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then been outstanding for a period of two or more years, but only to the extent that such amount may be applicable for such purpose out of Available Net Income for the preceding calendar year under subsection (b) of Section 1 of Article V.

In lieu of depositing cash with the Corporate Trustee to be held and applied as part of the Emergency Sinking Fund, the Company may reacquire and deliver to the Corporate Trustee Emergency Bonds, bearing all unmatured coupons appertaining thereto, at the lower of the price or prices paid upon reacquisition thereof (less any interest paid on such reacquisition) or the redemption price thereof (exclusive of interest) in effect on April 1 of the calendar year in which such delivery is made. Any such Emergency Bonds so delivered to the Corporate Trustee shall be accompanied by an Officers' Certificate stating (i) that such Bonds have been duly issued and outstanding and have been reacquired by the Company, (ii) the price or prices (exclusive of accrued interest) at which they were reacquired, (iii) that none of such Bonds has theretofore been Bonded, and (iv) that such Bonds are delivered to the Corporate Trustee in lieu of cash required to be deposited in the Emergency Sinking Fund.

Cash that is deposited with the Corporate Trustee as and for the Emergency Sinking Fund, as required by the provisions of this Section 2, shall be applied by the Corporate Trustee, so long as no Event of Default has occurred and is continuing, to the purchase or redemption of Emergency Bonds in accordance with the provisions of this Section 2, provided such Bonds are Outstanding Bonds.

The Corporate Trustee may purchase such Emergency Bonds either at private sale or in the open market at the lowest price or prices at which, in its sole discretion, it shall deem such Bonds reasonably obtainable; or, if the Corporate Trustee, in its sole discretion, shall deem it advisable, it may ad-

vertise for proposals to sell such Bonds to it, reserving the right to reject any or all such proposals in whole or in part, and may purchase such Bonds at the lowest price or prices asked in such proposals if it deems such purchases advisable; but no such Bonds shall be purchased at private sale or in the open market or in response to proposals, as aforesaid, at a price, including interest, in excess of the amount, inclusive of premium and interest, that would be payable in case of redemption thereof at the earliest applicable redemption date.

Whenever the balance of cash remaining on deposit in the Emergency Sinking Fund on October 1 of any year equal or exceeds \$50,000, the Corporate Trustee shall apply such balance to the redemption of Emergency Bonds on the earliest succeeding date on which such Bonds are redeemable and at the redemption price applicable to such Bonds on such redemption date. The Corporate Trustee shall give notice of such redemption in the name of the Company in the manner and in accordance with the applicable provisions of Article IV and of the supplemental indenture providing for the creation of Emergency Bonds; and the Corporate Trustee is hereby appointed the agent of the Company for such purpose. The Company covenants that whenever any redemption of Emergency Bonds shall be required under the provisions of this Section 2, it will at the request of the Corporate Trustee take all action, and authorize the Corporate Trustee to take all action, necessary to redeem such Emergency Bonds on the date specified by the Corporate Trustee.

The Company covenants that, in connection with any purchase or redemption of Emergency Bonds under this Section 2, it will deposit with the Corporate Trustee, upon request of the Corporate Trustee in the case of purchase, or prior to the date fixed for redemption in the case of redemption, in addition to funds theretofore deposited in the Emergency

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Sinking Fund, an additional sum in cash sufficient to pay, in the case of purchase, the excess, if any, of the purchase price, including interest, over the principal amount thereof, and, in the case of redemption, all premiums and interest required to be paid thereon to the date fixed for redemption.

All advertising and publishing costs, commissions, postage and other expenses incurred in the purchase or redemption of such Emergency Bonds shall be paid by the Company, or, if paid by the Corporate Trustee, shall be repaid by the Company to the Corporate Trustee upon demand.

All Emergency Bonds purchased or redeemed out of the Emergency Sinking Fund, and all Emergency Bonds delivered by the Company to the Corporate Trustee in lieu of depositing cash in the Emergency Sinking Fund, shall be cancelled and shall not be made the basis for the authentication and delivery of any Bonds or the withdrawal, payment or application of any cash under any provision of the Mortgage.

SECTION 3. As and for a Contingent Sinking Fund for the retirement of Outstanding Bonds, the Company covenants that, whenever on April 1 of any year, beginning with the year 1949, as shown by an Officers' Certificate delivered to the Corporate Trustee on or before April 1 of each year, the aggregate principal amount of Bonds then outstanding, plus all other funded debt of the Company bearing Fixed Interest, exceeds either (a) 30% of the total capitalization of the Company, determined as hereinafter provided, or (b) 60% of such total capitalization less the principal amount of all outstanding funded debt of the Company bearing Contingent Interest, it will deposit with the Corporate Trustee on or before the succeeding May 1 an amount in cash equal to 50% of the Available Net Income for the preceding calendar year remaining after the application of such Available Net Income in the order of priority

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specified in subsections (a) through (g) of Section 1 of Article V.

For the purposes of this Section 3, funded debt of the Company as of any particular time shall be deemed to include (i) all Bonds and General Mortgage Bonds to the extent they are Outstanding Bonds as defined in the Mortgage and in the General Mortgage; respectively, and all Bonds and General Mortgage Bonds then owned and held by the Company, (ii) all Equipment Obligations, (iii) all Prior Lien Bonds issued or assumed by the Company, (iv) all debts of others guaranteed by the Company as to principal or interest or both (except debts of a terminal company and debts on which the interest is included in rents payable by the Company for leased roads, and in case of joint and several guarantees with others, there shall be included only the Company's proportionate share of the total principal obligation under such guaranty), and (v) an amount equal to the capitalized value, at the rate of 5% per annum, of fixed rents payable by the Company for leased roads other than terminal properties; but funded debt of the Company shall not be deemed to include (vi) obligations (other than mortgage bonds or Equipment Obligations) maturing not more than two years after their date, or (vii) obligations of longer maturity secured by pledge of bonds having a lien on the property of the Company, except to the extent, if any, by which the principal amount of such obligations exceeds the principal amount of such bonds so pledged.

For the purposes of this Section 3, the total capitalization of the Company as of any particular time shall be deemed to include only (i) the principal amount of obligations constituting funded debt of the Company, (ii) the par value of the outstanding capital stock of the Company having a par