

into any sinking fund established by any indenture supplemental to the First Mortgage for the retirement of First Mortgage Bonds of any series other than Series A and series created for the purposes of Sections 2 and 4 of Article III of the First Mortgage;

(d) To the payment of the currently payable Contingent Interest on all Outstanding Bonds of Series A or Outstanding Bonds of any series issued for the purpose of refunding Bonds of Series A, and the unpaid accumulations of Contingent Interest thereon, including Bonds of Series A which have been converted but upon which Contingent Interest is payable under Section 4 of Article XI;

(e) To the payment of the currently payable Contingent Interest on all Outstanding Bonds of series other than Series A and other than Bonds of any series issued for the purpose of refunding Bonds of Series A, and the unpaid accumulations of Contingent Interest thereon, with such priority among the Bonds of such other series as shall be provided in the Bonds of such series, subject to the provisions of Section 3 of this Article V;

(f) To the payment of the current annual installment required to be paid into the Series A Sinking Fund pursuant to the requirements of Section 1 of Article VII of the Mortgage, or into any sinking fund equivalent in dollar amount that may be established for the retirement of Bonds of any series issued for the purpose of refunding Bonds of Series A;

(g) To the payment of any amounts currently required to be paid into any sinking fund established by the Mortgage for the retirement of Bonds of any series other than Series A and series created for the purpose of Section 3 of Article III; and

(h) To the payment of any amounts currently required to be paid into the contingent sinking fund established pursuant to the requirements of Section 3 of Article VII of the First Mortgage.

Net Income applicable to the payment of the currently payable Contingent Interest on all of the Bonds of such subsequent series is insufficient for the payment thereof in full, including any then unpaid accumulations of interest that shall have accrued thereon, the amount of such Available Net Income applicable to such payment under subsection (e) of Section 1 of this Article V shall be apportioned among the Bonds of such subsequent series in accordance with the supplemental indentures creating such series.

SECTION 4. If the Contingent Interest on the Bonds of any series shall become Fixed Interest or if the obligation of the Company on the First Mortgage Bonds shall cease to be an obligation of the Company, either through payment or satisfaction in full, or if for any other reason the indenture securing or providing for such obligation has been terminated and released, whether by refunding or otherwise, the requirement to apply Available Net Income for such interest or obligation in the order provided in Section 1 of this Article V shall cease and the amount of Available Net Income otherwise required to be applied thereto, after meeting all remaining requirements, if any, of like priority, shall be applied thereafter to the remaining purposes in the order of priority specified.

SECTION 5. On or before March 15 of each year, beginning with the year 1949, the Company shall file with the Corporate Trustee a Certified Resolution determining the Available Net Income for the preceding calendar year, and a report signed by the President or a Vice President, and by the Chief Accounting Officer, of the Company, showing the calculations in reasonable detail of the amount of Available Net Income for the preceding calendar year and the application thereof made or to be made by the Company pursuant to the provisions of Section 1 of this Article V.

Subject to the provisions of Section 6 of Article VI, any remaining Available Net Income, after deducting therefrom such amounts as shall have been charged to operating expenses and added to such Available Net Income representing the service value of non-depreciable road property retired and not replaced, may be applied (without restriction as to the year of application) as the Board of Directors may determine to the payment of dividends on the several classes of capital stock of the Company in the order of their preferences, or to any other corporate purposes.

No Contingent Interest shall be required to be paid under any provision of this Section 1 if the amount so to be paid would be less than  $\frac{1}{4}$  of 1% on each \$100 of the principal amount of any Contingent Interest bearing obligation, and all payments of Contingent Interest shall be made in multiples of one cent for each \$100 of the principal amount of such obligation. Any excess available for interest not paid because of this provision shall be retained by the Company and added, to the amount available for such interest in the succeeding income period or periods.

SECTION 2. If First Mortgage Bonds of any series subsequent to Series A shall be issued and any or all of the interest thereon shall be Contingent Interest, such Contingent Interest and the unpaid accumulations thereof shall have such place in the order of priority in the application of Available Net Income, subsequent to subsection (e) of Section 1 of this Article V, as shall be provided in the supplemental indenture creating such series.

SECTION 3. If Bonds of series subsequent to Series A shall be issued and the Bonds of such subsequent series shall bear interest at different rates but without priority as to payment among such series, and if the amount of Available

In determining Available Net Income for any year, the members of the Board of Directors may rely upon and shall be fully protected in relying upon any statement signed by the Chief Accounting Officer as to any facts set forth therein and upon advice of counsel as to the meaning and application of any provision of the Mortgage.

If the holders of not less than 25% in principal amount of the Outstanding Bonds shall have signed the correctness of any such report by a notice in writing addressed to the Corporate Trustee and signed by such holders, the Corporate Trustee shall request the Company to have the accounts of the Company for the year in question (and for prior or subsequent years) audited so far as necessary to check the correctness of such report, at the expense of the Company, by a firm of certified public accountants selected by the Board of Directors and approved by the Corporate Trustee, unless an audit shall have theretofore been made or is then being made pursuant to similar provisions in another indenture securing obligations of the Company or pursuant to the voluntary action of the Company. The Company agrees that it will comply with any such request for an audit. Any such audit shall, promptly after its completion, be filed with the Corporate Trustee and shall be open to inspection at all reasonable times by the holders of the Bonds.

SECTION 6. The Company, in the discretion of the Board of Directors, may pay any Contingent Interest which has accumulated on the Bonds or First Mortgage Bonds out of any funds lawfully available therefor although there be no Available Net Income applicable thereto, provided (i) such payments are made in the order of priority provided in this Article V, and (ii) all payments having a priority senior thereto out of Available Net Income for the preceding calendar year have been paid in full.