

AN ACT AUTHORIZING THE GOVERNOR-GENERAL TO EXECUTE A MEMORANDUM OF AGREEMENT WITH THE PHILIPPINE RAILWAY COMPANY; AND CERTAIN STOCKHOLDERS THEREOF; MAKING APPROPRIATIONS FOR TH...

Act No. 2923, March 24, 1920

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Be it enacted by the Senate and House of Representatives of the Philippines in Legislature assembled and by the authority of the same:

SECTION 1. The Governor-General, on behalf of the Philippine Legislature, is hereby authorized to execute the following memorandum of agreement with the "Philippine Railway Company," a corporation duly organized and existing under and by virtue of the laws of the State of Connecticut, and certain stock-and bond-holders of the same:

Memorandum of agreement between the "Philippine Railway Company," a corporation organized under the laws of the State of Connecticut and duly authorized to do business in the Philippine Islands (herein referred to as the grantee), and Messrs. William Salomon & Co., the International Banking Corporation, Cornelius Vanderbilt, J.G. White & Co., Inc., and Chas. M. Swift (referred to simply as stockholders), on the one part; and the Government of the Philippine Islands (herein referred to as the Government), on the other part.

This instrument, made, executed and entered into this _____ day of _____, anno Domini 19____, by and between the Government of the Philippine Islands, by the Governor-General of the Philippine Islands, of one part, and the grantee and its stockholders, of other part, Witnesseth, that

Whereas under the provisions of Act Numbered Fourteen hundred and ninety-seven of the Philippine Commission and a contract in accordance therewith executed between the Government and the grantee, the Government has guaranteed for a period of thirty years from the date of issue and delivery of the bonds issued in conformity with Act Numbered Fourteen hundred and ninety-seven, the due and punctual payment by the grantee of interest (and in the event of the default of the grantee it will itself pay the same upon demand) at the rate of four per centum per annum, upon first-lien bonds issued by the grantee in an amount equal to ninety-five per centum of the actual cost of the construction and equipment of the said railroads and appurtenances completed in accordance with the final approved plans, by virtue and in accordance with said instrument previously executed and the Act of Congress approved February sixth, nineteen hundred and five;

Whereas the Government, by reason of said contract of guaranty and under the provisions of law whereby such guaranty is authorized, is compelled to inspect and supervise the construction and operation of the lines designated in said Act Numbered Fourteen hundred and ninety-seven, in order to protect itself under said contract of guaranty;

Whereas it is the desire of the Government to acquire the bonds of the grantee and vest itself with authority to make substantial changes in the management and operation thereof in order to effect certain proposed economies therein, and the grantee and stockholders concede to the Government the right to do so; and

Whereas the negotiations between the parties hereto have resulted in the agreement herein outlined, which His Excellency, the Governor-General, has accepted subject to the approval of the Philippine Legislature, and which has likewise been accepted by William Salomon & Co., the International Banking Corporation, Cornelius Vandervilt, J. G. White & Co. Inc., and Chas. M. Swift, who are stockholders representing over eighty per centum of the capital stock of the grantee:

NOW, therefore, in consideration of the premises, of the mutual promises herein contained, of the benefits to accrue to each of the parties hereto, and of other valuable considerations, the parties hereto hereby respectively agree:

One. The stockholders above named, and the person or persons duly and lawfully appointed by the grantee to sign this agreement on its behalf, shall deposit with the Insular Treasurer of the Philippine Islands, within a reasonable period not less than one year, a number of shares representing at least eighty per centum of the capital stock of the grantee.

The shares of stock so deposited shall not be transferred, conveyed or encumbered to any other person, organization or corporation, and any transfer, conveyance or encumbrance made in violation of this agreement shall be null and void. The grantee shall further bind itself not to issue any duplicate of said stock and note upon its books the restrictions established in this paragraph.

The grantee, and on its behalf the person or persons signing this agreement, and the stockholders above named confer upon the Government of the Philippine Islands or its duly authorized agents full power and authority, not to be revoked during the life of the contract, to supervise the operations of the grantee and decide and settle any questions they are competent to decide and settle, whenever in the discretion and judgment of the Government such supervision, decision or settlement shall be necessary, and to vote at its entire discretion, on behalf of the said stockholders, at all the meetings of the grantee.

Two. At the time of making the deposit of stock prescribed in paragraph one, or within one year thereafter, the person or persons duly and lawfully authorized by the grantee to sign this agreement on its behalf, and the aforesaid stockholders covenant and agree to deliver to the Government such amount of First Mortgage Four Per Cent. Thirty-Year Sinking Fund Gold Bonds of the grantee as shall bear in the aggregate the same proportion to the total of the bonds issued as the amount of the stock issued.

Three. The Government binds itself to establish a fund sufficient to provide for the purchase, at or before maturity, of the First Mortgage Four Per Cent. Thirty-Year Sinking Fund Gold Bonds of the grantee, at ninety per cent of their par value, and to provide for the payment of the accrued interest, and to purchase annually not less than five hundred and fifty-five bonds at the price indicated.

Four. Upon the retirement by the grantee of all First Mortgage Four Per Cent. Thirty-Year Sinking Fund Gold Bonds, the stock deposited with the Government in accordance with paragraph one hereof shall be ipso facto finally conveyed to the Government.

Five. In case the stockholders above named and the person or persons duly and lawfully appointed to represent the grantee shall fail to make the deposit mentioned in paragraph one of this contract or to comply with the conditions thereof, all obligations on the part of the grantee and stockholders, or their representatives, and all obligations of the Government under this contract, shall be deemed at an end.

SEC. 4. The committee hereinbefore mentioned shall require the persons in charge of the management of the "Philippine Railway Company" annually and at such other times as may be fixed by law, or whenever it may so resolve, to render detailed and complete reports of the economic condition and business of the said company, including a detailed account of all funds received and disbursed, which reports said committee shall forward to the Philippine Legislature.

SEC. 5. The Insular Treasurer, with the approval of the Governor-General, is hereby authorized to set aside from any funds in the Insular Treasury not otherwise appropriated, such sums as may be necessary for the purpose of carrying into effect the provisions of the memorandum of agreement set forth in this Act.

SEC. 6. This Act shall take effect on its approval.

Approved, March 24, 1920.

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