

trust indenture of indentures, before referred to, and be entitled to the benefit thereof, notwithstanding such loans and payment and discharge:

(d.) The balances at the credit of the said special account or accounts shall be credited with interest at such times and at such rates as may be agreed upon between the Pacific Company and the bank holding same, and the said balances shall from time to time be transferred to the Pacific Company, or its nominees, in monthly payments, as far as practicable, as the construction of the lines of railway aforesaid is proceeded with to the satisfaction of the government and according to the specification or standard determined by this contract; and from time to time, as the work of construction proceeds, the government, by the minister of finance, or other duly appointed representative of the government, shall, out of the said balances, certify to the bank the amount to be transferred from the said account to the credit of the Pacific Company, or its nominees, in monthly payments, as far as practicable, such sums as are justifiable, having regard to the proportion of work done, and material and supplies purchased for the said railway, as compared with the whole work done and to be done thereon, pending completion of the said lines; and the government shall from time to time, as required, transfer to the Pacific Company any interest earned by the moneys so on deposit in any such bank to assist such company in paying the interest accruing on any outstanding guaranteed securities hereunder. The balance at the credit of such special account or accounts shall, until paid out as above provided, be deemed part of the premises included in said trust instrument, and shall not be taken to be public moneys received by the province.

10. Should the earnings of the Pacific Company during each or any of the first three years of operation, after completion of the aided lines, be insufficient to pay the operating expenses and interest on the guaranteed securities, the government shall pay the amount of such deficit of interest to the Pacific Company, or such persons, firms, or corporations as may be entitled thereto. Any moneys so paid by the government shall be repayable (except as hereinafter provided) by the Pacific Company at the maturity of the guaranteed securities, and shall bear interest at four per cent. per annum, which interest the Pacific Company shall pay or cause to be paid half-yearly on the first day of January and the first day of July in each year, but the Pacific Company shall have the privilege of repaying at any

time any such moneys, whereupon interest upon the principal repaid shall cease. The government shall have the privilege of calling in the money so paid by the government at any time after ten years after the said three-year period, by six months' notice in writing to the company, whereupon such money, with interest to date, shall become and be payable to the government. Said notice may be given at any time during the last six months of the ten-year term, or thereafter. In the event of the government making an issue of securities to procure any money to make any such payments, or otherwise borrowing the same, the Pacific Company shall also pay to the government any loss or expense which the government shall be put to thereby; but in such event the government shall take into account any saving of interest by reason of such loan being obtained, or securities issued, bearing interest at a rate less than four per cent.

11. For the purpose of ascertaining any deficits under the preceding paragraph, no salaries paid by the Pacific Company shall be taken as a disbursement except those of such persons as devote their entire services to the company, or devote some substantial portion thereof to the company, and in the latter case a fair proportion only of their salaries shall be taken as disbursements.

12. The Pacific Company shall keep during the currency of the bonds separate books of account in which shall be correctly set forth in full detail the cost of the said lines, the operating expenses, and the earnings thereof, or such as should be properly credited thereto, and it shall retain and keep during such period all proper vouchers and receipts; and any appointee of the government shall, at all reasonable times, if permitted to inspect and audit said books and vouchers, the Pacific Company facilitating as far as possible any such audit when so made.

13. The government hereby covenants and agrees with the Northern Company that it will covenant and agree with the Pacific Company in manner following, that is to say:

(a.) To convey to the Pacific Company by free grant a right-of-way not exceeding one hundred feet in width for the said lines of railway above described, in so far as the same extends or shall extend through vacant Crown lands of the Province of British Columbia:

(b.) To convey to the Pacific Company by a free grant such vacant Crown lands of the Province of British Columbia as may be necessary for sidings, stations, embankments, cuts,