

as hereinafter provided, there shall be issued to each subscriber, his or their executors, administrators or successors and assigns, in addition to such holding of stock, upon the completion of the full twenty annual payments by such subscriber, his or their executors, administrators or assigns, successors and assigns, but not otherwise, mortgage bonds equivalent to the total amount so paid by him and them, and to provide for such issue a mortgage bond debt shall be created to an amount not exceeding the total amount so paid. Such bonds shall be secured by mortgage to trustees of all the real and personal estate of the said company, and shall be the first charge thereon next after so much as shall remain unpaid of the said original mortgage debt, if any. Such mortgage bonds shall be payable at such dates, and shall bear such rates of interest as the shareholders of the company shall determine. In the event of the entire issue of original mortgage bonds being retired, in the manner herein provided, at or before the end of twenty years, then first mortgage bonds shall be issued to the subscribers in like manner as the second mortgage bonds would have been, as above provided, and in lieu thereof.

Any subscriber, his or their executors, administrators or successors and assigns, shall be at liberty to pay off the said annual payments at any time before maturity at the then present value of such yearly payments, actuarially determined on the basis of interest compounded at the rate of four per cent per annum, and upon making such payment shall be entitled to receive forthwith shares to the full amount of the said annual payments, irrespective of the said allowance for prepayment, and to receive at the end of the said period of twenty years bonds for the total amount of his or their annual payments, also irrespective of the said allowance for prepayment.

The net income of the said company (after payment of all proper expenditures and outlays) is to be paid in every year to the trustees for the bondholders. The money so paid to the said trustees shall be applied in the same manner and for the same purposes as the said annual payments, as herein provided.

No dividends shall be paid on the capital stock of the company until at least fifty per cent of the original mortgage debt shall have been paid off.

The trustees for bondholders shall be The Toronto General Trusts Company and the National Trust Company, of Ontario, Limited, jointly.

The first directors of the said company shall be William Rees Brock, William Henry Beatty, Hugh N. Baird, Duncan Coulson, L. J. Forget, George Gooderham, Edward Gurney, John Hoskin, Andrew S. Irving, Robert Jaffray, Albert E. Kemp, John Woodburn Langmuir, Wilmot D. Matthews, John Herbert Mason, Edmond B. Osler, Byron E. Walker, David B. Wilkie and Frederick Wyld.

Application shall be made to the Legislature for an Act to confirm this agreement, and to give all powers and authorities which may be necessary or desirable for carrying out the general purposes and intention of this agreement, and all things incidental thereto.