counts 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.

"Stocks" shall mean any proprietary interest in a corporation or other analogous legal entity or certificates evidencing the same.

"Uniform System of Accounts" shall mean (a) the system of accounts for steam railroads prescribed by the Interstate Commerce Commission, and the instructions, interpretations, regulations and orders of the Interstate Commerce Commission thereunder, in effect on January 1, 1950, or as thereafter modified, or (b) any other system of accounts thereafter prescribed by the Interstate Commerce Commission or by any other public regulatory body having similar jurisdiction over the accounts of the Company, or (c) to the extent not covered by the systems of accounts referred to in clauses (a) and (b) above, any system of accounts that is in accord with sound accounting principles as determined by a certified public accountant selected by the Company and approved by the Corporate Trustee.

"Value" shall mean, with respect to the unretired physical property of a Railroad Subsidiary or of a Wholly Owned Railroad Subsidiary, the fair value thereof to such Subsidiary, and, with respect to Purchased Property, the fair value thereof to the Company in excess of the aggregate principal amount of indebtedness secured by Prior Liens thereon, as determined by an Independent Engineer.

"Wholly Owned Railroad Subsidiary" shall mean a Railroad Subsidiary of which all of the outstanding shares of capital stock are owned by the Company.

ARTICLE II

Description of Bonds

Section 1. The Bonds shall be designated generally as the Company's "First Mortgage Bonds" and may be issued in one or more series as shall be authorized from time to time in the manner provided in the Mortgage.

The authorized aggregate principal amount of Bonds shall be unlimited, except as may be provided hereinafter and except as may be limited by applicable federal and state laws now or hereafter enacted.

Section 2. The initial series of Bonds shall be designated as "Series A" and shall be limited in aggregate principal amount to $55,000,000, and the Bonds of Series A to be issued pursuant to Section 1 of Article III shall:

(a) be designated "First Mortgage $2\frac{7}{8}\%$ Bonds, Series A, due January 1, 1980";

(b) be dated as of January 1, 1950, except that all registered Bonds without coupons issued during the first six months of the year 1950 shall be dated as of January 1, 1950, and all such Bonds issued thereafter shall be dated as of the first day following the close of the latest period for which interest on Bonds of Series A shall have been paid or made available for payment;

(c) mature January 1, 1980, unless previously redeemed pursuant to Article IV or declared due and payable pursuant to Article XIV;

(d) bear interest payable semi-annually on the first days of January and July of each calendar year at the rate of $2\frac{7}{8}\%$ per annum from the date thereof until the principal sum thereof becomes due and payable as herein provided, and thereafter at the highest rate of interest borne by any of the Outstanding Bonds until payment of said principal sum, but (in the case of coupon Bonds) as to interest due on or before the date said principal sum becomes due and payable only upon presentation and surrender of the coupons appertaining thereto as they shall severally mature;