

together in each case with interest accrued and unpaid to the designated date of redemption.

ARTICLE THREE

SINKING FUND TO BE ESTABLISHED IN CONNECTION WITH SERIES K, L and M BONDS

SECTION 1. The Railway Company covenants and agrees with the Trustee that it will pay to the Trustee annually on July 1 of each year, commencing with the year 1946, for so long as any of the Series K, L or M Bonds are outstanding in the hands of the public or until adequate provision satisfactory to the Trustee shall have been made for their payment, in addition to sinking fund payments provided for bonds of other series, the sum of \$1,000,000, unless the aggregate principal amount of bonds issued under the Mortgage and outstanding (not including bonds held by the Railway Company) on any such July 1 shall be not more than \$225,000,000, in which event the Railway Company will pay to the Trustee on such July 1 the sum of \$1,000,000, or the amount by which the Railway Company's net income after fixed charges and other deductions, as defined by the Accounting Classification of the Interstate Commerce Commission, for the year ending on December 31 next preceding shall exceed \$10,000,000, whichever shall be the lesser; provided, however, that in no event shall the payment to be made by the Railway Company to the Trustee on any July 1 exceed the aggregate principal amount of the Series K, L and M Bonds then outstanding, not including Bonds pledged by or held by the Railway Company. In the event such net income for any calendar year preceding a July 1 upon which not more than \$225,000,000 principal amount of General Mortgage Bonds shall be outstanding (1) shall not exceed \$10,000,000, or (2) shall exceed \$10,000,000 but such excess shall be less than \$1,000,000, the Railway Company shall, in the case stated in (1) above, be under no obligation on such July 1 or at any later time to make any sinking fund payment in respect of such calendar year and, in the case stated in (2) above, be under no obligation on such July 1 or at any later time to make any sinking fund payment in respect of such calendar year in excess of the amount by which the net income for such year exceeded \$10,000,000.

SECTION 2. Any payment required to be made by the Railway Company for purposes of the sinking fund for the Series K, L and M Bonds herewith established may at the option of the Railway Company be made in cash or by delivery to the Trustee, cancelled or uncanceled, of General Mortgage Bonds of any series (other than bonds held in the treasury of the Railway Company or pledged by the Railway Company and which have never been otherwise issued, and other than bonds which have been converted into stock of the Railway Company), in each case of a delivery of bonds at the principal amount thereof or at the cost thereof to the Railway Company, whichever is less. Such cost shall be exclusive of brokerage and accrued interest and shall be shown by a certificate signed by the President, the Assistant to the President or a Vice President and by the Treasurer or an Assistant Treasurer of the Railway Company, which certificate shall also state that such bonds are not bonds held in the treasury of the Railway Company or pledged by the Railway Company and which have never been otherwise issued. The Trustee shall be protected in relying on such certificate and shall be under no duty to make any verification of or investigation or inquiry as to any part thereof. Any such payment may be made partly in cash and partly in bonds as aforesaid. Any payment of cash into the sinking fund, and any such deposit of bonds thereinto in lieu of the payment of cash, may be made prior to the date upon which the Railway Company shall become obligated to make such payment, in which case such payment or deposit shall be credited against succeeding obligations of the Railway Company in respect of payments into the sinking fund.

SECTION 3. On each sinking fund payment date upon which the Railway Company is obligated hereunder to make a payment in respect of net income, the Railway Company shall deliver to the Trustee a statement in reasonable detail showing the net income as defined by