

Mr. Cunningham had no pecuniary benefit in the contract; he became very unwillingly a surety to the bond, being strongly urged thereto by his old friend, who represented that without his aid the whole matter would fall through, and who, before signing, had interviews with the Government special representatives from Sydney and New Zealand, whose faith in the route bore out the sanguine expectations propounded by Mr. Hall and adopted by Mr. Forbes.

Mr. De Bussche having become insolvent, Mr. Hall being financially utterly worthless, and Mr. Forbes having exhausted all his property, Mr. Cunningham remains as the only person able, in any degree, to meet the demands of the two Governments.

It seems quite within the range of argument that Mr. Cunningham might successfully plead to the claim made against him in such a way as to harass the Government, and ultimately force them either to abandon the claim or adopt entirely new proceedings.

Mr. Cunningham, however, is averse to taking any steps that will further complicate this unpleasant matter, or cause further annoyance to the Governments, if the Governments will take a reasonable view of the whole matter and accept some compromise, which, although severely felt, might yet be met by him without the utter ruin which would attend the persistence of the Governments, if successful, in finally establishing their claim.

I am not authorized at present to pay any sum on behalf of Mr. Cunningham, but I would ask the Government to suspend legal proceedings pending my communicating with him, and receiving from him power to make a definite offer.

I am aware that it would require the concurrence of both the Governments, but that can be arranged by telegram, if you favourably entertain my suggestions.

Mr. Cunningham being at the present time, as I believe, on a voyage from China, I am unable to communicate with him until his arrival in America, but I will use all the expedition in my power in getting him to make a definite proposal.

I might have urged that had not Mr. Forbes's £40,000 been expended in the preliminary contract, it is not improbable that a heavy loss would have fallen upon the Governments in getting quit of the many claims which would have arisen. It can hardly be held that if Mr. Forbes had not entered into the contract some one else would, who either would have carried it on successfully, or who would have been ready to stand a still heavier loss had it been necessary.

The reply to this is that there was no one else willing to enter upon it, and that had the Governments undertaken it by chartering for the service direct, it must inevitably have involved a larger expenditure of public money.

The Hon. the Colonial Secretary, Sydney.

I have, &c.,

ALEX. STUART.

Enclosure 2 in No. 1.

Messrs. R. Towns and Co. to the Hon. the COLONIAL SECRETARY, Sydney.

SIR,—

Sydney, 28th October, 1875.

We have the honor to address you on behalf of Mr. Edward Cunningham, of Boston, United States, America, one of the sureties to the bonds in connection with the late postal contracts *via* San Francisco, commonly known as the "Hall-Forbes Service."

Proceedings have been, we understand, commenced on the part of the Governments of this colony and New Zealand against all parties to these contracts both in England and in the United States. These proceedings lead to lawsuits which, if carried on, are likely to be of a most protracted and expensive character, and it is with the view of coming to some amicable settlement that we now address you.

We do so, however, without prejudice to our client, resting to the fullest extent which he may be advised as his legal position in resisting the demands made on him, in the event of our negotiation not leading to a settlement.

We beg to refer you to a letter addressed to you on 29th May last by Mr. Stuart, which gave in detail some of the grounds which are urged by Mr. Cunningham in support of an equitable consideration for final settlement; and we would only urge, in addition thereto, that Mr. Forbes has been mainly instrumental in getting the Pacific Mail Company to take up the contract on terms more favourable than any other was willing to enter upon it.

The loss to Mr. Forbes—and in meeting which his friend Mr. Cunningham has materially assisted him—is over £50,000, an enormous sum to lose in the establishment of a mail route from which he can now derive no pecuniary benefit.

The offer which we now make is, that on behalf of Mr. E. Cunningham we pay the sum of £5,000 sterling for a release from both the New South Wales and New Zealand Governments of the penalty bonds in connection with these contracts—a release to all parties concerned.

We trust that you will take the whole premises into your favourable consideration, and

We have, &c.,

The Hon. the Colonial Secretary, Sydney.

R. TOWNS AND CO.

No. 2.

The Hon. D. POLLEN to the Hon. the COLONIAL SECRETARY, Sydney.

SIR,—

Colonial Secretary's Office, Wellington, 24th December, 1875.

I have the honor to acknowledge the receipt of your letter of the 24th ultimo, with reference to a proposal to compromise the claim which the Governments of New South Wales and New Zealand have upon Mr. Edward Cunningham and other parties to the late San Francisco Mail Contracts.