

A. (i) The United States Government may, if it so desires, transfer the crude oil facilities of the Canol Project, or any part thereof, to private ownership, subject to the laws of Canada and the territory or territories in which such facilities are situate. Such transfer shall be exempted from import duties and excise taxes.

(ii) The land, rights of way, riparian rights and other easements, supplied by and owned by the Canadian Government and required for the satisfactory utilization of the facilities, may be leased or acquired by the purchaser or purchasers on equitable terms from the Canadian Government under the laws of Canada and the territory or territories concerned.

(iii) The land, rights of way, riparian rights and other easements, supplied by but not owned by the Canadian Government and required for the satisfactory utilization of the facilities, will be acquired by the Canadian Government and transferred to the purchaser or purchasers at his or their expense if such purchaser or purchasers are unable to lease or acquire such land, rights of way, riparian rights and easements on equitable terms from the owners.

(iv) Subject to the foregoing clauses (ii) and (iii) of this paragraph, the purchaser or purchasers shall enjoy the rights set forth in paragraph 3 (b) of my note of June 7, 1944, as interpreted by section 4 of the same note.

(v) The facilities, together with the land, rights of way, riparian rights and other easements leased or acquired by the new owner or owners shall be held and, if operated, shall be operated under the laws of Canada and the territory or territories in which they are situate. No owner, however, would be obligated to operate the facilities.

B. If the United States Government does not dispose of any or all of the facilities under the terms of paragraph A above, the Government, its agents, or its successors in interest may remove from Canada such of the facilities as they may elect to remove for use in the United States or elsewhere. It is understood that if the United States, its agents, or its successors in interest do elect to remove any or all of the facilities, the Canadian Government will facilitate such operations by providing for continuance of the rights referred to under paragraph 4 (b) and 4 (d) of the American note of June 27, 1942. It is not intended to give either A or B above precedence or priority over the other since the governing factor will be the amount bid.

C. The Government of Canada may purchase from the United States through the appropriate governmental agencies such of the facilities not disposed of under A or B as that Government may desire to obtain for its own use or disposition.

D. Any of the facilities not disposed of under paragraphs A, B, and C above, after a period of two years from the date of this agreement, shall, at the option of the United States, either be removed from Canada by the United States authorities or shall be left *in situ* and regarded as of no value unless put to beneficial use. The principle is recognized that if any such property should thereafter be put to beneficial use the United States Government should receive fair compensation.

2. In view of certain provisions of the Surplus Property Act of 1944, it is proposed that the provisions of this note and your reply agreeing thereto constitute an arrangement between our two Governments effective at a date mutually to be agreed upon, such date to be not less than thirty days from the date of your reply. It is further proposed that the arrangement shall be effective only if neither Government has, before the date referred to in the preceding sentence, expressed a desire for any change in the lettered paragraphs A through D above.

Accept, Sir, the renewed assurances of my highest consideration.

RAY ATHERTON.