

value, (iii) the outstanding capital stock without par value of the Company, computed at \$100 per share, in the case of capital stock issued for the purposes of the Plan, and, in the case of other capital stock without par value, computed at the amount of consideration actually received therefor, plus earned surplus of the Company to the extent the same shall have been capitalized.

In lieu of depositing cash with the Corporate Trustee to be held and applied as part of the Contingent Sinking Fund, the Company may deposit with the Corporate Trustee Bonds of any series, bearing all unmatured coupons appertaining thereto, at the lower of the price or price paid upon reacquisition thereof (exclusive of 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 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 Contingent Sinking Fund.

Any cash which is deposited with the Corporate Trustee as and for the Contingent Sinking Fund, as required by the provisions of this Section 3, shall be applied by the Corporate Trustee, so long as no Event of Default has occurred and is continuing, to the payment, purchase, or redemption of Outstanding Bonds in the following manner:

(a) The Corporate Trustee may apply such moneys to the payment of the principal and accrued interest of the Outstanding Bonds of any series then matured or to mature within one year after the date of such deposit; or

(b) The Corporate Trustee may purchase Outstanding Bonds of any series 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 advertise 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 of 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 at a price, including interest, in excess of the amount, inclusive of premium and interest, which would be payable in case of redemption thereof at the earliest applicable redemption date, or in excess of the principal amount thereof plus accrued interest if not subject to such redemption; and

(c) Whenever the balance remaining on deposit in the Contingent Sinking Fund on October 1 of any year equals or exceeds \$20,000, the Corporate Trustee shall apply such balance to the redemption of Outstanding Bonds of any series on the next applicable redemption date, at the redemption price applicable to the Bonds of such series. 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, if any, creating such series and the Corporate Trustee is hereby appointed the agent of the Company for such purpose. The Company covenants that whenever any redemption of Bonds shall be required under the provisions of this Section 3, it will at the request of the Corporate Trustee take all action, necessary to redeem such Bonds on the date specified by the Corporate Trustee.

The Company covenants that in connection with any purchase or redemption of Bonds under this Section 3 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 Contingent Sinking Fund, moneys sufficient to pay, in the case of purchase, the excess, if any, of the purchase price, including accrued 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 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.

The Board of Directors may, by Certified Resolution delivered to the Corporate Trustee concurrently with the deposit of cash in the Contingent Sinking Fund, designate the series of Bonds to be purchased or redeemed with such cash. In the absence of such designation, the Corporate Trustee in its sole discretion may apply such moneys to the purchase or redemption of Bonds of any series then outstanding.

All Bonds paid, purchased or redeemed out of the Contingent Sinking Fund, and all Bonds delivered by the Company to the Corporate Trustee in lieu of depositing cash in the Contingent 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 4. Whenever the acquisition of Bondable Equipment is made the basis for the authentication and delivery of Bonds of any series created for such purpose, the Company covenants that it will, by supplemental indenture, establish an Equipment Sinking Fund for the retirement of all of the

Bonds of such series during the term of such Bonds, and will covenant therein to deposit with the Corporate Trustee funds sufficient for that purpose in equal semi-annual installments to and including the latest date of maturity of the Bonds of such series. Such deposits shall be made from funds derived from current charges for operating expenses or income on account of depreciation of such Bondable Equipment to the extent that such source is adequate therefor.

Any cash deposited with the Corporate Trustee as and for an Equipment Sinking Fund shall be applied by the Corporate Trustee to the retirement of Bonds of the series with respect to which such Equipment Sinking Fund was established and in accordance with the supplemental indenture creating such series.

All Bonds retired through the operation of any Equipment Sinking Fund shall be cancelled and shall serve as 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.