

2. Notwithstanding the charge hereinbefore contained, the Company reserves power until the power of entry or sale hereinafter conferred shall be exercised to hold and enjoy the property hereby charged, and to carry on thereon or therewith the business or any of the businesses authorised by the memorandum of association of the Company, and from time to time to procure grants of land under the terms of the said contract to the Company, or to nominees of the Company, and to sell, exchange, or lease any of such lands or other lands of the Company (other than the land forming the site of or necessary to be held with the said railway) for any of the purposes of the Company's business, and to execute either with or without the concurrence of the Trustees all such conveyances or other instruments as may be necessary for that purpose; and also from time to time to fell and sell, farm, let, and generally cultivate, manage, and deal with the timber growing on the said lands, or any of them, or any part or parts thereof: Provided, nevertheless, that all moneys realised by the sale of lands and timber shall be dealt with and applied as hereinafter provided.

3. The Company covenants with the Trustees as follows:—

- (1.) That the Company will keep and maintain the property of the Company, and particularly such portions of the said railway as have been already constructed, or shall during the continuance of this security be constructed, in good working order and repair and condition.
- (2.) That the Company will pay, or cause to be paid, out of the proceeds of the present issue of debentures—firstly, all expenses attending such issue; secondly, will pay to Messrs. Robarts, Lubbock, and Company (as bankers for the Trustees), to the credit of an account to be opened in the name of the Trustees, the sum of £93,000, being the aggregate amount of interest at the rate of interest reserved on the debentures of such issue for two years and a half from the date of issue, such sum to be applied by the Trustees in payment of such interest, the Trustees to use their best endeavours to procure the said bankers to allow for the benefit of the Company interest on the moneys for the time being standing to the credit of the said account in excess of the sum of £30,000, at such rate not exceeding £5 per cent. per annum as shall represent £1 per cent. per annum below the current discount rate for the time being of the Bank of England; secondly, will employ and expend the remainder of the proceeds of such issue in the completion of the surveys for the railways next hereinafter mentioned, and in the construction and completion ready to be opened for traffic and the full equipment of the portions of the railways for the completion and equipment whereof the said issue is made as mentioned in the said prospectus—namely, the extension of the line to Reefton (about forty miles); the making and equipment of about twelve miles of railway into the timber district from Kokiū to Hohunu; and the construction and equipment of two lines of railway, each being about six miles in length, as extensions of the Government railways as now terminating respectively at Springfield (Christchurch) and at or near Belgrove (Nelson); and in the payment of costs of administration during construction, and in opening up the timber lands referred to in the said prospectus.
- (3.) That the Company will, upon or forthwith after procuring any grant, or making any sale, exchange, or other disposition of any lands or timber hereby charged in pursuance of the powers in that behalf contained in the second clause hereof, pay the proceeds of such sale or other disposition, and also any royalties to be received by them in respect of the said lands, or any of them, to the Trustees, to be applied by them in payment of the interest on the debentures of the present issue to the extent to which such interest is not provided for under clause 3, subsection (2), hereof, and, so far as not immediately required for such interest, to be carried to the credit of a sinking fund, to secure interest, or (at the discretion of the Trustees) to redeem the debentures of the said series for the time being issued and outstanding, in manner hereinafter mentioned: Provided, however, that of such sinking fund the Trustees shall be bound (for the purpose of securing interest) to retain in their hands, or under their control, a portion equal in amount or value to interest for twelve calendar months at the rate aforesaid on such of the debentures of the said series as shall have been issued, and shall for the time being be outstanding, such amount or value to be ascertained irrespective of any moneys which may be in the hands of the Trustees under clause 3, subsection (2), hereof: Provided, further, that it shall not be obligatory on the Trustees, unless when specially required in that behalf in writing by some holder of a debenture of the said series, to see to the payment over to themselves of any such proceeds or royalties as aforesaid under this clause, and no omission or neglect in any such respect shall be chargeable as a breach of trust: Provided also that no purchaser or transferee of any such lands shall be concerned to inquire whether this covenant has been or is about to be observed, or shall be affected by any notice to the contrary, and that no grant, sale, or exchange, or other disposition shall be impeached or rendered invalid on account of any breach of this covenant: Provided, lastly, that the word "sale" in this clause shall not be deemed or construed to include a lease, or agreement for a lease, for a term not exceeding twenty-one years at a premium, nor shall any premium received on such lease be deemed or treated as proceeds of sale under this clause.
- (4.) That, beyond the present issue of debentures, no further issue of bonds, debentures, or debenture-stock shall be made by the Company until (1) the portion of the said railway from Brunnerton to Reefton shall have been fully constructed, completed, and equipped to the satisfaction of the Engineer, as provided by the said contract,