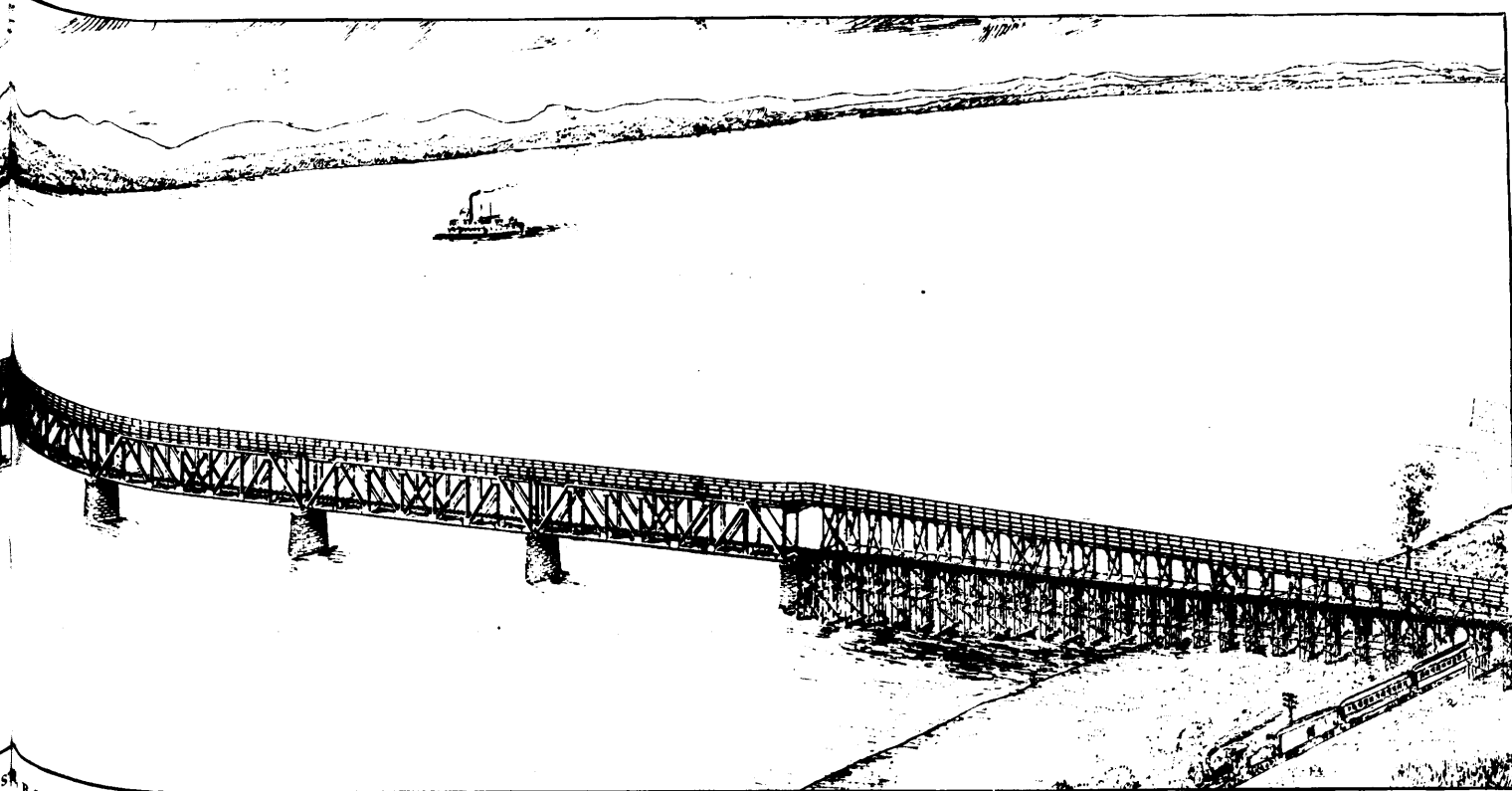




B.C., UNDER CONSTRUCTION FOR THE B.C. GOVERNMENT.

guaranteed by the Government under the terms of this agreement shall remain outstanding until paid.

(29 to 31) These clauses cover the issue of bonds. The Government guarantees the principal and interest of bonds to the extent of 75% of the cost of the western division, but the amount guaranteed shall not exceed \$13,000 a mile on the prairie section of the line, nor \$30,000 a mile on the mountain section. The bonds may be issued in currency or sterling, and shall be payable 50 years from the date of issue, the interest to be at the rate of 3½%. Other provisions relating to the bond issue, the payment of interest, etc., are contained in clauses 32 and 33.

(34) Inasmuch as the bonds to be guaranteed by the Government only make provision for part of the cost of construction of the western division, the company hereby agrees that the G.T.R. Co. of Canada shall guarantee bonds of the company for the balance required for the construction of the same western division, exclusive of the said \$20,000,000 required for first equipment, which the company is required to provide under paragraph twenty-two of this agreement, and the company may issue a second series of bonds, to be guaranteed as aforesaid by the Government and G.T.R. Co. of Canada, to be a second charge upon the property described in paragraph twenty-five (b) hereof, and to be subject to and to rank upon the said property next after the said bonds so to be issued and guaranteed by the Government. "Bonds" whenever used in the agreement is held by clause 34 to include debentures and debenture stock.

(35) For the purpose hereinafter in this paragraph respectively defined, the company may and shall create mortgages to trustees as follows:—(a) A mortgage which shall be a first charge upon the railway undertaking, equipment and property, tolls, rights and franchises of the company, including all equipment and property to be thereafter acquired by the company (but not including branch lines exceeding six miles in length or the revenue therefrom, or the franchises in connection therewith, or such additional rolling

stock as may with the assent of the Government be designated and marked by the company as constituting the equipment thereof, and not including ships or any municipal or Provincial grants of land, by way of bonus or subsidy, to the said company other than for railway purposes), to secure the payment of the issue of first mortgage bonds provided for by paragraph thirty-five (a), save and except the rolling stock constituting the equipment of the eastern division, to secure the bonds to be guaranteed by the G.T.R. Co. of Canada, as aforesaid. (c) A mortgage which shall be a charge upon the rolling stock constituting the equipment of the eastern division next after the charge mentioned in paragraph thirty-five (a) to secure to the Government the rental payable in respect of the eastern division, the efficient maintenance and continuous operation of the said eastern division, and the observance of and performance by the company of the terms of this agreement.

(36) Gives power to the company to issue interim bonds secured by first mortgages from time to time as the work progresses.

(37) The company shall purchase all material and supplies required for the construction of the western division and the equipment of the whole of the railway from Canadian producers, when the same are produced in Canada, and when such material and supplies can be purchased in desired quantities and of equal quality suitable for the purpose required, and for prices and upon terms equally advantageous with those procurable elsewhere.

(38) The Railway Act of Canada, and any amendments enacted heretofore, or which shall hereafter be enacted, shall apply to the operation of the eastern division of the line, and to the rights, liabilities and obligations of the company as lessees thereof, and to the location, construction and operation of the western division thereof, except as otherwise provided by this agreement, by the act confirming the same or by any special act of the company.

(39) The rates to be levied and taken by the company upon any part of the railway shall be under the control of the Governor in Council, or of such authority, commission or

tribunal as is designated or constituted under any act of the Parliament of Canada for the regulation or control of the business of railways.

(40) The company shall, before being entitled to the guarantee provided by this agreement, furnish evidence, satisfactory to the Government, that all just claims of contractors, etc., for the construction of the railway have been duly paid.

(41) During the terms of the said lease the company shall continuously and efficiently operate both divisions of the said railway, giving due and sufficient service for the accommodation of all traffic to the satisfaction of the Government.

(42) It is hereby declared and agreed between the parties to the agreement that the aid herein provided for is granted by the Government of Canada for the express purpose of encouraging the development of Canadian trade, and the transportation of goods through Canadian channels. The company accepts the aid on these conditions, and agrees that all freight originating on the line of the railway, or its branches, not specifically routed otherwise by the shippers, shall, when destined for points in Canada be carried entirely on Canadian territory, or between Canadian inland ports, and that the through rate on export traffic from the point of origin to the point of destination shall at no time be greater via Canadian ports than via United States ports, and that all such traffic not specifically routed otherwise by the shipper shall be carried to Canadian ocean ports.

(43) The company agrees that it shall not, in any matter within its power, advise or encourage the transportation of freight by routes other than those above provided, but shall, in all respects, use its utmost endeavors to fulfil the conditions upon which public aid is granted, namely, the development of trade through Canadian channels and Canadian ocean ports.

(44) In respect of the tolls, for any traffic carried partly over any line of railway operated by the company, and partly over any of the lines of the Intercolonial Railway, a fair and equitable rateable division of all such