

ARTICLE THREE

SINKING FUND TO BE ESTABLISHED IN CONNECTION WITH

SERIES N AND O BONDS

SECTION 1. The Railway Company covenants and agrees with the Trustee that it will pay to the Trustee as a sinking fund annually on July 1 of each year, commencing with the year 1947, for so long as any of the Series N or O 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, either the sum of \$375,000 or an amount equal to the Railway Company's net income (as defined by the Accounting Classifications or other rules, orders and regulations of the Interstate Commerce Commission, or other Federal authority having similar jurisdiction in the premises, at the time in force) for the year ending on the preceding December 31, 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 N and O Bonds then outstanding, not including Bonds pledged by or held by the Railway Company. In the event there should be no such net income for any calendar year, the Railway Company shall be under no obligation on July 1 following such calendar year or at any later time to make any sinking fund payment in respect of such calendar year.

SECTION 2. Any payment required to be made by the Railway Company for purposes of the sinking fund for the Series N and Series O 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 acquired by the Railway Company after July 1, 1945 (other than bonds of Series E or Series I, and other than bonds held by the Railway Company or bonds pledged by the Railway Company and which in either case 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 shall be the lesser. 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 by the Railway Company or pledged by the Railway Company and which in either case 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 Railway Company's net income (as defined by the Accounting Classifications of the Interstate Commerce Commission, or other Federal authority having similar jurisdiction in the