all did, that this was a valid security and could not be confiscated by a Proclamation. I have done with that point, and will leave it there as a complete answer to the statement of Mr. Blow and Mr. Bell that no reasonable man could interpret the law as we did. I say it is a complete answer, for it is made out of the mouths of our own critics. Now, since 1892 the debenture-holders have consistently acted on the faith of this view of Mr. Seddon and Mr. Bell; but to still further make sure of their position, when the line was seized by the Crown they took the advice of the most prominent counsel in England, Mr. Swinfen Eddy and others, who advised them, without any reservation or qualification, that the statute of 1884 did give them an indefeasible first charge on the line constructed, and the colony could not confiscate their interests. But if a final and crowning proof of the *bona fides* of our belief in our legal position is wanted it is found in this: that, after the line was taken by the Crown, we met the earlier demands of the Government and paid some £38,000 to the Crown. That was money which was paid in cash out of their own pockets, and it went to the public coffers to enable the Government to construct the line. That money has, in the light of events, been absolutely thrown away as far as we are concerned, but surely its payment evinced a *bonâ fide* belief in our security. Can it be doubted that all these facts point to one conclusion? Can it be said that we were merely humbugging, and did not believe in the view I have placed before you? Such a contention is absurd. That ends the first part of what I have to say to you, and I now desire to summarise it in this way: (1) In 1889 all parties, including the Crown, thought that our security was unassailable; (2) in 1892 the Government still believed the debenture-holders' security could not be taken from them without paying for it; (3) from the very beginning the lenders were considered to be in a different position from the company; and (4) the colony had, by its right of purchase, its remedy, and protection against the debenture-holders getting possession of a piece of the line. I put it to you, sir, and to the Committee, that if there was an honest mistake in law—a mistake shared in by all parties—it is unconscionable of the Crown to say, "We will avail ourselves of that honest mistake, grab your security and pay you nothing." I venture to think that if a private individual were to take such an advantage of a mistake in law, which he himself shared, he would not be considered honest. If it was the honest belief of all parties, including the Crown itself, that there was a valid first mortgage, which the Crown could only dispose of by paying the debenture-holders the bare cost of their security—if that was the belief of all parties, how can the Crown now say to the debenture-holders, "Yes, it is true we thought our statute gave you a valid mortgage—it is true you and the company thought so too—but we find now that a strictly legal view of the statute gives us confiscatory powers under which we can take your security and pay you not a farthing." I say, then, this Committee should deal with this petition as if we had a real first mortgage; treat us as if you found it prudent, in the interest of the colony, to take this line from us under clause 43 of the contract—a clause plainly intended to meet such a case as this—and pay us the bare cost of the construction of our security. I have answered at some length Mr. Bell's criticism upon the *bona fides* of our belief in the validity of our security, because he made it one of the main, if not the main, grounds of his attack upon our position.

Part II.—Examination of the Counter-claim of the Crown.

I now pass to the counter-claim. The Crown says, "Even if you have constructed a valuable piece of the railway, which we have seized, still we have a set-off of something between £250,000 and £5,000,000 against you." Now, my first question regarding this set-off is, How does it arise? From what legal or moral grounds does it spring? The answer is: The Crown made a contract with the Midland Railway Company to build a line, and they have failed. Hence there are damages for breach of contract. But who made this contract? The company made it in 1888. The debenture-holders made no contract. They did not lend their money until a year or more after the contract was made. They have broken no contract. Why should this immense claim for damages be raised against them? "You are in the same boat as the company," says Mr. Bell. And having seized the debenture-holders' security for a default of the company alone, the Crown says, "We are now entitled to raise an account for damages for the company's default to justify our taking your security." Then Mr. Bell treated us to the Newfoundland case. Mr. Bell greatly relied on that case, but the case must be looked at in the light of its special facts. I am not going to weary the Committee by reciting all the facts of that case, but I say it is in no way helpful to a tribunal of this character. That case turned upon technical words in the company's charter. The facts were wholly unlike those in our case, and it is no help at all to this Committee to cite that case. But Mr. Bell has done so, and therefore I must ask you to be allowed to point out the differences between the two cases. The Newfoundland case was decided in February, 1888, before we lent our money, and Mr. Bell says it should have been a warning to us. Well, it is strange that if it was a good warning to us we should still have lent our money. The fact is the lending of our money is plainly consistent with our belief that our security was not affected by the decision of that case at all. English counsel of great eminence advised, regarding the Newfoundland case, before the Privy Council heard the Midland appeal, that it did not affect the position of the debenture-holders at all, and I submit that any business-man looking at that case and this would never have concluded that the two were at all the same in principle. In the Newfoundland case the company had assigned—what? "A portion of its undertaking and all their interest in the subsidy," to secure payment of certain bonds. The assignees were suing the Government of Newfoundland for payment of arrears of an annual subsidy and of certain lands which they said the construction of a portion of the line had entitled them to. That was not a case of the Government having seized the line and (as in the case here) the mortgagees trying to get their security or something for it. There the company had failed to complete the line, and yet the assignees were still suing for subsidy and land-grants. The Newfoundland Government naturally objected, and raised a counter-claim. But what was the test? Was there any-