

Article I

70

form of coupon Bonds or registered Bonds without coupons or both; authenticated and delivered by the Corporate Trustee under the Mortgage, except with respect to all Bonds of all series or all Bonds of any specified series, as the case may be:

- (a) Bonds theretofore cancelled by the Corporate Trustee or delivered to the Corporate Trustee for cancellation;
 - (b) Bonds for the payment, purchase or redemption of which moneys in the necessary amount shall have been irrevocably deposited in trust with the Corporate Trustee, provided that if such Bonds are to be redeemed notice of such redemption shall have been given, or provision satisfactory to the Corporate Trustee shall have been made for giving such notice, as provided in Article IV;
 - (c) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the provisions of Section 7 of Article II; and
 - (d) Bonds then owned by the Company, other than Bonds pledged by the Company, as evidenced by an Officers' Certificate delivered to the Corporate Trustee.
- "Outstanding First Mortgage Bonds" shall mean, as of any particular date, all First Mortgage Bonds of all series when no particular series is specified in the context, or all First Mortgage Bonds of any specified series, authenticated and delivered by the corporate trustee under the First Mortgage, except with respect to all First Mortgage Bonds of all series or all First Mortgage Bonds of any specified series, as the case may be:
- (a) First Mortgage Bonds theretofore redeemed or cancelled;
 - (b) First Mortgage Bonds for the payment, purchase or redemption of which moneys in the necessary amount

Article I

72

it customarily pays interest, on property with respect to which the Company owns easements or rights of way.

- (c) Rights reserved to or vested in any governmental authority or agency or in any municipality by the terms of any franchise, grant, license or permit or by any provision of law to terminate such franchise, grant, license or permit, or to purchase or appropriate or reacquire, or to designate a purchaser of, any of the mortgaged property; or to demand and collect any tax or other compensation for the use of streets or other public places or to control or regulate the mortgaged property.
- (d) Any obligation or duty affecting the mortgaged property, or the uses, removal, control or regulation thereof, by any public authority, under any franchise, grant, license or permit or provision of law.
- (e) Rights of lessee under leases from the Company and interests of others than the Company in property owned jointly or in common.
- (f) Easements, rights of way, exceptions, reservations, restrictions, conditions, limitations, covenants, adverse rights or interests and any other defects or irregularities in title affecting the mortgaged property which do not materially affect the use of the mortgaged property for the purposes for which it is held by the Company; as the case may be, and may be properly ignored as to their effect upon the security of the Mortgage. Any Opinion of Counsel required by the Mortgage may rely that, as to the matters covered by this clause (f), it is based upon a written statement of the Engineer.

"Prior Lien" shall mean any lien prior to the lien of the Mortgage, except the First Mortgage, Equipment Obligations and Permitted Encumbrances, existing or placed on any property at the time of the acquisition thereof by the Company.

"Prior Lien Bonds" shall mean any indebtedness or obligation secured by a Prior Lien.

Article I

71

shall have been irrevocably deposited in trust with the Corporate Trustee or with the corporate trustee of the First Mortgage, provided that if such First Mortgage Bonds are to be redeemed notice of such redemption shall have been given, or provision shall have been made for giving such notice, to the satisfaction of the Corporate Trustee;

- (b) Lost, stolen, mutilated or destroyed First Mortgage Bonds in lieu of or in substitution for which other First Mortgage Bonds shall have been issued;
- (d) First Mortgage Bonds deposited and pledged with the Corporate Trustee; and
- (e) First Mortgage Bonds then owned by the Company, other than First Mortgage Bonds pledged by the Company, as evidenced by an Officers' Certificate delivered to the Corporate Trustee.

"Permitted Encumbrances" shall mean, as of any particular time, any of the following:

- (a) Liens for taxes, assessments or governmental charges not then delinquent; liens for workmen's compensation awards and similar obligations not then delinquent; liens or encumbrances in connection with litigation against the Company concerning claims for personal injuries or damages to property arising out of the operation of its business if entitled to priority over the lien of the Mortgage by operation of law; other liens not exceeding \$100,000 in the aggregate arising out of litigation against the Company; liens for the payment or discharge of which provisions satisfactory to the Corporate Trustee have been made; mechanics', laborers', materialmen's and similar liens not then delinquent; any of such liens, irrespective of amount, whether or not delinquent, the validity of which is being contested at the time by the Company in good faith; and undetermined liens or charges incidental to construction.
- (b) Liens securing indebtedness—either payable nor assumed nor guaranteed by the Company, nor on which

Article I

73

"Purchased Property" shall mean lines of railroad, bridges or railroad terminals, including the Bondable Equipment thereof, purchased or acquired by the Company from others, directly connected with the lines of railroad owned by the Company and deemed by the Board of Directors to be necessary or useful in connection with the operation of the Company's system.

"Railroad Subsidiary" shall mean any corporation owning or operating lines of railroad, bridges or railroad terminals, including the Bondable Equipment thereof, directly connected with the lines of railroad owned by the Company and deemed by the Board of Directors to be necessary or useful in connection with the operation of the Company's system, of which or less than 20% of the total outstanding shares of capital stock having general voting rights is owned by the Company, or by the Company and other railroad corporations.

"Railroad Subsidiary Bonds" shall mean the bonds of a Railroad Subsidiary secured by a general lien on all or substantially all of its physical property.

"Railroad Subsidiary Stocks" shall mean the shares of any class of capital stock of a corporation issued prior to and outstanding upon the date it shall become a Railroad Subsidiary and the shares of any class of capital stock thereafter issued by such Railroad Subsidiary.

"Road and Equipment Account" shall mean Account 701 Road and Equipment Property, or a similar account or accounts performing the functions of said Account 701, maintained by the Company in accordance with the Uniform System of Accounts.

"Securities" shall mean Debt Securities or Stocks or both.