

sum of fifty pounds (£50), for any second breach of such provision or condition the sum of one hundred pounds (£100), and should the Company commit any third breach of such provision or condition, then the Governor may cancel this contract in manner hereinbefore provided.

16. The Governor will pay for each lot of ammunition finally delivered under this contract within one month from the date of such delivery.

17. The Company shall during the continuance of this contract be allowed free of charge the use of any empty boxes or cases which in the opinion of the Minister of Defence may at any time be available in the Magazine or stores of the Defence Department of New Zealand suitable for the delivery of cartridges under this contract, such boxes or cases to be removed from the Magazine and stores of the Defence Department to the works of the Company by the Company at its own expense.

18. The New Zealand Customs duty paid by the Company during the continuance of this contract on machinery and stores *bona fide* imported into New Zealand by the Company for the purposes of this contract shall be refunded to the Company by the Governor upon his being satisfied, in the case of stores, that they have been used solely in the carrying-out of this contract, and, in the case of machinery, that it has been in position in the Company's works for at least one month and has been *bona fide* used for the purposes of this contract. And it is hereby agreed and declared that if and whenever machinery or stores in respect of which the duty has been refunded are used for any other purpose outside the Company's works than the carrying-out of this contract, the full amount refunded shall be forthwith paid by the Company to the Crown: Provided that in the case of machinery which, after having been partially used, is sold or disposed of, the amount so payable shall be such proportion of the full duty refunded as the Collector of Customs at Auckland may fix, having regard to the then value of the machinery and the purposes for which it is capable of being used.

19. The Company shall not import into New Zealand or erect in its works after the date hereof any machinery for the purpose of carrying out this contract without the written consent of the Governor first had and obtained.

20. If at any time or times during the continuance of this contract the Governor requires any special supply of small-arms ammunition in excess of the quantity which under the foregoing provisions the Company would be bound to supply, he shall give an order to the Company specifying the quantity required and the time within which the same is to be delivered. If within seven days after receipt of such order the Company gives written notice to the Governor that it is able to execute the order within the required time, the Company shall be deemed to have accepted the same, and shall be bound to supply the ammunition in terms of the order at the same price, subject to the same conditions in all respects as in the case of ammunition to be supplied under the other provisions of this contract. If such notice is not duly given as aforesaid the Company shall be deemed to have declined the order, and the Governor shall have the right to procure the special supply from the Imperial military authorities, in such manner and on such terms as he thinks fit, or to invite tenders from other sources for the same, the Company being in the latter case allowed at the same time to submit its tender.

21. The Governor on his part will at all times during the continuance of this contract keep a reserve store of powder, cordite, and other explosives sufficient to enable the Company to commence and continue to manufacture four million three hundred thousand (4,300,000) rounds of .303 ammunition, and will (in terms of clause four (4) hereof) supply the same to the Company from time to time so as to enable it to perform its part of the contract, and the Company on its part will at all times during the continuance of this contract store and keep in stock a sufficient quantity of all other materials necessary to enable it to commence and continue to manufacture such four million three hundred thousand (4,300,000) rounds: Provided that if the Governor desires to change the pattern of the cartridges to be supplied by the Company to the Governor under this contract the Governor shall give to the Company eighteen calendar months' notice in writing of such intended change before the Company shall be required to deliver to the Governor under this contract cartridges of such new pattern, and if such change of pattern will in the opinion of the Company render useless or unsuitable the materials which the Company has in compliance with this clause to keep in stock to manufacture the said four million three hundred thousand (4,300,000) rounds as aforesaid, then the Company may during the last six months of such notice (but no longer) reduce the quantity of such materials it has so to keep in stock to an amount sufficient to manufacture two million one hundred and fifty thousand (2,150,000) rounds: Provided further that after the expiration of the said last six months the quantity of material to be kept in stock shall be as hereinbefore provided, and shall apply to material for the cartridges of the new pattern.

22. The Company will at its works in New Zealand maintain a plant and machinery in good order sufficient to manufacture seven million (7,000,000) rounds of .303 ammunition per annum during the term of this contract.

23. Upon giving six calendar months' previous notice to the Company of his intention so to do, the Governor may at any time during the term of this contract purchase as a going concern the whole of the works, plant, and stock-in-trade of the Company in New Zealand, including goodwill, and including also the Company's estate and interest in the land on which its factory or works are erected (all of which are hereinafter referred to as "the Company's works"), at the fair value thereof to be ascertained by arbitration under the provisions of the Arbitration Act, 1908: Provided always that the reference shall be deemed to be two arbitrators (one to be appointed by the Governor and the other by the Company) and an umpire to be appointed by the arbitrators before proceeding with the reference: And provided further that if in the course of the arbitration proceedings any question arises as to what is or is not included in the Company's works, either party may require the same to be settled by the Supreme Court. In ascertaining the value as aforesaid of the Company's works the value of the Company's buildings and erections shall be included, but not the value of any leasehold interest then held by the Company from the Crown in the land on which such buildings and erections stand.