

ARTICLE THREE

Sinking Fund to be Established in Connection with
Series P and Q 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, in addition to sinking fund payments provided for bonds of any other series:

(a) until all of the Series P Bonds (exclusive of any such Bonds held or pledged by the Railway Company) shall have been paid or retired in full, or adequate provision satisfactory to said Trustee made for their payment, a sum equal to either

(i) \$400,000, or

(ii) the amount, if any, by which net income of the Railway Company (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 shall exceed any amount required to be paid on such July 1st into the sinking fund established by Article Three of the Supplemental Indenture dated as of July 1, 1945,

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 pursuant to the provisions of this paragraph (a) exceed the principal amount of the Series P Bonds then outstanding, not including Series P Bonds pledged by or held by the Railway Company; and

(b) until all of the Series Q Bonds (exclusive of any such Bonds held or pledged by the Railway Company) shall have been paid or retired in full, or adequate provision satisfactory to said Trustee made for their payment, a sum equal to either

(i) \$350,000, or

(ii) the amount, if any, by which net income of the Railway Company (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 shall exceed the total of any amount required to be paid on such July 1st into the sinking fund established by Article Three of the Supplemental Indenture dated as of July 1, 1945 and any amount required to be paid on such July 1st into the sinking fund hereby established pursuant to the provisions of the foregoing paragraph (a) of this Section 1,

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 pursuant to the provisions of this paragraph (b) exceed the principal amount of the Series Q Bonds then outstanding, not including Series Q Bonds pledged by or held by the Railway Company.

Section 2. Any payment required to be made by the Railway Company for purposes of the sinking fund for the Series P and Series Q 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 January 1, 1946 (other than bonds of Series E, Series L, Series M, such of the bonds of Series K as may be called for redemption on July 1, 1946, 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.