

authorizing such Application, in an amount equal to 133 1/3% of the principal amount of Bonds to the authentication and delivery of which the Company would then be entitled on account of the Net Cost of Additions and Betterments under the provisions of Section 3 of Article III. On any such Application the Company shall comply with all applicable provisions of Section 3 of Article III relating to the authentication and delivery of Bonds and the provisions of Section 10 of Article III, except that it shall not be required to comply with any of the provisions of subsection (g) of Section 3 of Article III, or Section 10 of Article III other than subsections (d), (4) and (e) of said Section 10. Any withdrawal of cash under this paragraph shall be in lieu of the right of the Company to the authentication and delivery of Bonds on account of such Net Cost of Additions and Betterments.

(c) May be withdrawn by the Company upon its written Application in an amount not exceeding the principal amount or the cost (exclusive of interest) to the Company, whichever is less, of any Bonds (not theretofore Bonded, or acquired, retired, cancelled or paid through the operation of any sinking fund or analogous fund established pursuant to the Mortgage or pursuant to the General Mortgage), except Emergency Bonds, theretofore authenticated and delivered under the Mortgage, which shall have been cancelled or surrendered to the Corporate Trustee for cancellation, but only upon delivery to the Corporate Trustee of

(1) an Officers' Certificate describing the Bonds the cancellation or surrender for cancellation of which forms the basis for the proposed withdrawal of cash, stating the cost thereof (exclusive of interest) to the Company, and stating that said Bonds have theretofore been duly issued and outstanding and reacquired by the Company, that none of said Bonds has theretofore been Bonded, or acquired, retired, cancelled or paid through the operation of any

sinking fund or analogous fund established pursuant to the Mortgage or pursuant to the General Mortgage, and that no Event of Default has occurred and is continuing; and

(2) the particular Bonds together with all appropriate coupons, if any, appertaining thereto.

(d) May be applied, upon the written request of the Company, signed by its President or a Vice President, accompanied by a Certified Resolution authorizing such request; to the payment at maturity or to the redemption of Bonds then outstanding of any series (except Emergency Bonds) determined by said Resolution. Any such request of the Company for the application of money pursuant to this subsection (d) shall also be accompanied by any Officers' Certificate stating that no Event of Default has occurred and is continuing.

The Company covenants that whenever any redemption of Bonds shall be applied for under the provisions of subsection (d) of this Section 7, it will take all action necessary, or authorize the Corporate Trustee to take all action necessary, to redeem such Bonds at the earliest applicable redemption date, and will deposit with the Corporate Trustee on or before the date fixed for redemption additional moneys sufficient to pay the premium and all accrued and unpaid interest on the Bonds so to be redeemed to the date so fixed for redemption.

If and when the Company shall so request by Certified Resolution filed with the Corporate Trustee, provided no Event of Default shall have occurred and then be continuing, any moneys at the time held under this Article X by the Corporate Trustee shall be invested by it in such direct obligations of the United States of America maturing within two years as shall be specified in such Resolution. Such obligations shall be held by the Corporate Trustee in lieu of the

moneys invested therein subject to its absolute right to liquidate such investment in such manner and at such time or times as, in the exercise of its discretion, it deems to be advisable. The Company covenants that upon demand by the Corporate Trustee it will replace all moneys lost through any investment made and liquidated as by this Section 7 contemplated, and will pay or reimburse the Corporate Trustee for all accrued interest, commissions and expense paid or incurred in connection with the acquisition and liquidation of such investment. The Corporate Trustee shall have the right and duty to receive all amounts paid on account of any investment made by it as hereby contemplated, including all interest payments, shall retain such interest payments pending liquidation of such investment, and after such liquidation shall retain so much of such interest payments as may be necessary to replace any loss of moneys suffered or to pay or reimburse itself for any accrued interest, commissions or expense paid or incurred in connection with the acquisition and liquidation of such investment and not replaced, paid or reimbursed by the Company as above provided, and shall pay over any balance of such interest payments to the Company.

SIXTH. Nothing contained in the Mortgage shall prevent the Company from conveying all or any part of the mortgaged property, except Equipment and Securities, that shall at the time of conveyance be located in the State of Texas, to a corporation organized by the Company under the laws of the State of Texas for the purpose of acquiring, owning and operating the property so conveyed, if it shall become necessary, in the judgment of the Board of Directors, that the Company direct itself of such property in order to assure the continued operation of its lines of railroad located in said State; provided that all Securities issued by such corporation shall be acquired by the Company and pledged and deposited with the Corporate Trustee.

The Corporate Trustee shall release from the lien of the Mortgage any such property so conveyed, upon the delivery to the Corporate Trustee of the following:

(a) An Application for such release;

(b) A Certified Resolution authorizing or approving the request for release and stating that in the judgment of the Board of Directors it has become necessary that the Company direct itself of title to the property to be released in order to assure the continued operation of the lines of railroad of the Company located in the State of Texas;

(c) An Officers' Certificate which shall:

1. Describe in reasonable detail the property a release of which is requested;

2. Name the corporation to which said property has been conveyed by the Company; state that such corporation is organized under the laws of the State of Texas; describe and state the amount of all outstanding Securities of such corporation; and state that such corporation is a Railroad Subsidiary;

(d) All Securities described in the Officers' Certificate required by subsection (c) above; and all such moneys, if any, as in the Opinion of Counsel furnished pursuant to subsection (e) below may be stated to be necessary or advisable to subject such Securities to the lien of the Mortgage; and

(e) An Opinion of Counsel that all Securities of such Railroad Subsidiary required to be pledged and deposited with the Corporate Trustee by subsection (d) above are subject to the lien of the Mortgage, or will become subject to such lien upon delivery thereof or delivery of the instruments if any, specified in said Opinion of Counsel; that the Company has valid title to such Securities and the right to own and pledge the same, free from any other lien; that such Securities have been duly authorized by all corporate authority required under the laws of the State of Texas, the charter (or other document