

preference shares shall be apportioned share for share to the holders of preference shares of the Atlantic Company as they appear in schedule three hereto, and shall also be apportioned pro rata to the holders of shares of the Parry Sound Company, as set out in schedule one hereto, and such preference shares shall entitle the holders thereof in priority to all other shareholders of the Company to a dividend payable thereon at such rate (which may be declared cumulative) not exceeding five per cent per annum, as may be determined by the by-law authorizing the conversion of said shares; and in the event of the distribution of the assets of the Company, either by process of law or otherwise, the holders of such preference shares shall have priority of rank over the holders of the ordinary shares of the Company and shall be paid in full the amount of such preference shares before any payments shall be made to the holders of the ordinary shares of the Company.

The Company may redeem and cancel such preference shares, or any portion thereof, or the preference shares heretofore issued by either of the companies parties hereto, upon the terms and conditions to be stipulated and set fourth in the said by-law authorizing the conversion of said portion of the shares of the Company.

That the directors may issue and exchange shares of the Company for all or any of the preference shares heretofore issued by either of the companies parties hereto, on such terms and conditions as may be set forth in the by-law authorizing the conversion of said portion of the shares of the Company.

That the holders of such preference shares shall have and enjoy all the rights, privileges and qualifications of holders of shares of the capital stock of the Company, and the shareholders of the Parry Sound Company and of the Atlantic Company set out in schedules one and three hereto respectively, shall receive share for share in the capital stock of the Company having the same amount paid up thereon as the respective shares held by them as shown in said schedules respectively.

That in addition to the bonds which the Company are authorized to issue upon the security of the bridge over the River St. Lawrence, as provided by chapter sixty-seven of the statutes of eighteen hundred and eighty-seven, amounting to one million two hundred thousand dollars, the Company may issue bonds, debentures or other securities to the extent of twenty-five thousand dollars per mile of the railway and branches of the Company, and such bonds, debentures, or other securities may be issued only in proportion to the length of railway constructed or contracted to be constructed, exclusive of the said bridge over the River St. Lawrence and its approaches, and the bonds, debentures or other securities hereby authorized, shall be a first charge and lien upon the whole of the said railway and branches, except the said bridge and the tolls and revenues thereof, subject to the provisions of *The Railway Act*; and the mortgage or mortgages securing the same shall be a first charge and lieu upon the whole railway, branches, bridges, franchises, rolling stock, plant, tolls and revenues, and other property, real and personal, moveable and immovable, now owned or that shall hereafter be acquired by the Company as well for all outstanding first mortgage bonds of the Atlantic Company and of the Parry Sound Company