or other security so deposited on completion of and sufficient equipment of the road to Paspebiac.

" The board of directors of the company under the new organization shall be composed as follows:—James Cooper, of Montreal; J. P. Dawes, of Lachine; Alexander Ewing, of Montreal; James Williamson, of Montreal; Angus M. Thom, of Montreal; and two other persons to be named by the Government.

" On the sixty (60) miles of the said road comprised between Metapedia and the big river Cascapedia, the company will resume the works as soon as they can take possession of that section, and on the forty miles ending at Paspebiac, surveys will be commenced as soon as the present proposition is accepted and the works will proceed with the utmost diligence.

" The whole respectfully submitted.

" (Signed),

A. M. THOM."

" And upon the said A. M. Thom, and the persons in the name of whom he acts and whom he represents, obtaining a transfer of the charter of the Baie des Chaleurs Railway, and seeing that persons mentioned in the propositions above cited have the necessary means to carry out the enterprise, as required by the Statute of last session, 54 Vic., Cap. 88, Sec. 1, sub-sec. J, and seeing that it is in the interests of the Province to accept it, the Honorable the Commissioner of Public Works recommends that the said proposition be accepted as follows, that is to say

" 1. To reorganize the Baie des Chaleurs Railway Company.

" 2. To construct and put in operation, on or before the 31st of December, 1892, the one hundred miles of the said railway comprised between Metapedia and

Paspebiac permit.

" The Government of the Province of Montreal shall be bound to pay the same as the present company.

" 4. The Government of the Province of Montreal shall be bound to pay the same as the present company.

" 5. The Government of the Province of Montreal shall be bound to pay the same as the present company.

" 1. The Railway shall be constructed according to the plan of the 54th Victoria, bridge over the Lake St. Lawrence.

" 2. The Government of the Province of Montreal shall be bound to pay the same as the present company.

" 3. The Government of the Province of Montreal shall be bound to pay the same as the present company.

" The Government of the Province of Montreal shall be bound to pay the same as the present company.

" The Government of the Province of Montreal shall be bound to pay the same as the present company.

Paspebiac, and the remainder as far as Gaspé Basin, as soon as circumstances will permit.

"To continue the works on the sixty miles comprised between Metapédia and the Grand River Cascapédia as soon as the Company shall be able to take possession of this part of the road, that is to say, as soon as the claims which are not contested shall have been paid, which shall be done at the diligence of the Government between now and the 10th May next at the latest, but without recourse against the Government in default of such diligence, to commence the explorations upon the forty miles between the Grand River Cascapédia and Paspebiac, as soon as the proposition shall be accepted and push them on with the utmost dispatch;

"4. That the first Board of Directors of the said Company shall be composed of the following persons:—James Cooper, of Montreal; J. P. Dawes, of Lachine; Alexander Ewing, of Montreal; Angus M. Thom, of Montreal; James Williamson, of Montreal, and of two persons named by the Government.

"5. To deposit as a guarantee in the hands of the Government five hundred thousand dollars of debentures or bonds of the Company of the present issue, or any other satisfactory guarantee, with the privilege of exchanging the said debentures or bonds for an equal amount of debentures or bonds of any other issue, not to exceed, however, the actual issue, and of the same value in case it shall be judged expedient to withdraw the present issue, which debentures or bonds or other guarantees shall be returned by the Government to the Company as soon as the road shall have been finished to Paspebiac.

ON CONDITION:

"1. That the balance, to wit, \$260,000 of the subsidies granted to the said Railway by 45 Vic., Cap. 23, and its amendments, and 51-52 Vic., Cap. 91, Sec. 12, shall be paid to the Company in proportion as the same shall have been earned according to law.

"2. That the subsidy of \$50,000 (fifty thousand dollars), granted by the Statute 54 Vic., Cap. 88, Sec. 1, sub-sec. I, shall be paid to the Company as soon as the bridge over the Grand River Cascapédia shall have been constructed and accepted by the Lieutenant-Governor-in-Council upon a report of the Government Engineer.

"3. That the Government binds itself to pay the Company with the subsidy of 800,000 acres of land granted by the Statute 54 Vic., Cap. 88, Sec. 1, sub-sec. J, converted into money, which subsidy shall be kept by the Government and employed by it to pay the actual debts of the Baie des Chaleurs Railway; and the surplus, if any, shall be, after the payment of all claims actually existing against the Company, kept by the Government which shall render an account thereof to the Company in final settlement.

"That the said debts and claims, after they shall have been approved of and certified by Mr. A. M. Thom, representing the Company, shall be paid by a person named for that purpose by the Government; and in default of such approbation and such certificates, they shall be paid upon a judgment or report of arbitrators in favor of any claimant. In the case of the Commissioner named by the Government accepting a claim, and of the said Mr. Thom refusing his certificate, then in each case the claimant shall have an absolute right to an arbitration, and the award of the arbitrators shall then declare that the costs shall be at the charge of the party who shall fail; and in default of the said Thom to name an arbitrator after fifteen days' notice so to do, the Commissioner may pay the claim for all law.

ful purposes whatever and the action shall bind all the parties. The Committee concurs in the foregoing report, and submits it for the approval of the Lieutenant-Governor.

(Signed) DAVID A. ROSS,

Chairman of the Committee.

Approved this 23rd April, 1891,

(Signed) A. R. ANGERS,

Lieutenant-Governor.

Certified. (Signed) GUSTAVE GRENIER,

Clerk of the Executive Council.

No. 2
Page 886

Concurrently with this action there was also passed an Order in Council (No. 238), appointing Mr. J. C. Langelier "Commissioner to pay the claims against the Baie des Chaleurs Railway in conformity with the dispositions of the Order in Council, No. 237, of the 23rd of April, 1891"

Cannon
776

On the 23rd of April, 1891, Mr. Thom, Mr. J. C. Langelier and Mr. Lesage, Assistant-Commissioner of Public Works, went together to Assistant-Attorney General Cannon's office, and Mr. Lesage stated that it was desired, at the instance of Mr. Garneau, to have an opinion on certain points connected with the matter. Mr. Thom had with him a certificate and debentures of the Company for \$500,000. Mr. Cannon gave his opinion verbally.

Later in the day Mr. Charles Langelier, Acting-Attorney General, stated that Mr. Garneau desired this verbal opinion to be confirmed by Mr. Francois Langelier, who usually acted as counsel for the Government, and whom he would see. What next followed had best be stated in Mr. Cannon's own words :

Cannon 776
No. 12, 179

"A. As far as I remember, this is how the opinion was type-written. I have just mentioned that in the afternoon of the day on which I had given the verbal opinion, I repeated that opinion to the Honorable Charles Langelier, when he told me that the Honorable Mr. Garneau wished my opinion to be corroborated by the Honorable Francois Langelier. Thereupon he said: 'Very well, I will see my brother Francois and tell him that is your opinion in that matter.' I do not absolutely remember whether at the time he knew his brother's opinion, or whether he said he would corroborate it; in any case he thereupon left, telling me that he would see the Honorable Francois Langelier to get my opinion corroborated by him. Then, the next day, I believe it was, the Honorable Charles Langelier's private secretary, who came with the draft of the written opinion which is produced in the record, and which he had dictated to Mr. Legendre, one of the employees of the department, who puts into typewriting all that I prepare for the department, and after it was fairly written out, I took the document, I read it, I saw that it was absolutely the verbal opinion which I had given the day before

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and then I signed it. As a legal opinion was in question, and the Honorable Francois Langelier was my senior at the Bar, I believed that it was only right that I should leave to him the drafting of the opinion which he had to corroborate. As soon as the opinion was fairly written out by Mr. Legendre I read it very carefully, I saw that it was absolutely the opinion that I had given the day before, and I concluded that the Honorable Charles Langelier had reported to his brother exactly the opinion that I had given to him.

Q. As a matter of fact, the opinion was dictated by Mr. Francois Langelier?

A. It is not to my knowledge, but it must have been.

Q. Was it the Honorable Charles Langelier or his secretary, I did not understand you well, who brought the draft?

A. His secretary, Mr. Deguise, had what was, necessarily the draft of the opinion prepared by Mr. Francois Langelier, and he dictated it to Mr. Legendre, who is the typewriter of the department.

Q. Did you see the written draft?

A. I believe not. The room in which Mr. Legendre put that opinion into type was outside my office; I went in and out of that room two or three times while the opinion was being type-written, but I do not believe that I looked at the writing. I saw the opinion when type-written, but I did not look at the writing."

Cannon 779

There followed Mr. F. Langelier's opinion in the following terms:—

No. 13
page 161

"I have taken communication of the opinion which you gave to the Honorable Mr. Garneau upon the Baie des Chaleurs Railway and I approve of it."

Some time on the day of the interview with Mr. Cannon, Mr. Thom handed Mr. Garneau's acknowledgment over to Mr. J. O. Langelier, who in turn passed to Mr. Garneau, the following papers:—

Garneau 184
No. 16
page 185

1st. A certificate dated 23rd of April, 1891, signed by Mr. Robitaille, secretary-treasurer, showing, or assuming to show, that the total issue of stock was 6,000 shares, whereof Cooper held 550, Thom 4570 in trust, and a number of shareholders the balance.

No. 146
page 649

2nd. Bonds of the company of the nominal, or face value of \$500,000.

These opinions, the certificate, and the bonds so delivered, will be discussed in a later part of the present report.

No. 17
page 188

On the day after the passage of the order in Council, No. 287, Thom by letter informed Mr. Moreau, what he understood to be the extent and manner of payment of the subsidies old and new.

Its details were as follows:—

Cascapedia Bridge, 54 Vic. Cap. 88 (1).....	\$50,000 00
Miles 60 to 70.....	50,000 00
" 80 to 90.....	70,000 00
" 90 to 100.....	70,000 00

thirty-five (35) cents per acre on 200,000 acres, when earned on miles 1 to 20, to be paid according to law.

70 cents per acre on 800,000 acres of land converted into money, to be paid according to law and the Order-in-Council, after the deduction of the payment made for claims.

Mr. Moreau concurred in this statement.

No. 18
page 189

It is worthy of notice that no reference is made to the subsidy payable on miles 70 to 80 and that the 800,000 acres are stated to be convertible at 70 cents. As matter of undisputed law, the land was only convertible at 35 cents, the deferred balance being payable when the lands were sold. Mr. Thom, in his evidence, admits the correctness of this view.

The contract so completed by the Government may be thus stated —

- a. The Company was to be re-organized.
- b. The 100 miles of road between Matapedia and Paspebiac was to be in operation by the 31st of December, 1892, and the remainder to Gaspé as circumstances might permit.
- c. There was to be deposited with the Government \$500,000 of the then existing issue of debentures or some other guarantee.
- d. The Government was to pay:—

Thom 553

Balance of subsidies	\$260,000 00
Cascapedia Bridge.....	50,000 00
35 cents per acre on 800,000 acres granted by 54 Vic. Cap. 88.....	280,000 00

But from this amount of \$280,000 the Government was to make payment of actual debts and to retain the balance until final settlement.

From the Federal Government there was still outstanding.....	\$64,000 00
Balance not paid.....	81,000 00
	<u>95,000 00</u>
	<u>\$682,000 00</u>

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Mr. Garneau's instructions to Mr. J. C. Langelier, upon his appointment dated 24th April, relating to unpaid claims were as follows :—

Garneau
163-190

"To decide which shall be considered as privileged debts, legitimately due by the Company or by the contractors or sub-contractors, of the Baie des Chaleurs Railway. . . . And when you will be in a position to give me detailed statements, with documents in support thereof, of the privileged claims, whether contested or not, payment of which you will be prepared to make in conformity with said Order-in-Council, No. 237, &c. * * * I shall place at your disposal as you shall want them, the amounts required to pay the privileged claims approved of, or for which a judgment or the award of the arbitrators shall have been given."

It was apparently in response to this letter that Mr. J. C. Langelier transmitted to Mr. Garneau the list of claims produced before the Government against the Baie des Chaleurs Railway amounting to \$57,073.54, that is to say :

Against the first 60 miles.....\$38,679.65
Against the section K..... 13,393.89

\$57,073.54

And he added: "There are probably other claims which will be produced when we commence the payments."

It is noticeable that this amount fairly corresponds with the figures stated by Mr. Mercier in his speech to the House on the 21st November, 1890. At what exact date Armstrong's claim first came to the knowledge of Mr. Garneau is not clear.

The certificate on its face bears date the 22nd of April, and it was afterwards delivered to Mr. J. C. Langelier to Armstrong. We find Mr. Thom writing as follows on the 24th :—

" J. C. Langelier, Esq.,
" Quebec.

QUEBEC, 24th April, 1891.

No. 135
page 589

" DEAR SIR :—

" In answer to yours of the 23rd instant, transmitting for my approval the account of C. N. Armstrong, Esq., Agent of the Baie des Chaleurs Railway Company, to the amount of \$288,943.62, I beg to state that I refuse to approve and certify that account for more than one hundred and seventy-five thousand dollars (\$175,000), and this on the express condition that Mr. Armstrong shall cancel and annul his contract with the Company, and shall give full and absolute discharge of any claims whatever against the road or anything appertaining to it, directly or indirectly.

" Yours very truly
" A. M. THOM."

No. 19
page 644

It appears strange that Mr. J. C. Langelier should by his letter to Mr. Garneau of the 24th April have stated that the claims produced amounted to only \$57,073.54, when he had thus on the preceding day forwarded Armstrong's account for \$298,948.62 for certification of some kind.

No. 135
page 589
J. C. L.
633, 645, 664

The claim, so far as known, had never before been on record in the Department.

J. C. L.
631, 633

Mr. Garneau's first belief was that the Order-in-Council would create a demand for about \$50,000, whereof \$25,000 might require immediate payment. These figures accord with statement made to the Legislature as to outstanding privileged or quasi-privileged claims, and also with the letter of Mr. J. O. Langelier above alluded to. They were within command of the Treasury.

Off. Cor.
824

No. 19
page 644
Machin
266

At some time later than this letter of the 24th putting the liabilities at \$57,073.54, Mr. Garneau was made aware that Armstrong's account certified for \$175,000 had been presented.

J. C. L.
633
Lesage
873
Machin
266, 287

Its appearance after the passing of the Order in Council created surprise and gravely embarrassed him. He was informed by Assistant Treasurer Machin that the Treasury could not supply the amount and then, apparently, the plan of issuing letters of credit was suggested, and finally put into effect 28th of April.

Machin
268, 274

They were first submitted in draft form to Mr. Robidoux, who being in bed, received Mr. Garneau, the Hon. Mr. Ross and Mr. Machin at his own house. This interview apparently resulted from the belief, strongly expressed, of Mr. Machin and Provincial Auditor Verret, that no legal conversion of the lands into money had been effected. Mr. Robidoux delivered a verbal opinion to the contrary and approving of the draft, initialled it.

No. 42
page 268
Robidoux
751-2, 757

This interview was the next day, the 28th of April, followed by Mr. Robidoux's written opinion to the effect that the company reconstituted had fulfilled the conditions precedent required by Order in Council, and that "if now the government were to the refuse to carry out the Order in Council there is no doubt that the company would have a claim in damages against the Government, which would be condemned to pay a sum equal

No. 14
page 161
Robidoux 757

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"carryin_g through the enterprise to the end."

On the same date the letters of credit went out.

No. 43
page 898
No. 44
page 898

THE ARMSTRONG CLAIM.

What was the nature of Armstrong's claim? What was its position as regarded the Government? What was its right to be thus paid by an advance out of the Provincial Treasury?

The evidence permits us to give a positive answer to each of these questions. In the presence of the facts before us, it is difficult to arrive at the conclusion that the settlement of this claim, as made, was in the public interest.

The general tenor of Mr. J. O. Langelier's instructions were to limit himself to the payment of privileged claims. We have already quoted in this sense from Mr. Garneau's letter to him of the 24th instant. Reference to other correspondence of record emphasizes the limitation.

"Thus Mr. Moreau writes on the 8th of May:—

No. 156
652

"In reply to the question you ask in your letter of the 5thth inst., 'Whether you should make the distinction which Mr. Riddell asks between the privileged debts and those which are not,' I am instructed to state that you must keep to the letter and spirit of the order in council, No. 237, dated the 23rd April last, which declares in the third paragraph of Mr. Thom's letter to the Hon. the Commissioner, dated the 17th ultimo, as follows:—'To comply with the intention of the law, the subsidy of 800,000 acres of land, granted by the Statutes of last session, 54 Vic., Cap. 83, Sec. 1, sub-sec. J, shall be converted into money, and the proceeds shall be used by the government to pay the legitimate and privileged debts in accordance with the above cited Act, now existing against the road or against the company; and if any surplus should exist after the payment by the government of all claims now existing against the said road as aforesaid, such surplus, if any, shall go to the new company on final settlement.

"On the other hand, paragraph J of the Statutes in question stipulates as a condition of granting the subsidy, that payment shall be made to the satisfaction of the Lieutenant Governor in Council of the balance of the privileged debts due by the Baie des Chaleurs Railway Company. Anyway, the distinction spoken of by Mr. Riddell between privileged debts and those which are not is based upon the Act 53 Vic., Cap. 40, intitled: 'An Act for the protection of persons employed by contractors engaged in the construction of railways under Acts passed by the Legislature of Quebec,' which has been, and is still, put into practice according to the advice and instructions of the Hon. the Attorney General, in the settlement of

Armstrong Claim.

privileged claims (such as right of way and wages of workmen, or *bons* or accounts for board, for provisions and goods supplied to them, and for which a reduction had been made out of the amount of their wages), on the Hereford, Vaudreuil and Prescott and Grand Oriental Railways.

" Believe me, Dear Sir,

" Your obedient servant,

" E. MOREAU,

" *Director of Railways.*'

" N.B.—For your information I enclose you a certified copy of the instructions given by the Hon. the Attorney General to Mr. Vallee, the Government Engineer, respecting the payment to be made by the latter of the privileged claims on the Vaudreuil and Prescott Railway."

The letter enclosed was as follows :—

" MONTREAL, 13th February, 1891.

" Mr. L. A. Vallee,

" Government Engineer,

" Quebec.

" My dear Mr. Vallee :

" In *re* the Vaudreuil & Prescott Railway, and the workmen and laborers employed on the construction of the road, you will pay :

" 1. All the *bons* held by the laborers and workmen which are signed 'Doran & Hebert, R. N. McDonald, and Hilton & Nellis, sub-contractors ;'

" 2. All the *bons* given to the workmen and laborers and which are the property of third parties ;

" 3. The workmen's wages—as established to your satisfaction—when such laborers have not received *bons* for their wages ;

" 4. The costs incurred in suits on recovery of *bons* and taxes against Doran and Hebert, R. N. McDonald, and Hilton & Nellis, or in suits on recovery of wages not settled by *bons*. You will pay only the taxed costs, without recognizing any other charge made respecting the recovery of *bons* or wages.

" You will further pay :

" 5. The claims representing wages, as accounts for bread and meat supplied to laborers and who have received their wages from those who employed them, less that which was supplied them in bread, meat and other necessaries of life ;

" 6. In the case of judgments taken either against Doran & Hebert, R. N. McDonald or Hilton & Nellis, you will only pay on those judgments the amount represented by *bons* given to workmen and laborers and which were transferred to those who obtained such judgments.

" Pay the workmen's accounts for wages, by whomsoever they have been employed.

" Yours very truly,

" (Signed,) J. E. ROBIDOUX,

" Attorney-General."

On the 2nd of July Mr. Moreau writes as follows to Mr. C. No. 154
Langelier :—
p. 657

"As to the settlement of these additional claims, the Hon. the Commissioner requests you not to go outside the spirit and the letter of the instructions which he gave you on the 24th April and the 8th of May last, and which prescribed that you should pay only the privileged claims, as defined in these same instructions and in those annexed thereto of the Hon. the Attorney-General."

On the 10th of July Mr. Lesage writes to Mr. J. C. Langelier No. 157
as follows :—
p. 660

"You must not lose sight of the fact that these claims, as well as all others which you shall pay as being privileged debts, must always be previously approved by the President or the Secretary of the present Company, in conformity with the Order-in-Council No. 237, dated 23rd of April last."

On the 11th July Mr. Moreau again writes to Mr. J. C. No. 133
Langelier as follows :—
p. 655

"I enclose you the official Treasury cheque so as to place you in a position with the disposable balance in your hands, out of the funds so placed at your disposal by the department, to pay without any delay the additional privileged claims which are still unpaid upon the various sections of this railway. The whole in accordance with the instructions given to you by this department on the 8th of May last, and of those of the Hon. the Attorney General thereto annexed."

The distinction between Armstrong's claim and privileged claims is emphasized in Mr. Garneau's letter to Mr. Thom of date 8th October, 1891, in which he writes :—

"Allow me to remark that Mr. Langelier has received on the whole from the Garneau 584 treasurer only \$41,500, which he stated lately to have exhausted (less a balance of about \$4,000) in the payment of privileged approved claims outside of the \$175,000 paid to Mr. C. N. Armstrong on the 28th of April last.

We certify that this amount \$298,943.62 is a correct statement of estimates of No. 3 work done and remaining unpaid to C. N. Armstrong in accordance with the terms P. 886 of his contract with the company.

"(Signed)

"L. J. RIOPEL,

"Managing Director.

"L. A. ROBITAILLE,

"Secretary-Treasurer."

Reference to this document discloses the fact that the word

No. 171
p. 963
Armstrong
32, 48-9
76, 90
Thom 610
Off. Cor.
857

"due" was struck out, and replaced with the words "is a correct statement of estimates of work done and remaining unpaid."

This important change is explained by the admitted fact that the amount so certified to, as representing work done, was not payable in money at all, but in debentures and that of these a large part were only exigible after the completion of the line beyond Paspébiac. At that date in the then condition of the road the debentures of the company were unsaleable and practically worthless.

An effort was made to question the figures thus certified to, but the account so stated and signed might be reasonably accepted as correct in its quantities

No. 171-963

Armstrong's contract was for \$20,000 per mile of road completed and put in working order, payable in cash, debentures and stock. Trains had at one time been run over the first sixty miles; beyond this point work had not been done to any extent worth mentioning. His payments in cash, from subsidies, amounted to \$870,000.

Armstrong
28-76

By his contract, Armstrong was bound to hand over to the Company one hundred miles of completed road on the 1st of July, 1888. Instead of doing so he was compelled on the 8th of June, 1888, to sub-contract the completion of the first sixty miles to Henry McFarlane, and the 1st of January, 1889, was fixed as the time limit. In this agreement the Company acquiesced.

No. 171
p. 963

No. 172
p. 969

Work dragged on under the new arrangement until the autumn of 1890, when it wholly and finally ceased. Since then, Armstrong's inability to complete his contract has been continuing and absolute.

The responsibility for this state of affairs is charged by Armstrong upon his sub-contractor, McFarlane. He makes no complaints against the Company, which indeed fulfilled his obligations up to the letter of the contract.

Armstrong
30

His evidence on this point and on the further point that nothing was due to him in cash is quite clear:

"Q. What made necessary the putting of the Company under the present management?

"A. The Company and I were unable, under the circumstances, to find the necessary means of continuing the work, particularly on account of McFarlane's claiming possession and our being unable to put any person else who would do the work in possession."

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By a document dated the 28th April, 1891, Armstrong gives No. 141-037 a discharge of his own claim, cancels his contract, assumes to give possession of the road and transfers his rights against McFarlane.

But at this date McFarlane was in effective possession of the No. 172-904 first sixty miles of road. His assignees had afterwards to be fought in the Courts, and even yet are only dispossessed by a No. 31,948 qualified judicial order.

54 Vic., cap. 88, added nothing to Armstrong's legal rights. He was a principal contractor, and one of the evident purposes of this and other statutes was not the relief of principal or sub-contractors, but of their creditors.

54 Vic. Cap. 88
Sec J, 1891
53 Vic.
Cap. 101
(1890)
Off. Cor.
824.

The general statutory law of the Province makes subsidies payable according to the progress of the work on each ten miles.

49-50 Vic.
Cap. 76

Mr. Garaean had doubts as to whether the right to make any advances at all existed :

" Q. What objections had you ?

" A. It was to know whether we could pay before the work was done, but when I had the security according to the report of the Attorney-General, stating : ' You have no risk, you have five hundred thousand dollars deposited as security, and the works will commence and go ahead rapidly.' And that is what was done."

Garaean 184

Putting aside the question, as being controversial, of whether the right to make advances existed in this case at all, we find that 54 Vic., cap. 88, sec. J, uses the expression " privileged debts ;" that Mr. Thom, in his proposal, limits his application to " legitimate and privileged claims," in accordance with the above Act, but that the executory clauses of the order-in-Council broadens these expressions into " actual debts " and " all claims actually existing against the Company."

These changes were of material importance and were not authorized or warranted by any statutory authority.

The claim of Armstrong was neither an exigible nor a privileged claim ; Mr. J. C. Langelier made no enquiry as to whether it was or not ; its payment was under special instructions and these, even under the order in council would have been impossible had the expression " privileged debts " been preserved. If Armstrong possessed privileged rights, or was in a position to

J. C. L.

Thom 567-8,
610 harass the new promotion of enterprise—and this was quite possible—the matter was one for private settlement and in no sense warranted the payment of his claim by an advance of \$175,000 out of the public Treasury. That it was so paid is a circumstance which acquires great gravity in the presence of other facts of record.

We proceed to the examination of the further question at the moment before us:—

Did all this asserted exigency of facts and public interest really exist?

Garneau 157
178, 182
Thom 556,
562

No.
p. 157
No.
p. 178
No. 121
p. 182

During the progress of these incidents great pressure had been put upon Mr. Garneau to induce the passage of the order in council and the issue of the letters of credit. Those who urged him by speech and letter, or either one or the other, were his fellow ministers the Hons. C. Langelier, Robidoux and Duhamel, and Messrs. Thom and Pacaud.

Beyond the following telegram, only received on the 27th April, the Government had nothing to substantiate Thom's authority:—

No. 134
p. 558
Cooper
615

" MONTREAL, April 27th, 1891.
" To the Hon. Mr. Garneau,
" Department Public Works,
" Quebec.

" Mr. Thom is acting under instructions from me and my associates, J. P. Dawes, Alexander Ewing and James Williamson, who will all become directors on the 6th May.

" Signed, JAMES COOPER."

Thom 567-7

Thom himself had no written authority from Cooper; with the others he had had no communication whatever and as between themselves he is ignorant of the existence of any written agreement.

Neither at the date of the Order in Council, nor the issue of the letters of credit, were the government in possession of any document or security which committed the persons with whom it was dealing, to a fulfilment of the requirements 54 Vic. Cap. 88.

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While so individually not under any contract toward the government, or beyond a mere understanding with each other, they do not appear to have had, with the exception of Cooper and Thom, any real interest in the company itself. They became qualified as directors by the transfer of 10 shares to each of them, of the par value of \$500, whereon 10 per cent. had been paid on account.

At the time of the passage of the Order in Council, Mr. Garneau had received debentures of the old company to the nominal value of \$500,000 and a paper in the following form:—

LIST OF SHAREHOLDERS OF THE BAIE DES CHALEURS RAILWAY.

	Number of shares sub- scribed of \$50 each.	Amount:	No. 15 p. 184 J. C. Lan- gellier 642
James Cooper	550	\$27,500.00	
Samuel Shackwell	20	1,000 00	
A. McI Thom	100	5,000.00	
Robert H. McGreevy.....	660	33,000.00	
A. McK. Thom in trust.....	4,570	228,500.00	
L. J. G. Fosbrooke	100	5,000.00	
	<hr/> 6,000	<hr/> \$300,000.00	

"I hereby certify that the authorized capital stock of the Baie des Chaleurs Railway Company is \$3,000,000 of which has been subscribed \$300,000, and paid up \$30,000.

Quebec, 23rd April, 1891.

A. ROBITAILLE,

Secretary-Treasurer.

This is a peculiar document. Messrs. Dawes, Williamson and Ewing do not appear as shareholders. It does not certify the correctness of the share list but only as to the capital stock. The explanation of so curious a fact is to be found in the following evidence of Thom:—

- Thom 741 "Q. On the 23rd of April were you in possession of the control of the franchises of the old company ?
 "A. Nominally, yes sir.
 "Q. But in law ?
 "A. No sir.
 "Q. You were so far as your business was concerned ?
 "A. Yes sir.
 "Q. But apart from your option ?
 "A. No sir.
 "Q. On the 28th were you ?
 "A. Not until after I made a payment to Mr. Riopel, I think that was on the 28th.
 "Q. On the 29th ?
 "A. I would not be sure whether it was on the 28th or 29th.

Thus it appears that Mr. Thom was not in real possession of the shares put opposite to his name in the list of the 22nd until after his payment of \$40,000 on the 29th April.

The fact that this certificate did not, in fact, certify anything at all is not reconcilable with Deputy Attorney-General Cannon's opinion of the 24th April, 1891, in which he writes:—

No. 12
p. 179

"1st. What proof should Messrs. Thom and the others who negotiated with the Government produce to show that they have control of the charter of the Baie des Chaleurs Railway Company.

No. 70

"A. The proof, according to the Statutes, should consist in the production to you of a certificate from the Secretary of the Company establishing the number of shares held by these gentlemen, and the fact that these shares constitute the majority of the stock. This certificate under the terms of Article 5,135 of the Revised Statutes of the Province of Quebec, makes proof before all courts of the rights of a shareholder to the shares mentioned therein. The certificate now shown me and which was laid before the Government by Mr. Thom representing the gentlemen with whom the Government dealt, seems to me to comply with all the conditions required and to establish the possession by them of seven-eighths of the whole stock of the Company. According to that certificate these gentlemen absolutely control the Baie des Chaleurs Railway Company now.

Thom's evidence as to the time and manner in which the directors were qualified is equally unsatisfactory:—

Thom 596

- "Q. Will that show the date of the acceptance by these gentlemen of the transfer of the stock ?
 "A. I don't think so.
 "Q. Have you anything among the books of the Company, either in writing or otherwise, to show the acceptance of the stock transferred to those various gentlemen ?
 "A. I have not got anything at all.
 "Q. Then, how do you know that they have accepted now ?

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- "A. The certificate of the Treasurer is evidence enough.
- "Q. Do you think that it is sufficient to oblige these gentlemen to pay calls on the stock?
- "A. I think it is.
- "Q. I understand that none of these gentlemen have paid anything on that stock?
- "A. Well, I qualified them all myself, I think. Mr. Cooper may have qualified one."

The debentures accepted by the Government were those of the Company under its old organization. Of their value Thom speaks as follows:—

- "Q. They were unissued bonds of the old Company?
- "A. At what did you value them? Was there any par value put upon them? Thom 563
- "A. No; it is hard to tell what the bonds are worth till the road is built.
- "Q. At what money value did you estimate this security of half a million dollars' worth of bonds at that date?
- "A. From my standpoint, a great deal, because we determined to complete the road; and once we determined to complete the road, I thought the bonds....
- "Q. At that date?
- "A. At that date I did not attach any great value to them without the contract was gone on with....

And speaking of \$51,000 of like debentures held by Cooper & Fairman as security for a debt of \$19,600, Thom adds that it was—

- "A. Secured by bonds—bonds of no value unless the work progressed."

Elsewhere he states that they might be made worth 75 cents Thom 612 with a Government guarantee, which, in turn, would cost 41 cents, and would have required, according to Mr. McDonald, a McDonald 340 cash deposit of \$840,000.

Mr. Cooper's idea of their value was not high. He testifies: Cooper 621

- "Q. At the time you formed the new Company, how much were those bonds worth then? Before you formed the new Company, when the roads was in the hands of the old Company, since two years when the works had been stopped, how much were they worth?
- "A. I would not value them at 20 cents.
- "Q. You say that would be sometime in April last, before these negotiations commenced, that they would be worth 20 cents on the dollar?
- "A. No, sir, I said I would not give twenty cents. I did not think it was sufficient security for \$18,000."

J. C. Langelier corroborates this opinion.

THE CONTRACT DISCUSSED.

We have adverted to the real relations which existed between Thom and the persons in whose behalf he was assuming to act, and of these persons towards the Government. We have also dealt with the security offered and accepted.

In the order of our enquiry the position of the Company itself claims attention. Was it by individuals, or a company, that the Government was to have the contract executed?

Thom's proposal, as found in the Order-in-Council, may be summarized thus:—

"We are in a position to secure the transfer of the charter of the *Bale des Chaleurs Railway* if the following proposition is accepted by the Government, the *Company* under the management of the new board of directors will be prepared to go on with the works, complete the road, etc., on the carrying out of the present proposition it is understood that the Government shall pay the *Company, etc.*"

The third condition reads:—

"3. That the Government binds itself to pay the *Company* with the subsidy of 800,000 acres of land granted by the statutes; and the surplus, if any, shall be, after the payment of all claims actually existing against the *Company*, kept by the Government, which shall render an account thereof to the *Company* in final settlement."

Further:—

"And upon the said A. M. Thom, and the persons in the name of whom he acts and whom he represents obtaining a transfer of the charter of the *Bale des Chaleurs Railway*, and seeing that persons mentioned in the propositions above cited have the necessary means to carry out the enterprise, as required by the statute of last session, 54 Vic., cap. 88, sec. I, sub-sec. J, and seeing that it is in the interests of the Province to accept it, the Honorable Commissioner of Public Works recommends that the said proposition be accepted as follows, that is to say:

"1. To re-organize the *Bale des Chaleurs Railway Company*;

"4. That the first board of directors of the said *Company* shall be composed of the following persons, etc."

In his communication to Your Honour of the 15th September, Mr. Mercier says:—

"The transaction effected by the Government was not with persons forming a *new company*, but really with the original *company* re-organized, composed of new shareholders, but legally bound to the payment of its debts."

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Mr. Robidoux gave a like opinion on the 28th of April, wherein he says :—

"The Order in Council has reference to the Baie des Chaleurs Railway and No. 14 grants to this company as re-constituted certain subsidies voted by the Legislature at P. 181 its last session for the benefit of the road. . . . What rights were conferred on the re-constituted Baie des Chaleurs Railway by the Order in Council, number 2:7. . . . The Order in Council of the 23rd of April granted to No. 14 the re-constituted Baie des Chaleurs Railway Company all the subsidies voted last P. 182 session of the Legislature. . . . The first part of the Order in Council sets out the written proposition of Messrs. James Cooper, J. P. Dawes, Alexander Ewing, James Williamson, Angus M. Thom, on behalf of the re-constituted company to build and complete the Baie des Chaleurs Railway, on certain conditions, and the last part of the Order in Council is an acceptance by the Government of the proposal made by the Company. It submitted to the Government in writing a defined offer. This offer was accepted on certain conditions by the Order in Council. A copy of the Order in Council was forwarded to the Company which complied with the conditions to which the offer bound it before having acquired any right to the subsidy voted last session."

Deputy Attorney General Cannon's opinion of the 24th inst. No. 11 is directly to the contrary. He asserts that the contract was with, 179. 180 and was to be carried out by individuals. Hence his belief that no resolution of the board for the conversion of the land grant into money, and his resulting assertion that,

A resolution of its directors asking the conversion into money of the subsidy of 800,000 acres of land was not necessary.

He adds :

"That if there had been any objection it is decided by the Order in Council, for I call your attention to the fact that the Order in Council itself decides the payment to these gentlemen upon the conditions therein mentioned, and as that Order in Council constitutes a bargain with them, the Government can no longer withdraw, even supposing that an error had been committed in drafting the Order in Council. But I am of the opinion that no error was committed, and that the Order in Council is in conformity with the law."

The terms of Mr. Thom's proposal and of the Order in Council conclusively establish, however, that the contract was to be carried out and completed, not by individuals, but by the old company about to reorganize.

This reorganization ought to have preceded any payments by the Government on behalf of the company. Yet at the time the letters of credit issued, the old shareholders were still in possession and the proceeds of the advances were actually utilized to disinterest them. Thom 563

On the whole subject, the evidence of Thom is evasive and mixed with an effort to ante-date the transfer of the stock.

Thom 565 At page 565 of his evidence he read from a share-book as follows:—

25th April—M. S. Lonergan	- - - - -	10	shares
" —William Cassils	- - - - -	10	"
" —James Williamson	- - - - -	10	"
" —Alexander Ewing	- - - - -	10	"
" —J. P. Dawes	- - - - -	10	"
23rd " —Angus Thom (in trust)	- - - - -	4,570	"
At various dates—James Cooper	- - - - -	530	"
29th Jan., 1886—Samuel Shackel	- - - - -	20	"
10th May, 1886—R. McGreevy	- - - - -	660	"
—A. Shaw	- - - - -	70	"

Thom 602 At page 602 he places the transfer of the shares from the old to the new company on the 28th of April and refers to a register which bears no signature.

Thom 595 At page 595 he gives further indefinite evidence.

Thom 604 At page 604 he states that the transfers are in the handwriting of Mr. Robitaille, Secretary Treasurer.

Thom 608-9 At pages 608-9 he states that one of the reasons for his impatience to secure the payment of the Armstrong claim was that the lapse of his option on the 28th April would have left him at the mercy of the old shareholders, a result not possible had he been in actual possession of their stock.

Thom 742 At page 742 he finally admits that he only acquired the stock on making a payment on account on the 28th or 29th April.

He only paid in full and obtained his final discharge on the 26th or June.

No. 125
p. 559
Thom 558 The option referred to was dated 18th of March, 1891, and gave Thom forty-five days to acquire seven-eighths of the stock for \$75,000.00. It is quite clear his contract had so far imposed no duty on the Government. It was the duty of the syndicate as a condition precedent of receiving any payments from the Government to disinterest the shareholders out of their own finances, and not out of moneys borrowed from Armstrong to be obtained by him, in turn, from the public Treasury.

Whatever was the veritable date of the transfer it left Thom

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the holder, in trust, of 4,570 shares and there has been no subsequent distribution or allotment. He is questioned on the point at page 565 of his evidence:—

"Q. It has ever since stood in that way?

Thom 565

"A. Everything stood there.

"Q. Have any of these gentlemen put money into the concern?

"A. The Company gets all the money it wants.

"Q. The Company gets all the money it wants?

"A. Yes, sir, Mr. Cooper supplies the Company with all the money it requires.

"Q. Is it or is it not a fact that other gentlemen were qualified by Mr. Cooper to act as directors.

"A. Certainly.

"Q. They are nominally directors?

"A. They are taking an active interest.

"Q. Did they have any monetary interest in the Company?

"A. The re-organization has not taken place yet.

"Q. What do you call the re-organization of the Company?

"A. The distribution of the stock, the allotment of the stock to decide which each shall take.

"Q. Did anything further take place in the way of this re-organization up to or about this date?

"A. Nothing further than that. Nothing that I can remember."

It also appears that the Company never formally accepted the contract although they have acted upon it:

"Q. Is there any resolution of the board of directors of this Company or of the stockholders of this Company, showing that the Order-in-Council passed in April last was brought before them and discussed?

Thom 596

"A. No, sir.

"Q. Is there any resolution accepting the terms of the Order-in-Council?

"A. No, sir."

Apart from the \$175,000 the Government made further advances to the extent of \$41,500 through J. C. Langelier, and the account now stands:

800,000 acres claimed to be converted into cash.....		\$280,000 00	
28th April, paid Armstrong.....	\$175,000 00		
2nd May, paid J. C. L. to meet claims..	1,500 00		No. 142 p. 641
9th May, paid J. C. L. to meet claims.	25,000 00		No. 154 p. 656
11th July, paid J. C. L. to meet claims	15,000 00		No. 153 p. 655
		<u>216,500 00</u>	
Balance left.....		\$ 68,500 00	

Thom 562-66
599

It was on the 17th April that Mr. Garneau wrote Thom pledging the issue of a letter of credit for \$175,000 on the following day; Thom then handed back the letter, declared that he was tired of the whole matter and was returning home. He, however, remained and saw the letters of credit go out on the 28th.

At the moment of exercising this threat and pressure upon Mr. Garneau the Company had not been reconstituted; the new directors had not been elected (nor were they until the 6th of May following); Thom's conduct proved that he and those with him felt perfectly free to repudiate the Order-in-Council if they so chose; the Order-in-Council expressly gave until the 10th of May to make the advances; the Government was neither in default nor exposed to a claim for damages; Thom's leading necessity was to get funds to buy out the old company and the evident purpose and plan, from the beginning, were, as put into effect, to make use *pro tanto* of the payment to Armstrong, whose claim had been on all sides so hotly supported. For this object Thom took, under the guise of a loan, and has so far apparently kept, no less than \$60,000 out of the \$75,000 letter of credit.

Thom 568

It was a fitting conclusion to the unusual and mysterious circumstances which marked the whole transaction.

There are two further features belonging to the Order-in-Council which deserve attention.

One has reference to the conversion of the land into a money subsidy.

And the other, to the extent of road which the new statute subsidized.

54 Vic. Cap. 88

It will be best to repeat the Section of the statute in full:—

54 VICTORIA, CAP. LXXXVIII.

"An Act respecting certain subsidies to railway and other companies and undertakings.

(Assented to 30th December, 1890.)

"It shall be lawful for the Lieutenant-Governor-in-Council to grant the subsidies hereinafter mentioned to aid the construction of the railways hereinafter enumerated and other enterprises, to wit:

"Sub-section I To contribute to the cost of constructing the bridge to be built over the Grand Cascapedia River on the Baie des Chaleurs Railway, a subsidy not exceeding in all \$50,000,

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" Upon condition that the said bridge be built at the place fixed by the Lieutenant-Governor-in-Council who may order that such bridge be built for the passage of vehicles and foot passengers as well as for the passage of railway trains, if he deems it in the public interest.

" (J) To aid in completing and equipping the Baie des Chaleurs Railway, throughout its whole length, for the part not commenced and that not finished, about 80 miles, going to or near Gaspé Basin, a subsidy of 10,000 acres of land per mile, not to exceed in all \$800,000.

" Payable to any persons or persons, Company or Companies, establishing that they are in a position to carry out the said works and to supply the rolling stock for the whole road and to keep it in good working order, and also upon condition that the balance of the privileged debts due by the Baie des Chaleurs Railway Company be paid, the whole to the satisfaction of the Lieutenant-Governor-in-Council.

" Before claiming any portion of the subsidies above mentioned, he shall establish, to the satisfaction of the Lieutenant-Governor-in-Council, that it has sufficient means and is in a position to complete the projected road and keep it in good working order.

Section 7 made provision for the revival of section 14 of the Act 51, 52 Vict., Cap. 91, which enabled the "Lieutenant-Governor-in-Council to convert in whole or part any subsidy in land to which any company might be entitled under that particular Act into a money subsidy by paying a sum not exceeding thirty-five cents per acre at the time the said subsidy becomes due and another thirty-five cents per acre when the lands shall have been sold, provided that the Company shall declare its option in favor of such conversion by resolution of its Board of Directors, duly communicated to the Government through the "Commissioner of Public Works."

No such resolution of the Company was ever so passed and communicated to the Government, nor did any order in council declare the conversion in specific terms as was the practice in previous instances.

Exhibits Nos. 56 and 57 give the form usually employed.

No. 65-7
901-2-3

The Statute granted 800,000 acres of land to aid and equip the road " throughout its whole length."

From Metapédia to Gaspé Basin is about 180 miles. The contract provides that the debentures or other security shall be returned to the new company on the completion of the first one hundred miles, and that the balance of the \$230,000 shall be paid over " on final settlement."

This according to the statement presented by the Company No. 136
952

to the Dominion Government means "at the completion of one hundred miles."

Hence it appears that the new subsidy will be exhausted when the 100 miles are completed, that the securities of the company will then be returned, and that no terms are stated in the contract for the construction of the last eighty miles.

DISPOSAL OF THE LETTER OF CREDIT FOR \$75,000.

During the week preceding the 28th of April, Pacaud proposed to the Union Bank the discount of a letter of credit for \$175,000.

A division of the amount was suggested, and as finally issued, the letters of credit consisted of one for \$100,000 and a second for \$75,000. These appear to have been delivered to the banks by the departmental officers.

The Banque Nationale agreed to handle the \$75,000 letter of credit, and J. C. Langelier attended between five and six o'clock on the afternoon of the 28th April to hand over the cheques. Beside the bank officials, there were present Thom and Armstrong.

The amount was disposed of as follows:—

Letter of Credit.....		\$75,000 00
Cheque to order of Armstrong, by him endorsed to order of Thom, who endorsed and put it to his own credit....	\$81,750 00	
Cheque to order of Armstrong, by him endorsed over to order of O. Robitaille, who received its proceeds.....	24,000 00	
Cheque to order of Armstrong, and by him endorsed payable to bearer, proceeds received by Mr. Riopel through Thom.....	16,000 00	
Cheque to Armstrong's personal account	111 64	
Cheque to order of J. Cooper for Armstrong account	2,250 00	
Discount	886 36	
Balance unaccounted for	2 00	
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	\$75,000 00	\$75,000 00

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THE PAYMENT OF \$100,000 TO PACAUD.

On the morning of the 29th of April, J. C. Langelier accompanied Armstrong, at the latter's request, to Pacaud's office, in the Lower Town, and there made out five cheques of \$20,000 each to Armstrong's order, signing them in his quality of Commissioner and intending them to be cashed out of the \$100,000 letter of credit. Armstrong at once endorsed and handed over the cheques to Pacaud in fulfilment of their bargain.

On the same day J. C. Langelier called at the Union Bank and endorsed the \$100,000 letter of credit. He apparently made the five official cheques without knowing if there were funds to meet them, and he was never informed by the cashier that the amount stood to his credit.

It is his pretention that Mr. Machin or Mr. Lesage or some one at the Department gave him to so believe. Both these gentlemen deny the assertion.

When subsequently directly notified that the Union Bank was only holding the letter of credit for collection, he made no movement to recover back or protect them.

To so issue official cheques, of which five representing \$100,000 were later on refused for want of funds, and to so personally attend for their delivery, first at the Banque Nationale and next at Pacaud's office, impress us as being incidents of a very unusual character. Their occurrence was not justified by any facts disclosed before us.

THE BARGAIN FOR \$100,000.

Before dealing with the manner in which Pacaud disposed of the five cheques and their proceeds, it seems best to relate in detail the circumstances and facts which led up to their possession.

Pacaud's connection with the Baie des Chaleurs Railway began in the summer of 1890.

He became a zealous and prominent promoter at first of the interests represented by McDonald, and afterwards of the proposals made through Thom. At different stages of the negotiations he had interviews with, and sought to secure the support and approval of, the Hon. Mr. Mercier up to his departure for Europe, the Hon. P. Garneau (to whom he also wrote a letter),

Armstrong 61
Webb 231,
236
Pacaud 375
J. C. L. 636

Webb 228
231-2
Pacaud 375, 433, 434

J. C. L. 667
Lesage 673
Machin 275

No. 35
234

Pacaud 360

Armstrong 54-5-6
84-5
Garneau 75, 165
McDonald 351-2-3
Pacaud 356, 372-3
374

and the Honorable Messieurs Langelier, Duhamel and Robidoux. He was urgent in pressing the matter to a conclusion.

McDonald
344-5

McDonald considered Pacaud's intervention essential for the obtainment of the contract and of favors which he expected to require of the Government.

McDonald
344-352
493

According to his remembrance, the sum of \$50,000 was mentioned as the sum intended to be paid, and he asserts that Pacaud was dissatisfied with the amount.

Pacaud 370

On the other hand, Pacaud denies that any special bargain was made, and he asserts that he had no expectation of receiving more than four or five thousand dollars.

Armstrong
44-96-97

Both Armstrong and Thom had been told whether truly or not that McDonald's estimates covered a payment of \$50,000 or \$75,000 to Pacaud.

Armstrong
96

The natural and inevitable outcome of this knowledge was the bargain made at New York between Armstrong and Pacaud. Quotations from the sworn evidence will best, and indeed perhaps in briefest form, tell what Pacaud was expected to give and what Armstrong expected to receive as an equivalent for the payment of \$100,000. Mere descriptive references might do injustice to the one or the other, or to the proof of record. Speaking of what occurred at New York, Armstrong testifies:—

Armstrong
48

Q. Well?

A. I then spoke to Mr. Pacaud about the amount I would have to pay him.

Q. In New York?

A. Yes, sir, and he told me it would be \$100,000, which I agreed to give.

Q. At once?

A. Yes, at once.

Q. Without further question?

A. There may have been a few words. I may have said I understood it would have been \$75,000, but there was very little said about it anyway. It was all done in two minutes.

Armstrong
49

Q. Was there any discussion as to the nature or the extent of the services to be performed?

A. It was that the arrangement was to be carried through, and I knew exactly what the services were, provided the matter was carried through as proposed. I knew I would receive my pay from the Company, and I would be at liberty to do what I pleased with it.

Q. Was it your belief that the time he would be occupied about it would be worth the money?

A. I didn't put it on the basis of time; it was more on the basis of influence than time.

Q. What influence?

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A. Mr. Pacaud's influence.

Q. Of what nature was that?

A. Influence with the Government. I knew him to be in the confidence of the Government.

Q. Did you expect him to secure a contract that would be proper for the public interest?

A. I did not consider that it was improper in the public interest.

Q. Why if it was for the public interest did you pay Mr. Pacaud \$100,000, or agree to do so?

A. It was in my interest that I paid it.

Q. Why did you consider that it was to your interest to pay it?

A. I knew it was in my interest, and I thought that it was in the public interest that that agreement should have been made with that syndicate, and as to what proportion of my money I had to give to get it carried out I don't see how it affected them at all.

Q. I ask you why, if you were pressing a legitimate claim, and the public interest was in accord with the settling of this agreement, you should feel it necessary to pay so enormous a sum as \$100,000.

A. It was clearly impossible to me that the full claim should be paid. When I made the proposition to the new syndicate I expected to get \$100,000, and I only expected to pay \$75,000, but still I had to pay \$100,000. It might have been very serious to me if the agreement was not carried out.

Q. But your claim was a legitimate one?

A. Yes, sir, it was a perfectly legitimate one.

Q. And the proposition made by this syndicate was in the interests of the public?

A. Yes, sir.

Q. And you deserved to have your money. Now, then, will you tell me what moved you to promise to pay \$100,000 with all these elements existing?

A. My claim was payable in bonds, not in cash, and a great part of it only upon the completion of the line past Paspébiac. In the state it was in it was impossible to get anything. If I had not made an arrangement of some kind I would have been left out entirely and got nothing at all. Under these circumstances I thought it was necessary for me to do what I did.

Q. Do you believe, whether rightly or wrongly, that these proposals would not have been accepted unless you paid that \$100,000?

A. That is another question. I believed if that syndicate did not get that arrangement through I stood a very poor chance of getting my money.

Q. Well, those proposals were fair as regards the public?

A. Yes, sir.

Q. Proper?

A. Yes, sir.

Q. Why then should you pay \$100,000 to have that attended to?

A. I have given my reason, that if I did not do that I would not get anything at all. I was already eighteen months getting nothing.

Q. But at this moment you have created a syndicate?

A. Yes, sir.

Q. Of unquestionable financial strength?

A. Yes, sir, they were.

"A. I understood the basis that Mr. McDonald was working on was \$75,000, and I simply asked him to carry on the business for me on the same basis as he would have done it for Mr. McDonald.

"Q. You went one better?

"A. I found I had to go one better.

"Q. Now, in your other dealing with Mr. Pacaud which you have just mentioned was there any scale of prices between you and him for his negotiations with the Government?

"A. There was no scale of prices at all. I simply agreed with him for whatever he undertook.

"Q. You had an agreement with him every time.

"A. Not every time, but sometimes; one arrangement might cover a good many transactions.

"Q. Had you anything to do with him before this in connection with getting subsidies for the Baie des Chaleurs Railway, which induced you to engage him again and pay him the sum of \$100,000?

"A. Well, he had attended to the collection of subsidies for me before.

"Q. Did he get paid for that?

"A. He got paid, yes.

"Q. Would you have got the subsidies from the Government if you had not paid Mr. Pacaud?

"A. Possibly I would have got them, but I would have had to wait longer for them.

"Q. You would have had to wait very long?

"A. I don't say very long.

BY HONOURABLE MR. JUSTICE DAVIDSON.

"Q. You stated that you were ready to receive \$75,000 from the old Company in settlement of your claim, but that when the new syndicate came to be formed the position of affairs was so much better that your demand became \$175,000, is that correct?

"A. Yes, sir.

"Q. I do not understand how you improved your position at all, when, at the same time you were agreeing to give \$100,000 to Mr. Pacaud? Armstrong 97

"A. At that time I supposed I would only have \$75,000 to pay, and that I would have \$100,000 net for myself. It was later on that I found it would be \$100,000 that I would have to pay.

"Q. That would have made a difference of \$25,000?

"A. Yes.

"Q. Why did you not demand at once from the Syndicate the \$100,000, which you considered would be a satisfactory settlement?

"A. Because I had no confidence that they would be in a position to deal with me unless the payment was made.

"Q. Unless what payment was made?

"A. Unless I paid Mr. Pacaud.

BY HON. MR. IRVINE

* * * "Q. He never gave you in any way to understand that his employment was a necessity for your success? Armstrong 97

" A. He never mentioned it to me ; that is my opinion.

" Q. Your idea in employing him was that because of his political position and his friendship with members of the Government you would be able to ensure a more satisfactory conclusion than you would have been if you had done the work yourself or employed someone else ?

" A. Precisely the reason.

" Q. Did Mr. Pacaud tell you that he could not aid you in this matter until it was clear to him that Mr. McDonald had nothing more to do with it ?

" A. I have already stated that.

" Q. So much so that when you were leaving the train at St. Johns he caused you to telegraph me, as representing Mr. McDonald, to know whether the matter was completely off ; the telegram which has been produced ?

" A. Yes.

" Q. And it was only on ascertaining that no further transactions would be had with Mr. McDonald that Mr. Pacaud took up your case ?

" A. Yes.

" Q. What induced you to suppose that Mr. McDonald had undertaken to pay Mr. Pacaud \$75,000 for his assistance in these negotiations ?

" A. I was led to understand that firstly by Mr. Cameron.

" Q. You are aware that Mr. McDonald said that he only intended to pay \$50,000 ?

" I heard him say that, yes.

Pacaud 370

" Mr. Armstrong told me, I think, that he had not seen Mr. McDonald on the Monday ; that in any case there was no understanding or settlement between him, the directors of the company and Mr. McDonald. I then said :— ' Well, I gave Mr. McDonald up to yesterday ; he has given me no definite answer ; I am ready to do business with you.'

" Mr. Armstrong then asked me :— ' Now, what interest do you wish me to give you in the matter ? ' I told him :— ' Before going further, I wished to know two things from you. If the syndicate, which you are about to form, will bind itself, first, to be content with what the statutes allow up to the present time to the Baie des Chaleurs Company, to ask for nothing else, either by Order-in-Council or otherwise, or by promise of new legislation ; secondly, that your syndicate be composed, at least of Mr. Cooper, whoever the others may be, and that Mr. Cooper and his associates be prepared to give to the Government all the guarantees which the Government may require for the faithful execution of their engagements with the Government.'

" Mr. Armstrong told me that he would make it a condition *sine qua non*.

" Then, Mr. Armstrong again asked me :— ' What interest do you require ?—or something like that, I do not remember exactly the expression, it was in English but it may be rendered something like that.' ' What interest do you wish me to give you in the matter ; or, do you require in the matter ? ' Then I said to Mr. Armstrong :— ' What did you offer me ? ' Mr. Armstrong answered :— ' Mr. Cameron told me he was to give you \$75,000—well, I will give you the same sum.'

" Then I answered to Mr. Armstrong :— ' But, on the other hand, you told me that you were to accept \$75,000 from Mr. Cameron for your claim, and you also told me that you had an understanding with the Cooper syndicate that you were to have \$175,000 ; why do you not give me the surplus of the \$75,000 if I succeed with your business ?'

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"Mr. Armstrong said to me:—'Very well, I agree; I will give you the whole surplus of the \$75,000 on the sum which will be paid for my claim.'

"We then left to join the Hon. Mr. Langelier, the Hon. Mr. Robidoux and Mr. Thom. Mr. Armstrong called me aside again to tell me that one of the conditions of this agreement was that not only should I get the proposal of the Cooper syndicate accepted by the Government, but that I should get it accepted within a certain time, as Mr. Armstrong had explained to me that there was an agreement between the directors of the Company and Mr. Cooper that they consented to receive a fixed sum for their interests in the Company, provided that the sum was paid within a certain time. I think, as far as I can remember it was forty-five days, and that the forty-five days ended on the 28th of April, because if the transaction was not carried out within that time, the directors of the Company would have a right to come against Mr. Cooper, and ask a much larger sum than they had agreed to accept for their interest.

I told Mr. Armstrong that I accepted that condition, and we then returned to find Messrs. Thom, Langelier and Robidoux. When we reached these gentlemen they were engaged in discussing the question of the security the syndicate would furnish the Government.

Mr. Robidoux said that the Government would not give one cent of the \$280,000, notwithstanding the solvency of the persons named by Mr. Thom, unless they would deposit the money in the Bank of Montreal, or give other sufficient security that they would execute the rest of the obligations mentioned in the clause of the Statute, that is to say to complete the road. When we came up they immediately stopped the conversation, bade us good day and withdrew. I had no other conversation with Mr. Armstrong, not in the course of the day.

"I must say that I was astonished at the sum mentioned by Mr. Armstrong, because there had never been a question between Mr. McDonald, Mr. Cameron and myself of any sum whatever. My first idea was, that perhaps Mr. Heaton Armstrong, the banker, who was to negotiate the bonds, as he had addressed himself to me, had left me his address before leaving, had made me his agent for this special business, had perhaps considered that he was obliged to give me a share of the commission, as his representative when the bonds were sold, and that it was that that induced Mr. Cameron. I knew nothing of it, but that was my first idea to explain how Mr. Cameron had fixed upon such a high figure for Mr. Armstrong, because I swear positively that I never counted on receiving more than four or five thousand dollars for my services from Mr. McDonald or Mr. Cameron; I had an idea that they would probably give me an equivalent to that sum. I was much astonished when I heard Mr. Armstrong mention to me such a high figure, and it was for that reason that I thought I was in sight of a sort of gold mine which I thought I should work, and that is why I asked for the \$25,000 additional. And I must say that the \$25,000 additional which I asked for were allowed; with the same readiness as the \$75,000 had been offered to me.

"Q. You then promised him to use your influence to promote the success of Pseud 427 the syndicate or company he represented in return for the interest he offered you?

"A. Yes Your Honor.

"Q. Well, what were the services you were to render to insure the success of the syndicate? What were the negotiations? In fact, what was the influence you were to use for the success of the enterprise undertaken by Mr. Armstrong for Messrs. Thom and Cooper's syndicate?

"A. Mr. Armstrong did not say what services he expected from me; I could

not judge of his intentions—if these services had been definite—but they were not.

"Q. Did he simply ask you to interest yourself in the matter?"

"A. Yes; I may say frankly, your Honour, that he expected me to actively push the Company's interests. I have no doubt such was his intention, but I cannot answer that question.

"Q. There was nothing precise on the subject?"

"A. Nothing as regards the nature of the services Mr. Armstrong expected from me. I was simply to see that the affair was successful. I understood that I was to have nothing for my trouble if I did not succeed; if I did succeed I should have the surplus above the \$75,000 Mr. Armstrong would get from the Company in settlement of his claim.

"Q. What steps did you take to bring about the success of the new Syndicate, to obtain the contract for them, and, in fact, to substitute the new Syndicate to the old Company?"

"A. As I was thoroughly convinced that the matter was of public interest, I immediately set to work to try and induce the members of the Government to accept the proposal made to them by Mr. Thom in the name of the Cooper syndicate. I saw personally several of the Ministers, among others the Hon. Mr. Duhamel and the Hon. Charles Langelier, during the first part of the negotiations. Subsequently I saw also the Hon. Mr. Robidoux, and I did all I could to induce these gentlemen to accept Mr. Thom's proposal, but to accept it at once, as the least delay might cause the rupture of the negotiations.

"Q. I understand that in these interviews you represented that Mr. Thom's proposition was favorable and ought to be accepted?"

"A. Yes.

"Q. Answering the objections raised?"

"A. With the Ministers I only brought forward the question of public interest. I considered that if they delayed longer to further the construction of this railway, no one else would undertake it; that work to the extent of \$1,000,000 would go to ruin, and if a few months slipped by without anyone taking charge of it, no one would be willing to undertake the completion of the road. This is what I put before them. I also laid emphasis on the interest they had in retaining the party's popularity in Gaspé."

It thus appears:—

1st. That Armstrong considered it necessary to act as he did because of Pacaud's peculiar position towards and influence with the Provincial Minister; his conviction was that Thom would not be in a position to settle his claim, and that as a consequence he would receive nothing.

2nd. That Pacaud was to adopt and secure the acceptance by the Government of Thom's proposal.

3rd. That the annulment of the Baie des Chaleurs Railway Company charter by the Lieutenant-Governor-in-Council, as made possible by 54 Vic., cap. 37, was to be prevented.

4th. That Armstrong was to receive \$175,000 in money whereof \$100,000 was to be paid over to Pacaud.

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It will be remembered that Pacaud on the 21st March telegraphed from St. Johns asking through Mr. Irvine for an answer from McDonald.

On the next day McDonald answered that he was ready to go on with the enterprise if he could arrange with Riopel and Armstrong, the latter of whom he was starting for Montreal on the next day to interview. Still another telegram went to Pacaud at New York on the 21st, asking for a conference either there or at Montreal.

Some later efforts were made, but without success, to secure a place in the new combination.

This interview between Armstrong and Pacaud marked Pacaud's final abandonment of McDonald.

Of this McDonald afterwards complained, but Pacaud resented the charge of bad faith.

It is proper to state that Mr. McDonald gave Armstrong, Thom and Cooper the belief that he was out of the field, and there is nothing to show that any member of the Ministry know of further effort of his after the fifth of February.

The moment suggests a contrast between the offer put before the Government by McDonald and that of Thom's, afterwards accepted:—

1st. McDonald offered to complete the 100 miles for \$140,000 less than the present contractors are receiving. Cooper asked McDonald \$150,000 for his bargain.

2nd. McDonald was ready to deposit \$84,000 with the Government in return for an interest guarantee of the Company's bonds—these bonds have now been received as security by the Government without any cash deposit.

3rd. For the old Company's franchises and free discharge of its liabilities, he offered \$175,000. For the same purposes the new Company obtained for Armstrong \$175,000 out of the public chest and out of it secured \$60,000 to pay the old shareholders.

It further secured the direct payment to other creditors of \$41,500, also taken from the public chest; and it is fighting the McFarlane claim.

4th. In the one case the Province was not to be at any outlay until large progress had been made with the work; in the other

Armstrong 85

No. 78 page 371.

Pacaud 370, 404 414

Armstrong 39 Cooper, Thom, Pacaud, 500 Maroler 511-12

McDonald 341-2 349-50 495-99 502, 549 340 Thom 553

No. 101 949 No. 106 504 No. 108 505

it has made an immediate advance of \$216,500 before any work whatever was accomplished on the road by the new shareholders.

The remarkable contrasts between these figures might well have excited close scrutiny, or the necessity of calling for tenders.

Armstrong
34-40
Thom 500

During the McDonald negotiations Armstrong was ready to accept \$75,000 in full of his claim. Of this fact Thom had knowledge.

The pretension has been advanced that the sudden expansion of his claim from this figure to \$175,000 resulted from the new grant of 800,000 acres of land. The facts of record point distinctly to the contrary. Armstrong remained willing to accept \$75,000 long after the introduction of the Railway Resolutions, 54 Vic., cap. 88.

Armstrong
81
37
81

That Statute was assented to on the 30th of December, 1890. Armstrong was present at the interview between Messrs. Cameron, McDonald and Riopel which took place at the end of January and he fixed the 14th of February following as the date at which these negotiations were broken off. There was not so broken off because of any increased demand on the part of Armstrong.

All the facts lead irresistibly to the conclusion that the difference between his first offer of \$75,000 and his second demand followed by its payment of \$175,000 was intended for and did in fact go to Pacand.

What effects have resulted from the payment of \$175,000 to Armstrong?

J. C. Langellier
633

1st. We have seen that Thom spent days in the office of J. C. Langellier making enquiries and calculations. The amount of his proposal for the completion of the road must, of necessity, have been affected by this additional item of \$100,000, with which the preliminary cost of acquiring the road had to be burdened.

2nd. The amount to be retained by the Government until final settlement has been diminished by the sum of \$175,000.

3rd. The province loses in this way a large amount of interest.

Thom 501

4th. The financial position of the Company was affected. Within a short time after the passing of the contract it made two appeals for financial assistance.

a. Thus on the 5th of June the Company asked that \$70,000

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of the subsidy payable on miles 80 to 100 should be doubled back and paid on miles 60 to 80. This demand was granted. No. 21
211
Thom 609

b. It will be remembered that the Order-in-Council in dealing with the 800,000 acres converted into money stipulated No. 1
884 "and the surplus, if any, shall be, after the payment of all claims actually existing against the Company, kept by the Government which shall render an account thereof to the Company in final settlement."

When the "final settlement" was intended to be is stated by the Company itself in explicit terms

In an memorandum intended to support the passage of a Statute at Ottawa we find the following:—"Should there be a balance left it will be accounted for at completion of 100 miles." No. 136
952
Thom 600

Yet we find Thom on the 6th October, 1891 applying for payment on an unexpended balance of about \$70,000.

On the 8th of October Mr. Garneau replied, stating that the Government would take the matter into consideration. No. 132
582

For these causes we have to believe that the bargain made between Armstrong and Pacaud, on or about the 19th of March, 1891, by which the sum of \$100,000 was promised and afterwards paid to Pacaud was fraudulent, contrary to public order and an audacious exploitation of the public Treasury accomplished under a pretext having all the appearance of plausibility. No. 193
583

PACAUD'S DISPOSAL OF THE \$100,000.

We now propose to deal with Pacaud's treatment and disposal of the letter of credit for \$100,000 and of the five cheques.

As already stated, J. C. Langelier called at the Union Bank on the 29th of April, put his endorsement on the \$100,000 letter of credit, and was informed by Mr. Webb that the question of its discount was before the directors. Webb 228
J. C. L.

Whether before or after the fact of this endorsement is not certain, but at some time during that day Pacaud presented the cheques and learned that the Bank had determined not to grant the discount. Webb 228
231

The special reasons for this refusal were not given. As a matter of fact, Pacaud had in previous interviews made state- Webb 231-3
Pacaud
375, 433-4

ments as to his proposed disposal of the money, which caused the Bank authorities to decline the transaction.

Gaboury
333
Pacaud 436
438
Webb 228

Pacaud afterwards sought to have the letter of credit cashed at the Banque Nationale and then at La Caisse d'Economie, but failed in both efforts. He thereupon re-deposited it at the Union Bank to await its payment by the Government on the 10th of July.

Webb 232-233

Later on, Pacaud sought discount of his note for \$20,000 endorsed by Phillipe Valliere, merchant of Quebec, and further secured by one of the \$20,000 cheques. The Union Bank again refused; then Pacaud deposited the five cheques for collection. Later on again he withdrew three of them.

No. 33, 377
No. 86, 918
Webb 231-236

1. He attached cheque 32a to his note for \$20,000 endorsed by Valliere, and obtained a discount at the Banque du Peuple. Its cost was:

No. 6
p. 916

The Bank discount.....\$230 00
Valliere's charge for his endorsement..... 500 00

Making a total for about two months and four days of...\$780 00

No. 84, 377
No. 86, 917
Webb 231
236

2. He attached cheque 32b to a second like note, for which he obtained discount at the Banque Nationale on the 16th of May. It cost him—

No. 88, 15
919

The Bank discount.....\$268 00
Valliere charged for his endorsement..... 500 00

Making a total for less than two months of.....\$768 00

In further security for his endorsements Valliere obtained letters from Webb addressed to the Bank, stating that the cheques would be paid when the Government retired the letter of credit for \$100,000 on the 19th of July.

Pacaud 437

3rd. Pacaud lastly attached the third cheque with a like letter from Webb to his third note for \$20,000, endorsed by Valliere, and proceeding to Montreal sought to obtain a discount at the head office of the Banque du Peuple, but without success. Then he handed over the note, cheque and letter to the Hon. Mr. Robidoux, who put them before one Napoleon Lefebvre for discount.

Pacaud 376

Upon this further application being refused, the papers were returned to Pacaud, who afterwards re-deposited the cheque in

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the Union Bank. We thus find that the five cheques were cashed as follows:—

1st. 6th May, cheque 32a discounted at Banque du Peuple	\$20,000
2nd. 16th May, cheques 32b discounted at Banque Nationale.....	20,000
3rd. 10th July, cheques 32c, 32d, 32e left for collection at the Union Bank and cashed on payment of letters of credit.....	60,000
	\$100,000

The disposal of their proceeds is shown by the following accounts:—

Banque du Peuple, account, No. 88, p. 918.

Banque Nationale, account, No. 86, p. 914.

Union Bank, account, No. 89, p. 930.

88a, 86a, and 89a certified to the correctness of the credits and debits appearing in the Pacaud accounts, No. 88, 86, and 89.

Account 87 is Pacaud's account with Mr. Mercier; the credits for \$35,000 which it gives will be discussed when we refer in detail to Mr. Mercier.

Account No. 90 shows the disposal of \$4,000 transferred to the Union Bank account.

Account 91 shows all the cash Pacaud had in hand at the date of his examination as balances from accounts fyled before the Commission.

Statement 94 is a resume of statements fyled by Pacaud.

Account No. 99 shows certain cash deposits and disbursements made by Pacaud in connection with election petitions.

Account No. 100 is Pacaud's account with the Union Bank between the 30th of April and the 13th of July, 1891. The Union Bank account, No. 89, already referred to, runs from July 10th to October 18th. The figures are identical in so far as the dates cover each other.

Account No. 196 is an account of Pacaud's with the Merchants Bank, showing the disposal of the two deposits of \$2,000 each, transferred from his other accounts.

The statement 207 is a rough attempt to summarize the evidence of Pacaud by totalizing the different classes into which

he divides his payments, apart from a few slight corrections based on his depositions :—

PERSONAL EXPENSES.

He assigns to personal Expenses.....\$30,811 76
Less corrections carried to next cap..... 120 00

Total.....\$30,691 76

POLITICAL DISBURSEMENTS.

To different persons and Chicoutimi deposit.\$ 1,000 00
J. A. Tessier, Revision of lists, Three Rivers 30 00
Carrel, sr..... 150 00
Joseph Martin, Revision of lists..... 25 00
Demers brothers..... 1,000 00
Desaulnier's..... 100 00
Hon. C. A. Pelletier, election expenses..... 1,000 00
Raoune Rinfret, Revision of lists..... 50 00
C. A. Geoffrion, Q. C., Vaudrenil, & L'Assomption County..... 500 00
Ant. Taschereau, Revision of lists, Beauce.. 25 00
Ed. Dorion, Revision of lists..... 25 00
Blaise Letollier, Revision of lists..... 20 00
Godreau, election expenses..... 1,000 00
Carrel, jr., Telegraph..... 100 00
Other advances, &c., to members of Legislative Assembly..... 1,415 00
Tarte-McGreevy affair..... 1,900 00
Montmorency election..... 2,000 00
Five Promissory Notes..... 23,000 00

Total.....\$33,340 00

OTHER EXPENSES.

P. Valliere discount..... 1,000 00
Armstrong drafts..... 2,000 00
Paid for Mr. Mercier..... 6,788 29

\$ 9,788 29

Total.....\$73,820 05

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In the personal account are included about \$10,000 for the purchase of a house, leaving about \$20,000 which are assigned by Pacaud 439 to personal expenses between the 6th of May and the end of October.

As to the political disbursements, all of which were made in connection with Dominion elections, Pacaud states that having the money, he met the liabilities and made the payments as a matter of personal beneficence and liberality. Pacaud 443, 485

The accounts produced by Pacaud are intended to account for the \$100,000. They include, however, entries of other transactions occurring within the dates which they cover, which went into the current bank accounts. Pacaud 426 424 M. Belque 445-6

DIVERS MEMBERS.

The names of the following members of the Legislative Assembly appear in Pacaud's accounts:—

1. A. F. Carrier.....	\$ 950 00	86-13 p. 381 88-5 p. 383-88 22 p. 385
2. F. Z. Deschenes.....	180 00	88-17 p. 384
3. Adelard Turgeon	152 54	88-65 p. 387
4. Anguste Tessier	25 00	88-99 p. 389
5. Odilon Desmarais.....	280 00	88-150 p. 391
6. L. F. Pinault	80 00	88-43 p. 386
7. F. X. Lemieux.....	100 00	
8. Hon. H. Mercier, five notes, amounting to \$23,000 each, on which he was joint endorser, were retired and payments made on his account amounting to.....	4,488 33	
9. Hon. C. Langelier was also an endorser on the above five notes, and payments on his account amount to	4,488 33	
He also received from Pacaud	8,791 28	
10. Hon. G. Duhamel.....	100 00	

lections

691 76

840 00

788 29

820 05

89-15
p. 395

DIVERS MEMBERS.

MESSIEURS CARRIER, DESCHENE, DESMARAIS, TURGEON, TESSIER,
LEMIEUX AND PINAULT.

These gentlemen were members of the Legislative Assembly, and as their names appear in connection with certain transactions of which mention was made by Mr. Pacaud in the course of his evidence, it becomes necessary to state the facts which affect them.

Pacaud 381
86-13
p. 381
88-4
p. 383

Carrier 695

Mr. Pacaud had been in the habit of endorsing notes for Mr. Carrier. During May last the Banque du Peuple held two of these for \$400 each. In view of his proposed departure for Europe, Pacaud paid them before maturity, and told Mr. Carrier, who called on the 27th of May to secure renewal, not to trouble himself about them until the autumn.

88-22
p. 385

Carrier 695

Another sum of \$150.00 was paid by Pacaud to Mr. Desbarats, on the representation of the latter that a loan of that amount had been paid to Mr. Carrier through the belief that Pacaud was to be responsible. Mr. Carrier remitted this sum to Pacaud as soon as he learnt of its payment.

As to Mr. Deschene, the facts relate to a note for \$150 endorsed by Mr. Pacaud and by him paid without Mr. Deschene's knowledge. In any event, Mr. Deschene asserts that he had a claim against Mr. Pacaud for costs, and that he will only redeem the note when this is settled. Moreover, the note was made prior to the Baie des Chaleurs affair.

Mr. Deschene further received from Mr. Pacaud a sum of \$80 on the 4th of June to meet the travelling expenses necessary to fyle the Caicoutimi counter election petition.

88-111
p. 389
Pacaud
p. 389
Desmarais
747

Pacaud 387

Pacaud promised Mr. Desmarais a sum of \$800 for political expenses, to be paid out of the election funds held by him in February and March, 1891. On meeting at Quebec in July following Pacaud deducted a counter account of \$70 for printing, and paid Mr. Desmarais \$230.

"Pacaud states that he owed Mr. Damase Turgeon, farmer of Beaumont, \$200 and gave a note to him for that amount. He renewed it for \$150 and at maturity paid it to his son Adelard. The money was due to the father for money furnished in an election contestation.

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Mr. Tessier received from Pacaud \$25 in connection with the revision of the Rimouski election lists. ⁸⁸⁻⁹⁹
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Pacaud being indebted to Mr. Lemieux for counsel fees, at Lemieux's request paid his subscription to the Union Club and charged the payment against the account. ⁸⁸⁻⁴³
₃₈₆

Mr. Pinault simply served as an intermediary to transmit \$80,000 to Dr. Fiset of Rimouski for the revision of the election lists. ^{Pacaud}
₃₉₁₋₈₈
_{150,391}

These gentleman were severally ignorant that the payments so made came from the \$100,000 and they are not implicated in the Pacaud-Armstrong transaction.

THE HONORABLE HONORE MERCIER.

We have already in our recital of the "McDonald-Heaton-Armstrong negotiations" stated the connection which Mr. Mercier, as Premier, had with their efforts to obtain the contract for the completion of the Baie des Chaleurs Railway.

When he saw Cooper, Thom and Laflamme at Montreal on the evening of the 12th of March he had heard nothing from McDonald or Mr. Cameron since his reply, dated the 12th, to his letter of the 7th of February. ^{Mercier}
₅₀₉
_{No. 111}
_{p. 509}
₁₁₀
_{p. 508}

This appears to have been Mr. Mercier's first knowledge of the proposed formation of a new syndicate. ^{Mercier 511}

The next morning, the 18th of March, Mr. Mercier left Montreal on his way to Europe. He was accompanied as far as New York by his colleagues Messrs. Shehyn, Boyer, Robidoux and Langelier. ^{Mercier 511}

By previous arrangement with each other Armstrong and Pacaud were also on the train, but not in the official car. Pacaud sought to secure an interview for Armstrong, who was desirous of obtaining a favorable response to Mr. Laflamme's letter. Mr. Mercier refused, stating that he would write direct to Mr. Laflamme. The terms of this reply were settled with his colleagues and afterwards posted from New York. ^{Armstrong-}
₄₆
_{Pacaud}
_{365, p. 417}
₄₁₈₋₉
_{Mercier}
₅₁₁

After Armstrong left the train at St. John's Pacaud had another interview with Mr. Mercier about the Baie des Chaleurs Railway.

Of this he swears :—

Pacaud 418
419 " A. Yes, Your Honour, I asked Mr. Mercier to give his favorable consideration to the proposal which had been made to him by the new syndicate in case Mr. McDonald should withdraw."

Mercier 512 Thereupon Mr. Mercier requested Pacaud to do what he could in the way of preventing the withdrawal of Mr. McDonald. Mr. McDonald does not remember this special reference but is not prepared to deny that it was made.

Garneau 157 On the 17th of April, Mr. Robidoux sent Mr. Garneau the telegraphic message already quoted and in which is written :—
"Langelier will tell you exactly what has been decided " before the departure of Mercier....."

Robidoux
751-55 Mr. Robidoux explains that this meant the strong desire expressed by Mr. Mercier, in the public interest and the interest of his country to have the work continued and completed. The Ministers, says Mr. Mercier, were aware of his anxiety for its prosecution. Mr. Mercier testifies :—

Mercier 525 " I think I told them to do their utmost, to secure satisfactory arrangement to assure the construction of the road."

522 He further testified that the first knowledge of the contract having been completed came from a gentleman in Paris.

Mercier
523-3-4
530
Garneau 209
Pacaud 455 Then he received a letter from Mr. Garneau, and another from M. C. Langelier informing him of the settlement of the transaction.

Mr. Mercier answered to Mr. Langelier as follows :

Mercier 523-4 " I am delighted to learn from your letter, that the Baie de Chaleurs matter is settled. I depend upon what you say, but I confess to you that I do not find the new syndicate very strong and unless it is backed up by foreign capitalists and very strongly backed up, we will again be disappointed. I would advise you to be very prudent, to follow exactly the text of the law, and to make no advances except with full knowledge. Of course you are a better judge than I of the new situation, which is brought about by circumstances mentioned by you, and I depend entirely upon your discretion and that of your colleagues as to what should be done; but I pray you to be prudent; we have been so unfortunate with this road that we cannot take too many precautions....."

Mr. Mercier read this extract as part of his testimony and added that since then his impressions about the new syndicate had changed.

The answer of Mr. Langelier to this letter of Mr. Mercier's and the letter of Mr. Garneau to Mr. Mercier were not produced, but the answer of Mr. Mercier, to Mr. Garneau, which could not be found at the time of the latter's examination, has since, thanks to renewed searches, been discovered and sent to the President of the Commission. This letter bears no date, but its envelopé, also forwarded to us, is post-marked "Paris 21 Mai"

Its contents, omitting some passages relating to purely personal matters, are as follows:—

Confidential.

24 Rue des Capucines.

"I am enchanted with the settlement of the Baie des Chaleurs Railway matter. I am told that you have displayed much tact and prudence in the affair. I congratulate you. It is worthy of you. The same with reference to the Quebec Central: the two arrangements are very agreeable to me.

"I find that our colleagues have strong hands (*le main dure*) for the finances. I pray them to take care; the figures which you give me are high (*raides*). It will be difficult I fear to explain these special warrants in a satisfactory manner.

"I am not surprised to know that your relations with His Honour are very agreeable. It could not be otherwise; two honest and intelligent men always understand each other well. My respects for you and for my colleagues.

(Signed)

"H. M."

Pacaud 456

There was also correspondence between Messrs Mercier and Pacaud, but whether or not it made reference to the Baie des Chaleurs matter is not known because of its not having been produced?

It is unfortunate that these letters could not have been put before the Commission to enable us to make a sure appreciation of their contents.

Subject to the reserve imposed by their non-production it is our duty to state that there is no proof of Mr. Mercier having intermeddled with the action of his Government in connection with this affair.

Previous to his departure from Quebec Mr. Mercier became a joint endorser, with several political friends on a number of promissory notes signed by Pacaud, who was the financial agent of his party, the proceeds of which were to be employed, partly in connection with the elections, which took place on the

5th of March, and partly for deposits to be required for election and counter election petitions. Pacaud obtained the discounts of these notes or used them as renewals for like purposes if the need arose. M. Mercier also left with the Hon. Mr. Pelletier, Senator, three or four blank endorsements.

Pacaud 423

Pacaud divides all this paper into three classes ;—

1st. Notes signed before polling day.

2nd. Notes signed after polling day.

3rd. Blank endorsements of the notes so left.

Of the notes so left and used for renewals, Pacaud paid the following out of the \$100,000 :—

	No.	Date	Due	Paid	Amount
		1891	1891	1891	
Lafrance 315-326 Pacaud 409, 424-6 429, 444 Mercier 536 Lafrance Pacaud 583, 409, 426 Mercier 534 Webb 237 254 Pacaud 409, 409 444 536 Mercier 536 Webb 235 265 Pacaud 393, 409 425, 444 Mercier 536 Pacaud 393, 409 425, 444 Mercier 536	86	15th April	18th May	15th May	\$ 5,000
	88	28th Feb.	1 May	6 May	5,000
	89-3	1st April	4 Aug.	11 July	3,000
	89-5	10 March	13 July	11 July	5,000
	89-9	1st April	4 Aug.	22 July	5,000
					<u>\$23,000</u>
Pacaud 456 Mercier 541					

Mr. Mercier returned from Europe on the 18th of July; as a consequence the first, second, third and fourth notes were retired during his absence, and the fifth, some days after he arrived at Quebec.

Two further like notes bearing the endorsement of Mr. Mercier and others, are of record, which were not paid out of the \$100,000 :—

89-9a dated 1st April, payable in 4 months..... \$3000.00

205, dated 15th April..... 5000.00

The total of the seven notes so put before the Commission amount to \$31,000.

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It is established by the personal evidence of Mr. Mercier Mercier 528 that this liability for \$28,000 was contracted with the formal Pacaud 379, 412 understanding that the responsibility between the signatories or endorsers should be equal without regard to order of endorsements.

It was moreover, agreed that the notes should be met in part Pacaud 412, 443 by subscriptions and in part by the return of deposits made in Pelletier 764 eleven election petitions. But no such subscriptions were secured, the whole outlay being provided out of Mr. Pacaud's \$100,000. It is not in proof that one of these deposits has been reimbursed to Mr. Pacaud. Even if he were to receive back, as suggested by some witnesses, one half of the deposits—which is doubtful—Mr. Mercier would still remain liable for a very considerable amount.

Mr. Pacaud gives the following explanations:—

"I had a certain sum, but there remained a portion of the expenses of the Pacaud 379 organization to be raised among friends by means of subscriptions. As we were in haste, we were on the eve of the polling, I had no time to go and find our friends as I had been in the habit of doing, to get them to subscribe for the organization of the party. I then asked my friends to meet me at Mr. Mercier's, the two Messrs. Langelier and Senator Pelletier, and I told them that I counted on obtaining all the means I wanted to complete my organization by means of subscriptions from political friends who had been in the habit of giving me such subscriptions, but that I could not lose my time running after friends to get their subscriptions, that in the meantime I suggested the making of notes which would give me afterwards ample time after the contest to find the money necessary to meet the notes. These gentlemen accepted my word and agreed to endorse the notes which will now be produced before the Commission in connection with this matter.

"I do not know if I am thoroughly understood. The document stated that Pacaud 412 each person was responsible for the sum opposite his name, but that each was only responsible for that portion of the amount he had agreed to pay. Suppose that we had made ten deposits for contestations, \$10,000; that five were lost, the deposits disappeared and only five were returned; then each one of us would be responsible for half of the amount which he had subscribed, he would be obliged to pay half of the sum for which he was held responsible.

"On the strength of this document and engagement, our principal friends made notes and we discounted them at the Banks. Those who made the notes and endorsed them were themselves guaranteed by the bonds signed by the other friends who did not appear in the notes. Senator Pelletier acted most frequently in this way as our party agent, and I mention specially 1886, when, I believe he acted in this capacity. As a rule in these cases, none of the gentlemen who signed were called upon to pay.

"Whether there was a settlement of the election contestations or the deposits

were withdrawn in any other way, the deposits were applied to paying the notes, and then those who had signed were no longer liable.

Pacaud 443 "Q. When you had the notes for election expenses signed and discounted, you intended to get political subscriptions to cover these notes?

"A. Yes.

"Q. Did you start these subscriptions afterwards?

"A. No, because I had other money to pay them. I had some subscriptions, but I did not push them as I had other money to pay the notes.

"Q. Money from the \$100,000?

"A. Yes.

"Q. Which went to pay this?

"A. Yes, Your Honor.

Pacaud 442 "Q. Senator Pelletier was simply nominated as trustee of the moneys for the contestations of the elections?

"A. He was the depositary of the bond signed by the friends who held themselves responsible for the sum opposite their names; notes were made by either Mr. Pelletier, Mr. Francois Langelier, or others; these notes were discounted on the guarantee of this bond, signed by all the other friends, and when the contestations were settled one way or the other, the deposits were withdrawn and applied to paying the notes, and then those who had signed the bonds were no longer liable.

Mr. Mercier in turn testifies :

Mercier 528 "I remember saying to them:—'Gentlemen, I leave you these in all confidence; you can ruin me, but in fine I leave them with you, being assured that you will use them with discretion and prudence, and with the formal understanding that, notwithstanding the order of the endorsement, we shall be equally responsible; not towards the banks, as, naturally, being the first endorser in the majority of cases, I was the first responsible, after the person who signed or the maker.' But not only did those who were to endorse after me, but also those who were present as Mr. Charles Langelier, Mr. Tarte and others gave me their word, and it was stated that they would pay their share even if they had not signed or whatever was the order of the endorsement.

Mercier 537 "Q. Before endorsing these notes, sometime before, you had endorsed other notes, had you not?

"A. Many, sir.

"Q. Can you state about the amount?

"A. No, sir.

"Q. I am, perhaps, indiscreet?

"A. You are a little indiscreet, but I confess I would willingly tell you if I knew; I am not aware, and I would rather be unaware of it for a long time; all that I know is that I have not been called to pay."

Pelletier 764 Mr. Pelletier says:—

"Q. When you endorsed the different notes which were produced here, was there any question of the manner in which these notes were to be afterwards paid?

"A. I remember perfectly when Mr. Mercier, in our presence, signed these

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notes; seeing that he was going away. He then mentioned that he hoped that we would make use of them with discretion, seeing that he gave his signature on blanks, and the worst that could happen was that we would each pay our share equally; but we counted on the reimbursing of these sums, in a great measure, of the deposits which we made in expecting to gain some at least of the contestations and to reimburse ourselves in that way. Besides, we were to have recourse to our friends to assist us to pay. There was no question of anything else at the time. We had no other resources to make them either.

" Q. From that time did you not suspect that those notes had become due ?

" A. Naturally.

" Q. Did you enquire how they had been disposed of ?

" A. No, Your Honour, not at all. The first time I became sure that the notes had been met was when the Baie des Chaleur matter was in question before the Senate. I supposed that Mr. Pacaud had succeeded in getting some subscriptions. I had not heard of them; I did not concern myself about them; I had not heard how they had been paid.

" Q. Did you not ask whether they had been paid ?

" A. No, I was in Ottawa at the session. I supposed that the matter had been settled as I was not spoken to about it."

Mr. Charles Langelier says :—

Mr. Charles
Langelier 718

" Q. Did you pay the other two notes or did Mr. Pacaud pay them ? Were you called upon to pay them ?

" A. What other notes ?

" Q. \$5,000 ?

" A. I was not asked to pay them ; I suppose Mr. Pacaud paid them.

" Q. He said he paid them ?

" A. I have no reason to doubt it.

" Q. Will you examine Exhibit 89-9 and see if your name appears as endorser ?

" A. I state that on a note for \$5 000, dated at Quebec, 1st April, 1891, and signed by Mr. Ernest Pacaud, my name is found as endorser.

" Q. As in the other cases, you were not asked to pay this ?

" A. I was not asked to pay it.

" Q. 89-3 ?

" A. I find that a note for \$3,000, dated 1st April, 1891, and signed by Mr Ernest Pacaud, my name appears as endorser.

" Q. This note also was not paid by you ?

" A. Was not paid by me."

Mr. Francois Langelier says :—

Mrs. Lange-
lier 809

" Q. How did you calculate that these notes should be paid ?

" A. When we gave these notes we calculated that these election notes (apart from the notes for contestations), that these notes would be paid by subscriptions. We calculated that we would not have personally to pay these notes. Mr. Pacaud told us that there were already subscriptions given, but he said that he had not time to collect them then, and he mentioned to us the names of other persons who would probably also subscribe. We calculated that we would not have to pay a cent of the amount of these notes, and we were determined, that if we had to pay, to each

pay our share of the amount. As to the notes for the contestations, we calculated that the amount would be paid by the deposits, when the deposits were withdrawn, and that if there was anything lost out of these amounts, we would bear the loss between us, saving the attempt to get assistance from friends as we had done previously."

Mr. Mercier never enquired by whom or from what funds the notes in question were met. And even when the real facts came to his knowledge he never repudiated the manner of their payment by Mr. Pacaud, or sought to make reimbursement. Indeed, on the maturity of the note for \$6,000 concerning which we will presently speak, and even after the creation of this Commission, Mr. Mercier on the 30th of October, took from Mr. Pacaud \$1,000 as being his share in its amount. This Act ignored the pretention of Pacaud that he had then, in hand, a balance of \$1,711 belonging to Mr. Mercier.

PERSONAL ACCOUNT.

Pacaud
379-396

A few days before leaving Quebec for Europe, to wit: on the 2nd and 4th March, Mr. Mercier handed to Pacaud two cheques against his personal account at La Caisse D'Economie, Quebec. The first was to Pacaud's order for \$5,000 and the second to bearer for \$3,500.

Pacaud
379-396
Mercier 631

Messrs. Mercier and Pacaud unite in declaring that the \$5,000 cheque was intended for any remittance which Mr. Mercier might require while in Europe, and that for \$3,500 to meet any local personal accounts which might be presented.

Pacaud 396
414, 422, 460
Mercier
415, 530
Webb 680

Although these cheques were payable at La Caisse d'Economie, Mr. Pacaud presented, or caused them to be presented at the Union Bank, by which institution they were cashed over the counter and afterwards collected in the ordinary course of business. Strange to say he has no recollection of how he obtained possession of the money.

Marcoux
576
Clement
623-5
Logare 622

At the date of their presentation, Mr. Mercier had the privilege of an overdraft to the credit of \$3,000. They created a deficiency of \$3,632.07 which was covered on the 10th of March by Mr. Mercier's cheque on the Jacque Cartiers Bank for \$4,000.

What immediate disposal Pacaud made of the proceeds does

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not clearly appear. He declares that they were mingled with his own funds but will not positively identify any deposits. He contents himself with indicating in a doubtful way the following deposits as possibly representing the money received from Mr. Mercier's cheques.

Date	Bank	Amount	Description
2 March	Union Rank	\$3000	The bordereau No. Pacaud 457 189, page 976, shows that this deposit consisted of 520 \$5 and 100 \$4 bills.
2 March	Union Bank	1000	The bordereau No. Pacaud 457 188, page 976, gives no details.
3 March	Banque du Peuple	500	The bordereau No. Pacaud 457 200, page 982, gives no details.
5 March	Union Bank	1000	The bordereau No. Pacaud 416 190, page 977, gives no details.
6 March	Merchants Bank	500	Of this deposit no slip has been fyled.
9 March	Union Bank	500	The bordereau No. Pacaud 416 191, page 977 shows that this deposit consisted of 16 \$50 bills
12 March	Saving Bank	4000	The bordereau No. Pacaud 416 192, page 978, gives no details.
31 March	Banque du Peuple	1000	The bordereau No. Pacaud 416 200, page 982 shows that this deposit consisted of a cheque for \$1000.
16 April	Banque du Peuple	700	The bordereau No. Pacaud 416 200, page 983, shows that this deposit consisted of 70 \$10 bills
20 April	Banque du Peuple	1000	The Bordereau No. Pacaud 416 200, page 983, shows that this deposit consisted of a cheque for \$1000.

So that to represent \$8,500, Pacaud offers a choice between ten deposits totalling \$13,200. It is noticeable that some of the dates are weeks after the receipts of the cheques.

Pacaud 497
416-458

For the first two cheques, Pacaud gave no receipt and made no entry. He states that he kept no books.

He further states that he took care to keep in his possession an amount sufficient to meet any demand which Mr. Mercier might make by cable or letter, but not the whole \$8,500:—

Thus:—

Pacaud 461

By Mr. Casgrain,

" Q. Before commencing to discount the \$20,000 notes of which you have spoken, you always had on hand, from the time Mr. Mercier gave you this cheque \$8,500, in some bank in the city of Quebec ?

" A. I cannot precisely say that, Mr. Casgrain, but I may tell you that I always had a sufficient sum to enable me to meet my obligations towards Mr. Mercier.

" Q. Then, between the 2nd of March and the 5th or 6th of May the date you got the discount, you always had enough to meet \$8,500 ?

" A. No, that is not the absolute deduction. I might have..... from the time I have \$5,000 which I could send by cablegram, even if I had not the full amount of \$8,500, but had a lesser sum, but enough to allow me to meet the accounts as they were presented, I would have thought myself within the requisite conditions to honor all my engagements towards Mr. Mercier."

No account has been produced by Mr. Pacaud which shows the continued existence of the balance to which he refers.

Further examination of the subject will disclose that Pacaud did not pay a dollar out of the funds to which he refers.

His remarkable memory and the care with which he preserved vouchers, excepting Mr. Mercier's request for a draft of \$5,000 makes it the more difficult for us to understand why he should not have been able to give a clear and satisfactory account of how he preserved so large a sum of money if he in fact at all kept it for the purposes stated.

Pacaud 379

Pacaud produces No. 87 as being the personal account between Mr. Mercier and himself.

It is in the following form:—

No. 87-917	1891	DE.	No. of Items	
	March 2	Cheque.....		\$5,000 00
	" 4	Cheque.....		3,500 00
				\$8,500 00

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March	11	F. Campbell.....	1 19 00
April	15	Institut Canadien.....	2 4 00
"	20	Union Club.....	3 100 00
"	20	Champlain monument.....	4 84 00
"	30	Subscription to the Fortress Hotel.....	5 500 00
May	8	James C. Lloyd.....	6 75 00
"	11	Maskinonge contestation.....	7 250 00
"	14	Quebec and Levis Electric Light Co.....	8 39 00
"	14	Draft on Paris.....	9 5,000 00
"	15	Maskinonge contestation.....	10 250 00
June	1	Allan Line.....	11 28 85
"	1	Customs duty, Colley, broker	12 119 31
"	29	Allan Line.....	13 11 84
"	30	Jas. C. Lloyd.....	14 75 00
July	6	Allan Line.....	15 15 93
"	7	Customs duty, Colley, broker	16 227 19
"	9	Duty and charges, Colley, broker.....	17 16 96
"	22	Allan Line.....	18 12 16
"	22	"	19 10 55
			6,788 29
			\$1,711 71

Mr. Mercier states that item 3, "Union Club, \$100" and item 5, "Subscription to Fortress Hotel, \$500," were not specially authorized, but as to the latter he may have made some informal promise of subscription to Mr. Dobell, President of the Company, and does not desire to repudiate these payments.

The items 7 and 10 are for two drafts of Mr. Beausoleil, for \$250 each in connection with the Maskinonge election. Mr. Mercier promised to pay this amount personally and Mr. Beausoleil so informed Mr. Pacaud in a letter of advice. This letter has also been destroyed but Mr. Beausoleil explains the understanding which existed with reference to the matter just mentioned.

Apart from these payments just mentioned the statement

discloses discharges of personal accounts to the extent of \$688.77 and closes with a balance in favor of Mr. Mercier of \$1,711.

TWO DRAFTS OF \$5,000.

First Draft
Pacaud
428-379-80
398-455-6
Mercier 529

The first draft was sent to Mr. Mercier on the 15th of May, on his written instructions, and the second on the 3rd of July.

Pacaud 397
Valliere 817

The transmission of the first coincided as to date with the discount of the second \$20,000 note endorsed by Valliere. Mr. Pacaud asserts that, to remove the hesitation of Mr. Lafrance, who spoke of want of funds, he explained in the presence of Mr. Valliere that in reality the advance would only require \$10,000 instead of the \$20,000, inasmuch as the Bank might retain \$5,000 for a note maturing some days later, and that having received \$5,000 from Mr. Mercier before his departure for remittance on demand he wanted a draft on Paris for that amount, which would not return for a month, so affording the Bank, to that extent, further facilities for the payment.

Pacaud 38

Mr. Pacaud says :—

Pacaud 379

"When I went to the Banque Nationale to negotiate my note for (\$20,000) twenty thousand dollars, Mr. Lafrance told me that the paper which I showed him was excellent, he had no doubt, but that the Banque was not in a position to advance at once such a large sum. 'Then,' said I to Mr. Lafrance, 'I will meet you on that point. I have \$5,000 to send to Mr. Mercier. Mr. Mercier left me \$5,000 before leaving, and he now asks me to send him these \$5,000 by a draft on the Credit Lyonnais at Paris. You will then give me a draft for \$5,000. Your draft will not come back from Paris before a month, so that you will, in fact, have given me five thousand dollars (\$5,000). I will keep Mr. Mercier's \$5,000. Your draft not coming back before the first of next month, you will be able to make me this advance of \$5,000. Now I owe you a note on the 18th of this month; you will return that note to me. So that you will have advanced \$10,000 to me without disbursing anything.'

"This conversation took place in presence of Mr. Valliere and of Mr. Lafrance. On these representations Mr. Lafrance gave me a bill of exchange for twenty-five thousand francs, I think, for five thousand dollars (\$5,000) in any case, and I sent it to Mr. Mercier in Paris."

Pacaud 397

Mr. Pacaud, farther on, repeats the same statement :

"I said, in presence of Mr. Valliere and Mr. Lafrance: 'I have \$5,000 that Mr. Mercier left me before his departure; he is now asking for it; I must send him a draft for this amount. Well, as you are short of money, give me a draft which will only be presented to you in a month, that will suit the Bank and myself, and I will keep the money that Mr. Mercier left me.'

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Mr. Lafrance, on the other hand, asserts that Mr. Pacaud is mistaken, as a Canadian bank never issues a foreign draft without immediately covering its amount. However, this may be, the point to be settled is whether or not Mr. Pacaud really then told Mr. Lafrance that Mr. Mercier before his departure had left \$5,000 with him.

Mr. Valliere was not specially questioned on the subject, but he informs us that Mr. Pacaud said:—"I want a bill of exchange for Mr. Mercier; I have money elsewhere, but I will take it here."

Mr. Lafrance's evidence is as follows:—

"Q. Mr. Pacaud said this in his evidence: "When I went to the Banque Nationale to negotiate my note for \$20,000 Mr. Lafrance told me that the paper which I offered to him was excellent, he had no doubt, but that the Bank was unable at once to advance me such a large sum. I then said to Mr. Lafrance, I will meet you on that point. I have \$5,000 to send to Mr. Mercier. Mr. Mercier left me \$5,000 before he went away, and he now asks me to send him these \$5,000 by draft on the Credit Lyonnais at Paris, so you will give me a draft for \$5,000; your draft will not return from Paris for about one month, so that you will only, in fact, have to give me \$5,000. I will keep Mr. Mercier's \$5,000, your draft not returning before the 1st of next month, you will only have to make this advance of \$5,000. Now I owe you a promissory note on the 18th of this month. You will return me that note, so you will have advanced \$10,000 to me at once without having disbursed anything." Do you remember that conversation between yourself and Mr. Pacaud?

"A. Something like that, yes.

On the question, however, being renewed a little later, Mr. Lafrance stated that he did not remember any reference having been made by Mr. Pacaud to money of Mr. Mercier's and finally he affirmed that it was not spoken of.

"Q. Was there any question of Mr. Mercier's money which he had in his hands to cover that draft?

"A. I do not remember that he told me anything in that sense. I am persuaded that Mr. Pacaud did not tell me that he had funds belonging to Mr. Mercier at the time."

Pacaud fails to explain why he did not employ the funds which he pretends to have had in the bank at the time (if as matter of fact they existed) in procuring this draft.

His explanation is in manifest contradiction with the reiterated assertion that Mr. Mercier had left the two cheques

with the object of avoiding "embarrassment and misunderstanding" at the Banks.

Thus Pacaud alone swears that any specific reference was made to any deposit of Mr. Mercier in Pacaud's hands, for Valliere certainly does not support him in speaking of "money elsewhere," and Lafrance is positive to the contrary. Moreover, if Pacaud had any of Mr. Mercier's money in his hands, why did he not use it? We examine the evidence in vain for a satisfactory answer.

Pacaud 396

Neither the letter of Mr. Mercier requesting the draft, nor the letter of Pacaud accompanying its transmission, have been produced. This is much to be regretted. The ordinary course of dealing, even between personal friends, made their non-preservation unusual.

Pacaud 455
Mercier 550

In view of the above and other facts of record their production became of high importance.

2nd Draft

In the Banque du Peuple account, No. 88, items 128a, 128b and 128c, read as follows:—

No. 88
p. 923.

	<i>Dr.</i>	<i>Cr.</i>
30th July, Cheque produced, 128a.....	\$3,000	
30th " " " 128b.....	3,000	
Discount 128c.....		\$5,925 250

Of these Pacaud spoke as follows:—

"88-128c. discount, \$5925.20 What I requested just now applies to this matter. I discounted a note of \$3,000 which realized \$5,920.20. I drew against this two cheques of \$3,000 each, this comes within the privilege I requested from the commission of not entering into these transactions which are absolutely foreign to the Baie des Chaleurs affair.

Pacaud 407

On his reappearance next day, Pacaud stated that Mr. Mercier insisted that he should explain the above item, 128c, although foreign to the Baie des Chaleurs matter, and he proceeded to do so in this manner:—

Pacaud 407

"About the 30th of June last I received a letter from Mr. Mercier asking me to send him the sum of \$5,000."

Later on he reads the following extract from its contents:—

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" PARIS, June 18th, 1891.

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"This means that I want money, \$5,000, and I beg you to procure for me, on one of those blank forms which I left with Senator Pelletier for contestations of elections, if you have not used them all, as you led me to hope in one of your recent letters. I authorize you then to take one of these notes, endorsed by me, from Senator Pelletier, if he has any left, to fill it in for \$5,000, to sign it, have it discounted, and cable me the proceeds at once through any of our banks to the Banque de Paris et des pays-bas here; you will have no difficulty, I suppose, in obtaining this discount, and, if needed, you will readily find an additional endorser among my friends. As we are leaving here early in July for England, and as I like to settle all my accounts previously, please be as prompt as possible on receiving this, in cabling me one way or the other, so that I can act accordingly. I presume I shall receive this cable about the 30th of June or the 1st of July.

"P. S.—Keep this letter in case of death. It will serve to prove that although the maker of the note, you are not the party who was the debtor, and that it is I who must pay it when due. Make the note at three months, so as to give me time to put my affairs in order on my return before being called upon to pay it.

"(Signed)

"H. M.

Acting on these instructions, Pacaud in company with Mr. Langelier, who afterwards added his own endorsement, obtained from the Hon. C. A. Pelletier, one of the blanks of which we have spoken, filled it up for \$6,000, deposited the note in the Union Bank for collection, withdrew it on the 30th of July and then secured a discount at the Banque du Peuple.

Pacaud gives this account of the matter :—

"I then told Mr. C. Langelier that I proposed to make a note for \$6,000 as I wanted \$1,000 for expenses which I had to meet at the time. I showed the letter to C. Langelier, and we went together to Senator Pelletier. On seeing my authority, Mr. Pelletier gave me the note.

"I filled it in for the sum of \$6,000 and had it endorsed by Mr. C. Langelier, this was, I think, the 30th of June, as I had other money there at this time, I deposited the note for \$6,000 in the hands of the Union Bank, but without discounting it, as I had other money. I sent this sum, but I left the note in Mr. Webb's hands to pay when it fell due. On the 30th of July, I wanted to negotiate it and did so at the Banque du Peuple. This is the explanation of that item which I mentioned. The note fell due on the 6th of October."

The "other money" to which Pacaud refers was resorted to by a cheque of \$7,500 on the Bank of Montreal, the source of which he disclosed to the Commission, but was un-

Pacaud 464

willing to state in evidence as being foreign to the enquiry. This cheque he cashed at the Banque du Peuple, left \$2,500 on deposit and carrying in the balance, in bills, to the Banque Nationale, bought a cable draft in favor of Mercier for \$5,000. He also sent a cable of advice but this cannot be found.

Mercier
529, 530

Mr. Mercier produces two advice notes of the Paris Bankers, the first dated the 29th of May, and the second the 6th of July, respectively notifying him of the two remittances.

No. 9
p. 939

At the maturity of the note No. 98, on the 3rd of October, Mr. Mercier exacted from Mr. Pacaud the payment of \$1,000 as representing the amount added to the note.

No. 87
p. 917

When Mr. Pacaud, on the 30th of June, received his instructions from Mr. Mercier to utilize one of the blank endorsements left with Senator Pelletier, secure an additional endorser and obtain a discount, he had in hand, according to statement No. 87, some \$2,000 to the credit of Mr. Mercier.

Two features connected with this second remittance are to be noticed :

1st. Mr. Mercier, in his letter, makes neither reference nor enquiry as to the amount of \$8,500 so alleged to have been left on deposit with Pacaud, or as to the application of any possibly existing balance, to the remittance asked for.

Pacaud 442

2nd. Pacaud with \$2,000, as he states, on his hands, ignored the fact completely and even adds a \$1,000 to the note. His pretence is that he wanted to follow Mr. Mercier's instructions. Yet curious to say, even by his own statements, he, in other respects ignored or disobeyed them, except as to the remittance of the funds.

Pacaud 399

As to the balance of \$1,711.71, shown by statement No. 88, and of which Pacaud claims to be still the depositary, he swears as follows :

"I would have paid him this balance,—I had the money—but I refused to make any business arrangements on my return until I had given account of all my transactions to the Commission."

Yet, on the 3rd of October, Mr. Mercier asks for, as already

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stated, and was paid the additional \$1,000 put on the note. A balance of \$1,711.71 existed in his favor, and it may be asked why was he not equally entitled to its payment. We are unable to appreciate the distinction which Pacaud seems to make.

The moment is opportune to arrange a number of incidents, more or less important, in due order of date:—

2nd March 1891, Mr. Mercier's cheque for \$5,000 delivered to Pacaud. Pacaud 456
Mercier 531

4th of March, Mr. Mercier's cheque for \$3,500 delivered to Pacaud. Pacaud 456
Mercier 531

5th March, Federal elections. Armstrong 47

13th March, Mr. Mercier leaves Montreal for Europe.

18th July, Mr. Mercier returns from Europe and learns of the charges on his arrival. Mercier 541

6th of August, A formal accusation respecting the Baie des Chaleurs Railway contract is made before a committee of the Senate. Official printed report Senate enquiry p. VII

10th of August, Pacaud leaves for Europe between these two dates, 6th and 10th of August. Messrs Pacaud and Mercier had met three times, on the last occasion at Mr. Mercier's residence at St-Anns for special purpose of discussing this matter. Pacaud 487, 469
Mercier 541, 542

2nd September, Mr. Mercier has a Council of Ministers to investigate the subject. He questions several of his Ministers on this and other occasions. Mercier 532

7th September, Your Honour addresses a communication to Mr. Mercier on the subject. Official cor. 722

15th of September, Mr. Mercier replies at length. Off. cor. 83

26th of September, Pacaud returns from Europe. Pacaud 485

We mention the assertion made by Armstrong that Pacaud declared that he had to render an account to Mr. Mercier as to the \$100,000 simply to refer to the positive denial retorted by Pacaud. Armstrong 51-86
Pacaud 491-428

The contradiction which appears to exist between the explanations given by Mr. Mercier to Your Honour as stated in the official correspondence and the evidence offered before us cannot escape attention. In his reply dated the 15th, to Your Honour's communication of the 7th September, he writes as follows:—

Off. cor. 854.

"At page twenty-three of your letter, Your Honour says: 'On the same day (May 15th) Mr. Pacaud bought, by a cheque drawn against the same amount, a Bill of Exchange on Paris, in favor of the Honorable Mr. Mercier to the amount of \$5,000 which yielded 25,500 francs.'"

"The evidence of Mr. Lafrance, the Cashier of the La Banque Nationale at Quebec (page 77-78), established that these \$5,000 were taken out of the proceeds of the note of Mr. Pacaud, endorsed by Mr. Valliere and secured by one of the cheques which Your Honour mentions. On the other hand I am informed that this amount was raised by means of one of the blank forms signed by me which I had left with Senator Pelletier before my departure for Europe. I have not had an opportunity of ascertaining which of these two versions is the correct one.

"But in any case I affirm that, being in Europe and finding that I wanted that amount I asked for it, being convinced that it could be raised on one of the signed blank forms which I had left, and of course with the intention of paying myself the commercial paper employed to procure that amount for me, as it was for personal expenses.

"I further affirm that when I asked for that sum I was ignorant, and I remained ignorant long after, of the fact that that transaction of the Baie des Chaleurs Railway had been effected, and that I only heard, sometime after my return to Canada from the report of the proceedings of the Senate, published in the newspapers, that Mr. Pacaud had obtained a sum of \$100,000 or any other sum."

Messrs. Mercier and Pacaud's testimony on the other hand is to the effect that this first draft was requested in the early days of May, to be obtained out of the cheque for \$5,000 left with Mr. Mercier and that the draft was remitted with an accompanying letter.

Mercier 531

Mr. Mercier explains that Pacaud started for Europe without leaving any statement of their personal accounts. He testifies:—

"I met Mr. Pacaud at St. Ann de la Perade, I had a conversation with him; I prayed him to tell me all about this business and I made him promise to make me a confidential memorandum of everything that had occurred, so that I would be in a position to speak, and it was then that he gave me his word that he would go to Ottawa and give evidence. I did not again see Mr. Pacaud, the only news I had of him was a telegram from New York, telling me he was leaving for Europe.

"As soon as Mr. Pacaud returned I asked for information and I received it, and I would like to have had that information before being obliged to reply to His Honour the Lieutenant-Governor, to his communication of the 7th of Septem-

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ber last; I replied on the 15th. I believe that I stated then the exact truth and I would perhaps have been able to give His Honour more details than I gave him, if I then had the confidential memorandum which Mr. Pacaud had promised."

By MR. CASGRAIN.

Mercier 541

"Q. You doubtless asked him, after your return from Europe, when people commenced talking of the Baie des Chaleurs Railway matter for explanations?"

"A. Yes.

"Q. And you state that Mr. Pacaud, having promised them to you, never gave them?"

"A. I did not say that.

"Q. Will you repeat what you did say?"

"A. I said that before his leaving for Europe, I asked him to make me a confidential memorandum on the whole matter. He promised it to me and had not sent it before he left.

"Q. It was only on that occasion, when you met him at St. Ann de la Parade when he was on his way to Ottawa or to Europe that you asked him for a memorandum. Mercier 542

"A. He was on his way to Ottawa, but at my request returned to Quebec to receive his subpoena and go to Ottawa.

"Q. Before that date had you not asked for explanations?"

"A. It was the first time that I had met him to have a little talk with him. I met him on my arrival, to say good-day to him, but there was somewhat too many persons there for us to talk about business. I met him once on Palace hill. I was in a vehicle. He told me that he had telegraphed to Mr. Vidal, the chairman of the Senate Committee, that he was prepared to go to Ottawa, and I told him that he had done well. As soon as I could talk to him, I did what I said a short time ago.

"Q. Before that time, between the 18th July and the time you mention, did you not ask him for any statement of account or any explanation?"

"A. I have just told you the contrary; that when he came to Ste. Ann, I asked him to make me a memorandum of all that had passed.

"Q. We do not understand one another. Unfortunately we have not been able to understand each other so far; perhaps we will come to it later?"

"A. I ask nothing better.

"Q. You stated a moment ago, if I understand you correctly, that it was when Mr. Pacaud was on his way to the Senate, about the 10th August?"

"A. I did not fix the date. He was on his way—it was on Sunday—he was on his way to Ottawa. He was with Mr. Tarte—that will perhaps aid you to find the date—he was with Mr. Tarte and the Hon. Mr. Mitchell, and I went to the cars to meet him or those who had telegraphed to me, and I insisted that Mr. Pacaud should leave the cars and come with me to my house. He disembarked with Mr. Mitchell, and he came to my house. He passed the afternoon there, and I had some time to myself to talk to him.

"Q. Was that the first time after your return from Europe that you had met him?"

"A. No; I had met on Palace street, and I had met him on my arrival, but it was the first chance that I had to speak to him, to be alone with him.

"Q. Up to that time you had not, in writing or otherwise, asked him for a statement of account or explanations?"

"A. It was the only time I met him to have any conversation with him.

Pacaud gave evidence to a like effect :

Pacaud 380

" I must also say that it was only on my return from Europe, recently, that I told Mr. Mercier how I had disposed of the money he had entrusted to me. When I arrived, Mr. Mercier was naturally somewhat put out about what had been said about me respecting that draft of \$5,000, which I had taken out of that money; that I had gone to Europe, and that he did not know if I had disposed of the three notes which he had left in blank with Senator Pelletier, and what I had done with the \$8,500 which he had left with me before leaving; that he did not know at all what I had done with his money."

And again :—

Pacaud 397

" Before my departure I had no opportunity to account to Mr. Mercier, it was only on my return that I accounted to him for the money that he had left in my hands. He reproached me for having used this money for an affair of the kind, when he had left the amount in my hands—meaning the two cheques. I told him he need not reproach me, that I had made no secret of the matter with the Bank officials for the good reason that it was quite an ordinary transaction.

This statement if not evasive, at least fails to meet the real difficulty.

It would appear as if Mr. Mercier needed neither account nor memorandum to enable him to state to Your Honour that he had left \$8,500 on deposit with Pacaud and that as a consequence the latter's personal and later financing could not affect him.

This omission to speak of the \$8,500 becomes the more striking when we remember that over two months had elapsed since his return from Europe; that he had interviews with Pacaud; that he had called together his Ministers and that the reply in question was a maturely considered defence of his position. He was fully informed as to the affair. Thus in his opening paragraphs he wrote :—

Off. cor. 841

" I had called together the Council of Ministers on Wednesday, September the 2nd instant, immediately after the vacation, in order to get the necessary explanations with reference to this matter of the Baie des Chaleurs Railway, which occurred during my absence, and my colleagues and myself had on that occasion decided to advise you to convene the Legislature within as short a delay as possible. The receipt of your confidential letter of the 1st of September instant, induced me to suspend all further steps until I had received the document which you mentioned in it.

" The information received from my colleagues, and the facts stated in your Honor's letter and before the Senate Investigation Committee, placed me in a position, I think, to fully understand the whole transaction.

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We have now spoken of the non-production of the correspondence relating to the first draft ; of the want of any deposit account or other subsequent trace of the \$8,500 ; of the evident necessity under which Pacaud was to discount the \$20,000 note to procure funds ; of the payment of every item appearing in account No. 87 out of the \$100,000 ; of the non-reference in Mr. Mercier's letter for the second draft to any such deposit or any possible balance ; of the buying of the second draft with the funds coming from an unknown source ; of the non-payment of the alleged balance of \$1,711.71 while Pacaud provided \$1,000 to cover the addition included in the \$6,000 note.

The interim report expressed regret at the non-production of the letters before referred to. We might add that efforts were made, but without success, to obtain Pacaud's cable advising of the second draft ; the list or lists of liabilities which he held in his hands when speaking to Armstrong and Webb of payments ; and lastly of the letter of Mr. Beausoleil to Pacaud requesting acceptance of the two drafts of \$250 to be made out of the \$100,000. Pacaud 433-4
Mercier 548

Ere concluding this division of our report which treats of facts specially affecting Mr. Mercier, it is our duty to state that he made a voluntary declaration before the Commission and under his oath to the effect that he had not received any money in connection with this matter, or "either directly or indirectly, any favor, any promise or any consideration of any kind, either from Mr. Pacaud or from any person, in connection with this transaction."

We find :—

That a draft for \$5,000 was remitted by Mr. Pacaud to Mr. Mercier on the 15th of May, and that the funds therefore were taken out of the \$100,000 ;

That a second draft for \$5,000 was remitted by Mr. Pacaud to Mr. Mercier on the 3rd of July, 1891, the funds for which were, according to Mr. Mercier's instructions to be procured by the discount of one of his blank endorsements left in the hands of the Honorable C. A. Pelletier ; that Mr. Pacaud notwithstanding, used certain funds coming to him from a source not dis-

closed in evidence, and a month afterwards put to his own credit the proceeds of a note for \$6,000, for which amount he had previously filled up the blank on which was Mr. Mercier's endorsement :

That Mr. Pacaud, during the absence of Mr. Mercier, made payments on his account, amounting to \$1788,29, and that the funds therefor were taken out of the \$100,000 ;

That Mr. Mercier delivered to Mr. Pacaud, on the 2nd and 4th of March, 1891, two cheques drawn on La Caisse d'Economie for \$5,000 and \$3,500 respectively ; that all trace of their proceeds disappeared from the moment that Mr. Pacaud obtained the cash for them over the counter of the Union Bank ; that the payments afterwards made by him on account of Mr. Mercier were obtained from other sources as above stated ; and that the existence of these cheques was first made known during Mr. Pacaud's examination on the 23rd day of October last :

That the statement made by Mr. Mercier in his official reply to Your Honour of date the 13th September, to the effect, that the first draft of the 15th May was to be obtained from the discount of one of his blank endorsements is not in accord with the evidence taken before us ; and this discrepancy is emphasized by his reply wholly ignoring the second draft ;

That his remarkable omission to make any mention to Your Honour of the two cheques, is not explained by the want of an account from Mr. Pacaud ; but is consistent with their proceeds having been, at once, applied to other purposes, and to his knowledge ;

That Mr. Mercier was an endorser with others on five promissory notes made by Mr. Pacaud amounting to \$23,000 : that an understanding existed whereby the endorsers were as between themselves equally responsible, without reference to the order of signature ; that the notes were all discounted for political purposes and that they were paid by Mr. Pacaud out of the \$100,000 ;

That if these payments were made by Mr. Pacaud apparently without the knowledge of Mr. Mercier, they none the less

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operated the discharge of a debt personal to the latter ; and when Mr. Mercier became aware of their existence, he did not repudiate or seek to relieve himself of them ;

That Mr. Garneau's letter to Mr. Mercier, Mr. Charles Langelier's like letter, Mr. Pacaud's letter to Mr. Garneau, and with one exception the letters which passed between Mr. Mercier and Mr. Pacaud are not of record, for the cause that they have been destroyed : that, in view of the facts and circumstances disclosed by the foregoing report, their production and perusal became of the highest importance ;

That it is not proved that Mr. Mercier know of the existence of the bargain between Armstrong and Pacaud.

THE HONOURABLE PIERRE GARNEAU.

The Honourable Pierre Garneau, Commissioner of Public Works, and, at the time, Acting Premier and Provincial Treasurer, was prominently concerned in the negotiations. The whole strength of the combination bore down upon him. Without both his acquiescence and active assistance the passage of the Order-in-Council and the issue of the letters of credit would have been impossible.

The facts in their special relation to this Minister, will be best dealt with by seeking for answers to the following queries :—

In what manner was this pressure exercised? To what extent did Garneau submit to it? What were the precautions, if any, which he took to protect the interests of the Province?

As already seen, Thom's negotiations opened with Armstrong, and about the 15th of April, were transferred to Mr. Garneau. On the 17th, Mr. Robidoux telegraphed that he would ratify all that might be done in advance and that Mr. Charles Langelier would tell Mr. Garneau what had been decided upon before Mr. Mercier's departure. Four days afterwards, the Executive Council received and, without amendment, adopted Mr. Garneau's report. There were present: Messrs. Garneau, Charles Langelier, Duhamel and Ross (President of the Council). Hence the Order-in-Council, No. 237, already printed at length which was sanctioned by Your Honour on the 23rd of the same month.

Garneau 154

Thom 598-9

During this period, great activity marked the conduct of the Ministers named, with the exception of Mr. Ross. Thom had frequent meetings with them at the Government offices and of so successful a character that his proposal when made seemed certain of acceptance.

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Concurrently as to date with Mr. Garneau's first interview, Pacaud conducted Thom to the office of Mr. J. C. Langelier, then Assistant Registrar, and a few days later created Commissioner to carry out that part of the Order-in-Council which related to the payment of the Company's debts.

Thom 556-590-99

J. C. Langelier 632

Garneau 147
Langelier 631-2

Thom visited this office, occupied it for his enquiries, and there consulted with, submitted his calculations to, and received all possible information from J. C. Langelier, who, however, was really attached to the Provincial Secretary and not to Mr. Garneau's Department.

Mr. Langelier had, on two previous occasions, acted as Commissioner for the settlement of claims, and in view of his acquaintance with the actual condition of affairs must have been able to afford Thom great assistance.

Armstrong 54

Another frequent visitor at this office was Mr. Armstrong, between whom, Thom and Langelier, daily meetings took place. Pacaud was kept informed of the course of events.

Lesage 673

Armstrong appears to have handed in his claim to J. C. Langelier about the 23rd of April. Then Mr. Garneau, up to that time ignorant of its existence, received and communicated it to Mr. Thom; the latter already knew all about its contents.

Thom's letter admitting Armstrong's original claim of \$298,943.62 to the extent of \$175,000 was prepared at the office of J. C. Langelier and in concert with him. Payment afterwards made upon this certificate induced the crisis which provoked the present enquiry.

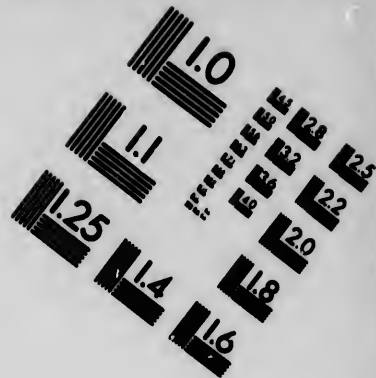
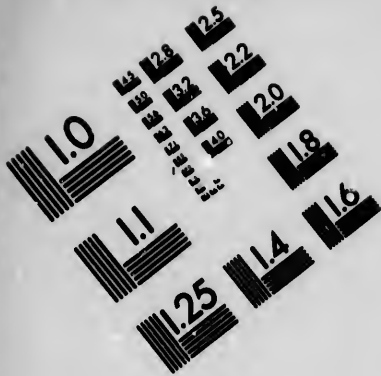
We, at the moment, only refer to the want of form and regularity which marked the order in council, because it was the cause of the hesitation and uneasiness which Mr. Garneau felt about the transaction itself, the conversion of the land subsidy into money, and the payment of so large a sum before anything had been earned.

Of the actual terms of the agreement he approved. On these points Mr. Garneau testified as follows:—

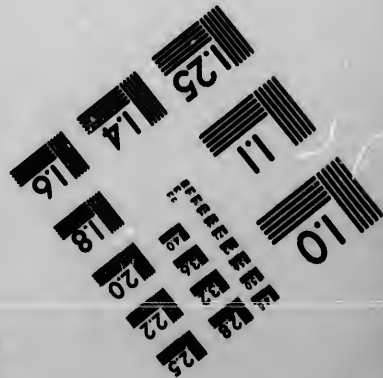
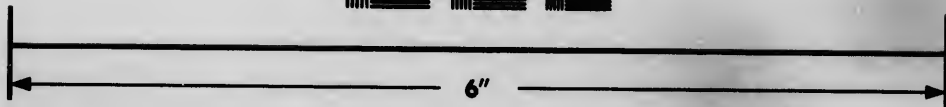
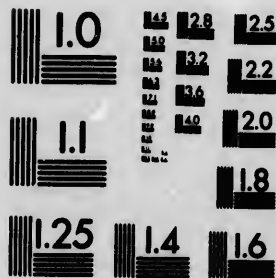
Garneau 144

"I felt uneasy in taking the responsibility of such an important transaction, and concluding it in the absence of Mr. Mercier, notwithstanding that I was satis-





**IMAGE EVALUATION
TEST TARGET (MT-3)**



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fed that the transaction would be advantageous to the Province. I had great difficulty in conquering my repugnance to concluding it, which I did only after advising His Honor the Lieutenant Governor of all that had passed to my knowledge, and obtained the opinion of the Attorney General as to the legality of the transaction.

Garneau 148

And again :—

"A. I told His Honor that I had this matter before me. I told him that I had conferred with my colleagues, but that I was embarrassed, and that I was aware of the responsibility which there was in this question....."

"Q. Embarrassed by what ?

"A. Because, seeing that the money was asked to be placed in possession of the road, and that these payments were to be made before the road was commenced, I was embarrassed in taking the responsibility of recommending the payment of money before the work was yet done, but after having satisfied myself with sufficient security and of the responsibility of the proprietors and shareholders of the new company, I had no doubt that the work would be done in a satisfactory manner, and that the Province had everything to gain.

Garneau 149

"Q. Did you not say to or give His Honor to understand that you hesitated a great deal; that pressure was being brought to bear upon you to induce you to give your consent, or words in the same sense ?

"A. Yes, I said that.....but the pressure which.....that is, some of my colleagues who were better acquainted with the matter than myself, who had knowledge of the preliminaries of the matter, having gone into the details before me, were more satisfied than I was that the matter was advantageous; and should be settled. It came before me as new business. I wished to take my time to satisfy myself that everything was regular.

"Q. Did you say that pressure was being brought to bear on you to induce you.....

"A. I may have made use of that expression, but there was really no pressure. There was no pressure from any other person, only I was told....."

A little further on, he adds :—

Garneau 152

"A. It was my colleagues, who were better acquainted with the matter than I was, and who—

"A. As to 'pressure' I think I said. Yes I said it.

"A. I told the Lieutenant-Governor that I was inclined to resign, that is true, but I do not remember—

"A. Because I had doubts about the matter myself. It was to pay money like that without having all the necessary information.

Garneau 153

"Q. What doubts had you? Had you any doubts as to the legality of the thing, or as to the possibility of the Province meeting its financial obligations ?

"A. It was as to the legality of the question, and when I read the report of the Attorney-General, which confirmed the whole matter, which stated that all was regular, that is the authority on which I depended. I had to make the report which

I made, and which became the Order-in-Council. That was it. I had great uneasiness on the subject of knowing whether all was regular and legal. . . . Yes, I said that pressure was being brought to bear, but I did not say that pressure came from outside."

Mr. Charles Langelier, on behalf of Attorney-General Robi-
doux furnished Mr. Garneau with an opinion on these trans-
actions. Strange to say, it only dealt with the merits of the
transaction, and was ignored by Mr. Garneau.

"Q. Mr. Langelier was neither Commissioner of Public Works nor Attorney-
General? No. 11
178
Garneau 170

"A. No.

"Q. He was Provincial Secretary?

"A. Yes.

"Q. Consequently his report was not the one you wished for?

"A. No; I required the Attorney-General's report.

"Q. Now, you were ready to accept that report, but the Lieutenant-Governor told you that it was not the report of the competent officer?

"A. I said so also, that I wanted to have the Attorney-General's report."

Questioned as to whether he had been threatened with a direct complaint to and the displeasure of Mr. Mercier because of the delays which were occurring, Mr. Garneau answers:—

"A. I do not remember at all having said so, but it is possible.

"A. Since His Honour says it, it is possible. I cannot positively deny it. But I am under the impression that I did not say it, but this may have been said to me: that, to have the matter confirmed, Mr. Mercier might be cabled to, but it was not said as a threat, and I did not say to the Lieutenant-Governor that it was said as a threat. Garneau 15"

"Q. I am requested to ask you another question. You say that you are not certain that you were threatened with cabling to the Hon. Mr. Mercier?

"A. No.

"Q. Is it possible that it may have been said to you that the Honourable Mr. Mercier would be cabled to?

"A. If it was said to me, it might have been with a view to—

"Q. I wish to know if it was said to you?

"A. I am certain that it was not said to me.

On this point Mr. Garneau's memory is apparently at fault, for a moment before he had spoken of having advised Your Honor of all that had passed, and added:—"I knew, and several of my colleagues had told me that Mr. Mercier had been grieved to know that the Government had missed such a good chance to Garneau 144

"press the construction of a road which he had promised and which he was so anxious to have built in the interest of Gaspé region."

Garneau 161
Pacaud
374-432
Webb 246

Mr. Pacaud called at Mr. Garneau's house about the matter. He also wrote to him. His declarations to Mr. Webb were to the effect that Mr. Garneau had refused to sign the letter of credit, that he pressed him and that upon his (Pacaud's) threat to cable Mr. Mercier, then at Paris, unless the letters of credit were signed that day, Mr. Garneau alleged that he had caused them to be prepared. Pacaud's version of this statement to Mr. Garneau is that he said "do not hesitate, and if you have the slightest doubt in the matter, telegraph to Mr. Mercier, to ask him what are his intentions in the matter."

To Armstrong, Pacaud said :—

Armstrong
707

"A. Mr. Pacaud told me, that owing to the delay in getting the matter finally settled he had spoken to Mr. Garneau about it and told him he was very anxious to see the thing through, as Mr. Mercier had asked him specially to have the thing ready, as he wanted to see the men put on and the work going on before he got back from England.

"Q. What, if anything, was said about the cable?

"A. He gave me to understand that he had told Mr. Garneau that if the thing was not settled at once he would feel obliged to cable to Mr. Mercier about it.

On a number of points Mr. Garneau appreciates his defects of memory and answers with hesitation, the result in all probability of the precarious state of his health. He frankly states :—

Garneau 176

"Q. You do not remember?

"A. No, my memory fails in many details.

"Q. You now say that your memory fails you?

"A. Yes.

"Q. Mr. Garneau, is your memory bad, or is it usually good?

"A. It is bad. I do not depend on my memory at all.

These facts emphasise the pressure put upon Mr. Garneau. It came in greatest part from within the Government, from Messrs. C. Langelier, Robidoux and Duhamel, for Thom's threat of withdrawal ought not to have seemed very formidable, and relations between Mr. Garneau and Pacaud were of rare occurrence. Of this pressure the purposes were, the obtainment of the report which became Order-in-Council No. 237 and an issue of the letters of credit.

Confusion as to the dates and events existed in Mr. Garneau's mind. He persistently maintains that the Order-in-Council gave rise to his reluctance, and that complete reassurance resulted from the opinion of the Attorney-General, but the one was passed the 21st, while the other was delivered verbally only on the 27th or 28th and in writing on the 29th. Mr. Garneau had not depended either on the previous opinions of Mr. Langelier or on that of Mr. Cannon as dictated and approved by Mr. François Langelier. Again, Mr. Garneau will not state that he called on the chief of the Executive between the 23rd and 28th, while it was unquestionably on the 27th that he declared, during his visit to Mr. Robidoux, "that the Lieutenant-Governor ^{Robidoux 752} wished to know what was the position of the Government at that time with respect to Mr. Thom and his syndicate."

He was clearly unable to be aware of your Honour's wishes unless advised of them orally or in writing. An official opinion became useless to your Honour once the Order-in-Council had been sanctioned. Of the issue of the letters of credit there is at the moment no question, as that act was not submitted to you, and Mr. Garneau asserts that it was one wholly within the province of his office.

The circumstances disclosed point directly to dissatisfaction ^{Garneau 154-8} on the part of Mr. Garneau and to his final submission to the pressure imposed by his colleagues that the transaction should be closed.

There is another singular feature belonging to the business. We are told that the uneasiness and reluctance felt by Mr. Garneau were only to be removed by a legal opinion from the Attorney-General, yet if we are to believe the evidence of Mr. Robidoux, no such opinion was ever asked for:—

Robidoux 752

" Q. At that time were the difficulties which presented themselves, or the question upon which your opinion was asked as to the carrying out of the arrangement which had been made by the acceptance of Mr. Thom's proposal ?

" A. Yes. I understood that Mr. Garneau wished to have my opinion upon the position of the Government with respect to Mr. Thom, and he also asked me to give him my opinion upon the value of the transaction itself.

" Q. The value in a business point of view or in a legal point of view ?

" A. From a business point of view.

Robidoux 757

And further :—

" Q. Mr. Garneau always asked for your opinion as to the legality of the transaction, I believe ?

" No; it was an opinion on the position of the province at the time, and my opinion upon the merits of the matter as a business transaction.

" Q. Then he did not ask you for your legal opinion ?

" A. Well, the opinion which I gave him and which I have reperused, shows that he had not asked me my opinion on the subject or the Order-in-Council. Anyway it was superfluous, as the Order-in-Council had been passed.

Reference to the opinion itself, (No. 14) discloses only that two questions were submitted :—

" 1st. What rights were conferred upon the re-constituted Baie des Chaleurs Railway Company, by the order in council, No. 237 ?

" 2nd. What effect would the refusal to carry out the provisions of the order in council have upon the Government ?

The Attorney General supplements his answers with an expression of his approval of and concurrence in, the contract entered into between Thom and the Government. Mr. Garneau clearly errs in asserting that he waited for the Attorney General's opinion to silence his scruples, and to quiet his fears as to the legality of the transaction. The opinion asked for and received from the Attorney General was, with respect to its merits, a matter of public policy, and Mr. Garneau states that on this point he did not doubt.

Mr. Garneau again errs in fixing the date of Mr. Robidoux's opinion as being the 20th or 21st. He received it on the 27th and it moved him to the signing of the letter of credit. Only in this way are the two versions to be reconciled.

Still another error is involved in Mr. Garneau's statement that he was not in communication with Your Honour after the passing of the order in council, seeing that on the 27th he gave effect to your desire to have Mr. Robidoux asked for an opinion.

If the questions before us are discussed from a purely business standpoint, it is evident that a matter of great importance, and involving large expenditures on the part of the Province was closed with undue precipitation and without sufficient data. Ordinary precautions were ignored. The bargain was closed

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with Thom as being the alleged representative of the syndicate of Montreal capitalists. But Mr. Garneau did not know Thom, and when the order in council passed, was not in possession of any proof that the latter had authority to act on behalf of his supposed mandatories. Only on the 27th of April, after the bargain was closed and the Government bound did he, at the suggestion of Mr. Robidoux, address an enquiry to Mr. Cooper. Garneau 177 Only a message and reply by wire were sent and received, and Mr. Cooper contented himself with a brief statement to the effect that Thom was acting under instructions from himself, J. P. Dawes, Alexander Ewing and James Williamson, who would become directors on the 6th of May.

In the course of his examination, Mr. Garneau alluded to the letter from Pacaud which he had destroyed, and further said:—

“ Q. That aroused your suspicions ?

“ A. I made no more account of it than I took the letter and destroyed it.

“ Q. That aroused your suspicions ?

“ A. I thought that he was mixing himself up with business that concerned the Government.

“ Q. And was it for that reason that you did not like to close the matter ?

“ A. Well, I do not know. It caused me to go into the details and assure myself that—

“ Q. Did it not also cause you to fear ?

“ A. I did not think of it at all.

“ Q. You had no fears for yourself, but it made you fear that the affair was not altogether correct ?

“ A. Well, I cannot say exactly, it only showed that the matter was being pressed.

“ Q. You found that they were pressing the affair considerably, did you not ?

“ A. That is to say a settlement as soon as possible was suggested, was asked for.

Among his preceding statements are found the following :

“ A. But—I was embarrassed.

“ Q. Embarrassed by what ?

Garneau 148

“ A. Because, seeing that money was asked to be placed in possession of the road, and that payments were to be made before the road was commenced I was embarrassed in taking the responsibility of recommending the payment of money before the work was yet done.

In fact Mr. Garneau's evidence leads to the conclusion that his doubts and fears existed after as well as before passing the Order-in-Council.

The third condition formally provides:—

"3. That the Government binds itself to pay the Company the subsidy of 800,000 acres of land granted by the Statute 54 Vict. Cap. 88, Section 1, Sub-section J, converted into money, which subsidy shall be kept by the Government and employed to pay the actual debts of the Baie des Chaleurs Railway; and the surplus, if any, shall be, after the payment of all claims actually existing against the Company, kept by the Government, which shall render an account thereof to the Company on final settlement.

To give actual effect to this clause established procedure was ignored, the prescriptions of the law were disregarded, while the land subsidy was converted into money and the letters of credit issued without being authorized by specific Orders-in-Council,

Thom 560-567
Garneau
149, 161-2

Between the 23rd of April and the issue of the letters of credit on the 28th, Thom, Armstrong and Pacaud manifested great impatience. Their urgent desire to have the whole transaction closed by the payment, in one way or another, of the money promised, was supplemented by active personal efforts. Thom even went to the extent of pretending that he wished to renounce his contract, advantageous though it was, and to return to Montreal.

Thom 579

He made a written request for the return of his debentures, but at the same time let it be understood that he was so acting without the knowledge of Cooper and associates. Pacaud for his part wrote Mr. Garneau and appealed to the other Ministers. These menaces, futile though they were, seem to have finally determined Mr. Garneau to satisfy them and he addressed Thom in that sense.

Thom's offer of withdrawal and the consequent relief to the Government from the claim for damages which Mr. Robidoux seems to have feared, make it all the more difficult to understand why Mr. Garneau should have concluded a contract apparently so distasteful to him.

Garneau 169

Once more, the leading explanation lies in his submission to

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the importunities of his colleagues. "It was I," he says, "it was I, unfortunately, who had to carry out all that."

Mr. Cooper had against the insolvent estate of McFarlane & Co. a claim for \$17,209, and against Armstrong another for \$2,000. Upon the successful issue of the negotiations his payment depended; he evidently anticipated large profits, and he feared that the charter might be annulled under the new law. His counter interests were too great to excite any real fear of withdrawal. It ought to have been evident to Mr. Garneau, as a business man, that no necessity existed to rush the settlement of a transaction which bound the Province to the extent of \$590,000. He made no enquiries as to the standing of the persons named, or if they had invested in shares of the Baie des Chaleurs Company. Even up to the date of Thom's examination none of the shareholders, except Messrs. Cooper and Dawes, had put anything into the undertaking. Even the shares necessary to qualify the directors had been gratuitously transferred by Messrs. Thom and Cooper.

Mercier
524-555

Thom 56-7

Thom 564

To this day there has been no direct agreement between the Company and the Government, and even the transfer of the shares from the old holders was only finally made in June, long after the whole transaction had been completed with the Government. And lastly, Mr. Garneau, with only the then illusory security of the Company's debentures, paid, out of the public treasury, \$175,000 to Mr. Armstrong, who, as a contractor, was, according to Mr. Mercier, not entitled to any preference payment from the subsidy, and who forthwith handed over \$100,000 to Mr. Pacaud.

Thom 566-742

Four causes appear to have removed the hesitation felt by Mr. Garneau and to have reconciled him to the transaction.

1. The certificate given by the Secretary-Treasurer of the Company respecting the shareholders—a certificate which really certified to nothing.
2. The delivery of the debentures, then practically illusory, as a guarantee.
3. The respectability of the persons engaged, as it was sup-

posed, in the matter, although up to the 27th of April, when the Government became bound by the Order-in-Council, Mr. Garneau did not know for whom Thom was acting.

4. The opinion of Mr. Robidoux as to the legality of the transaction which Mr. Robidoux swears was only intended to cover the question of public policy.

But demands upon the public chest did not cease with the issue of the letters of credit and the payment of \$41,500 for privileged claims.

Garneau
211-12

Hardly was the new contract in existence, when Mr. Thom, as Secretary Treasurer of the Company, wrote Mr. Garneau asking that of the subsidy only payable on miles 80 to 100 \$70,000 should be advanced and doubled up on miles 60 to 80, if the Company deposited debentures to the nominal value of \$200,000.

Mr. Garneau on behalf of the Government at once consented. He had no official power to do so—such a concession required special authority from the Legislature.

Mercier
545-6

Mr. Mercier himself admits this, and states that the error was to be remedied by Legislature.

The concession was at once put into Hogan's sub-contract as part of his consideration. The subsidies payable to the Company on miles 60 to 80 then stood as follows :

Federal, miles 60 to 70.....		\$64,000
Provincial, miles 60 to 80.....	\$70,000.00	
Provincial, miles 70 to 80.....	70,000.00	
Advanced from 80 to 100.....	70,000.00	
	<u>\$210,000.00</u>	
Less previously paid.....	20,000.00	190,000
		<u>\$254,000</u>

Emboldened by recent successes, Mr. Thom, on the 6th Thom 583-4 October again wrote to Mr. Garneau, and this time asked that the Government at once pay over to the Company a balance of about \$70,000, said to be still remaining of the \$280,000, but which under the contract, was to be retained by the Government until the completion of the first 100 miles on or before the 31st of December, 1891. Mr. Garneau answered that the demand would "receive the consideration of the Government."

Facts such as these need no comment.

Without pronouncing on the legality of the assumed conversion into money of the land subsidy or of the advances as made, we find, on the facts disclosed, that the whole transaction was conducted with singular precipitation and that Mr. Garneau did not adopt the precautions to guard against eventualities which prudence, either from a business or legal point of view, dictated. The issue of letters of credit to close the transaction instead of waiting for regular supplies from the Provincial Treasury was irregular.

We are convinced that Mr. Garneau acted in good faith and only succumbed to pressure of which he complained, but was not strong enough to resist. He did not in any wise benefit by the transaction.

\$64,000

190,000

\$254,000

THE HONOURABLE JOSEPH E. ROBIDOUX.

Robidoux 750 The Honourable Mr. Robidoux accompanied Mr. Mercier as far as New York, on the journey of the 18th of March. He was present when the Premier communicated to his colleagues Mr. Laflamme's letter respecting the Thom proposal and the terms of a reply were settled.

Robidoux 750 Subsequent to his arrival at New York, he and Mr. Charles Langelier had an interview with Thom. He stated his willingness to accept the proposal then made if the guarantees as to the continuance and completion of the work were satisfactory. In reply to a query from Thom he answered :

" You know what security is : we want to be secured against all possible events and assured that the road will really be completed.

Pacaud 371 It is in Mr. Pacaud's recollection that Mr. Robidoux declared he would require a sufficient money deposit in the Bank of Montreal or some other undoubted guarantee that they would fulfil the remaining obligations and act up to the requirements of the Statute.

However this may be, an altogether different guarantee was afterwards accepted.

Robidoux 752 Mr. Robidoux's belief is that it was Mr. Pacaud who introduced Mr. Thom to him.

Robidoux 750 He returned from the United States about the 12th of April and was confined to the house by illness until the 25th.

During this interval, Mr. Garneau twice called upon Mr. Robidoux at Montreal, in connection with the matter. A promise to go to Quebec, made in consequence of returning health could not be fulfilled and the telegram already referred to was sent to Mr. Garneau.

Garneau 155

Robidoux 751 According to Mr. Robidoux's evidence, this telegram was intended to confirm Mr. Garneau in the belief that Mr. Langelier would corroborate all that had been said respecting Mr. Mercier's wish, in the public interest and that of his country, to have the

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work continued and completed. The actual terms of the message do not in our belief sustain this interpretation.

It was only on the 25th of April that Mr. Robidoux was strong enough to proceed to Quebec.

The question suggests itself—was Mr. Robidoux in the meanwhile consulted on the legality of the proposal so submitted to the Government?

Mr. Robidoux answers:—"No." He states that he was ill to express himself on a legal question. Mr. Garneau makes the repeated assertion that he had at least a verbal opinion from the Attorney-General, and before submitting the matter to Council even a draft opinion in writing.

Renewed illness followed his return from Quebec on the 25th of April, and we find Thom at this date urging the third condition of his Order-in-Council as compelling the Government to advance out of the 800,000 acres of land, converted into money, the sum of \$175,000 for the settlement of Armstrong's claim. Statements elsewhere referred to, disclose that the Company to be reorganized by Thom needed the use of these funds to obtain possession of the road. As to the proper interpretation of the conditions so involved, Mr. Garneau had doubts. Mr. Machin was urging that the Order-in-Council had not operated a conversion of the land subsidy into money and that the payment sought for ought not to be made. Mr. Garneau's consequent desire to secure the opinion of the Attorney-General resulted in his calling on Mr. Robidoux with his colleague Mr. Ross, and Mr. Machin.

The latter submitted his objections or doubts and called special attention to the Acts 51, 52 Vic. Cap. 91, and 54 Vic., Cap. 88. Sec. 7.

The Attorney-General, however, was of opinion that the Order-in-Council of the 23rd of April effected a conversion of the subsidy and that the Government was bound to carry out its agreement.

He later on, took communication of the opinion given by his

Deputy, Mr. Cannon, in relation to the question, and approved of it. The verbal opinion so given was afterwards reduced to writing and was as follows :—

No. 14, p. 181

"The Honourable the Commissioner of Public Works requires the opinion of the Attorney-General upon the Order-in-Council No. 237, of the 23rd of April, 1891. The Order-in-Council has reference to the Baie des Chaleurs Railway, and grants to this Company, as re-constituted, certain subsidies voted by the Legislature at its last session for the benefit of the road.

"It is principally on two questions that my opinion is asked:—

"1st. What rights were conferred on the re-constituted Baie des Chaleurs Railway by the Order-in-Council No. 237?

"2nd. What effect would the failure to carry out the provision of this Order-in-Council have upon the Government?

"By the act which granted the subsidy it is left to the Executive to decide upon the persons or Company in whose favour it would be definitely disposed of. The Order-in-Council of the 23d April granted to the re-constituted Baie des Chaleurs Railway Company all the subsidies voted at the last session of the Legislature to aid in the completion of that part of the road upon which works of construction had already been begun, and in the completion of that part remaining to be done, in the equipment of the road, and in the payment of the debts due by the Company before it was re-constituted. The amount of the subsidies voted by Statutes anterior to that of last session is further granted to the re-constituted Company. The Order-in-Council impose upon the Company the obligation to deposit in the hands of the Provincial Treasurer its debentures for the sum of \$500,000. This deposit has already been made.

"The first part of the Order-in-Council sets out the written proposition of Messrs. James Cooper, J. P. Dawes, Alexander Ewing, James Williamson, Angus M. Thom, on behalf of the re-constituted Company, to build and complete the Baie des Chaleurs Railway on certain conditions, and the last part of the Order-in-Council is an acceptance by the Government of the proposal made by the Company. It submitted to the Government, in writing, a defined offer. The offer was accepted on certain conditions by the Order-in-Council. A copy of the Order-in-Council was forwarded to the Company, which complied with the conditions to which the offer bound it before having acquired any right to the subsidy voted last session. There is, therefore, a perfect contract, and consequently it is in a position to exact from the Government the execution of all the obligations which they contracted by Order-in-Council. If now the Government were to refuse to carry out the Order-in-Council, there is no doubt the Company would have a claim in damages against the Government, which would be condemned to pay a sum equal to the profits which the Company might have realized in carrying through the enterprise to the end. Such being my opinion on the two preceding questions, I see no other issue for the Government than to fully and completely carry out the Order-in-Council of the 23rd April.

"There is another question which is not especially within my competency, but upon which my views have been asked. Is the contract contained in the Order-in-Council on the 23rd April, one in which I would have concurred if I had

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been present when the Order-in-Council was passed? I have no hesitation in stating that I concur in that Order-in-Council and that I approve it. I approve it for two reasons:—First, because I think it was of the highest importance that the Baie des Chaleurs Railway should have been taken from the old Company. The second reason for my concurring in the Order-in-Council is the solvency of the persons who form the new constituted Baie des Chaleurs Railway Company, and their undeniable reputation for business integrity. I find in that sufficient guarantee that the Company will carry out its obligations.

(Signed) J. E. ROBIDOUX,

Attorney-General.

During this same interview a draft (No. 22) of the proposed letter of credit, to supply the advance required by Thom, was submitted to Mr. Robidoux. He approved of and initialled it. He was without doubt as to the regularity of the Order-in-Council and of the transaction.

Earnest endeavours on the part of Mr. Pacaud to secure an acceptance of Thom's proposal included interviews with Messrs. Robidoux, Charles Langelier and Duhamel. According to the evidence he invoked the public interest and the danger by delay of losing an offer more favourable than might again be secured.

Corroboration of the general tenor of these representations is given by Mr. Robidoux.

The Attorney-General suggested that Mr. Garneau should obtain some assurance of Thom's authority to act for the persons whom he was claiming to represent and to this end the telegram to Cooper and its reply, of which we have already made mention, were sent and received.

After the issue of the letters of credit and the discounting by the Banque du Peuple and the Banque Nationale of the two notes endorsed by Valliere and secured by the \$20,000 official cheques, Mr. Pacaud, according to his own evidence, proceeded to Montreal for the purpose of putting through a like operation at the Banque de Peuple there.

The evidence on the subject of this visit, is as follows:—

“Q. With whom did you go in Montreal (to the Banque du Peuple) to get the cheque discounted, alone or with some one else?”

"A. I went to see Mr. Bousquet, cashier of the Bank, whom I met here at their branch office here, and I explained the transaction to him, and he thought his Board would discount it. He induced me to accompany him to Montreal; we left by boat; I went to the Bank in the course of the day with Mr. Armstrong.

"Q. You were with Mr. Armstrong?

"A. Yes; I was not with Mr. Armstrong from Quebec to Montreal.

"Q. You went with him to get an answer?

"A. Yes, I went with him for the answer.

"Q. No one else was with you?

"A. No. I was alone with Mr. Armstrong.

"Q. You did not try to get the cheque discounted anywhere else in Montreal?

"A. Yes.

"Q. At what place?

"A. Not I myself; I did not try elsewhere.

"Q. Who tried to get it discounted, Mr. Armstrong?

"A. No, your Honour.

"Q. Do you object to state who it was?

"A. Well, I have no objection if the Commission wish it; I am bringing in the name of some one who only did me a favor.

"Q. Is it some one from whom you asked —— ?

"A. One who had simply asked me what had brought me to Montreal. I told him I had come to negotiate my note, endorsed by Mr. Valliere and guaranteed by a cheque of Mr. Langelier as Commissioner, endorsed by Mr. Armstrong; that Mr. Armstrong was very anxious to get his money; that he been paid by a letter instead of money. This person said: 'I know the Montreal bankers better than you do; give me the papers and I will do my best to get them discounted.' He did not succeed, and returned them to me.

"Q. Then you had a third note endorsed by Mr. Valliere?

"A. Yes.

"Q. For the same sum?

"A. Yes; I expected to repeat the same transaction at the Banque du Peuple, Montreal, as here at the Banque du Peuple and Banque Nationale.

"Q. I must ask you the name of this person?

"A. The Hon. Mr. Robidoux. After receiving the refusal of the Bank du Peuple, I went with Mr. Armstrong to the Government office and then to Mr. Robidoux's house. Mr. Armstrong stayed in the carriage and I went in. Mr. Robidoux was ill, I went simply to call upon him and in the course of conversation he asked me what brought me to Montreal, if I had come to Montreal on business, then I told him all I have just said, about how I had met Mr. Bousquet in Quebec, and that he had told me he had every reason to believe that his head office would do this business; that I came thinking to succeed and that Mr. Bousquet answered that his Board was not willing. Then I said that Mr. Armstrong was somewhat discouraged, that he was with me at the door, that he counted on the money. Thereupon he said: "I know the cashier of the Banque Nationale, he is one of my personal friends, give me those papers I will see if I can negotiate them." I left the

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papers with him and on his return from Montreal, his first visit in Quebec he returned me the document, saying that he had not succeeded with them.

" Q. What papers did you leave with him ?

" A. My note endorsed by Mr. Valliere, with the letter from Mr. Webb to Mr. Bousquet, and also one of the cheques signed by Mr. J. C. Langellier, Commissioner, endorsed by Mr. Armstrong—the same documents already produced at the other banks. It was the same business.

" Q. Did you explain to Mr. Robidoux how you came to have Mr. Langellier's cheque ?

" A. Yes; I told him it was for Mr. Armstrong; that Mr. Armstrong had accompanied me to the bank; that he was at the door; that he was anxious to have the proceeds of the discount, and that I had not been able to succeed; that I would not try anywhere else but would return to Quebec.

" Q. You left the documents with Mr. Robidoux and returned to Quebec ?

" A. Yes.

" Q. He did not give you back these papers till he himself returned to Quebec ?

" A. Yes.

" Q. Was it long afterwards ? Several days ? Till Mr. Robidoux gave you back the papers ?

" A. The first time he was here.

" Q. When you gave Mr. Robidoux Mr. Valliere's note, or your note endorsed by Mr. Valliere, to be discounted in Montreal, was this note accompanied with a letter of Mr. Webb to Mr. Bousquet, and also with a cheque of Mr. J. G. Langellier for \$20,000 ?

" A. To the best of my recollection I gave to Mr. Robidoux those documents which I had previously offered to the Banque du Peuple.

" Q. Now, will you listen to this letter which has already been produced as Exhibit No. 34, and tell me if it is the letter which accompanied the note in question ?

" UNION BANK OF CANADA,

" QUEBEC, May 16th, 1891.

" J. S. Bousquet, Esq., Cashier.

" DEAR SIR :

" This is to advise you that we will pay the cheque of John Chrysostome Langellier, Commissioner, No. 5, for \$20,000, drawn on this bank in favor of C. N. Armstrong, if the amount mentioned in Mr. Garneau's letter, as acting Provincial Treasurer and acting Prime Minister, of the 28th April, 1891, maturing 10th July, 1891, is paid on or before that date by the Government and placed to the credit of the said J. C. Langellier, Commissioner, with this bank.

" Yours truly,

(Signed)

" E. E. WEBB, Cashier.

" A. Yes, I have reason to think that to be the same letter.

" Q. The note in question was signed by you and endorsed by Mr. Valliere ?

" A. Yes, sir.

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" Q. Where is this note now ?

Robidoux 754

" A. I destroyed it a few days afterwards, as soon as it was no longer of any use to me. I think I did so before Mr. Valliere in my office.

" Q. Now, after the issue of the letters of credit, did you concern yourself at any time about the negotiation or the discount of that letter of credit, or of those letters of credit ?

" A. This is what occurred : I had returned to Montreal ; I was again at home sick ; it was towards the middle of May, I believe, Mr. Pacaud came to see me, and after the usual exchange of civilities I asked him what brought him to Montreal. He said :—I came here to try and get a note discounted for Armstrong, a note secured by a cheque signed by Chrysostome Langelier, Commissioner in the Baie des Chaleur matter. I then asked Mr. Pacaud how it happened that a cheque drawn on the Union Bank and payable unconditionally was not paid, and that it was necessary to discount a note and give the cheque as security before getting the cash. Then he told me the Union Bank was not in funds at the time, and that it had given a letter which accompanied the cheque, by which it undertook to pay it as soon as it would have received the funds from the Government. I then told Mr. Pacaud, without his asking me, Let me have that note, cheque and letter, and I may perhaps succeed in getting the funds. I thought I was performing a duty in trying to get the funds on a cheque having the official signature of the Government.

" I knew Mr. Napoleon Lefebvre very well, he was one of my friends, and a Montreal capitalist. I am not certain whether I wrote to Mr. Napoleon Lefebvre or whether I telephoned to him ; in any case he came to my house and I told him : ' here is some business that may suit you perhaps : can you discount this note ? Secured as I have just stated ; and I showed him at the same time the letter of the cashier of the Union Bank. Then he said : ' I will see,' and he went away with the documents.

" I did not leave the house that day. The next day I went to the Government Offices, and as I was passing along St. James Street I met him ; he came to me and said : ' that he had tried to get the note discounted at one or two banks and that there was some difficulty.' Then I said to him : ' I asked you if the matter suited you, thinking that I was giving you a good thing, but if you do not do it yourself, return me the note, the cheque and the letter ; I have no interest in the matter ; I was doing it to oblige someone, but take no further trouble about it.' He then returned me the note, cheque and letter and I returned them to Mr. Pacaud on my next trip to Quebec.

" Q. On that occasion, when Mr. Pacaud went to see you, was he alone or was he with someone ?

" A. Mr. Pacaud was alone when he came to my house.

" Q. Did you notice whether there was anyone who remained in the vehicle ?

" A. I know that there was a vehicle.

" Q. But do you not know whether there was someone in it ?

" A. I do not know.

" Q. Was not Mr. Charles Langelier with Mr. Pacaud ?

" A. Mr. Charles Langelier was not with him.

" Q. Do you remember what documents Mr. Pacaud gave you on the occasion you have just mentioned ?

"A. A note signed by Mr. Pacaud, and endorsed by Mr. Valliere, a letter from Mr. Webb, I believe; and a cheque for \$20,000 signed by Chrysostome Langelier, Commissioner.

"Q. You stated that Mr. Pacaud had represented to you that he was trying to get that note of Mr. Valliere's discounted in Mr. Armstrong's interest, that is the note endorsed by Mr. Valliere?

"A. He said to me that he came to do some business for Mr. Armstrong, to obtain money for Mr. Armstrong by means of that note and the cheque which he had.

"Q. Was that interview you had with Mr. Lefebvre the only step you took to discount that note?

"A. That was the only step I took, and when Mr. Lefebvre told me that he could not do it himself, I told him: 'Do not take any more trouble about it; I have no interest in the matter; return me the notes so that I may return them to the person who gave them to me.'"

Mr. Robidoux further asserts that he was at the time ignorant of any profit whatever being secured to Pacaud from the contract executed between the Government and the Cooper-^{Robidoux 755} Thom syndicate.

While giving full appreciation to the declaration made by the Attorney-General, we have to remember:

1st. That Mr. Robidoux had exact knowledge of the negotiations as disclosed by the preceding facts and of Pacaud's active intervention in regard to their settlement.

2nd. That while the discount was pretended to be for Armstrong, his name did not appear on the note which was made and endorsed by Pacaud and Valliere respectively.

3rd. That the documents disclosed peculiar features, consisting as they did of an endorsed note secured by an official cheque of Mr. J. C. Langelier, for which there were no funds at the Union Bank, as clearly appeared both by its date of the 29th April and the attached letter from Mr. Webb to Mr. Bonsquet, stating that it would be honoured on the payment of the letter of credit by the Government.

All these circumstances gave serious warning as to the real character of the transaction and made Mr. Robidoux's even temporary possession of the securities a highly compromising fact.

On the other hand there is no proof that Mr. Robidoux had any knowledge of the Armstrong-Pacaud bargain, or either directly or indirectly received any benefit from the \$100,000.

It only remains to add that Mr. Pacaud's payment of \$100 to the Union Club on Mr. Robidoux's assumed behalf was unauthorized and afterwards refunded.

 THE HONORABLE CHARLES LANGELIER.

During the negotiations relative to the Baie des Chaleures matter, Mr. Charles Langelier, occupied the Cabinet position of Provincial Secretary.

Pacaud 418

C. Langelier
719, 720

He was among those who accompanied the Premier to New York in March last, and was in the official car when Pacaud informed M. Mercier of Armstrong's desire for an interview.

Pacaud 369

C. Langelier
720

He was in New York with Robidoux when Armstrong and Thom arrived, on a telegraphic summons from Pacaud. While Thom was making known his proposal Armstrong and Pacaud withdrew, and in a few minutes completed the arrangement by which the latter was to receive \$100,000. They then returned and joined in a general conversation. Shortly after Thom and Armstrong started for Montreal, leaving as it appears Messrs. Langelier, Robidoux and Pacaud at New York.

Pacaud 373,
374, 427
C. Langelier
719, 722

After Mr. Langelier returned from his trip in the United States, Mr. Pacaud had frequent interviews with and strongly urged the importance, in the public interest, of accepting Thom's proposal as speedily as possible. He spoke of the disastrous condition of the road and of the promises made by Mr. Mercier to his electors after his election, to the effect that the work would be completed and the workmen paid.

Garneau 157

On the 17th of April, while Thom was in negotiation with Mr. Garneau on the subject of his proposal, Mr. Robidoux who had been consulted by Mr. Garneau and had promised to meet in council telegraphed that he would be detained longer than he expected, and added:—

"Langelier will tell you exactly what was decided upon before the departure of Mercier.

Garneau 158

In Council Mr. Langelier was favorable to an immediate conclusion of the arrangement with Thom. What had been so resolved, the proof does not clearly disclose.

Garneau 178
No. 11, 178

On the 20th April, before the passing of the Order-in-Council, number 287, Mr. Langelier made a report to Mr. Garneau in the name of Mr. Robidoux, Attorney-General, then absent, in

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which he stated that Thom's proposal was in conformity with the Statute, and that the whole question was for the Government to ascertain whether the Company which Mr. Thom proposed to reorganize offered sufficient financial guarantees. That opinion did not at first receive support from Mr. Garneau.

Thom's proposal finally secured acceptance on the report of Mr. Garneau, by the Order-in-Council, number 237, dated 23rd April. An understanding was later on come to between Ministers that the sum immediately required should be covered by one or more letters of credit addressed to the banks and payable in the month of July following.

It appears to have been understood between Pacaud and the Bankers that the letter of credit for \$100,000 would obtain discount at the Union Bank, and that for \$75,000 at the Banque Nationale, but after their issue the Board of the Union Bank refused the transaction as to the first. Thereupon application was made to the Banque Nationale.

Garneau 168
Webb 228
231
Pacaud 379
409, 433, 436

" 'I think,' says Mr. Lafrance, Manager of the Bank, 'Mr. Pacaud came with the Honorable Mr. Langelier to ask us to discount that letter of credit for \$100,000.' Lafrance 324

" 'Some days afterwards,' says Mr. Gaboury, the President, 'five or six days after (i.e., after the 20th of April) Mr. Pacaud came to the Bank with the Honorable Charles Langelier to ask the discount of the letter for \$100,000.' Gaboury 333

And he adds later on :—

"The Cashier and I decided to refer the question to the Board of Directors. When they came it was in the afternoon, about half-past three or four o'clock. There was a meeting the next day, and the matter was, in fact, submitted the next morning to the Board meeting, and the discount was not made." Gaboury 333

The resolution of the Bank makes the application to have been made by Mr. C. Langelier and Pacaud.

"LA BANQUE NATIONALE,

"QUEBEC, 2nd October, 1891.

No. 55
p. 900

"Extract from the minutes of a meeting of the Directors of the Banque Nationale held on the 5th May, 1891 :—

"The application for the discount of \$100,000 made by MM. Pacaud and Charles Langelier, guaranteed by a letter of credit from the Government, is refused.

"Certified copy.

"(Signé),

"P. G. LAFRANCE,

"Cashier."

Pacaud gives the following version of the application :—

Pacaud 435

" Q. Did you not go to the Banque Nationale with Mr. Charles Langelier to discount \$75,000 ?

" No, your Honor. This is another. If your Honor will permit me I will tell you exactly how the affair took place, because I know it has been asserted here that I went with Mr. Chas. Langelier. I went with Mr. Webb to the Banque Nationale to ask if the latter would discount the letter for \$100,000, as it had already agreed to discount the letter for \$75,000. As well as I remember, we spoke to Mr. Lafrance, and he sent for Mr. Gaboury, the president. We repeated our request and discussed conditions ; how the matter was to be done, whether by means of a transfer, which the Union Bank would make to the Banque Nationale, or if that bank would endorse the letter of credit for \$100,000 addressed to the Union Bank, or whether it would be better to ask for a new letter of credit to the order of the Banque Nationale to replace that to the order of the Union Bank. The officials of the Union Bank requested Mr. Webb and myself to return at 5 p.m. for an answer. We left. In the afternoon, according to his daily habit, Mr. Chas. Langelier came for me after office hours, to go for a walk together or go to the club, because I must remark, almost every day, if he did not come for me, I called for him to go out after our office hours. I told him I would go out with him if he would accompany me to the Banque Nationale, where I was to get an answer to a proposal I had made with Mr. Webb. He agreed. We entered the bank, he remaining in the passage. On opening the door, Mr. Lafrance, whose chair faces it, saw Mr. Langelier, at once re-opened the door which I had closed and asked Mr. Langelier to come in and sit down. He entered, and there before him I assert that I discussed again the \$100,000 matter and the question of discounting the letter of credit, which the bank officials said they could not do. I talked it over a little to induce them to alter this decision, but they would not. In this case I told the bank that I asked for the discount in Mr. Armstrong's name, who was very anxious to get his money."

Pacaud also spoke of the interview in an earlier part of his evidence, when he said :

Pacaud 409

" Then Mr. Langelier came in and I conversed with Mr. Gaboury and Mr. Lafrance—certainly with Mr. Lafrance, and my impression is that Mr. Gaboury was also present. During the interview I discussed the negotiation of the letter of credit for \$100,000, it was always in Mr. Armstrong's name, as his representative ; that this was a letter of credit given by the Government to the Union Bank, that the Union Bank would not discount it for Mr. Armstrong, who was very anxious to get his money, and was very disappointed that the Union Bank, after promising to discount it, would not do so ; and I asked the bank officials if they would not advance the \$100,000 as they had done the \$75,000."

What are the contrasts which this evidence presents ?

The president and manager of the bank, supported by a resolution drawn at the time, declare that the application was made by Mr. Charles Langelier and Pacaud. The latter declares

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that he first went to the bank in company with Mr. Webb; that according to appointment he returned in the afternoon, and Mr. Langelier being with him by chance, was invited to enter the room; that the whole subject was then discussed between them and the bank officers as if the person really interested was Armstrong. This was a transparent disguise of Pacaud's personal interest.

After this refusal at the Banque Nationale to discount the letter of \$100,000, Pacaud made another effort at La Caisse d'Economie, but again without success. Pacaud 436

After this third refusal, finding a discount of the letter of credit impossible, Pacaud came to an understanding with Webb, whereby the Union Bank was to hold it for collection at maturity and forthwith took steps to utilize the five cheques of \$20,000 each.

First he sought to have the Union Bank discount his note for \$20,000, endorsed by Valliere and guaranteed by one of the official cheques. The application was refused. Webb 232

In relating the conversations had with Pacaud on these occasions, Webb testifies:—

"A. As I remember it he said that a portion was to go to the Honourable Mr. Robidoux to pay a debt that was due, or money that was owing to Mr. Robidoux, I do not know by whom, and a portion to the Honourable M. Langelier; the amount to go to the Hon. Mr. Robidoux was \$10,000, and the amount to the Honourable Mr. Chas. Langelier was 10 or \$20,000, I am not positive which; the reason that I have doubts about it, about the \$20,000 is, that Mr. Pacaud stated that he would get a letter from M. Langelier undertaking that this money would remain with the bank, until after the letter of credit was paid, and that the deposit was to be \$20,000, but whether that deposit included the \$10,000 for the Honourable Mr. Robidoux, I am not positive. Webb 241

Of this evidence Pacaud speaks thus:—

"I had just told him what I intended to leave at my own credit; then I added: 'I want to advance considerable sums, perhaps \$9,000, or \$10,000, to Mr. Charles Langelier, for building his house; I have promised it to him; I have already began to advance different amounts, and now that I have more money, I am disposed to continue to help him with larger amounts. Then, as Mr. Langelier only wants this for his house, the sums will only have to be disbursed from time to time, that is monthly for a year or fifteen months.' At the same time I offered Mr. Webb a list of my notes saying: 'Take my list of notes and pay them yourself when they fall due, so that you will not need to disburse money. You will place to my personal account \$40,000 to \$50,000 which remain. Now, I wish to make advances to Pacaud 402

Mr. Chas. Langelier, for building his house; as he does not want this at once—his contractors will draw it by degrees—you can add \$10,000 which you will not have to disburse.’”

465, 466

These statements are corroborated by the actual transactions which afterwards took place between Mr. Langelier and Pacaud.

Pacaud's next venture was with the Banque du Peuple, on the 6th of May.

Dumoulin
299

Dumoulin swore that :

“A. M. Vallière came to the office with Mr. Ernest Pacaud, and the Honourable Chas. Langelier; and presented me for discount a promissory note of Mr. Vallière to the order of Mr. Ernest Pacaud for the sum of \$20,000, and Mr. Vallière had a cheque for a similar amount signed by J. C. Langelier, Commissioner, upon the Union Bank, and which was to be paid by the Union Bank about the 10th of July, and I was to apply the sum which I would receive from the Union Bank in payment of the cheque to the settlement of Mr. Vallière's note.”

In the interest of Mr. Vallière, who was a client of the bank and whose endorsement was perfectly satisfactory, Dumoulin suggested that it would be well to obtain a letter from Webb, guaranteeing that the official cheque would be paid on the 10th of July. He adds that the transaction was completely settled at one interview, and that the letter came to him a few days later.

Dumoulin adds, that he profitted by the occasion to ask Mr. Langelier for a government deposit of \$50,000.

“I thought that I should take advantage of the occasion and ask Mr. Langelier to make a deposit in the bank as they were on the eve, at least I supposed so, of receiving large sums from Europe.

“I asked Mr. Langelier if he would not deposit \$50,000 in the Banque du Peuple, and I thought that Mr. Langelier answered me in the affirmative, promised me the deposit . * * *

“Q. Did you make the request a condition of the discount which you gave of this \$20,000 note.

“A. No.”

Dumoulin
300

On the 7th of May he wrote to his head office as follows :—

“La Banque du Peuple,

“Quebec, 6th May, 1891.

“J. S. Bousquet, Cashier,

“Dear Sir,—

“Mr. Phillippe Vallière, one of our wealthy customers, has discounted here to day his note for \$20,000 to the order of Ernest Pacaud. Mr. Vallière has a guarantee from the Government which he has sent to me and which I will collect myself

Dumoulin
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No. 50, 899

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on the 10th of July. The proceeds of this discount are to be applied by Mr. Pacaud to meet various liabilities spread out from now to the 3rd of June, amongst which there is \$5,000 payable to ourselves, so that we shall disburse \$15,000 only. The only inconvenience that I saw in this transaction was the want of funds in which I am. I had first refused for that reason, but the Hon. Charles Langelier, who accompanied Mr. Vallière, has promised me a deposit of \$50,000 upon the proceeds of the loan, and this over and above the amount which you expect to have yourself. Under these circumstances, I believed I ought to make the transaction.

"Yours very truly,

"P. B. DUMOULIN.

Dumoulin
301

Again :

"Q. Did Mr. Charles Langelier enter the bank on that occasion at the same time as M. Vallière and Mr. Pacaud ?

"A. Yes, sir.

"Q. Mr. Langelier remained with them during the whole time of the negotiations ?

"A. Yes, sir."

On the other hand Pacaud asserts that there were two interviews. After speaking of securing the endorsement he says :

"Then I left with Mr. Vallière and went to the Banque du Peuple. We asked Pacaud 410 Mr. Dumoulin if he would discount my note for \$20,000 endorsed by Mr. Vallière; that as to Mr. Vallière I would give him all the security he required to guarantee his endorsement. I even told him that it was a cheque signed by Mr. J. C. Langelier, Government Commissioner, and showed him the cheque. I told him that I proposed to ask the Union Bank for a letter promising to pay the cheque when the letter of credit was paid. Mr. Dumoulin agreed * * * Next morning M. Vallière came to my office, saying that he had received Mr. Webb's letter, and that now he was quite satisfied and willing to carry out the transaction. Then we went to the Banque du Peuple; there we met Mr. Charles Langelier. On entering Mr. Vallière said to Mr. Dumoulin: 'I am satisfied with my security, you can discount the note and place the amount to Pacaud's credit.' It was done in a moment. I took the note, which was already endorsed by Mr. Vallière, Mr. Dumoulin initialed it and ordered the amount to be placed to my credit, because, as Mr. Vallière was the endorser, the amount ought to have been at his credit, so the Cashier's authorization was needed to place it to mine instead of Mr. Vallière's, which was done, and we left."

Again :

"Q. You stated, I believe, sir, that you went twice to the Banque du Peuple Vallière 703 about that ?

"A. I went once, and Mr. Dumoulin accepted immediately, but Mr. Dumoulin remarked to me that I should have an acknowledgment from Mr. Webb stating that he would undertake to pay the note as soon as the Government had paid Mr. Chrysostome Langelier's letter of credit attached to my note."

C. Langelier
733, 733

Mr. Langelier gives the following version of the version :

" Q. Now, Mr. Langelier, it has been said that you were present, either in the antechamber or elsewhere, when Mr. Pacaud went to the Banque du Peuple to discount his note for \$20,000?

" A. Yes, your Honour. I do not remember if I was actually in the antechamber—

" Q. I should like you to relate the circumstances under which the affair took place?

" A. The circumstances are as follows: I reached the *Electeur* office, and I found there Mr. Vallière and Mr. Pacaud; as well as I can remember, that is how the thing took place. I was going up town to my office. Mr. Vallière asked if I was going up town; I said yes. He answered, 'If you will wait for me a few moments, I will go up with you. I have business at the Banque du Peuple for a few minutes.' I left them. They went into Mr. Dumoulin's office for an instant. I did not know what they had to do, I only learnt it afterwards. I knew nothing of it in any way at the time. Mr. Vallière said something to Mr. Dumoulin, and this business was finished. I was seated in the passage, at the door, and after the interview was over Mr. Dumoulin asked me, what he had often asked me before, to obtain for him a Government deposit for the agency of the bank of which he was cashier.

" I ought to explain that Mr. Dumoulin gave as a reason for his request that we were the lawyers of the Banque du Peuple at Quebec. He gave this reason for asking me to use such influence as I might have with the Government to obtain for him the deposit. I drew his attention to the fact that the head office of the Bank in Montreal had already a considerable deposit, and that this question rested with the Provincial Treasurer and Mr. Mercier; that I had no objection to speak to them on the subject, to aid him as much as possible to obtain a deposit, but I swear positively that I made him no promise whatever, and that could not have been to facilitate the transaction, because the transaction which had just taken place with Mr. Pacaud and Mr. Vallière had been completed.

" Q. You did not hear nor make out in any way what it was about?

" No. As I had nothing to do with it. I understood it was a private matter. I withdrew a little to one side, as it did not concern me in any way, and I waited till the gentlemen were finished. I left with Mr. Vallière."

And again :

" Q. You know that to get this note for \$20,000 discounted at the Banque du Peuple, Mr. Pacaud was obliged to have the endorsement of one of our best names, that is Mr. Vallière's?

" A. I learn it afterwards, but I did not understand that it was necessary to have Mr. Vallière's endorsement in order to pass the provincial paper; on the contrary, I understood that Mr. Vallière agreed to endorse it because he was guaranteed by the provincial paper."

Two solemn declarations relating to this discount are to be found in the official correspondence as transmitted, with Mr. Mercier's reply of the 10th of September.

Of. cor. 861

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Mr. Langelier solemnly affirms :

"1. That on the occasion when Messrs. P. Valliere and Ernest Pacaud went to the branch of the Banque du Peuple in St. Peter Street, of this city, to get a cheque of \$20,000 of Mr. J. Chrysostome Langelier, in his quality of Government Commissioner, discounted, I happened to be at the bank accidentally.

"2. That I had nothing to do either directly or indirectly with the discounting of the aforesaid cheque of \$20,000, and that I was not solicited by anyone to assist in getting it discounted.

"3. That on that occasion M. P. B. Dumoulin again asked me what he had already frequently asked me to do, viz., to get a Government deposit for the branch of which he is cashier, and I would not bind myself to anything, telling him then and there that I would willingly do my best, but that these deposits rested with the treasurer, Honorable J. Shehyn ; that no promise was made by me in that respect."

Mr. Valliere solemnly affirms :

"That on the occasion when I went to the Banque du Peuple, in St. Peter street, Quebec, in company with Mr. E. Pacaud, to get a cheque of \$20,000 of J. C. Valliere Off. cor. 661 Valliere 668 Langelier, in his quality of Government Commissioner, discounted, I met there Hon. C. Langelier, who happened there by accident.

"That the said Hon. C. Langelier had nothing to do, either directly or indirectly, with the discounting of the said cheque.

"That the said Hon. C. Langelier never promised to obtain a deposit of \$50,000 nor any other amount in the Banque du Peuple to induce the Cashier to discount the aforesaid cheque of \$20,000.

"That I recollect, on that occasion, Mr. P. B. Dumoulin asked the Hon. Chas. Langelier to exert his influence with the Government to obtain a deposit for his branch of the Bank, but the Hon. C. Langelier would not promise anything. He merely said that he would do his best, but he did not bind himself to anything.

Mr. Langelier's name is also connected with Mr. Pacaud's discount at the Banque Nationale of another of his notes for \$20,000 endorsed by Valliere.

Mr. Langelier was not present when the application was Lafrance 315, 326 made.

Mr. Gaboury, the President, says that he "did not see these Gaboury 334 gentlemen on that occasion, but that the matter came before the Board."

Pacaud speaks of his making the application in company Pacaud 377, 379, 380 with Valliere. Strange to say, Valliere refers to the application Valliere 816, 817 as if it had been on the 3rd of July, a date entirely different from that referred to by the other witnesses. In cross-examination he reiterates this date.

Langelier
723

Mr. Langelier swears :

"Q. It has also been said that you were present this time—it was not in the ante-chamber—when Mr. Pacaud went to negotiate the other note for \$20,000 at the Union Bank?

"A. At the Banque Nationale. This is how it happened: I came to Mr. Pacaud's office, as often happened in the afternoon, when I left my office; I went down to his office, and we came up town together and went to the Club, where we meet our friends. It was late in the afternoon. I asked Mr. Pacaud if he was ready to come with me. He replied, 'If you will wait for me a moment or come with me, I have to get an answer from the Banque Nationale; then I will go up with you.' I went with him. We entered and found Mr. Gaboury and Mr. Lafrance there. We were there seven or eight minutes, and when these gentlemen saw me in the passage they politely asked me to be seated while they were discussing. I should find it hard to say what was decided at that time. I do not remember at all whether it was to cash the cheque or to cash the letter. I do not remember the object of Mr. Pacaud.

"Q. You understood that it was about financial matters?

"A. Yes."

When Mr. Mercier questioned Mr. Langelier on the subject of this discount so obtained at the Banque Nationale, Mr. Langelier again admitted that he was present and had heard the matter talked over.

Mercier. 534

This is Mr. Mercier's evidence on the subject :—

"Q. Did he declare to you that he had any knowledge of what was done on that occasion, that he had heard what had been said between Mr. Pacaud and the Cashier or the President of the Bank?

"A. Respecting the discounting of the promissory note?

"Q. Respecting the discounting of Mr. Vallière's note?

"A. It seems to me, your Honours, that he told me something in that sense, in a general way, that he had been asked to go in, and that he had heard the matter talked over by these two gentlemen.

"Q. Do you not remember the conversation exactly?

"A. No.

"Q. Can you state the conversation or the words spoken to you by Mr. Langelier on that occasion, or the substance thereof nearly?

"A. Yes, the substance. Having asked him how it happened that he was there, he told me this about :—That he was there by accident, that he did not know at all why Mr. Pacaud had gone to the bank, and that the door was open and the cashier seeing him asked him to go in, and then there was a question of a discount. I do not remember anything else.

"Q. Did he tell you with what the discount in question was connected?

"A. No, Your Honor, I do not remember that.

On still another occasion and this time at Montreal, Mr. Langelier is found in immediate contact with Mr. Pacaud, when

engaged in attempting to obtain another like discount of his note for \$20,000 endorsed by Valliere.

The note, official cheque and letters of Mr. Webb, then ^{Pacaud} submitted to the bank, were similar to those taken by the two ^{438, 450} banks at Quebec.

Pacaud says he was accompanied by Mr. Armstrong and ^{Pacaud 437} swears:—

"Q. You went with him to get an answer?

"A. Yes, I went with him for the answer.

"Q. No one else was with you?

"A. No, I was alone with Mr. Armstrong.

And he describes his movements as follows:—

"Q. I must ask you the name of this person?

"A. The Hon. Mr. Robidoux. After receiving the refusal of the Banque du ^{Pacaud 437} Peuple, I went with Mr. Armstrong to the Government office and then to Mr. Robidoux's house. Mr. Armstrong stayed in the carriage and I went in. Mr. Robidoux was ill. I went simply to call upon him, and in the course of conversation he asked me what brought me to Montreal, if I had come to Montreal on business; then I told him all I have just said, about how I had met Mr. Bousquet in Quebec, and that he had told me he had every reason to believe that his head office would do this business; that I came thinking to succeed and that Mr. Bousquet answered that his board was not willing. Then I said Mr. Armstrong was somewhat discouraged, that he was with me at the door, that he had counted on the money.

And again:

"Q. Was not Mr. Langelier in Montreal during that period, for the negotiation ^{Pacaud 439} of this third note?

"A. I do not remember. It is possible that he may have come, we went as far as possible together when going to Montreal. I was certainly not with Mr. Chas. Langelier during all that operation in my endeavours to get the note discounted, I was alone with Mr. Armstrong in the carriage, I am sure of that.

"Q. Are you sure that you did not meet Mr. Chas. Langelier concerning the negotiation of this third note in Montreal?

"A. Concerning the negotiation, I am quite positive.

"Q. You went nowhere with him to negotiate this third note?

"A. Nowhere, Your Honor.

As we have just seen, Pacaud says that he was at the Banque ^{Pacaud 437} du Peuple, at Montreal, with Armstrong, and that the papers were similar to those with which he had obtained discount elsewhere.

Armstrong
708

Armstrong, on the other hand, gives this account of the matter :—

"Q. Mr. Pacaud speaks of an interview had with you in Montreal, at which you accompanied him to the bank for an answer to an application made for a discount of one of the \$20,000 cheques. As that interview has not been referred to in your previous evidence, you will state what occurred.

"A. I didn't go into the bank with him at all. I stopped outside. I didn't know really what his object was in going to the bank, excepting that he was expecting to get an answer about a discount. I didn't know it had any reference to the \$20,000 cheque you speak of.

"Q. Where did you meet him?

"A. At the Windsor Hotel.

"Q. At the Windsor Hotel?

"A. Yes, sir.

"Q. For what purpose?

"A. That was the time I was to see him to get a portion of that \$14,700, the time I have referred to about that \$2000. I had written or telegraphed to him, and he had replied, asking me to meet him at the Windsor Hotel at half-past nine or ten in the morning, but the boat was detained by fog that morning, and he didn't get there till nearly twelve o'clock. We drove down the street together, and we got out from the cab at the Banque du Peuple and went in to see the manager. I went down to the Government office after that with him, and there he dismissed the cab, and after an hour's delay he walked back. He then went to the Banque du Peuple and came out and said it was very funny that he couldn't get a note for \$20,000, with a first class endorser, discounted. He never told me that it had any connection with the cheques at all; and I was not aware of until I saw his evidence.

"Q. So far as you are aware, was the discount applied for in your interest?

"A. Not in my interest; I had no claim upon it.

Armstrong
709

And again :

"Q. Was Mr. Bousquet there?

"A. I didn't go into the Bank.

"Q. Whom did you see at the Government offices?

"A. The Honorable Mr. Langelier was at the Government offices. He walked down as far as the bank, but did not go into the bank. Mr. Charles Langelier I refer to.

"Q. Was there any conversation on the road as to what was to take place?

"A. No, sir; he simply said Mr. Bousquet was out when he called before, and he was going back to get his answer."

Armstrong
713

And again :

"Q. When you say Mr. Charles Langelier walked as far as the bank, did he go into the office of the bank?

"A. No, sir; I said he remained at the door with me, and he left there with Mr. Pacaud to go to lunch, and I went to my office."

Mr. Langelier's evidence on the matter was as follows :

Langelier
723, 724

"Q. Now, when we are on the subject of notes, did you go to Montreal with Mr. Pacaud and at the same time as Mr. Pacaud about negotiating another of these notes at the Banque du Peuple in Montreal ?

"A. I confess, frankly, that I do not remember this circumstance. I remember that one day I was at Mr. Robidoux's. I had come to Montreal on business for my department. Mr. Robidoux was ill at the time, and I came to consult him about certain matters that particularly concerned the district of Montreal, because generally I take the advice of Mr. Robidoux, or of Mr. Duhamel, or of Mr. Mercier when he is here, about Montreal matters. I went to see Mr. Robidoux in the afternoon. I remember that Mr. Pacaud came to his house in the afternoon; because I saw him, but I do not remember the circumstances. There was no mention before me, on this occasion, of notes or cheques, and I do not know if it was on this occasion, but I have met Mr. Pacaud often at the Government offices in Montreal. We stayed at the same hotel, and we lunched together.

"Q. Perhaps a little incident could help you to remember. Do you remember remaining at the door of the Banque du Peuple in company with Mr. Armstrong? Perhaps that will help you to remember ?

"I do not remember: I am less interested in remembering it than Mr. Armstrong.

"Q. Do you remember waiting at the door of the bank ?

"A. That may be true. I do not remember. I met a lot of people at the Government offices in Montreal. It is utterly impossible for me to remember a precise circumstance like that. It may be perfectly true.

"Q. Mr. Pacaud, in his evidence, said that you were together. He said that he went up to Montreal by boat, do you remember it ?

"A. It may be so. I went up so many times with him that it would puzzle me to be precise as to this particular time. It may be so. I cannot swear positively to it, but I can positively swear that if I went up to Montreal with him on this special occasion, it was certainly not in connection with this affair; it was on business of my own department—public business—and I knew nothing of the steps taken at this time as regards cashing cheques or letters of credit."

These extracts from the evidence disclose how intimately Mr. Langelier's movements were connected with those of Pacaud and Valliere while securing the discount.

Thus, Mr. Langelier's name appears in connection with :

1. The attempted discount of the letter of credit for \$100,000 at the Union Bank.
2. A like attempt at the Banque Nationale.
3. The discount of the \$20,000 at La Banque du Peuple.

4. A like transaction at the Banque Nationale.
5. The attempt to obtain a like discount at La Banque du Peuple at Montreal.

The conclusions at which we arrive, as resulting from the evidence, are as follows :

Webb 241

1. When attempting to obtain \$100,000 discount from the Union Bank, Pacaud stated to Webb that he proposed to advance or pay about \$10,000 to Chs. Langelier, and he did in fact subsequently pay \$9,291.28 out of the funds raised at the other banks on the Baie des Chaleurs matter.

Pacaud
409, 410

2. As to the like attempt at the Banque Nationale, the bank officials swear it was on the joint application of Langelier and Pacaud, and their evidence is supported by the resolution of the board of directors made at the time. Pacaud swears that the application was his, but he admits that at the second interview Mr. Langelier was in the room and the whole matter was discussed before him. The weight of evidence is on the side of the bank officers.

In any event, it is undisputed that Mr. Langelier knew of the details of the transaction.

3. As to the discount of \$20,000 at the Banque du Peuple, the manager swears Langelier was with Pacaud and Valliere when the application was made. Langelier, Pacaud and Valliere assert that only at the second interview did he go to the bank, and then not into the manager's room. All admit that the manager, then and there, asked for a deposit.

But Mr. Langelier himself admits knowledge of the matter under discussion in his evidence quoted above, and his solemn affirmation admits his presence at the bank.

As a consequence, if the positive assertion cannot be made that he joined with Pacaud in seeking for the discount from Dumoulin, it is certain that he had knowledge of the transactions then in progress.

4. As to the discount of \$20,000 at the Banque Nationale, we find that he did not join in the application, but that according to his own evidence, as above quoted, and by his statement to Mr. Mercier, as related by that gentleman, and also above quoted, he was present during a conversation with the bank manager and had knowledge of the business under transaction.

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5. As to the attempt at Montreal, at the Banque du Peuple, to discount the third note of \$20,000 endorsed by Valliere, Armstrong swears positively as to the presence of Mr. Langelier in Montreal, on this date. Pacaud is evasive. Mr. Langelier says it may be quite true, he does not remember. Neither Mr. Pacaud nor Mr. Langelier will deny the latter's presence in Montreal on that day; yet it was a fact concerning which absolute disproof was possible.

We thus find that Mr. Langelier did accompany Pacaud and Armstrong from the Government offices as far as the bank, but he did not enter, and Pacaud's business was not during that time spoken of.

We proceed to enumerate the different money payments made by Mr. Pacaud to Mr. Charles Langelier out of the \$100,000.

They were as follows taken in order of dates:—

Account.	No. Item.	Page.	Date 1891.			
No. 88	5a	918	8th May	Paid to Frs. Parent for C. Langelier....	\$ 918 23	p. 384, 430
	6		9th May	Deposited to credit of C. Langelier at the savings department of the Union Bank, Upper Town	200 00	p. 364, 430
	16a	919	12th May	Paid for C. Langelier, Fortress hotel.....	500,00	p. 394, 430
	88	41	26th May	Morin, for C. Langelier.....	17 60	p. 386, 430
	86	15	3rd June	Cheque produced—C. Langelier.....	555 40	p. 381, 430
	89	4	30th July	Deposited to credit of C. Langelier at the Banque du Peuple	3,000 00	p. 303, 430 475
	89	8	30th July	Deposit, C. Langelier, at the Banque du Peuple.....	500 00	p. 393-430
	89	8	30th July	Handed to Hon. C. Langelier	1,500 00	p. 476-745
	88	120	22nd July	Note, Chs. Langelier	1,600 00	p. 390-430
	89	140	10th Aug.	Deposit with Chs. Langelier.....	500 00	p. 394-430
Total.....					\$9,291 23	

Langelier
732

With respect to the payment of \$500 for Fortress Hotel stock, Mr. Langelier states that he never authorized the subscription and stands ready to return the shares.

Dumoulin
301
C. Langelier
718

The deposit of \$3,000 made to Mr. Langelier's credit on the 11th of July was made by Pacaud personally and the deposit slip is in his handwriting.

Pacaud
389, 476

Of this transaction Pacaud speaks as follows :—

Pacaud
430

" Q. All this was paid between the 9th of May and 10th of August ?

" A. There is a deduction to be made, Your Honor. On the 9th of May, I recapitulated all the sums I had advanced to Mr. Langelier previously. I made him give me a cheque for \$2,072 and a few cents, which I cashed on the 11th of July. In the statement I have produced, I have only kept account of the money given to Mr. Langelier, not of my other transactions, of what he paid me back ; as on the sums, I repaid \$500 which Mr. Langelier had lent me, and then I remember in May he gave me a cheque for \$2,072 and a few cents, which was the total of sums I had previously advanced him; I cashed the cheque, and the amount was put to my credit in my bank book.

C. Langelier
714

Mr. Langelier says :—

" Q. On the 11th of July a deposit to the credit of the Honourable Charles Langelier, \$3,000 ?

" A. Yes, Your Honour, I ought to say that this deposit was made by Mr. Pacaud, and it was only a few days later that he told me that he had made the deposit. There only remained a balance on the \$3,000. He had drawn my cheque for \$2072, and there only remained the balance, as explained by Mr. Pacaud.

C. Langelier
716

And again :—

" Q. You mentioned a moment ago that the sum that appears against you in the statement was \$9,291.23 ?

" A. Yes.

" Q. Have you paid Mr. Pacaud any money on account of this sum ?

" A. Certainly. Mr. Pacaud himself admitted that there was a cheque for \$2072, which was drawn out of the \$3000. Besides that, Mr. Pacaud paid me back \$500 which he owed me, for money that I had advanced to the election funds during the elections ; then there was \$300 which I sent him when he was in Europe. I think that Mr. Pacaud in answer to the Honorable President of the Commission gave a very exact statement.

C. Langelier
718

" Q. If I understood you right just now, Mr. Langelier, you admitted that the sum of \$3000 was given you or rather sent you by Mr. Pacaud on the 11th of July ?

" A. Is Your Honor speaking of the deposit of \$3000 that was made ?

" Q. Yes,

" A. The deposit was made without my knowledge, but I knew it was my credit at the bank, and out of this sum I gave a cheque to Mr. Pacaud for \$2072.

"Q. You say that it was made without your knowledge?

"A. Yes. It was some days afterwards that Mr. Pacaud told me that he had made a deposit of that amount, and it was Mr. Pacaud who made it himself, contrary to what has been said.

"Q. The deposit slip, exhibit 51, is it in your handwriting or that of Mr. Pacaud?

"A. The deposit slip of the deposit of \$3000, exhibit 51, which is now shown me, is in Mr. Pacaud's handwriting and not in mine.

"Q. Will you give some explanations concerning the cheque for \$2072, which C. Langelier
737

"A. What explanations?

"Q. You said a moment ago that Mr. Pacaud had deposited to your credit at the Banque du Peuple \$3000, and that out of this he drew a cheque for \$2072; who drew the cheque?

"A. Mr. Pacaud. It was I who made the cheque and gave it to Mr. Pacaud, and he drew out the amount from the Banque du Peuple the same day that he made the deposit.

"Q. Will you tell me why this cheque was given?

"A. I think Mr. Pacaud had me give this amount in return for advances or something of that kind. He had made me considerable advances.

"Q. It was to pay for his advances?

"A. As well as I remember, yes.

"Q. I think Mr. Pacaud said in his evidence that previous to the Baie des Chaleurs affair he had only advanced you \$800?

"A. Yes.

"Q. Then these \$2,072 could not have been to pay for advances made you?

"A. The cheque was only paid on the 11th July, I think.

"Q. The cheque for \$2,072?

"A. Speaking from memory I think it was only paid on the 11th July, the same day that the deposit was made. At this time Mr. Pacaud had made me considerable advances.

"Q. Then it was on the same date?

"A. I think I gave him the cheque some days before; I cannot remember the exact date.

Mr. Langelier is, later on, referred to the explanation given C. Langelier
732
by Pacaud, and quoted above from p. 480, and asked:

"Q. Does that agree with the explanation you gave respecting the cheque for \$2,072?

"A. Perfectly.

"Q. If I understand correctly the cheque for \$2,072 was given by you to meet disbursements which Mr. Pacaud had made for you previous to the 9th of May?

"A. As I have had occasion to say, it was Mr. Pacaud himself who kept an account of all the advances which he made, and, as I had the fullest confidence in him, I relied entirely upon the explanation he gave me."

In his solemn affirmation, already referred to, Mr. Langelier states :

Off. cor. 861

" 4. That I never made, either by my own hands or otherwise, the deposit of \$3,000 mentioned in the deposition of Mr. P. B. Dumoulin before the Committee of the Senate, if he ever did make such a statement, as mentioned in the newspapers, for I declare that I have not read his deposition in the official report."

Pacaud 430
C. Langelier
717, 732

On the very day that Pacaud made this deposit he presented a cheque against it, signed by C. Langelier, for \$2,072, which is said to have represented advances made by Pacaud previous to the 9th of May.

Pacaud 429,
431, 432
C. Langelier
717

Messrs. Langelier and Pacaud seem to claim that this counter cheque, and some other sums returned, ought to be deducted from the total sum of \$9,291.23 so paid, leaving, as received from Pacaud, a balance of \$6,419.23.

The fallacy of this pretention in respect of the cheque of \$2,072 is evident, for if used, as stated, to pay a previous debt, it did not constitute a repayment, but an acquittance of a liability to the discharge and benefit of Mr. Langelier.

Therefore this amount cannot be deducted from the total payments to Pacaud of \$9,291.23.

Mr. Pacaud states also that one of these items is for \$500, in repayment of a loan made to him by Mr. Langelier.

We proceed to the examination of the reasons given for these financial transactions, and again quote from the evidence itself.

Pacaud
381, 382

" Item 86-15. Cheque produced, Charles Langelier, \$555.40.

" I have an explanation to give concerning this amount deposited to the credit of the Honorable Cha. Langelier, and as there are several sums, it is just as well to give the explanation now, if Your Honours wish it. Last summer, or last autumn, I cannot say which, I had a private conversation with the Hon. Cha. Langelier, in which I induced him to build a new house. Mr. Langelier told me that he made from his practice as an advocate about \$3,000 a year as his share; that he received as minister and as member \$4,500, which made \$7,500. Knowing Mr. Langelier's manner of living being very simple in his tastes, I said to Mr. Langelier that he spent little over \$2,000 a year, and that he should take advantage of this surplus of \$5,000 a year to buy a property, or build a house for himself. Mr. Langelier then told me that he was afraid to risk an enterprise that might bring him into serious embarrassment, that he did not think he had sufficient means to build a house, especially such a one as I had spoken of, which would be rather costly. I then told him not to be

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afraid of the enterprize, that I would take upon myself to advance him all necessary funds; that if this amount was not large, I would never ask him to pay me back, and if it was too much, then he could pay me back by the sale of his property on Brebœuf street. In order to explain these transactions to the Commission, I must say that I had been in partnership with Mr. Cha. Langelier as proprietors of the Electeur for three or four years, and that we had made considerable sacrifices at that time as proprietors to keep it going.

"When the paper had become prosperous, Mr. Langelier gave up his share to me, he retired from the paper, saying that now, that I could carry it on alone, he would willingly give up his share for nothing without asking anything from me. When we had a small gathering at Mr. Langelier's house last year, on his birthday, I recalled this act in an address that I presented him on behalf of several of his friends, and in which I mentioned his unselfishness, and that after four years of considerable sacrifices, in order to keep up the Electeur, not only in editing it, but in putting his own money into it, that he had been sued for the Electeur debts, that he had been served with seizures, and all for the Electeur debts, he gave it up to me without any compensation, and that I considered myself in his debt. It was at this time that I told Mr. Cha. Langelier that as long as I had money, he might consider it his, to think nothing of asking me for money, when he needed it, even to build his house, to send me his workmen, and I would pay them, which I did.

"I am anxious to give these explanations which might seem strange to the public, who do not know the close relations existing between Mr. Langelier and myself for the past 20 years, and for all that period I have been accustomed to lend all the money to him that he asked without taking any note, and in the same way he gave me money when I needed it. I must also say that I did not begin paying money to Mr. Langelier in connection with the Bale des Chaleux affair, but last autumn I deposited different sums which I can show Your Honor in my bank book, deposits or small amounts, made at different times for Mr. Charles Langelier.

"Q. I repeat my question. Do you not know whether Mr. Langelier was surprised at getting this amount from you in so short space of time; did he not express surprise at your being in a position to supply him with so much money in the space of three months? Pacaud, 431

"A. Yes, Your Honor, he was surprised at it, and that is why he came to tell me that he had been to see the Building Society about getting a mortgage on his property in De Brebœuf street, and on his new property, and told me he was going to borrow the money—that he had not the courage to ask me for any new advances.

"Then I told him not to do so, that I did not wish him to mortgage his property, that whenever I could not help him I would give him notice of it in a friendly way, and then he could find other means. Then Mr. Langelier went away. Two or three days afterwards he came to my house. I was ill at the time. He brought a note for \$4,000 for me to endorse, telling me that he was asking \$3,000 for his house on De Brebœuf street, that he was certain to get it, that when the \$4,000 note fell due he could always pay \$3,000 of it from the sale of his property. I told him that I would not endorse his note, as I still wished to help him. I said to him: 'I will not go and put my name again in the banks. I am about to withdraw my name from all the banks, as I do not wish it to appear in the banks after my departure for Europe; I wish to settle all my affairs before leaving. I am in a position to help you. You can pay me back as well, if you must do so, when you have sold your property, as if I had your signature and note.'

"Q. Did Mr. Langelier ask what you had done to have so much money at your disposal at that moment?"

"A. No, Your Honour.

"Q. He had not the curiosity to ask if it would inconvenience you to continue to make advances to him?"

"A. Yes; he said it was a delicate matter. He may have said: You are very rich? or something like that, some remark which would be natural between two friends in a conversation of this kind, but nothing so particular was said that I can remember.

"Q. You said nothing to make him understand that any transaction had taken place which put you in a position to advance him so considerable an amount?"

"A. No; I always kept it a secret, even from Mr. Langelier, my most intimate friend, just as I kept this transaction with Mr. Armstrong secret from all other friends, and I could mention several who have expressed their surprise to me that I could have concealed so important a transaction, now that the matter has been revealed.

"Q. Are these all the advances made to Mr. Langelier during this period, or did you advance to him from other funds?"

"A. I touched no other money beyond what is given in my statement, always excepting, as I have just said, the sum \$5,000, which was not entered in my book, and I have rendered account with all my cheques.

C. Langelier
715

Mr. Langelier testifies:

"Q. Now, have you anything to say about these different transactions?"

"A. The only remarks I have to make are the following: When I decided to build this house, which is now in course of construction, Mr. Pacaud was one of those who induced me to build it. He told me at the time that he was ready to assist me. He expressed a great deal of gratitude for what I had done for him when I gave him up my share in the *Electeur* newspaper.

"When the present government came to power he was trying to make new arrangements with the present company, Belleau & Co., and to facilitate these arrangements I withdrew from the partnership which existed between Mr. Pacaud and myself, and I did it gratuitously. Mr. Pacaud wished at the time to indemnify me, but I positively refused to accept anything whatever. On several occasions afterwards Mr. Pacaud assured me that he had not forgotten what I had done, and that if ever an occasion should arise that he could render me a service he would do it with pleasure.

"In this case particularly, about 18 months ago, when I decided to build this house, Mr. Pacaud told me that if, in the course of its construction, he could aid me in any way, either by endorsing a note or by giving me money, he would do it with much pleasure. Last spring when the first payments became due, I went to ask Mr. Pacaud if he would assist me. As Mr. Mercier has said, before he went to Europe, he was good enough to leave me a note endorsed by him for \$4,000. Mr. Pacaud I should say had last spring proposed to make a trip to Europe before there was any question of this Baie des Chaleurs question. Mr. Pacaud had taken a very active part in the two general elections which had just taken place, and he

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was really worn out, ill, and his doctors recommended him a trip to Europe. The reason Mr. Pacaud gave me at that time for not endorsing a note, and having it discounted at one of the banks here in Quebec, was that he did not know how long he might be away in Europe. and when the note fell due, in case I should not have made the arrangements which I was to make, in case I say that these were not complete, he was afraid that his name being in the banks, if the note was not paid when due, it would be protested, and that would injure his credit. This is the principal reason he gave me for refusing to endorse a note for me. He added:— You should remember that I told you I would help you. I am in a position to do so now.

"He asked me if I wanted the whole amount of \$4,000 at once; I told him no, that I only needed it in instalments to meet the accounts as they became due. He said:—If you do not want the whole amount at once, I have money now that I can advance you, you can pay me back; if the sum is too great we can settle our account when you have sold your house in Breboeuf street which was for sale. or when you have borrowed the money, that is to say, the loan I was about arranging with the building society; for I must add that last spring, I applied to Mr. Phillippe Valliere, he is one of the directors of the building society of Upper Town, with Mr. Pacaud's knowledge, and I asked him if I could readily obtain a loan from the society of which he was one of the principal directors.

Mr. Valliere had said that certainly I could easily obtain a loan, but to wait until the building was more advanced, as it would then be easier to borrow the money required to complete its construction. But at that time I solemnly declare that I did not know that Mr. Pacaud had a single cent from the Baie des Chaleurs affair. I knew that Mr. Pacaud had made a great deal of money out of his newspaper; he had often told me so. I had some knowledge of the firm's business. I knew that they had large contracts with the Government, and that Mr. Pacaud had half of the profits of Belleau & Co. This is the only explanation I have to give on the subject. I must say that since 20 years I have been Mr. Pacaud's friend. and over and over again, when he wanted money and I had it, I lent it to him and when I wanted money he lent it to me. Dozens of times we have endorsed or made notes together which we had discounted. And anyone knowing the relations that have ever existed between Mr. Pacaud and myself, would not be surprised at this circumstance.

Mr. Pacaud states that the partnership between him and Mr. Langelier was dissolved when "Mr. Mercier came into power," and he afterwards fixes the date at 1886.

M. Langelier kept no account whatever either of what he received from or paid to Pacaud.

C. Langelier
727, 732

Mr. Pacaud kept no account of any sum received by him from Mr. Langelier.

Pacaud 430

J. C. Lange-
lier 807

On the 3rd June, 1891, J. C. Langelier wrote the following letter to the newspaper *L'Etendard*, at Montreal:—

"The Editor of the *Etendard*,

"QUÉBEC, 3rd June, 1891.

"Montreal.

"Sir,—

"Under the heading of 'Strange Rumors,' you published on the 30th of May, a short article respecting the Baie des Chaleurs matter, in which is stated: 'But the details which have come to us respecting the use made of these letters of credit are so serious, that we are obliged at once to call the attention of the parties interested.' I was appointed, by Order-in-Council, commissioner to pay the claims in connection with the construction of the Baie des Chaleurs Railway; so that the preceding citation applies directly to me. Now, I deny the very serious accusations contained in your statement. I affirm that I employed according to law, and to my instructions, the \$200,000 which were placed at my disposal, and I defy you to prove the accusation which you so bring against me. As to the pretended letters of credit, which had been partially refused, that is news to me. The papers upon which the funds were raised were naturally handed to me as Commissioner. I endorsed them in that capacity, and in less than two hours everything was settled to the satisfaction of the parties interested, whose receipts I have. I have also sent duplicates to the Department of Public Works, where anyone may examine them. I therefore hope that you will make it your duty to retract what you say respecting 'the use made of these letters of credit,' in default of which I shall be obliged at once to take other measures to protect myself against these calumnies.

"I have the honour to be,

"Your humble servant,

"J. C. LANGELIER,

"Commissioner for the Baie des Chaleurs Railway.

It refers to rumours and to serious details connected with an attempted discount and use of the letters of credit.

Mr. C. Langelier read this letter after its appearance. If he needed warning, here it was; yet he afterwards accepted from Pacaud no less than \$7,100 of the \$9,291.23 by him received.

Mr. Langelier was one of the co-endorsers with Mr. Mercier on the five notes amounting to \$23,000 paid by Pacaud out of this \$100,000. Our remarks on these notes made with respect to Mr. Mercier apply to Mr. Langelier.

Mr. Langelier was also the maker of a promissory note for \$2,000, endorsed by Mr. Tarte, dated 2nd March and paid at maturity on the 6th May, out of the Banque du Peuple account. Of this transaction Pacaud speaks as follows:

"This note for \$2,000 was brought to me by Mr. Langelier and Mr. Tarte in

connection with the Montmorency election. As I was not in a position to help Pacaud 383 them at the time in the election I asked for this note. I took this note and dis- counted it. I put the amount to my credit at the Banque du Peuple and advanced them what they wanted for the Montmorency Federal election.

At a later stage of his evidence he says:

"I used that myself for the Montmorency election.

Pacaud 440

Mr. Charles Langelier swears that he never received, to his knowledge, any part of the \$100,000.

Mr. Langelier's great intimacy with Pacaud; his promotion an intimate acquaintance with the Thom contract; and his inter- views with Pacaud in relation thereto; his presence at and par- ticipation in the attempted discount at the Banque Nationale of the letter of credit for \$100,000 and of the discount of \$20,000 at the Banque du Peuple; his presence and knowledge of the dis- count at the Banque Nationale; his presence in Montreal and con- tact with Pacaud up to the moment that the latter entered the Banque du Peuple here to receive a reply; the circumstances attending the deposit of \$3,000; the fact that no less than \$6,600 of the above total was paid within the twelve days which fol- lowed the 10th of July (beginning with the \$3,000 on the very next day), the due date, as Mr. Langelier knew of the letter of credit; the deceptive character of his statement in the solemn declaration and the explanation given by him and Pacaud, utterly inconsistent as they are with the ordinary affairs and relations of life, lead us to the following conclusions:—

We find that Mr. Charles Langelier had knowledge of the source, whence came the funds out of which Mr. Pacaud paid to him about nine thousand dollars (\$9,000) for his personal benefit.

We also find:—

That Mr. Langelier was an endorser, with others, on five promissory notes made by Mr. Pacaud amounting to \$23,000; that an understanding existed whereby the endorsers were, as between themselves, equally responsible without reference to the order of signatures; that the notes were discounted for political purposes and that they were paid by Mr. Pacaud out of the \$100,000.

That Mr. Langelier was the maker and consequently person- ally responsible for a note of \$2,000 also made for political pur- poses and paid it out of the \$100,000; and that:

He never repudiated or sought to discharge himself of the payments of these notes as so made.

THE HONORABLE GEORGE DUHAMEL.

Armstrong 88 During Mr. Machin's preparation of the letters of credit on the afternoon of the 28th of April, Mr. Duhamel entered the office in company with Mr. Thom, who states that the visit was not on his invitation and witnesses present concur in the belief that it was accidental. Mr. Duhamel only remained a few minutes; Mr. Machin does not remember that he made any special remark. It is not within Thom's recollection that he thanked the Minister as it is stated by some of the witnesses; Mr. Duhamel explains that if anything of the kind took place, it must have been in connection with a hunting permit which he had granted.

Duhamel
690-1

Pacaud 427

In the earlier stages of the negotiations between Thom and the Government, Pacaud according to his evidence on several occasions, interviewed Messrs. Duhamel and Charles Langelier, urged their acceptance of the proposal, represented that it was in the public interest to complete the work as it was going to ruin and claimed that such another chance might not offer.

Duhamel 691

Practically, the same account of the matter is given by Mr. Duhamel. He adds, however, a further representation on the part of Pacaud, to the effect that the passage of the railway through Mr. Mercier's county made its completion of special importance to the latter as member and Premier.

Pacaud

With reference to the payment of \$100 as a subscription to the Union Club, Mr. Pacaud explains that he was one of its founders and through his eagerness to secure members, proposed Mr. Duhamel in the hope of afterwards securing his assent.

Duhamel
692-3

On the other hand Mr. Duhamel asserts his continued refusal to join and his immediate repudiation of the action so taken in his name.

His evidence closes with the declaration that he neither received nor expected anything from Mr. Pacaud, whose real interest in the matter only came to his knowledge through the Senate investigation, although he did not suppose him to be working for absolutely nothing.

We find:—

That Mr. Duhamel was ignorant of the Baie des Chaleurs transaction and in no wise benefited by it.

THE HON. DAVID A. ROSS.

THE HON. JOSEPH SHEHYN.

THE HON. ARTHUR H. BOYER.

We find that Mr. Ross, Mr. Shehyn and Mr. Boyer are not concerned in the evidence.

GENERAL CONCLUSIONS.

We find :—

That during the negotiations with J. J. McDonald and afterwards during those with A. M. Thom, with whom C. N. Armstrong had connected himself, Pacaud acted as an intermediary between the parties interested and certain members of the Provincial Cabinet ;

And that both McDonald and Armstrong were persuaded that Pacaud's intervention was necessary to enable them to succeed ; the facts proven justified that belief.

We find :—

That the bargain entered into between Armstrong and Pacaud, about the 19th March, 1891, whereby the sum of \$100,000 was promised and afterward paid to Mr. Pacaud, was fraudulent, contrary to public order and an audacious exploitation of the Provincial Treasury.

We find :—

That Thom's active relations with the Government began about the 12th April, 1891, that his written proposal was submitted on the 17th, that the Order in Council was passed on the 21st, approved on the 23rd and followed by the issue of letters of credit on the 28th April.

We find :—

That although the proposal was made by Thom for himself and certain others, the contract was to be carried on by, and advances or payments made to the Baie des Chaleurs Railway, but only when reconstituted.

We find :—

That when the letters of credit were issued, Mr. Thom and his associates had not obtained control of the stock, or elected their Board of Directors, or executed any binding contract as between themselves or toward the Government, and in a word, had not reconstituted the Company ;

And that even at the date of his examination before the Commission, Mr. Thom still held in his own name and in trust, the shares acquired from the old shareholders with the money which Armstrong furnished.

We find :—

That the Statute 54 Vic., chap. 88, sec. J., even if read as justifying advances out of the public Treasury only covers "privileged debts" of the Company, but that in the Order in Council this limitation has been ignored and replaced by the words "actual debts," which words were afterwards used to justify the issue of letters of credit in settlement of Mr. Armstrong's claim ;

That Mr. Armstrong's claim was not privileged or payable in money, or even exigible, and up to the passing of the Order in Council, the Province was wholly free of responsibility as to its settlement ;

That its later appearance and recognition embarrassed the Treasury and caused the issue of letters of credit, dated the 28th April, and payable on 10th of July, 1891, for the sum of \$175,000 ;

That Mr. Armstrong stood ready, long after the introduction and even passage of the Statute granting the new subsidies, to accept \$75,000 in full of his claim, and all the facts lead irresistibly to the conclusion that the additional \$100,000 which he afterwards asked for and received, were from the outset and in whole or great part, intended for Mr. Pacaud.

We find :—

That the issue and subsequent payment of the letters of credit for \$175,000, caused, under the circumstances disclosed before the commission, a material loss to the public treasury.

And we find :—

That a combination existed between Messrs. Armstrong, Thom and Pacaud, which in the end imposed intense pressure and haste upon administrative acts of the Government, to the end that Mr. Armstrong might obtain a settlement of his claim from the public funds ; Mr. Thom the use of this money to pay the old shareholders ; and Mr. Pacaud possession of \$100,000.

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THE HON. H. MERCIER.

We find :

That a draft of \$5,000 was remitted by Mr. Pacaud to Mr. Mercier on the 15th May, and that the funds therefor were taken out of the \$100,000 ;

That a second draft for \$5,000 was remitted by Mr. Pacaud to Mr. Mercier on the 3rd July, 1891, the funds for which were, according to Mr. Mercier's instructions, to be procured by the discount of one of his blank endorsements left in the hands of the Honourable C. A. P. Pelletier ; that Mr. Pacaud, notwithstanding, used certain funds coming to him from a source not disclosed in evidence, and a month afterwards put to his own credit the proceeds of a note for \$6,000, for which amount he had previously filled up the blank on which was Mr. Mercier's endorsement ;

That Mr. Pacaud, during the absence of Mr. Mercier, made payment on his account amounting to \$1,788.29, and that the funds, therefor, were taken out of the \$100,000 ;

That Mr. Mercier delivered to Mr. Pacaud on the 2nd and 4th of March, 1891, two cheques drawn on La Caisse d'Economie for \$5,000 and \$3,500 respectively ; that all trace of their proceeds disappeared from the moment that Mr. Pacaud obtained the cash for them over the counter of the Union Bank ; that the payments afterwards made by him on account of Mr. Mercier were obtained from other sources, as above stated ; and that the existence of these cheques was first made known during Mr. Pacaud's examination on the 23rd day of October last ;

That the statement made by Mr. Mercier in his official reply to Your Honour, of date the 13th September, to the effect that the first draft of the 15th of May was to be obtained from the discount of one of his blank endorsements, is not in accord with the evidence taken before us, and that this discrepancy is emphasized by his reply wholly ignoring the second draft ;

That his remarkable omission to make any mention to Your Honour of the two cheques is not explained by the want of an

account from Mr. Pacaud, but is consistent with their proceeds having been, at once, applied to other purposes and to his knowledge ;

That Mr. Mercier was an endorser, with others, on five promissory notes made by Mr. Pacaud, amounting to \$23,000 ; that an understanding existed whereby the endorsers were, as between themselves, equally responsible, without reference to the order of signatures ; that the notes were discounted for political purposes, and that they were paid by Mr. Pacaud out of the \$100,000 ;

That if these payments were made by Mr. Pacaud, apparently without the knowledge of Mr. Mercier, they none the less operated the discharge of a debt personal to the latter ; and when Mr. Mercier became aware of their existence he did not repudiate or seek to relieve himself of them ;

That Mr. Garneau's letter to Mr. Mercier, Mr. Langelier's like letter to Mr. Garneau, and, with one exception, the letters which passed between Mr. Mercier and Mr. Pacaud are not of record, for the cause that they have been destroyed ; that, in view of the facts and circumstances disclosed by the foregoing report, their production and perusal became of the highest importance ;

That it is not proved that Mr. Mercier knew of the existence of the bargain between Armstrong and Pacaud.

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THE HONORABLE PIERRE GARNEAU.

We find :—

That great and combined pressure was put upon Mr. Garneau to which he succumbed ; that the negotiations, the contract and the letters of credit were conducted, completed and issued with marked precipitation and in absence of ordinary precautions against eventualities ; that the letters of credit were not based on any Order-in-Council and were otherwise irregularly issued ; and that Mr. Garneau's later agreement to advance \$70,000 to the Company was beyond his authority.

But we also find :—

That Mr. Garneau acted in good faith, was ignorant of the Armstrong-Pacaud bargain, and in no wise benefited by it.

THE HONORABLE JOSEPH E. ROBIDOUX.

We find :—

That in the latter part of May, 1891, Mr. Robidoux offered to attempt the discount at Montreal, of Mr. Pacaud's note endorsed by Mr. P Valliere, to which was attached one of J. C. Langelier's official cheques for \$20,000 and a letter from Mr. Webb to Mr. Bonsquet (cashiers respectively of the Union Bank and Banque du Peuple) promising to honor the cheque when the Government paid its letters of credit for \$100,000 ;

That he, thereupon, received these securities from Mr. Pacaud, to whom after an unsuccessful effort, he in a few days returned them, and that in view of his knowledge and support of the negotiations, contract and letters of credit and of Mr. Pacaud's connection therewith, the offer to discount, possession and attempted discount of the note with its attached securities were acts of a highly compromising character.

But we also find :—

That there is no evidence that M. Robidoux in any wise benefited by the Armstrong-Pacaud bargain.

THE HONORABLE CHARLES LANGELIER.

We find :—

That Mr. Charles Langelier had knowledge of the source whence came the funds out of which M. Pacaud paid to him about nine thousand dollars (\$9,000) for his personal benefit.

We also find :—

That Mr. Langelier was an endorser with others, on five promissory notes made by Mr. Pacaud, amounting to \$28,000 ; that an understanding existed whereby the endorsers were, as between themselves, equally responsible without reference to the order of signatures ; that the notes were discounted for political purposes and that they were paid by Mr. Pacaud out of the \$100,000.

That Mr. Langelier was the maker of and consequently personally responsible for a note of \$2,000 also made for political purposes and paid out of the \$100,000.

And that :—

He never repudiated or sought to discharge himself of the payments of these notes as so made.

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THE HONORABLE GEORGE DUHAMEL.

We find:—

That Mr. Duhamel actively supported the Baie des Chaleurs transaction, and was on a number of occasions interviewed and urged to further efforts by Mr. Pacaud;

But we also find:

That Mr. Duhamel was ignorant of the Armstrong-Pacaud bargain and in no wise benefited by it.

Our report cannot close without an expression of our regret that a return to the Commission should have been so long delayed. But in the presence of inevitable circumstances there was no remedy.

In our belief the facts and all else concerning which there was no dissent might have been more conveniently and better made the subject of a single report, for the differences which exist appear to be in large or whole part based rather on deductions from the facts than on the facts themselves.

As to these separate expressions of opinion were, of course, necessary.

In regard to one of the President's concluding remarks, we simply desire to so extend its terms as to include the existence of more than one draft interim report.

All of which we have the honour to submit.

(Signed),

G. BABY,

C. P. DAVIDSON,

Commissioners.

QUEBEC, February 8th, 1892.

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REPORT
OF THE
Hon. Mr. Justice JETTE, President,
ON THE
BAIE DES CHALEURS MATTER.

To the HONORABLE A. R. ANGERS,
Lieutenant-Governor of the Province of Quebec :

SIR,—The commission under which the Honorable Judges Baby and Davidson and myself were directed to make an enquiry "into the facts and circumstances which preceded, accompanied, caused and followed the transactions made under the Act 54 Vict., chap. 88, in so far as the Baie des Chaleurs Railway Company is concerned," also requires us to make a report.

We were all three desirous of arriving at an understanding so that the report would be joint. Unfortunately we had finally to admit that the grounds of disagreement between us were too serious for that agreement to be possible. It is therefore with regret that I find myself compelled to forward to you a separate and distinct report from that of my two honorable colleagues.

My own position since the 9th of December last requires on my part, I think, certain personal explanations, which I may be allowed to give here.

It was on the 9th of December that I fell sick, and feeling it

absolutely impossible to do any work, I was obliged a few days afterwards to address the following letter to Your Honor:—

MONTREAL, December 14, 1891.

TO HIS HONOR THE LIEUTENANT-GOVERNOR OF THE PROVINCE OF QUEBEC:

SIR,—Having been seriously attacked by *la grippe* in the midst of our deliberations and labors necessitated by our report, I regretfully find it impossible to continue this work with my colleagues. I understand that it is necessary in the public interest that you should be informed without delay of the result of our deliberations. On the other hand I cannot lose sight of the fact that in a matter of such importance all those concerned have a right to my opinion, based upon the facts as I find them established. Further, they have a right even to require that the wording of that opinion be weighed and matured, with an attention which my present state of health does not permit. For those concerned in it, the question before us is one of political life or death, and to render full justice to them I feel that I would require a repose of mind and vigor of thought, which I am altogether deprived of by my illness. Consequently I cannot at present concur in any report the conclusion of which I am unable to discuss to advantage, or to control its form. If my colleagues decide, notwithstanding my refraining, to present now an interim report, I shall have the honor, as soon as my health will permit, to submit to you my personal observations.

I have the honor to be, with the highest consideration,

Your very humble and obedient servant,

(Signed) L. A. JETTE.

The illness from which I was then suffering was more serious than I feared, and it was only within the last few days that I was able to recommence work.

My two colleagues, more fortunate than myself, had during that long interval the health necessary to continue the work commenced, and they have been able to prepare a very detailed statement of the facts and transactions connected with this matter. The larger part of this work has been communicated to me, but I regret to state that I cannot accept the responsibility of it. It will be understood that in a document of this nature everything is of importance; the determination of the matters to be treated, the manner of presenting, of grouping and of setting out the facts; even the choice of the expressions to be used; the whole should be discussed, weighed, matured, by all who have to concur therein. Now, that collaboration was im-

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possible to me. I cannot, therefore, either claim this work or allow it to be attributed to me.

Not that I desire to reject it *in toto*, for necessarily there are in it certain facts, in great number, that I could not dispute, but I cannot accept the meaning which is often given to them, and I think that in certain cases, the facts appreciated do not come within the jurisdiction conferred upon us by the commission.

I was therefore, under the circumstances, obliged to act separately from my two colleagues, and without going into further details, so as to avoid useless contradictions, and now, moreover, without any bearing, I will take leave to submit to Your Honour the personal observations which I have to make upon the evidence taken before the commission. I shall endeavor to restrict myself to what I consider essential.

Before, however, going into the subject of this report it seems to me to be important :

- 1o. To recall the purpose of the inquiry entrusted to us ;
- 2o. To determine the extent of the jurisdiction of the Commissioners, and
- 3o. Finally, to define their position in this inquiry.

On these three points my observations shall be brief, but they seem to me to be indispensable to properly establish the position that I thought I should take, and to settle the rules which, in my opinion, should guide the Commissioners both in the conduct of the inquiry and in the preparation of their report.

- 1st. What was the purpose of the inquiry entrusted to us ?

The circumstances under which this inquiry was ordered enlighten us on this point. It will suffice, therefore, to state them briefly.

In the month of August last, upon an application made to the Federal Parliament by the Baie des Chaleurs Railway Com-

pany (incorporated by Provincial Statute in 1882) for a new charter giving the Company the advantage of recognition as an enterprise of general interest, revelations were made, before a Committee of the Senate, tending to establish that, owing to an agreement between Mr. Armstrong, the builder of the road, and Mr. Pacaud, a journalist of Quebec, the latter had succeeded in obtaining, out of a subsidy intended for the Company and paid by the Provincial Treasury, a sum of \$100,000, to which he had no right. These revelations at the same time implicated some of the Provincial Ministers as having abetted the fraud and profited by it.

The Senate Committee, before which these facts were exposed, not having jurisdiction to decide upon the acts of the provincial ministry or of its members, the proof adduced before that Committee, had in that view no value. Nevertheless the facts were affirmed on oath, the press throughout the country made them public, and the public conscience was justly alarmed at these revelations.

It was under these circumstances that Your Honour required the Prime Minister of the Province to give explanations as regards these facts, and to cause a regular inquiry to be made to establish what truth there might be in what had been so made public. You proposed for that purpose to the Hon. Mr. Mercier the appointment of a commission composed of the Honorable Judges Baby and Davidson and myself.

What was, under the circumstances, the task imposed on these Commissioners?

To inquire into all the facts tending to establish :

1. The existence of the Pacaud-Armstrong bargain.
2. The participation of the Ministers in that fraud, and the profit that they might have realized therefrom.

That was the purpose of the inquiry,—to seek all the facts that might throw light upon these two points. Nothing less, nothing more.

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This is what will appear more clearly on examination of the second question.

2. What was the extent of the jurisdiction given to the commissioners ?

Let us consult the words of the commission itself; what was it that it required of the commissioners? "To inquire into the facts and circumstances which preceded, accompanied, caused and followed the transactions made under the Act 54 Vict., chapter 88."

Thus the commission does not order an inquiry into the transactions made under that Act; it requires simply an inquiry into the facts and circumstances which accompanied these transactions. And the reason is evident. These transactions are known to Your Honour; they are public; they are established by authentic documents preserved in the Government archives. In fact, these transactions are: first, the contract made with the Cooper-Thom syndicate, solemnly established by an Order-in-Council having the signature of the chief of the Executive; then the payment to that syndicate of a portion of the subsidy granted by the Act 54 Victoria, a payment established by documents deposited in the departmental records, etc.; it was upon these facts that Your Honour wished to be enlightened.

But what it was necessary to seek, to bring to light, what Your Honour had a right and was bound to know, were the hidden and concealed facts which might have accompanied, caused or followed these public facts; it was the immoral bargain between Armstrong and Pacaud to divert the subsidy from its legal destination and to ensure its benefits either to the conspirators themselves or to accomplices; it was, finally, the manœuvres made use of to ensure the success of that conspiracy.

That was the task, and the whole task, confided to the commissioners.

It may be said: but these manœuvres, these frauds, this conspiracy, could they not vitiate, even from their conception, these public transactions which, apparently, seem unassailable ?

It is possible, but that does not concern the commissioners; that goes beyond the scope of the enquiry. The commissioners had only to search for the evidence, to bring it to light; that done, their rôle was finished. They had not to decide; their mission was not to determine the consequences or the bearing of the facts proved before them; they have only to establish the facts and report.

To go beyond that would be to enter on ground where they would have no authority, because they would be without jurisdiction; it would be to usurp powers which neither the constitution, the law, nor their commission conferred upon them; it would be to encroach upon the rights and attributes of the Legislature and of the Lieutenant-Governor himself.

Convinced that the authority which was confided to us could not exceed the limits which I have just indicated, it will, therefore, be allowed me, in the statement which I am about to make of the facts in evidence, to restrict myself to those which have an essential bearing upon the two points which I mentioned as the principal object of the enquiry.

But, before coming to that, the last question which I mentioned above remains to be examined.

3. What was the position of the Commissioners in this enquiry?

Article 596 of the Revised Statutes of the Province of Quebec states that the Lieutenant-Governor in Council "may cause enquiry to be made into and concerning any matter connected with the good government of the Province, the conduct of any part of the public business," &c., through a commission appointed for that purpose. So that this power is given by law to the Lieutenant-Governor in Council.

I have not to ask myself here how the chief of the Executive and his ministers came to an agreement respecting this commission. I simply find that this commission could not have been appointed without the consent of the ministers, that is to say, on their advice, and that that advice must have been given, as the

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document which was sent to us reads that the commission was issued "on a report of the Honorable Prime Minister, on a report of the Honorable Executive Council and by an order of the Lieutenant-Governor in Council."

It has been contended, however, that the nomination of this commission was unconstitutional. I do not think I have to decide that question. I may, however, be allowed to state that once the ministers interested had concurred in that procedure, certainly the commissioners should not raise the question. The interest and duty of the ministers imposed upon them the obligation of controlling the regularity of the proceeding; their interest, since, notwithstanding the constitutional fiction, the act was directed against them in reality; their duty, as they are specially charged with seeing that the constitution is respected.

Further, under the circumstances, that consent of the ministers had a bearing which no one could contest, the commission was no longer a procedure imposed; it in some sort became an arbitration, desired, consented to and accepted, for the establishment of the facts whereof proof was required.

This new character given to the commission certainly placed upon those who assumed it a duty all the more delicate and difficult, but it confirmed the consent of the ministers to that procedure.

On the other hand the difficult circumstances under which the inquiry was to be held also imposed exceptional conditions.

The facts revealed before the Senate Committee had greatly agitated public opinion. Now, where there is excitement there is always danger of injustice. It was necessary, therefore, that the enquiry to be held should offer to those interested the most serious guarantees of justice and impartiality. Moreover, public interest, the good name of the Province, and the care which we should have of the reputation of our public men also required it.

The only way of attaining that was to submit the proceedings before the commission to the rules of a judicial investigation, and to restrict the inquiry within the limits of strictly

legal proof. Under these circumstances I sincerely thought, and without any illusion as to my individual capacity, that men accustomed to the administration of justice and outside of politics would, perhaps, more than others, be in a position to attain the end which I have just pointed out. I thought that if we could keep the proceedings of this commission within strictly legal and constitutional limits we should have rendered to the province a service which the momentary excitement would not, perhaps, allow to be at once appreciated, but the value of which would be recognized later.

These were the motives which determined me to take part in this commission.

I now come to what should form the matter of the report.

As I have already mentioned, the purpose of the enquiry intrusted to the commission was to verify the truth of the revelations made before the Senate Committee, and to ascertain:

1. Whether there had been a bargain between Messrs. Armstrong and Pacaud to divert from its destination and to appropriate to personal uses, part of a subsidy intended for a public undertaking.

2. Whether the provincial ministers had participated in that fraud, and had profited or benefited thereby.

To establish the proof upon these two points it will be necessary for me first to set out the general facts arising from the inquiry, then to determine those which concern: 1. The bargain between Messrs. Armstrong and Pacaud, and 2. Each of the ministers in particular.

GENERAL STATEMENT OF FACTS.

The Baie des Chaleurs Railway Company was incorporated ^{46 v. c. 53, s. 2} in 1882 by a provincial statute (45 Vic., cap. 53) which gave it the privilege of building a railway "starting from some point on "the Intercolonial Railway, in the vicinity of the Restigouche "river, or connecting with the said Intercolonial Railway and

"extending to New Carlisle or Paspébiac Bay, with the right of continuing the line to Gaspé Basin."

In 1886 this company made a contract with C. N. Armstrong for the construction of the first 100 miles of that road.

On the 8th of June, 1888, after having done a good deal of work, Armstrong made a sub-contract with Macfarlane, by which the latter obliged himself to complete the work which Armstrong had done on the first 40 miles, and to build the road from the 40th to the 60th mile. The work undertaken by Macfarlane, was to have been completed on the 1st of January 1889.

Unfortunately, difficulties arose; the workmen not being paid went on strike; and Macfarlane having been obliged to make an assignment in September, 1889, the works were suspended.

This suspension of the works was keenly felt in the various localities through which the road passed. Workmen, tradesmen, etc., were not paid; these people were in want and made application to the Company, who, they thought, was responsible for their losses, and the latter being unable to resume the works could not do anything to remedy this state of things. Discontent was general.

Persons of influence in Gaspé as well as many others, imputing the responsibility for these difficulties and losses to the Company, then applied to the Government asking them to withdraw from the Company the privilege which had been granted to it—that is, to take away its charter and make new arrangements so that the works might be resumed and the road completed.

The Government received this request with favor, and during the session of 1890 caused a first act to be passed, giving it power to cancel the charter of any company which has not complied with the conditions imposed upon it for the commencement and completion of the works, or has become insolvent or unable to proceed with its works. Then by a second act it got authority to grant, in aid of the construction of this Baie des

54 V. c 37

51 V. c 88

Chaleurs Railway first a subsidy of \$50,000 in money, for a bridge over the river Cascapédia, then a land subsidy amounting to 800,000 acres. This provision is in the following terms :

"(J) To aid in completing and equipping the Baie des Chaleurs Railway, throughout its whole length, for the part not commenced and that not finished, about 80 miles, going to or near Gaspé Basin, 10,000 acres of land per mile, not to exceed in all 800,000 acres.

" Payable to any person or persons, company or companies, establishing that they are in a position to carry out the said works and to supply the rolling stock for the whole road and keep it in good working order, and also upon condition that the balance of the privileged debts due by the Baie des Chaleurs Railway Company be paid, the whole to the satisfaction of the Lieutenant-Governor-in-Council."

Armstrong, as I have just stated, had done a good deal of work on this road, and he had for this work a claim to the amount of \$298,943.62, based upon reports of the engineers of the Company, and which, moreover, the latter admitted to be correct, as established by the certificate of the managing director, Mr. Riopel, and of the secretary-treasurer, Mr. Robitaille.

Exhibit
No. 3, p 886

Alarmed by the danger to which his claim was exposed if the Government, authorized by the power which the new law had given it, took away the charter from the Company, but understanding, on the other hand, that the new subsidy granted added to those already voted and not used, might greatly facilitate new arrangements for the continuation of the undertaking, he resolved to try to save his claim by forming a syndicate which would become substituted to the old company. With that view he applied to one of his creditors, who had made large advances for this very road, Mr. Cooper, and induced him to go into the matter.

Thom 553

Mr. Cooper entrusted the negotiation to an employé, in whom he had every confidence, Mr. Thom, and the latter was instructed to study the matter, and to carry out the transaction to the best

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interest of his employers, Messrs. Cooper, Dawes and several others.

We see in the proof that at the time Mr. Armstrong was looking after the formation of this syndicate, another railway contractor, Mr. McDonald, was also endeavoring to come to an understanding with the Government so as to have the undertaking given to him, but notwithstanding that the Prime Minister was favorably disposed toward him, he was discouraged in his attempted arrangements with the old Company by the exactions of the manager, Mr. Riopel, and gave up the affair. McDonald 346

Mr. Pacaud, who had acted as Mr. McDonald's representative in other business, and who had also aided him in his negotiations with respect to this matter, seeing that Mr. McDonald had broken off all negotiations, then consented to act for Mr. Armstrong, who had for some days been soliciting his aid for the success of his syndicate.

Mr. Mercier was at that time on the point of leaving for Europe, and on the very eve of his departure he granted an interview to Mr. Cooper, accompanied by Mr. Laflamme, his counsel, and Mr. Thom, his business manager. As the application of these gentlemen could not be properly considered at such a time, it was put into writing by Mr. Laflamme and handed to Mr. Mercier, who, after consultation during the journey with those of his colleagues who accompanied him, answered it from New York, merely stating that the Government would be ready to pay to the "Company, or syndicate accepted by the Mercier 511
"Lientenant-Governor-in-Council, the whole subsidy already voted to said Company, provided all the conditions mentioned in the provincial statutes are fulfilled to the satisfaction of the "Lientenant-Governor-in-Council."

Mr. Mercier, however, would have preferred to come to an arrangement with Mr. McDonald; but he specially insisted on the matter being vigorously pushed, as this road passed through the county which he represented, and he understood that his electors would be pleased with the efforts which he would make to ensure its construction. He had also expressed his

wishes in the matter to his colleagues before leaving, saying that he hoped on his return to find the men at work.

Mr. Mercier embarked the same day, the 13th of March, for Europe, and did not return until long after the events of which we are now about to speak.

Messrs. Charles Langelier and Robidoux, who were then on their way to the South, and Mr. Pacaud and several others had accompanied Mr. Mercier as far as New York. After Mr. Mercier left, about the 15th or the 19th of March, Mr. Pacaud telegraphed to Mr. Armstrong to go and meet him at New York, at the Brunswick Hotel, with a member of the new syndicate. Mr. Armstrong and Mr. Thom complied with that request. They met there Messrs. Charles Langelier and Robidoux, to whom Mr. Thom was introduced by Mr. Armstrong, and talked a moment with them about the proposal of which they had spoken to Mr. Mercier, for the resumption of the works on the Baie des Chaleurs Railway; but nothing was then concluded between these gentlemen, the two Ministers putting Mr. Thom off for three weeks until their return. Only, Mr. Thom having inquired from Mr. Robidoux what guarantees the Government would require from his syndicate, Mr. Robidoux answered that he ought to know what the word "guarantee" meant, and that it would be necessary that the Government should be protected against any contingency.

Thom 554

During this conversation between Messrs. Robidoux, Langelier and Thom, Messrs. Pacaud and Armstrong had drawn to one side and talked together. It was at that time that the bargain was concluded between Mr. Armstrong and Mr. Pacaud. The latter then agreed with Mr. Armstrong to assist him to get his syndicate accepted by the Government for the new undertaking of the works on this road, and in consideration of the services which Mr. Armstrong so expected from Mr. Pacaud, he agreed to pay him a sum of \$100,000 out of the amount which Mr. Armstrong would draw in payment of his claim against the Company. The proof upon this point is not open to doubt; the bargain is admitted by both parties, Mr. Armstrong and Mr. Pacaud.

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Pacaud 390,
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It is not proved, however, that either Mr. Cooper or Mr. Thom had any knowledge of the bargain. There is, further, no proof that any of the Ministers knew anything of it.

To be in a position to make an advantageous contract with the Government it was necessary, first, that Mr. Thom should be sure of being able to obtain control of the old Baie des Chaleurs Railway Company; to that end he had entered into negotiations with it and had obtained, for forty days ending on the 28th April, a promise of the assignment of all its rights.

Thom 559

Provided with this first arrangement, he commenced negotiations with Mr. Garneau for the purpose of fixing the conditions of the contract between the Government and his syndicate. These conditions, Mr. Thom states, were the subject of several interviews between the Minister and himself and were modified several times before obtaining Mr. Garneau's approval. When these gentlemen had finally settled upon a proposal which seemed acceptable to the minister, Mr. Thom had a fair copy made of it and sent it to Mr. Garneau, who prepared a report recommending it to the Executive Council. That proposal was accepted by Order-in-Council dated the 21st of April, 1891, approved on the 23rd by His Honor the Lieutenant-Governor.

Thom 556
J C Langelier
632

That Order-in-Council declares that Mr. Thom's proposal is accepted under certain conditions, among others the following :

" 3. That the Government binds itself to pay the Company the subsidy of 800,000 acres of land granted by the Statute 54 Vic., chap. 88, section 1, sub-section J, converted into money, which subsidy shall be kept by the Government and employed by it to pay the *actual debts* of the Baie des Chaleurs Railway, and the surplus, if any, shall be, *after the payment of all claims actually existing against the Company*, kept by the Government, which shall render an account thereof to the Company in final settlement.

" That the said debts and claims, after they shall have been approved of and certified by Mr. Armstrong and A. M. Thom, representing the Company, shall be paid by a person named for that purpose by the Government," etc., etc.

On the same day another Order-in-Council was passed, naming Mr. J. C. Langelier "Commissioner to pay the claims " against the Baie des Chaleurs Railway Company. in conform-
" ity with the provisions of the Order-in-Council, No. 237, of the
" 23rd of April, 1891."

These two Orders in-Council having received the sanction of the head of the Executive, Mr. Armstrong hastened to forward his claim against the Company to Mr. J. C. Langelier, commissioner charged with paying " *all the claims now existing against the " said road,*" according to the terms of the Order-in-Council, No. 237. Mr. Langelier sent it to Mr. Thom, so as to submit it to his control and approval, and Mr. Thom returned it to Mr. J. C. Langelier, with a letter telling him that he approved only to the amount of \$175,000. This was on the 24th or the 25th of April.

J C Langelier
633

Thom 594

Thom 567,
568

It appears that Thom had had a previous understanding with Armstrong to himself use part of the money coming to the latter (Armstrong was, moreover, Cooper's debtor) to pay off the old Company, as he had agreed to do, under the promise of the assignment of the rights which he had obtained, and the term whereof expired on the 28th of April. This term, as we see, was approaching, and Thom was very anxious to see the matter completed in proper time.

On the other hand, although the idea of providing for the payment of this latter subsidy by means of letters of credit had been already discussed and approved in council, Mr. Garneau seems to have been embarrassed at the time of carrying out this part of the arrangement, by objections or representations made to him by the Assistant Treasurer, Mr. Machin, because we see that he hesitated for several days, that he wished to be further informed, and that it was only at the last moment, on the 28th, upon the formal opinion of the Attorney-General, that he finally decided to sign the letters of credit given in payment of this claim.

Garneau 168,
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Webb 228
Lafrance 310

When Mr. Garneau had decided to sign the letters of credit, Mr. Webb, cashier of the Union Bank, and Mr. Lafrance, cashier of

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the National Bank, went to the Government offices, at the request of Mr. Thom and Mr. Pacaud, and there it was agreed that two letters, one for \$100,000 and the other for \$75,000, should be discounted by these two banks, and that these sums should be placed to the credit of Mr. J. C. Langelier, as commissioner for the payment of the debts of the Baie des Chaleurs Railway Company.

Mr. J. C. Langelier, informed of this arrangement with the J. C. Langelier cashiers, went the same day, at Mr. Armstrong's request, and ⁶³⁴ with him, to the National Bank, and there signed for him the Lafrance 312 following cheques, all payable to the order of Mr. Armstrong: J. C. Langelier \$81,750, \$24,000, \$16,000; forming in all \$71,750. ^{635, 638}

The next morning, the 29th April, he returned to the National Bank, at Mr. Armstrong's request, and signed for him another J. C. Langelier small cheque for \$111.64, the balance remaining over; then Mr. Armstrong brought Mr. Langelier to the editorial office of the *Electeur*, to get him to sign the cheques for the \$100,000 of the Union Bank. Mr. Langelier at first made a single cheque for that amount, but, after having talked with Mr. Pacaud for a moment in an adjoining room, Mr. Armstrong requested Mr. Langelier to replace that cheque by five others for \$20,000 each. Mr. Langelier signed the five cheques asked for and went away.

Mr. Langelier had got Mr. Armstrong to give him, the previous evening, on paying him the \$71,750, a complete discharge for his claim.

After Mr. J. C. Langelier had gone, Mr. Armstrong handed over to Mr. Pacaud the five cheques for \$20,000, and these gentlemen separated.

At the time these five cheques were handed to Mr. Armstrong by Mr. Langelier, the latter was under the impression that the sum required to meet them was to his credit in the Union Bank. He had been informed of the arrangement made ^{Webb 228,} on the previous evening, he had endorsed for Mr. Webb the ²³¹ letter of credit for \$100,000 which the Union Bank was to discount, and he had no reason to suspect that the discount would not be granted. It, however, appears that Mr. Webb had not

altogether agreed, for having laid the matter before the directors of the Bank, the discount was refused.

Pacaud 434
Webb 228
Lafrance 310

Mr. Pacaud declares that it was he who, from the very beginning, foreseeing that the payment of this claim of Mr. Armstrong's might give rise to some difficulty in the Treasury Department, attended to negotiating the discount of the letters of credit to cover the amount. He had first seen Mr. Webb, of the Union Bank, and had asked him for the discount on Mr. Armstrong's behalf. Mr. Webb had consented, and afterwards had asked that the sum should be divided with the National Bank, which was done; but, after this arrangement, the directors of the Union Bank refused to ratify the promise made by their cashier, stating that it was not a regular transaction. Upon that refusal Mr. Pacaud then again applied to the National Bank to get it to take the letter which the Union Bank refused, but without success; it was the same with the *Caissè d'Economie*, and Mr. Pacaud then decided to leave the letter in question in the Union Bank for collection when it became due.

Webb 231

Pacaud 436

However, Mr. Pacaud desiring to procure the money for these cheques, tried first to obtain from the Union Bank the discount of a note for \$20,000 on the security of one of these cheques, but not having succeeded he requested the bank to give him a letter guaranteeing in some way the payment of these cheques when the letter of credit became due; this was again refused. Finally Mr. Webb agreed to give a letter stating that when the letter of credit would be paid the cheque itself would be paid by the bank.

Webb 233

With this and another similar letter Mr. Pacaud obtained, first from la Banque du Peuple on the 6th of May, and then from the National Bank on the 15th of May the discount in each bank of a note for \$20,000, endorsed by Mr. Vallières and guaranteed by one of Mr. J. C. Langelier's cheques. A similar request made to the Banque du Peuple, at Montreal, was refused, and it was only on the 8th of July, after the payment of the letter of credit by the Government, that Mr. Pacaud obtained the balance of \$60,000 represented by Mr. J. C. Langelier's three other cheques.

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The use made by Mr. Pacaud of this sum of \$100,000 may be summed up as follows in round figures :

For personal expenditure.....	\$30,000
Political and other.....	10,000
To pay notes discounted for political purposes.....	23,000
Paid to Mr. Armstrong on drafts.....	2,000
Mr. Vallières for indorsements.....	1,000
Mr. Charles Langeller.....	9,000
Cash on hand.....	25,000
	\$100,000

These are the chief facts established by the inquiry. We will now dwell more particularly on some points, first respecting the Pacaud-Armstrong bargain, then as to what concerns the ministers.

THE PACAUD-ARMSTRONG BARGAIN.

It was at New York, at the Brunswick Hotel, that as we have seen was concluded the bargain by which Mr. Pacaud agreed to assist Mr. Armstrong with the Government to get it to accept the syndicate which the former was making to continue the Baie des Chaleurs Railway enterprise. We also saw that in consideration of the services which Mr. Armstrong so expected from Mr. Pacaud he agreed to pay him the sum of \$100,000 out of the sum which he (Armstrong) would draw in payment of his claim. The existence of this bargain is admitted by Mr. Armstrong and by Mr. Pacaud.

Armstrong
48, 49
Pacaud 370,
371, 427, 428

It is also admitted that all that Mr. Pacaud had to do for that sum was to induce the ministers to accept the proposal of the new syndicate, to support it by his influence and solicitations. And this is in fact what he did. "I saw personally several of the ministers, among others the Hon. Mr. Duhamel, the Hon. Charles Langelier during the first part of the negotiations; subsequently I also saw the Hon. Mr. Robidoux, and I did all I could to induce these gentlemen to accept Mr. Thom's proposal, but to accept it at once as the least delay might cause the rupture of the negotiations."

Pacaud 427

As to the nature of the representations and solicitations of

which he speaks Mr. Pacaud explains himself at the same place by stating: "With the ministers I only brought forward the question of public interest; I considered that if they delayed longer to further the construction of this railway no one else would undertake it; that work to the extent of \$1,000,000 would go to ruin, and if a few months slipped by without any one taking charge of it, no one would be willing to undertake the completion of the road. I also laid emphasis on the interest they had in retaining the party's popularity in Gaspé."

Mr. Armstrong, when he is asked his reason for agreeing to give such a large sum to Mr. Pacaud, says that it was to secure his influence with the Government; he adds that he thought the offer made by the Cooper-Thom syndicate was in the public interest, but at the same time he understood that it was the only chance he had of getting anything for his claim. That claim was only payable in debentures of the company, and to a large extent only after the completion of the line beyond Paspebiac. "In the state it was in," he says, "it was impossible to get any thing. If I had not made an arrangement of some kind I would have been left out entirely and got nothing at all. Under these circumstances I thought it was necessary for me to do what I did."

It was under that impression that Mr. Armstrong, who wished to have \$175,000 in money for his claim, consented to give \$100,000 out of it to Mr. Pacaud if the latter brought the affair to a successful termination.

Whatever may have been, on the one hand, the means employed by Mr. Pacaud to fulfil his promise, and on the other hand, the reasons for Mr. Armstrong's action, it is proved that the latter only consented to pay \$100,000 to Mr. Pacaud to obtain his influence with the Government, so as to have his syndicate accepted for the continuation of the Baie des Chaleurs Railway enterprise upon the new conditions authorized by the act 54 Vic., cap. 88.

Now, public order, that is to say, that assemblage of rules which go to make up the social organization and secure good

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government in the general interest, recoils against the principle upon which such a bargain is based. And it would be sufficient proof of it to measure the consequences, or rather the ravages, which such a principle would produce in the body politic, if it were once admitted.

Where, in fact, would be the obstacle to such bargains extending to all the operations of the Government, to public functions as well as to administrative and judicial functions? And if we could honestly purchase the influence of any one with another, why could not the good-will of the latter be at once purchased directly, that is to say, of the person upon whom depends the act which we wish to obtain, the minister entrusted with giving the contract, or granting the office or desired appointment?

And in vain would it be pretended that there is no special law which touches such bargains, for they fall under the general prohibition by which the law forbids all bargains against public order.

It is true that Mr. Pacaud affirms that he specially laid stress upon motives of public interest with the ministers to induce them to accept the Cooper-Thom proposals, and Mr. Armstrong himself adds, also, that he considered that this proposal was advantageous to the public.

It is possible and nothing in the proof even establishes the contrary.

But this cannot be admitted as a justification of the bargain in question. In fact it is evident that under such circumstances the public interest would always be invoked. It would be impossible otherwise to succeed. But what authority have those to speak of public interest whom private interest compels, in their secret conscience, to see things from a different point of view?

This agreement, admitted by Mr. Pacaud and Mr. Armstrong, therefore, cannot be defended.

Let us now see what the consequences may have been.

THE FACTS RESPECTING THE MINISTERS.

Did Mr. Pacaud's measures really influence the ministers and contribute to the acceptance of the Thom proposal?

Of the eight ministers then composing the Cabinet, four were absent, three in Europe, Messrs. Mercier, Shehyn and Boyer, and one ill, Mr. Robidoux. The four present were Messrs. Garneau, Ross, Duhamel and Langelier.

MR. GARNEAU.

The Department of Railways is one of the divisions of that of Public Works. Mr. Garneau was, in April, 1891, Minister of Public Works. It was therefore to him belonged the cognizance of this Baie des Chaleurs Railway matter. It was with him that Mr. Thom opened negotiations respecting his proposal. The discussions between Mr. Thom and Mr. Garneau lasted several days, from the 16th of April to the 21st. Mr. Thom's first proposal in writing was dated on the 17th of April, but it was not accepted; on the contrary, Thom declares that every day the ministers struck out some portions of it, and that that continued so long as they had not reached the last draft accepted by both parties. However, although the original proposal was thus changed, the date always remained the same, and that is the reason why Mr. Thom's letter, inserted in Mr. Garneau's report, appears as having been written on the 17th of April.

When these negotiations were being carried on between Mr. Garneau and Mr. Thom, was the latter authorized to represent the syndicate of Cooper, and others? Was that syndicate sufficiently organized to make it prudent to do business with him for it?

On these two questions I will make but very brief remarks, for I fear to transgress the limits which I have set myself and enter upon ground where I would have no authority. And the remarks which I will permit myself to make on this point will only have the purpose of showing Mr. Garneau's good faith.

Thom 553
J G Jangelier
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Thom 608

Garneau 169
Thom 598

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The fact that Mr. Thom was the authorized representative of Mr. Cooper and his associates cannot be contested. It is true that Mr. Thom had no written authorization, but it is difficult to understand that it could be possible to give him one for a series of negotiations as complicated and even as unforeseen as those entrusted to him. Thus Mr. Cooper declares that he had absolute confidence in Mr. Thom, and that he had placed the whole matter in his hands. Mr. Garneau, moreover, knew that Mr. Cooper was accompanied by Mr. Thom in his first interview with Mr. Mercier, and he could not doubt the quality of mandatory which this circumstance alone had already authorized. And we see that, thereafter, all Mr. Thom's acts respecting this negotiation were constantly and without distinction ratified.

On the 27th of April, Mr. Robidoux having suggested to Mr. Garneau to get Mr. Thom's authority recognized by Mr. Cooper, the latter immediately replies by the following telegram :

"Mr. Thom is acting under instructions from me and my associates, J. P. Garneau 177 Dawes, Alexander Ewing and James Williamson, who will all become directors on the sixth of May."

(Signed) "JAMES COOPER."

In fact, as soon as the affair was concluded and the legal delays expired for the organization of the new company, not only Mr. Cooper, but his associates carried out what Mr. Thom had promised, the company was re-organized, the works were re-commenced and it was proved during the inquiry that they were pushed forward with a vigor that gave full satisfaction in the localities interested.

Mr. Garneau is then fully justified by the event, for not having doubted Mr. Thom's authority.

On the second point, it seems to me evident that the negotiation which Mr. Thom had so in charge formed part of a whole plan, with the bearing of which Mr. Garneau was not unacquainted, and which is moreover easily understood in matters of this kind. On the one hand Mr. Thom was negotiating with the old company to secure conditionally the control; on the other, he had an understanding with Mr. Armstrong so as not to be

at his mercy for his claim if he came to an agreement with the Government; and finally he treated with Mr. Garneau with the understanding that if he attained a favorable conclusion he would be in a position to substitute his syndicate for the old company.

The whole of this went on together and had of necessity to go on at the same time, for it would have been absurd for Mr. Thom to buy the old company and pay Mr. Armstrong and not to be sure of the contract with the Government. Mr. Garneau, who is a business man, understood all that, and that is the reason he agreed to treat with Mr. Thom under the conditions given, knowing that the latter's interest was the best security for the carrying out of his promises.

Finally, Mr. Garneau considered that the half million of debentures of the Company deposited with him was, in view of the new arrangements, of considerable value.

Did Mr. Garneau, during these negotiations, allow himself to be influenced by Mr. Pacaud's conduct towards him?

Mr. Garneau admits that Mr. Pacaud wrote him a letter upon this subject, and went to see him once. All that Mr. Pacaud seems to have told him was that Mr. Thom was pressing for the settlement of the transaction, and that it was important that it should be settled immediately. But these representations do not seem to have produced the effect desired; on the contrary, Mr. Garneau seems to have feared, after that interview with Mr. Pacaud, that there was something irregular in the matter, and we see that he endeavored to take more precautions than previously. As he himself says, respecting that proceeding of Mr. Pacaud: "It made me reflect. It made me go into details." In fact, far from going on faster, it appears that he afterwards acted with still more deliberation and caution from day to day, even so far as to exasperate Mr. Thom, who ended by stating that he was tired of the transaction and that he was going to throw it all up and go home.

We have seen Mr. Garneau attentively and at length discussing the conditions of this contract, and only finally submitting

Garneau,
176, 183.

Thom 562,
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it to his colleagues when he had brought Mr. Thom to an acceptable proposal.

We shall now see him in the execution of the agreement between Mr. Thom and the Government.

The Act 54 Vict., cap. 88, sec. 1, subsection J, had declared that the new subsidy granted should be paid only upon condition that the balance of the *privileged debts* due by the Baie des Chaleurs Railway Company were paid. The statute did not, be it well understood, forbid the payment of the *ordinary debts*, but it made a formal condition of the payment of the privileged debts. The Order-in-Council, whilst maintaining the condition as to the payment of the privileged debts, extended the provision and determined that the subsidy should also be employed for the payment of the existing debts of the Company, approved by Mr. Thom. The latter therefore claimed first the payment by the Government of the privileged debts, then the payment of the other debts of the Company, so that his syndicate might take possession of the road. And it was as being an existing debt that he had approved Armstrong's claim for the sum of \$175,000.

We have seen that at the time of the passing of the Order-in-Council it had been foreseen that for the payment of the subsidy recourse would probably have to be had to letters of credit addressed to the banks. But when a copy of that Order-in-Council was sent to the Assistant Treasurer, that gentleman, after having examined the document and submitted it to the Provincial Auditor, was of opinion that it did not suffice to operate the conversion into money of the subsidy of 800,000 acres of land, and that consequently the Order-in-Council could not possibly authorize the issue of the letters of credit. Mr. Machin communicated his opinion on this point to Mr. Garneau.

On the other hand, Mr. Garneau himself had doubts as to the legality of the payment which he was called upon to make. He knew that under the ordinary law subsidies are only payable to railway companies after they have been earned; that is to say, after the work has been done, and only in proportion to the quantity of work done, by sections of ten miles of road, and here

Garneau,
168, 169

Machin 271

52 V. c 86. s 5

Garneau 148, 152, 153, 184 an application was made for money not justified by any work done.

Garneau 152 He was therefore very much embarrassed, and has declared so over and over again. Being Minister of Public Works, but charged at the same time with the functions of Prime Minister and Treasurer *ad interim*, he understood that everything depended on him, and he was dismayed at the responsibility which rested on him. Being also ill at this time, he felt discouraged and was inclined to resign his office.

It was, however, necessary to act. Mr. Thom, who saw that the term of his agreement with the old company was about to expire, pressed Mr. Garneau to finish the transaction, and threatened to abandon the whole matter, for if Mr. Armstrong was not paid at once, he (Thom) would lose the benefit of his agreement with the old company.

Robidoux, 762 In this difficult situation, we see Mr. Garneau redoubling his precautions, and asking for the support of the Attorney-General especially. Unfortunately the latter was also ill and could only give verbal opinions. However it may be, it is proved that Mr. Garneau sought by all the means at his disposal to be thoroughly informed both upon the legality of the acts which he was asked to perform, and upon the position of the Government consequent upon the bargain made with Mr. Thom, and that he did not act until he was convinced that he ought and could legally do so. On the 24th April he obtained the opinion of the Deputy Attorney-General Mr. Cannon, corroborated by the Hon. Frs. Langelier, and on the 28th April that of the Attorney-General Mr. Robidoux.

Garneau
179, 181

Machin
273-274
Robidoux
762-763
Garneau
146-148, 153-
155, 159, 162,
182

The first of these opinions reassured Mr. Garneau as to the question raised by Mr. Machin respecting the conversion into money of the subsidy of 800,000 acres of land voted by the Act 54 Vict. Cap. 88, and Mr. Robidoux declares that he fully approved of the opinion of his deputy on that point, he himself also holding that the Order-in-Council No. 237 had operated the conversion.

And as to the doubt, expressed by Mr. Garneau himself, respecting the payment of the subsidy before any work done justified such payment, as the latter statute enacts that the subsidy which it grants shall be paid to any person or persons, company or companies establishing *not that they have carried out but that they are in a position to carry out the works*, Mr. Robidoux declares to Mr. Garneau in his opinion in writing of the 28th of April, that Messrs. Cooper, Dawes and others having fulfilled the conditions imposed have a right to require the payment of the subsidy.

It was after having had these two opinions that Mr. Garneau finally agreed to sign the letters of credit, in payment of the claim of Mr. Armstrong.

Mr. Garneau had nothing to do afterwards with the application of the money drawn by Mr. Pacaud, and in no way profited by it.

There remains one point more to which it is necessary to refer.

During the inquiry Mr. Garneau was asked whether Mr. Pacaud, having seen that his solicitations were without effect, had not threatened to cable to Mr. Mercier, to tell him that Mr. Garneau ran the risk of letting the matter fall through owing to his slowness and indecision. Mr. Garneau denies that altogether, Garneau 163 and declares that if there had been any question of cabling to Mr. Mercier, it would only have been as a suggestion to him to consult Mr. Mercier about the matter, but in no wise was it as a threat made to him, and he adds that moreover, it would not have changed his opinion as he had all the responsibility in the Garneau 149 matter.

To resume, Mr. Garneau seems to me to have given to this difficult and delicate matter all the care and exhibited all the prudence that he could have brought to it, and there is absolutely nothing in the proof that can give rise to the slightest suspicion as to his perfect honesty and uprightness.

MR. ROBIDOUX.

The Hon. Mr. Robidoux after accompanying Mr. Mercier as far as New York on the 18th March went to the Southern States with Mr. Charles Langelier ; he returned thence on the 12th of April, sick, and was obliged to remain in bed until about the 25th. During that period Mr. Garneau, who was entrusted with the whole negotiation which we have set out, and who felt the need of being advised from time to time by the Attorney-General, went twice to see Mr. Robidoux at Montreal. Mr. Robidoux had even given Mr. Garneau to expect that he would be able to return to Quebec in a short time ; unfortunately he was prevented by sickness, and on the 17th of April he sent him the following telegram :—

Robidoux
758, 750

"Honorable Pierre Garneau, Commissioner of Public Works, Quebec:

Garneau 157

"I fear to be detained here by illness longer than I thought. You may proceed to business in my absence. I ratify in advance all that you will do in the matter of the Baie des Chaleurs Railway. Langelier will tell you exactly what was decided upon before the departure of Mr. Mercier. I am informed that any delay in this matter may be prejudicial to the interests of the enterprise and of the Province.

(Signed),

J. E. ROBIDOUX.

We have seen that on the evening before his departure for Europe, Mr. Mercier had an interview with Messrs. Lafamme, Cooper and Thom respecting the proposal of the latter, and that on the next day, during the journey, he had communicated that proposal to those of his colleagues who accompanied him, and had agreed with them upon the reply to be made, which was merely : The Government will grant all the subsidies authorized by the Legislature, provided that the conditions mentioned in the statutes are fulfilled. That was what had been resolved upon before Mr. Mercier's departure.

But it was known, in addition, by those who accompanied Mr. Mercier, that the latter desired the road to be completed, and that consequently the enterprise should be given if the conditions imposed by law were fulfilled. Mr. Robidoux's telegram merely told Mr. Garneau : Mr. Charles Langelier will tell you that if the conditions of the law are complied with you should

conclude the matter. Mr. Robidoux himself had, moreover, already told that to Mr. Garneau.

It was the same day that Mr. Thom seems to have submitted his first proposal to Mr. Garneau.

Mr. Robidoux afterwards arrived at Quebec, about the 25th of April, and we see that, although sick in bed, Mr. Garneau had frequent interviews with him and constantly got his opinion on all questions about these cases. Further, he even wished to have his opinion on the merits of the transaction itself, although the Order-in-Council had then been passed, and Mr. Robidoux declared that he approved of it. Robidoux 751

In addition to these consultations given to Mr. Garneau, and of which we have given the substance in the notes respecting the Minister of Public Works, Mr. Robidoux declares that he favored, in a general way, the acceptance of Mr. Thom's proposal, that he thought it advantageous, and that he did what he could to assist Mr. Garneau in bringing the negotiation to a successful issue.

Mr. Robidoux, who knew Mr. Mercier's wish to conclude an arrangement either with the Thom syndicate or with another, for that was indifferent to him provided that the construction of the road was assured, Mr. Robidoux, I say, seems to have acted throughout this affair quite freely and without any solicitation or promise having influenced him. Robidoux 755

He admits, however, that Mr. Pacaud once spoke to him about the matter, but only after the passing of the Order-in-Council. Mr. Pacaud was merely pressing for the carrying out of the arrangement then concluded. Robidoux 753

M. Robidoux further declares that he did not learn that Mr. Pacaud had an interest in the transaction until the time of the revelations before the Senate Committee.

There is, however, one fact which appears strange.

We have said that Mr. Pacaud, after having discounted at Quebec two notes for \$20,000, each with the endorsement of Mr.

Vallieres, and the guarantee in each case of one of the five cheques of Mr. J. C. Langelier, had tried to obtain, on the same conditions, the discount of a third note for \$20,000 from the Banque du Peuple at Montreal, but that he did not succeed. Mr. Pacaud, who had come to Montreal for that business, went to see Mr. Robidoux, who was at home sick, and the latter, having asked him what brought him to Montreal, this is how Mr. Robidoux relates what then passed between them:—

Robidoux 754 "I came here, Mr. Pacaud said, to try and get a note discounted for Armstrong, a note secured by a cheque signed by Chrysostome Langelier, commissioner in the Bale des Chaleurs matter. I then asked Mr. Pacaud how it happened that a cheque drawn on the Union Bank, and payable unconditionally, was not paid, and it was necessary to discount a note and give the cheque as security before getting the cash. Then he told me that the Union Bank was not in funds at the time, and that it had given a letter which accompanied the cheque by which it undertook to pay it as soon as it would have received the funds from the Government. I then told Mr. Pacaud, without his asking me, 'Let me have that note, cheque and letter, and I may perhaps succeed in getting the funds.' I thought I was performing a duty in trying to get the funds on a cheque having the official signature of the Government.

"I knew Mr. Napoleon Lefebvre very well; he was one of my friends and a Montreal capitalist. I am not certain whether I wrote to Mr. Napoleon Lefebvre or whether I telephoned to him; in any case, he came to my house and I said to him, 'Here is some business that may suit you, perhaps; can you discount this note?' secured as I have just stated, and I showed him at the same time the letter of the cashier of the Union Bank. Then he said, 'I will see,' and he went away with the documents.

"I did not leave the house that day. The next day I went to the Government offices, and, as I was passing along St. James street, I met him; he came to me and said that he had tried to get the note discounted at one or two banks and that there was some difficulty. Then I said to him: 'I asked you if the matter suited you, thinking I was giving you a good thing, but if you do not do it yourself return me the note, cheque and letter; I have no interest in the matter; I was doing it to oblige some one, but take no further trouble about it.' He then returned me the note, cheque and letter, and I returned them to Mr. Pacaud on my next trip to Quebec."

It is to be noticed that the note which it was thus wished to get discounted was Mr. Pacaud's, and that Mr. Armstrong's name does not appear on it; that it was Mr. Pacaud himself who was taking all the steps in this negotiation, and that finally this discount was applied for on the security of an official cheque payable only when the Government letter of credit was itself

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paid. These circumstances are so unusual that it appears that they should have attracted Mr. Robidoux's attention.

I must add, however, that there is no proof that Mr. Robidoux knew of the existence of the Pacaud-Armstrong bargain, nor that he ever received anything from Mr. Pacaud or from anyone else in connection with this Baie des Chaleurs matter.

Mr. Pacaud, it is true, paid for him, without his knowledge, his entrance fees at the Union Club, but that was before the Baie des Chaleurs matter, and Mr. Robidoux, moreover, repaid him as soon as he became aware of that payment.

MR. DUHAMEL.

Mr. Duhamel was one of the four ministers present in Council when the Thom proposal was accepted. Like Mr. Garneau, and with him, he had met Mr. Thom previously, and had discussed the conditions of the proposal, and it was during the course of these previous interviews that Mr. Thom had been obliged to modify his conditions so as to meet the views of the ministers. Mr. Duhamel was then well acquainted with the affair and was favorable to Mr. Thom's final proposal.

Mr. Pacaud spoke to him about the matter, but only after the order-in-council had been passed, that is, after the arrangement between Thom and the Government had been concluded.

Mr. Pacaud, who wished to favor the Union Club, also paid Mr. Duhamel's entrance fees to this club. But that payment was made without authorization and against Mr. Duhamel's wishes, who formally repudiated it as soon as he was aware of it.

Mr. Duhamel received nothing from Mr. Pacaud; he did not even know that he had any interest in the matter, and there is absolutely nothing in the facts proved which could occasion any suspicion against him.

MESSRS. ROSS, SHEHYN AND BOYER.

Mr. Ross voted in favor of the Thom proposition at the meeting of the Cabinet, but he knew nothing of the Thom and Armstrong affair, nor was he approached on the subject by anyone.

Messrs. Shehyn and Boyer were both out of the country and knew nothing about the matter.

MR. CHARLES LANGELIER.

C Langelier
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Mr. Charles Langelier was one of those who accompanied Mr. Mercier to New York on his departure for Europe. He was consequently consulted by the Prime Minister during this journey concerning Messrs. Cooper and Thom's proposal, and concurred in the reply then decided upon by the ministers, telling Mr. Laflamme that the Government was ready to pay to any company or syndicate approved by the Lieutenant-Governor-in-Council, the whole of the subsidy already voted, provided that the conditions mentioned in the statutes were complied with.

Mercier 511

Mr. Langelier also knew that Mr. Mercier was very desirous that arrangements should be made to insure the re-commencement of work on the Baie des Chaleurs Railway, even before his return.

After Mr. Mercier's departure, Mr. Langelier left with Mr. Robidoux to travel in the Southern States; he returned only about the 12th April.

C Langelier
720
Garneau 147

Shortly afterwards Mr. Thom began negotiations with Mr. Garneau and some other ministers concerning the proposal made in the name of his syndicate. It does not clearly appear that Mr. Langelier was one of the ministers with whom this proposal of Mr. Thom's was discussed before the Order-in-Council, but there is reason to think so, for Mr. Thom tells us: "I would meet the ministers, and they would scratch their pen through some portion of my proposition and lead-pencil in something else, and it kept on like that until we finally got to the last one."

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Now, Mr. Garneau was one of those ministers ; Mr. Duhamel Duhamel 690 tells us that he was another, and it seems probable that Mr. Langelier was also there, since he was the only one of the four ministers present in Quebec who had gone to New York with Mr. Mercier, and who knew what had been decided on during that journey. This explains Mr. Robidoux' telegram to Mr. Garneau : " Langelier will tell you exactly what was decided upon "before Mr. Mercier's departure."

On the 20th April, Mr. Garneau, who, as we have seen, sought every information before taking the slightest step, wished to obtain the Attorney-General's opinion concerning the Thom proposal as modified by the discussions and interviews we Cannon 777 have referred to. In virtue of an understanding between Mr. Robidoux and Mr. Charles Langelier, the latter acted for the Attorney-General in the business of his department during Cannon 777 his absences. Mr. Langelier, acting for Mr. Robidoux, sent Mr. Garneau the opinion asked for, stating that the Cooper-Thom proposal was in conformity with the provisions of the statute 54 Vict., chap. 88, and that there was only one thing to be assured of, namely : whether Garneau 178 Company represented by Mr. Thom would C Langelier 721 give the Government the required guarantee.

Notwithstanding this opinion, Mr. Garneau assures us that he obtained besides a verbal opinion from the Attorney-General himself, and it was after that that he submitted the matter to Garneau 159, 160 Council the next day, the 21st April.

In Council Mr. Langelier was in favor of accepting the Thom proposal, and the report prepared by the Hon. Mr. Garneau was unanimously adopted by the four ministers present.

The acceptance of this proposal bound the Government to furnish the Cooper-Thom syndicate with what was necessary to pay first the privileged debts, then the existing debts of the Baie des Chaleurs Railway Company, approved by Mr. Thom, to the extent of the sum produced by the subsidy of 800,000 acres of land converted into money. This conversion, at the rate of thirty-five cents an acre, produced a sum of two hundred and eighty thousand dollars (\$280,000). As to the privileged debts,

Machin 266 Mr. Machin tells us that the treasury was in a condition to provide for them; and it was understood that the other claims should be settled by letters of credit on the banks. Mr. Thom Garneau 168, 169 should be settled by letters of credit on the banks. Mr. Thom Duhamel 690 agreed to accept these letters, and was even very anxious to have Lafrance 310-311 them. Webb 228

Two letters of credit, one for \$75,000 and the other for \$100,000, were signed by Mr. Garneau and sent to the bankers who had promised to discount them. We have seen that the one for \$75,000 was discounted by the National Bank and the proceeds paid immediately to Mr. Armstrong. The \$100,000 letter, which completes the payment of Armstrong's claim, was refused by the Union Bank, notwithstanding the cashier's promise.

Mr. Pacaud, who, in consequence of an understanding between them, had received from Mr. Armstrong the five cheques for \$20,000 drawn by Mr. J. C. Langelier on the Union Bank against the promised discount, found these cheques refused when he went the next day to cash them. He then tried to have the letter of credit accepted elsewhere, and went first to the National Bank.

Did Mr. Charles Langelier accompany Mr. Pacaud when he made this application to the National Bank?

Gaboury 333 Mr. Langelier was not asked this question, but Mr. Gaboury, Lafrance 324 the President, and Mr. Lafrance, the cashier of this Bank, both assert that this request was made by Mr. Pacaud and Mr. Charles Langelier. This assertion is corroborated by the copy filed in the record of a resolution of the Directors of the Bank refusing to grant this request. This resolution, dated the 5th May, is couched in the following terms: "The application for the discount of \$100,000 made by Messrs. Pacaud and Charles Langelier, guaranteed by a letter of credit from the Government, is refused."

Pacaud 435 There ought then to be no doubt upon this point, but Mr. Pacaud asserts that he then asked for the discount in Mr. Armstrong's name, to whom the letters of credit had been given in payment of his claim.

Mr. Pacaud, not having succeeded in obtaining the discount

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of the letter of credit, had recourse to another method, and discounted two notes for \$20,000, endorsed by Mr. Vallieres, and guaranteed by Mr. J. C. Langelier's cheques. One of these notes was discounted at the National Bank and the other at the People's Bank.

Was Mr. Langelier present at each of these banks when Mr. Pacaud asked and obtained the discount?

Mr. Pacaud and Mr. Vallieres swear positively that Mr. Pacaud 410
Langelier was not with them when the discount was asked at Valliere 704
the Banque du Peuple.

Mr. Lafrance asserts that Mr. Langelier was not present Lafrance
when the discount was asked from the National Bank. 314-326

Mr. Langelier, however, admits that he was in the Banque Chs. Langelier
du Peuple on the occasion in question, but he adds that he did 723, 722, 861
not go into the cashier's office, and knew neither what took
place, nor what was being discussed.

Mr. Langelier also admits that he was at the National Bank Chs. Langelier
when the other note was discounted, but he seems to confuse 723
this occasion with the request for the discounting of the letter of
credit, for he says he met Mr. Gaboury, who in fact was there Gaboury 334
when the discounting of the \$100,000 letter of credit was dis-
cussed, but not when the note for \$20,000 was discounted. He
adds that on this occasion also he did not know what was
going on.

When questioned by Mr. Mercier concerning the discount Mercier 534
obtained at the National Bank Mr. Langelier admits again that
he was there, and that there was a discussion about a certain dis-
count.

Finally, when Mr. Pacaud went to Montreal to try to discount
a third note at the Banque du Peuple, Mr. Charles Langelier was
there at the same time; he accompanied Mr. Pacaud to the door Armstrong
of the bank, and waited for him while Mr. Pacaud was with the 709-710
cashier.

If was early in May, between the 4th and 6th, that the discount of the \$100,000 letter of credit was asked from the National Bank, and the first note for \$20,000 was discounted at the Banque du Peuple. Two days after having obtained the discount of \$20,000 Mr. Pacaud began to make advances to Mr. Langelier.

Exhibit No. 207, p. 992 Pacaud 794 Chs. Langelier 714	On the 8th May, Mr. Pacaud paid for Mr. Langelier to the builder of his house.....	\$918 23
	The 9th May, he deposited to his credit in the Savings Department of the Union Bank.....	200 00
	On the 12th May, he paid for him to the Fortress Hotel Company.....	500 00
	28th May, " " " ".....	17 60
	3rd June, he deposited again to Mr. Langelier's credit.....	555 40
	On the 10th July, the letter of credit being paid, the Union Bank passed to Mr. Pacaud's credit the last three cheques of Mr. J. C. Langelier, making \$30,000. The next day, Mr. Pacaud deposited to Mr. Langelier's credit at the People's Bank.....	3,000 00
	On the 21st, a further deposit of.....	500 00
	On the same day, given to Mr. Langelier himself.....	1,500 00
	On the 22nd July, note paid by Mr. Pacaud for Mr. Langelier.....	1,600 00
	Finally, on the 10th August, given to Mr. Langelier an additional sum of.....	500 00
		\$9,291 23

Of this amount Mr. Langelier asserts that he has repaid Mr. Pacaud the three following amounts :

On the 11th of July, by cheque.....	\$2,072 00
At another time.....	500 00
Remitted to Mr. Pacaud while in Europe.....	300 00
	\$2,872 00

Chs. Langelier
732

It would be useless to dispute the fact of these repayments, although Mr. Langelier admits that the cheque for \$2,072 was given to Mr. Pacaud on the 9th May, in payment of advances made prior to that date. This sum then was to pay a debt which is not mentioned in the statement we have given above, and consequently cannot be deducted from the amount shown by that statement.

Pacaud 382

Mr. Pacaud, on the other hand, declares that long before this Baie des Chaleurs affair, even for twenty years past, he had been in the habit of making advances to Mr. Charles Langelier, who was formerly his partner and who is his intimate friend.

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Compelled, in cross-examination, to mention these advances, he recalls among others a deposit of \$800 made by him for Mr. Langelier at Mr. Veasey's, and he asserts besides, that in the autumn of 1890, he placed several smaller sums at Mr. Langelier's credit. He adds that some months before the advances we have enumerated, he had induced Mr. Langelier to build a house for himself, promising to assist him and to advance the necessary funds, and that in fulfilment of this promise he advanced him these different sums.

Pacaud 467

Pacaud 362
Chs. Langelier
715

It is proved, in fact, that Mr. Langelier was then building a house, and Mr. Mercier declares that even before his departure for Europe, fearing that Mr. Langelier might be embarrassed in meeting the expenses connected with this building, he left him his signature for \$4,000, so that he might use it in case of necessity. Mr. Pacaud having, however, made advances to Mr. Langelier, the latter did not make use of Mr. Mercier's signature.

Mercier 533
Chs. Langelier
716

Such are, in brief, the facts concerning Mr. Charles Langelier.

What conclusions can we draw from them ?

Was it Mr. Pacaud's influence that induced Mr. Langelier to favor the Thom proposition ?

Did Mr. Langelier know the source of the money which he received ?

As to the first question, it seems to me thoroughly established that Mr. Langelier knew, long before the Pacaud-Armstrong bargain, of Mr. Mercier's desire to arrange with some company for resuming work on the Baie des Chaleurs Railway. It does not seem extraordinary to me that he was in favor of concluding the negotiation with Mr. Thom, since it was quite in accordance with the provisions of the statute.

That Mr. Pacaud spoke of this affair to Mr. Langelier is certain. Mr. Pacaud says so, and Mr. Langelier admits it. But did the representations made by Mr. Pacaud to Mr. Langelier induce him to favor the adoption of the Thom proposal ?

Pacaud 373
Chs. Langelier
722

It is difficult to say, and I am very much inclined to think

that Mr. Langelier was himself in favor of the agreement with Mr. Thom. However, Mr. Pacaud's influence may have induced Mr. Langelier to hasten the affair, especially when the issuing of the letters of credit was in question, that is, the carrying out of the agreement.

Chs. Langelier
741

Besides, Mr. Langelier has made a precise declaration on this first point, which should be borne in mind.

At the close of his evidence he adds:—

"Before I conclude I want to state that in the whole course of this Baie des Chaleurs transaction I was neither approached, nor influenced by any one. I acted freely without any promise whatever directly or indirectly of money, or value, or anything else, and what I did I did because I thought it was in the interest of the country and of Gaspé in particular."

There remains the second question: "Did Mr. Langelier know the source of the money he received from Mr. Pacaud?"

The examination of the facts in this connection shows that the evidence is entirely circumstantial, nothing direct, positive or definite.

Now, circumstantial evidence, or to speak more correctly, presumptive evidence, is the most uncertain of all evidence, it is that which most readily leads astray and which almost always is the cause of those fatal judicial errors which so often demonstrate the weakness of human justice.

Chs. Langelier
739

And against this mere conjecture we have the solemn declaration of Mr. Langelier affirming under oath, "that he was absolutely ignorant of what Mr. Pacaud had received or was to receive in the affair," and adding in another place, "that he had never received anything from Mr. Pacaud with the knowledge or even the suspicion that the money came from this transaction."

Chs. Langelier
724

In the face of this oath, as opposed to purely presumptive evidence, I cannot conclude that Mr. Langelier knew the source of the money which he received from Mr. Pacaud.

MR. MERCIER.

After the suspension of work on the Baie des Chaleurs Railway, Mr. Mercier, as we have said above, induced the Legislature to pass, first, a law authorizing the Government to cancel the charter of any railway company unable to pay its debts, also another law giving a new subsidy to ensure the construction of this railway.

Mr. J. J. Macdonald, railway contractor, in whom Mr. Mercier seems to have had every confidence, had tried to profit by the new condition of affairs caused by this law, but discouraged by the demands of M. Riopel, the managing director of the old ^{Macdonald} company, he had given up the matter. ₃₄₆

Mr. Armstrong had then induced Mr. Cooper, one of his advancers and his creditor for a large sum, to form a syndicate to undertake the carrying on of the works, seeing the advantage afforded by the grant of the new subsidy.

On the 12th March, the eve of Mr. Mercier's departure for Europe, Mr. Cooper, accompanied by Mr. Thom and Mr. Laflamme, met the Prime Minister to discuss the affair with him, but Mr. Mercier told these gentlemen that he could not attend to it at that moment, and begged them to put their request in writing, promising to give an answer before his departure.

The next day, while going to New York, in company with his colleagues, Messrs. Shehyn, Boyer, Robidoux and Charles Langelier, Mr. Mercier showed them Mr. Laflamme's letter, and it was agreed to answer, that the Government would give the whole subsidy actually voted, to the company which should be approved by the Lieutenant-Governor-in-Council, provided that the provisions of the Statute were complied with. A letter to ^{Mercier 511} this effect was consequently sent to Mr. Laflamme from New York on the 13th March.

Mr. Armstrong then sought to obtain Mr. Pacaud's aid to ensure the success of the syndicate formed by Mr. Cooper and some others. As Mr. Pacaud was also going to New York to be

present at Mr. Mercier's departure, Mr. Armstrong took the same train and eagerly requested Mr. Pacaud to obtain an interview for him with Mr. Mercier, but the latter absolutely refused to see him, and having reached St. John, Mr. Armstrong thought it better to go no further.

Mercier
522, 525

Mr. Mercier does not then appear to have left any special instructions with his colleagues to ensure the carrying on of the work of this railway, but the majority of them knew perfectly well his desire to see the enterprise brought to a successful termination.

It was during Mr. Mercier's absence in Europe that arrangements were made between Mr. Thom and the Government for the completion of the Baie des Chaleurs Railway. Mr. Mercier then had no share in either the order-in-council of 23rd April nor the letters of credit of the 28th April. He was only informed of it when the affair was concluded and settled, whilst he was in Paris, by a letter from Mr. Charles Langelier and another from Mr. Garneau. Mr. Mercier has not kept these two letters, but his reply to Mr. Langelier contains the following :

Mercier 523

* * * * *

PARIS, 19th May, 1891.

I am delighted to learn from your letter that the Baie des Chaleurs Railway matter is settled. I depend upon what you say, but I confess to you that I do not find the new syndicate very strong, and unless it is backed up by foreign capitalists, and very strongly backed up, we will again be disappointed. I would advise you to be very prudent, to follow exactly the text of the law, and to make no advances except with full knowledge. Of course you are a better judge than I of the new situation, which is brought about by circumstances mentioned by you, and I depend entirely upon your discretion and that of our colleagues as to what should be done ; but I pray you to be prudent ; we have been so unfortunate with this road that we cannot take too many precautions. * * * *

Mercier 524

Mr. Mercier has declared, concerning this letter, that he regretted having thus expressed doubts concerning the new syndicate, for the information he afterwards received completely reassured him as to the capability of those composing it to carry on the enterprise successfully.

Garneau
209-210-214

Mr. Mercier's answer to Mr. Garneau's letter could not be found at the time of the enquiry, but Mr. Garneau promised to

look for it and produce it as soon as he could. The reply has been found, and Mr. Garneau sent it to the commissioners the 4th January. It is not dated, but the envelope bears the Paris postmark, 21 May, 1891.

Mr. Mercier says, among other things :

" I am delighted with the settlement of the Baie des Chaleurs Railway matter. I am told that you exhibited great tact and prudence in this matter. I congratulate you. It is worthy of you. The same may be said about the Quebec Central. The two settlements have given me very great pleasure."

Mr. Mercier only returned on 18th July. It was on the 6th of the following August that the revelations concerning this Baie des Chaleurs Railway were made before the Senate Committee, and four days afterwards, the 10th of August, Mr. Pacaud left for Europe without giving any explanation to Mr. Mercier, either on the subject of these accusations or concerning certain sums of money that Mr. Mercier had left with him on deposit for certain personal matters.

The enquiry before the Committee of the Senate was afterwards commenced, the 12th August, two days after Mr. Pacaud's departure, and he only returned on the 26th September, when the correspondence between your Honor and Mr. Mercier relating to this matter was closed and the present Commission was appointed.

Let us see now what are the facts proved which specially concern Mr. Mercier.

Two points only claim our attention :—

First—The payment by Mr. Pacaud, with money obtained from the Baie des Chaleurs affair, of notes discounted for political purposes, bearing Mr. Mercier's signature.

Secondly—The remitting by Mr. Pacaud to Mr. Mercier, during his absence in Europe, of two sums of money of \$5,000 each.

1°.—POLITICAL NOTES.

We have seen, in showing the use Mr. Pacaud made of the sum of \$100,000, which he had obtained from the Baie des Chaleurs affair, that he had paid with the money different notes discounted at the banks, and subscribed for political purposes.

These notes had been signed under the following circumstances:—

Pelletier 764
Mercier 528

In order to provide for electoral expenses during the federal elections of 1891, and for the deposits required for the contestation of elections and the counter-petitions, Messrs. Pacaud, Chas. Langelier, Frs. Langelier, Tarte, Senator Pelletier and Mr. Mercier had signed and endorsed, conjointly, a certain number of notes, amounting in all to the sum of \$23,000, and they had had these discounted at the banks. It was understood between these gentlemen that their responsibility, as regards each other, was equal in the payment of these notes; that each was only responsible for his share, in whatever order the endorsements were made.

Pelletier 764
Mercier 528

Before leaving, to provide for the notes when they fell due, Mr. Mercier had signed others in advance, and he had also, as a precaution, left three or four blank forms with Senator Pelletier, so that they could have his signature in case of necessity.

These notes, of which Mr. Pacaud alone was the maker, have been produced, and we give the list:—

Lafrance
315, 326
Pacaud 409,
424, 425, 429,
444
Mercier 536

No. 86-1, dated April 15, due May 18, paid May 15.....\$5,000

Lafrance
323, 326
Mercier 536
Pacaud 393,
409, 425

" 88-1, " Feb. 28, " May 1, " May 6..... 5,000

Webb 237, 254
Mercier 536
Pacaud 393,
409, 425, 444,
488

" 89-3, " April 1, " Aug. 4, " July 11....., 3,000

Webb 237, 255
Mercier 536
Pacaud 393,
409, 425, 444

" 89-5, " Mar. 10, " July 13, " July 11..... 5,000

Pacaud 393,
409, 425, 444
Mercier 536
Pacaud 272

" 89-9, " April 1, " Aug. 4, " July 22..... 5,000

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All these notes, except the last, were paid during Mr. Mercier's absence, and all without his knowledge, out of Mr. Pacaud's \$100,000.

Mr. Pacaud himself made these payments, without mentioning them to any of the endorsers.

Mr. Pacaud explains that on other occasions he had procured the money necessary for elections by means of subscriptions among political friends, but on this occasion, not having had time to collect such subscriptions, he had had recourse to discounting, expecting to meet the notes by subscriptions afterwards obtained.

However it may be, these notes, as I have just said, were paid by Mr. Pacaud with the money obtained from the Baie des Chaleurs affair.

Is Mr. Mercier responsible for this payment?

It has been shown that it was done without his knowledge and during his absence. How could he be responsible for an act that he did not commit, in which he had no share, to which he did not consent, of which he did not even know?

But it will perhaps be said that Mr. Mercier has never repudiated this payment.

Is there any evidence whatever to support this assertion? I have looked and found none.

Now, the assertion of a negative fact does not prove anything. And when nothing further is offered, the assertion falls to the ground as being without foundation.

Besides, I find in the letter that Mr. Mercier wrote to your Honour on the 15th of last September, this sentence, the meaning of which is clear:—

"This Pacaud-Armstrong incident is very regrettable, and it is my duty to condemn in the severest terms the extraordinary bargain made between these two parties, and if my colleagues or myself had had any knowledge of it, all negotiations would have ceased."

Mercier 533

I see afterwards that during the enquiry Mr. Mercier stated that when he learned the history of the affair he reproached Mr. Chas. Langelier for having accepted the money from Mr. Pacaud.

Finally he concludes his evidence as follows:—

Mercier
547 & 548

"Before terminating, I desire to declare that I did not receive directly or indirectly, any favor, any promise or any consideration of any kind, either from Mr. Pacaud or from any person in connection with this transaction."

Do not these repeated declarations constitute an absolute, complete, entire repudiation not only of the payment of the notes but of all Mr. Pacaud's acts? I cannot interpret them otherwise.

But some might go still further and say:—Mr. Mercier has in any case profited by these payments and has never reimbursed Mr. Pacaud for the amount of these notes.

Let us attentively examine the facts, and see if Mr. Mercier really owes Mr. Pacaud a considerable sum on account of the payment of these notes.

Pacaud 412,
441, 452

It is established in evidence that of this sum of \$28,000, the amount of the political notes, \$11,000 was used in making deposits in contested elections. Now these deposits were all made in Mr. Pacaud's name. This is what he says on the subject:—

Pacaud 443

"The deposits are in my name and I fully expect to draw them "to reimburse myself for the disbursements I have made."

These \$11,000 are then Mr. Pacaud's property, he has control of them. He only can draw the money and he tells us that he fully expects to do so. We must then deduct this sum from the amount of the notes, which leaves only \$12,000.

Now those who signed and endorsed these notes as we have seen, six in number, were only responsible for their share, \$2,000.

I say that this responsibility was divided among six, because the agreement between these gentlemen was, that irrespective of the order of endorsement or of the signatures on these

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notes, the responsibility was to be equally shared among them, Mercier 528 and was just as binding on those whose signatures were not on the notes.

Mr. Mercier, then, in settling accounts with Mr. Pacaud concerning the notes, would only be responsible for \$2,000. Now, although it has not been proved that this settlement of accounts ever took place it is nevertheless established, by Mr. Pacaud's own admission, as we shall see presently, that Mr. Pacaud owes Mr. Mercier a balance of \$1,711 on a deposit that he had left in his hands. When this final settlement takes place it will not be difficult for Mr. Mercier to clear himself completely of all responsibility concerning the notes as to Mr. Pacaud, since there only remains between them a trifle of \$289.

These facts appear to me sufficient to refute any imputation against Mr. Mercier concerning the payment of these notes.

2°.—THE TWO DRAFTS OF \$5,000.

Mr. Mercier, before leaving for Europe, had provided, as I have just said, for renewing his political notes when they came due, by leaving others, and also three or four blank forms, with Senator Pelletier.

He had also provided for the settlement of his personal affairs.

So as to have a sum of money easily obtainable in case he needed it during his absence, Mr. Mercier decided to leave on deposit with Mr. Pacaud a sum of \$5,000, which was to be sent to him as soon as he should ask for it. Further, to provide for Pacaud 379, 396 the expenses of his house in Quebec and to pay any claims that Mercier 531 might be presented in his absence, he gave him another sum of \$3,500.

These two sums were given to Mr. Pacaud in two cheques Exhibits 95 & 96 drawn by Mr. Mercier on his personal account in the Caisse d'Economie. The first cheque for \$5,000 was dated 2nd March, and the second for \$3,500 was dated the 4th March.

Pacaud 415
Mercier 530
Webb 680

Although these cheques were payable at the Caisse d'Economie, Mr. Pacaud, after endorsing them, presented them at the Union Bank, which cashed them for him, and this bank presented them for payment at the Caisse d'Economie, as is usual between banks.

Pacaud 415,
457, 458, 460,
461

These two sums in Mr. Pacaud's hands evidently constituted a special deposit for a special object. However, Mr. Pacaud mixed these up with his own money and contented himself, he tells us, with always keeping a sufficient balance to meet any demands that might be made against this deposit.

We shall now see how he disposed of these two sums, commencing, however, with that of \$3,500, since we have already spoken of it, in reference to the payment of the political notes, by applying the remainder of this deposit to the settlement of Mr. Mercier's share in these notes.

Exhibit No. 87
p. 917

Out of this sum of \$3,500 Mr. Pacaud seems to have been called upon to pay a considerable number of accounts for sums relatively small, which it would be useless to enumerate. These different sums amount in all to \$688.29.

Mr. Pacaud further paid, but this time without any authorization whatever, a subscription of \$100 to the Union Club, and another of \$500 for the Fortross Hotel Company.

Mercier 531

Mr. Mercier says he was somewhat surprised at these expenditures, which he had not authorized or even foreseen, and without wishing actually to blame him he thinks he might have shown more discretion. He adds that there are also other small expenses which Mr. Pacaud might have dispensed with; however, he concludes by saying that he does not blame him.

Finally, Mr. Pacaud paid out of this sum of \$3,500, two drafts of Mr. Beausoleil for \$250 each, making \$500 in all, for expenses in the contestation of the Maskinongé election, which Mr. Mercier had agreed to pay.

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The expenditure out of this deposit can be summed up as follows:—

Amount deposited.....		\$ 3,500 00
Sundry expenses.....	\$ 688 29	
Union Club subscription.....	100 00	
Fortress Hotel subscription.....	500	
Beausoleil drafts.....	500	
		1,788 29
Balance due to Mr. Mercier.....	\$ 1,711 71	

Having thus disposed of this sum of \$3,500, let us see what was done with the other sum placed by Mr. Mercier in Mr. Pacaud's hands, that of \$5,000.

THE FIRST DRAFT FOR \$5,000.

Mr. Pacaud sent Mr. Mercier, during his absence in Europe, two sums of \$5,000.

The first sum was sent Mr. Mercier the 15th May, the second on the 3rd July.

From what source did these two sums come?

Mercier 529

Were they a share given by Mr. Pacaud to Mr. Mercier of what he had made out of his bargain with Mr. Armstrong, or did the money honorably belong to Mr. Mercier?

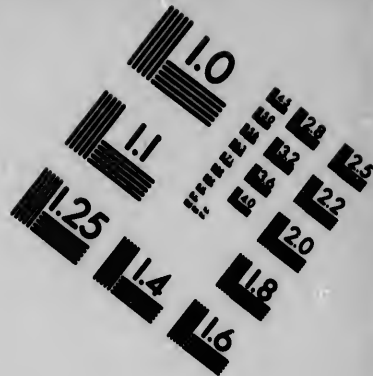
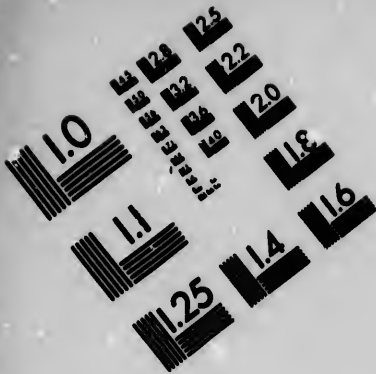
We have seen that a few days before his departure for Europe, on the 2nd and 4th of March, Mr. Mercier, arranging for the settlement of his affairs during his absence, had deposited in Mr. Pacaud's hands two sums, that of \$3,500, the expenditure of which we have just given, and a sum of \$5,000, which he wished to be held at his disposal in case he needed more money than he expected to spend. In the beginning of May Mr. Mercier wrote to Mr. Pacaud to send him these \$5,000, and on the 15th May Mr. Pacaud did so by a draft from the National Bank on a bank in Paris.

Pacaud 397
Lafrance 315

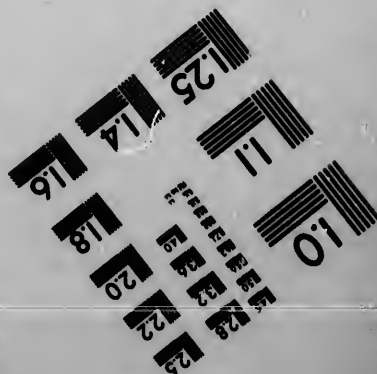
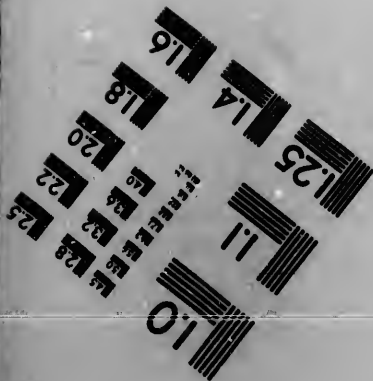
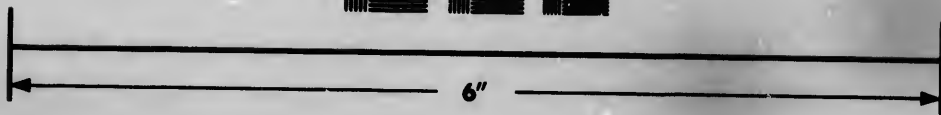
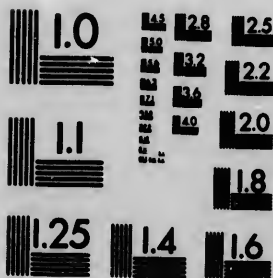
We see by Mr. Pacaud's account with the National Bank that it was on the same day that Mr. Pacaud received from this bank the proceeds of the discount of the second note for \$20,000,

Exhibit No. 86
p. 916





**IMAGE EVALUATION
TEST TARGET (MT-3)**



**Photographic
Sciences
Corporation**

23 WEST MAIN STREET
WEBSTER, N.Y. 14580
(716) 872-4903

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25

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endorsed by Mr. Vallieres and secured by a cheque from Mr. J. C. Langelier, that this sum was sent to Mr. Mercier, and that it was taken from the proceeds of this note. At first one might be led to conclude that this was Baie des Chaleurs money sent to Mr. Mercier, and in fact this was the inference drawn during the enquiry made before the Committee of the Senate, which is intimated at the foot of page 11 of the report of the committee. But this conclusion cannot be accepted to-day in face of the new facts established during the enquiry made before us. In fact it was not proved before the Senate Committee, as it has been proved before this Commission, that this sum of \$5,000 sent to Mr. Mercier by Mr. Pacaud was on deposit in the hands of the latter from the 2nd March, and that it had been given him for the purpose of being sent to Mr. Mercier, as it in fact had been. Now, the fact of the deposit destined for this purpose is indisputable. Messrs. Mercier and Pacaud both declare it on oath, and their declaration is confirmed by the production of cheques from Mr. Mercier on the Caisse d'Economie, paid by that institution to the Union Bank. And when Mr. Pacaud went to ask the National Bank to discount this note of \$20,000, he declared openly to the cashier that he had to send \$5,000 out of the proceeds to Mr. Mercier. Nothing was more natural, for having Mr. Mercier's money in his possession for two months, he was obliged to send it to him at his request.

Pacaud
379, 396
Mercier 531

Mercier 415
Exhibits 95-98
p. 938-939

Pacaud 397

Mr. Pacaud even adds that he told the cashier of the National Bank at the time: "I have \$5,000 Mr. Mercier left me before his departure; he is now asking for it; I must send him a draft for this amount."

Pacaud 397

Lafrance
757-758

However, this assertion is not corroborated by Mr. Lafrance, the bank's cashier, although in substance this gentleman confirms the version given by Mr. Pacaud of the conversation that took place at the time.

But the sole fact of importance on this point is that of the previous deposit of this sum of \$5,000 in Mr. Pacaud's hands by Mr. Mercier. Now this fact is incontestible.

What did it signify to Mr. Mercier that when he asked Mr.

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Pacaud for his money, the latter substituted what he had received from Mr. Armstrong?

As we have already stated, Mr. Pacaud had mixed up Mr. Mercier's money with his own, and if to re-imburse Mr. Mercier he was obliged to spend his own money, Mr. Mercier certainly had nothing to do with that.

When Mr. Mercier asked Mr. Pacaud for \$5,000 he only asked what belonged to him, what he had deposited in his hands, and it is clear that Mr. Pacaud, in sending him this sum, only sent what legitimately belonged to him.

THE SECOND DRAFT FOR \$5000.

This is not exactly a draft sent to Mr. Mercier, but a payment made when in Paris on a cablegram from the National Bank, to which Mr. Pacaud had given funds to cover this payment. Lafrance 787

Mr. Mercier, as we have already stated, had left in Mr. Pelletier Senator Pelletier's hands before his departure three or four blank forms in case his signature should be required during his absence. 761-772
Mercier
528-529
In a letter dated Paris, 18 June, 1891, Mr. Mercier writes to Mr. Pacaud as follows:—

"This means that I want money, about \$5,000, that I beg you to procure for me on one of the blank forms which I left with Senator Pelletier for contestations of elections, if you have not used them all, as you led me to hope in one of your recent letters. Pacaud 408

I authorize you, then, to take one of these notes, endorsed by me, from Senator Pelletier, if he has any left, to fill it in for \$5,000, to sign it, have it discounted and cable me the proceeds at once through one of our banks, to the Banque de Paris et des Pays Bas here."

In accordance with these instructions Mr. Pacaud went to Mr. Pelletier, and he relates what passed between them as follows:— Pacaud 407
428, 464

"I then told Mr. Charles Langeller that I proposed to make a note for six thousand dollars, as I wanted one thousand dollars for other expenses which I had to meet at the time. I showed the letter to Mr. Charles Langeller and we went together to Senator Pelletier. On seeing my authority Mr. Pelletier gave me the note. I filled it in for the sum of six thousand dollars, and had it endorsed by Mr. Charles Langeller. This was, I think, the 30th of June. As I had other

money there at this time, I deposited the note for six thousand dollars in the hands of the Union Bank, but without discounting it; as I had other money, I sent this sum, but I left the note in Mr. Webb's hand to collect when it fell due. On the 30th of July I wanted to negotiate it and did so at the Banque du Peuple."

Pacaud 442
Mercier 535

The note fell due the 3rd October. At its maturity Mr. Pacaud paid the \$1,000 which he had added to this note, for his own use and Mr. Mercier settled the balance, \$5,000, with the Banque du Peuple.

As we see from the quotation just made, it was not out of the proceeds of the discount of this note (which was not negotiated till the 30th July) that Mr. Pacaud sent Mr. Mercier the remittances asked for, but it was, as he says, out of other moneys that he had at the time. Mr. Pacaud had in fact at the time a cheque for \$7,500 on the Bank of Montreal coming from an affair quite foreign to the Baie des Chaleurs matter.

Pacaud
423, 464,
441, 465

An objection having been raised to the evidence on this point, the commissioners afterwards, with the approval of the lawyers interested, received confidential explanations, which satisfied them that the origin of this sum had nothing to do with the Baie des Chaleurs affair.

Pacaud
423, 464

Mr. Pacaud having drawn the amount of the cheque for \$7,500, placed \$2,500 to his credit at the People's Bank, and taking the balance of \$5,000 to the National Bank he cabled through the cashier, Mr Lafrance, to the agent of the Paris Bank, to place the sum at Mr. Mercier's disposal.

Mercier 530

It must be added that, when giving an account of the \$100,000 Mr. Pacaud claimed the privilege of not divulging the source of other sums foreign to the affair, which came into his possession during the same period. This request appeared reasonable and was granted.

Pacaud 390

On the next day, however, 24th October, Mr. Pacaud declared that Mr. Mercier had requested him to explain all the circumstances relating to this second remittance, and in consequence of this request, he gave the information we have just mentioned.

Pacaud 407

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(page 77

Such are the facts proved as to these two sums sent by Mr. Pacaud to Mr. Mercier while the latter was in Paris.

The first sum was at the time on deposit with Mr. Pacaud who had mixed it up with his general account.

The second sum, advanced by Mr. Pacaud from funds arising from a source absolutely foreign to the Baie des Chaleurs Railway \$100,000, was obtained as far as Mr. Mercier was concerned, by the discount of a note on one of Mr. Mercier's blank forms given by Senator Pelletier to Mr. Pacaud.

This explanation would not be complete if I did not here point out an evident contradiction between this evidence and the explanation given to Your Honor by Mr. Mercier concerning the first sum of \$5,000 sent to him by Mr. Pacaud.

In the memorandum sent by Your Honour to Mr. Mercier the 7th of last September there occurs the following:—

"On the 15th May Mr. Pacaud discounted at La Banque Nationale a note Off. Cor. p. 337 signed by him, and endorsed by Mr. P. Vallières, for \$20,000, guaranteed by one of the five cheques of \$20,000, signed by Mr. J. Chrysostome Langelier, Government Commissioner, and endorsed by Messrs. C. N. Armstrong and Philippe Vallières; the proceeds of this discount, \$19,732.80, were deposited to the credit of Mr. Pacaud's account, no other funds standing to the credit of this account; and on the same day, according to a promise made to the Cashier of La Banque Nationale, when the above mentioned \$20,000 were discounted, Mr. Pacaud, by cheque drawn against his account, paid a note to fall due on the 18th May, amounting to \$5,000, for which he himself, the Hon. Messrs. Mercier, Charles Langelier and others were jointly liable to La Banque Nationale; the same day (15th May), Mr. Pacaud bought, by a cheque drawn against the same account, a bill of exchange on Paris, in favor of the Hon. Mr. Mercier, to the amount of \$5,000, which yielded 25,500 francs. This note of Mr. Pacaud's for \$20,000, out of the proceeds of which the two amounts of \$5,000 were taken, was paid for by the cheque of \$20,000, signed by the Government Commissioner, which was annexed to it."

Mr. Mercier replies on this subject:—

At page 23 of Your Honor's letter it is stated that:

"On the same day (May 15), Mr. Pacaud bought, by a cheque drawn against Off. Cor. p. 354 the same account, a bill of exchange on Paris, in favor of Hon. Mr. Mercier, to the amount of \$5,000.00, which yielded 25,500 francs."

"The evidence of Mr. Lafrance, Cashier of La Banque Nationale at Quebec (page 77-78), established that these \$5,000.00 were taken out of the proceeds of a

note of Mr. Pacaud's, endorsed by Mr. Vallière, and secured by one of the cheques which your Honor mentions.

"On the other hand, I am informed that this amount was raised by means of one of the blank forms signed by me which I had left with Senator Pelletier before my departure for Europe. I have not had an opportunity of ascertaining which of these two versions is the correct one.

"But, in any case, I affirm that, being in Europe and finding that I wanted that amount, I asked for it, being convinced that it could be raised on one of the blank forms which I had left, and of course with the intention of paying myself the commercial paper employed to procure that amount for me, as it was for personal expenses.

"I further affirm that when I asked for that sum I was ignorant, and I remained ignorant long after, of the fact that that transaction of the Baie des Chaleurs Railway had been effected, and that I only heard some time after my return to Canada, from the report of the proceedings of the Senate published in the newspapers, that Mr. Pacaud had obtained a sum of \$100,000 or any other sum."

Thus Mr. Mercier says that this first sum of \$5,000 must have been raised by means of one of the blank forms that he had left; however, it was not for the first sum, but for the second that the blank form was used. It is singular that Mr. Mercier should have made this mistake, because he had no reason to give this version rather than the true one. Was it because the receipt of the last sum, raised on one of these blank forms, was more fresh in his memory? Was it because at that time Mr. Mercier having had no explanation from Mr. Pacaud, who had left without rendering him any account, could not explain this fact? These and other considerations are especially probable in the face of this statement of Mr. Mercier:—

"On the other hand I am informed that the amount was raised by means of one of the blank forms signed by me which I had left with Senator Pelletier before my departure for Europe. I have not had an opportunity of ascertaining which of these two versions is the correct one."

Summing up the facts concerning Mr. Mercier, I find as follows:—

First. The notes signed by Mr. Pacaud and endorsed by Mr. Mercier and other political friends for electoral purposes, and contestations of elections, were paid out of the \$100,000 received

by Mr. Pacaud from Mr. Armstrong, but the payment was made in Mr. Mercier's absence, without his consent and knowledge, and the responsibility can in no wise be imputed to him.

Secondly. The \$5,000 sent to Mr. Mercier on the 15th May were on deposit for that purpose with Mr. Pacaud at that date, and were not taken, as far as Mr. Mercier was concerned, from the Baie des Chaleurs Railway money.

Thirdly. The sum of \$5,000 sent to Mr. Mercier the 3rd of July was advanced by Mr. Pacaud out of funds arising from a source quite foreign to the Baie des Chaleurs affair, and as far as Mr. Mercier was concerned, it ought to have been raised by means of the signed blank sent to Mr. Pacaud by Senator Pelletier, and it was, in fact, subsequently covered by a note written on this blank form, when Mr. Pacaud judged proper to have it discounted.

MESSEURS. TURGEON, CARRIER, PINAULT, DESCHENES, DESMARAIS, TESSIER AND LEMIEUX.

The names of these gentlemen, who are all members of the Legislative Assembly, have been mentioned during the enquiry in connection with certain sums received by them from Mr. Pacaud. It is only just to say that none of the facts concerning them can justify the slightest suspicion against them.

GENERAL SUMMING UP.

Taking the evidence on the whole, I find the following facts to be established:—

First—The Pacaud-Armstrong agreement is proved, and even admitted, but it was kept secret between Messrs. Armstrong and Pacaud, and neither Mr. Thom nor Mr. Cooper knew anything about it.

Secondly—There is no proof that any of the Ministers knew of this agreement prior to the revelations made before the Committee of the Senate.

Thirdly—None of the Ministers, except Mr. Charles Lange-lier, profited in any way from Mr. Armstrong's money.

Fourthly—M. Langelier does not seem to have known the source of the money that he received from Mr. Pacaud.

CLOSING REMARKS.

Before closing these remarks, I will ask your Honor's permission to add a few words in reference to an incident that has been much discussed, and concerning which, in justice to my two honorable colleagues, I think it my duty to give some explanation.

When I was laid aside, last December, by what threatened to be a long illness, I was very uneasy as to the complications which might be caused by a lengthy delay in the production of the Commissioners' report.

I then suggested to my colleagues the idea of an *interim* report, and asked them to prepare a draft which we should afterwards discuss together. My colleagues received this proposition favorably, and prepared a draft which they submitted to me.

However, in the meanwhile I had reflected on the gravity of the step I had thus advised, and I confess to have been alarmed.

I then told my colleagues that I must abandon the idea of this *interim* report, and I gave them the reasons, which I afterwards expressed to your Honor in my letter of the 14th December.

Moreover, after having seen the draft they had prepared, I found that it was impossible for me to concur in it.

I was, besides, too ill to discuss the draft, and my colleagues themselves would on no account have wished me to incur such fatigue in my weak condition.

They then gave up the idea of obtaining my concurrence, and under these circumstances I judged it proper to write and explain my reasons to your Honor.

The whole humbly submitted.

L. A. JETTÉ,

President of the Commission.

MONTREAL, 6th February, 1892.

ask your Honor's permission
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occurred, in justice to my
duty to give some

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which we should after-
wards have received this proposition
submitted to me.

affected on the gravity
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wards received on the 14th December.

if they had prepared, I
was not in it.

myself, and my colleagues
advised me to incur such

without my concurrence,
it was proper to write and

A. JETTÉ,
Secretary of the Commission.

