

such excess, provided, however, that in case the Company shall request the use of any such excess at a time more than twelve months after the date of the appraiser's certificate filed pursuant to §5.09 in which such additional property was included, the Company shall deliver to the Trustee an additional certificate, signed by an appraiser selected and paid by the Company and approved by the Trustee (who may be an employee of the Company), stating the value, in his opinion, of such property at the date of such additional certificate; and provided, further, that in the event that the value of such property as so stated shall be less than the value thereof as stated in said certificate previously filed pursuant to §5.09 the amount of such excess shall be deemed to be reduced accordingly.

## ARTICLE 6.

## SINKING FUND.

The Company covenants that, so long as any of the bonds shall remain outstanding, it will provide a Sinking Fund payable (1) in cash to be used by the Trustee for the retirement by purchase or redemption of bonds outstanding hereunder, and/or the purchase and pledge of Underlying Bonds, and/or (2) by surrender of bonds to the Trustee and/or the delivery and pledge of Underlying Bonds to the Trustee as hereinafter provided in this Article 6, to an amount equal to the entire net earnings of the Company determined as hereinafter provided, for the calendar year 1940 and each calendar year thereafter up to and including the calendar year 1945, and thereafter net earnings up to but not exceeding \$25,000 in each calendar year until the maturity or earlier retirement of the bonds.

The term "net earnings" as used in this Indenture shall mean the net sales from operations and other income of the Company, less (1) the amounts required to make full provision for operating expenses, maintenance, insurance, taxes, interest (except interest payable on the Underlying Bonds pledged as collateral hereunder and interest payable on any outstanding Underlying Bonds in Scrip), depreciation in the amount of \$65,000 for each year, a reserve for bad debts not to exceed in any one year one-half of one per cent ( $\frac{1}{2}$  of 1%) of the gross sales of the Company for such year, and all other appropriate deductions from gross income properly deductible in accordance with standard accounting practice for a business of the character carried on by the Company, and less (2) an amount equal to the sinking fund requirements for the Underlying Bonds based on net earnings (calculated as provided in the Mortgage securing the Underlying Bonds) for the calendar years 1940 and 1941.

On or before March 1 in each year, beginning in 1941, the Company will (1) file with the Trustee a certificate of its Treasurer or one of its Assistant Treasurers disclosing in reasonable detail the net earnings, if any, of the Company during the preceding calendar year and the amount thereof applicable to the sinking fund, and (2) deliver to the Trustee cash, bonds and/or Underlying Bonds theretofore reacquired by it by purchase or otherwise, in an amount equivalent to the aforesaid Sinking Fund requirements. Bonds and Underlying Bonds so delivered shall be taken at actual cost to the Company, not exceeding the then existing redemption price thereof, as shown by the Treasurer's or an Assistant Treasurer's certificate filed with the Trustee, exclusive of accrued interest.

All cash received by the Trustee shall be applied by the Trustee (a) to the purchase of bonds and/or outstanding Underlying Bonds upon invitations for tenders for bonds or Underlying Bonds, as the case may be; (b) to the purchase of bonds and/or Underlying Bonds in the open market or at private sale; and/or (c) to the redemption of bonds as hereinafter provided; as shall be determined by resolution of the Board of Directors of the Company, as evidenced by a copy of such resolution duly certified by the Secretary or any Assistant Secretary of the Company to have been adopted by the Board of Directors at a meeting duly held, and filed with the Trustee on or before March 1 in each year, beginning with March 1, 1941.

In the event that any bonds or Underlying Bonds are to be purchased upon tenders from the holders thereof pursuant to (a) above notice of invitations for tenders to sell the same and the amount available for the purchase thereof at the lowest prices offered (not exceeding the then existing redemption price thereof and accrued interest) on or before a specified date shall be mailed by the Trustee to each registered owner of bonds or Underlying Bonds, as the case may be, at his address as registered with the Trustee or with the Underlying Trustee, respectively. In requesting tenders of bonds or Underlying Bonds for application of any such Sinking Fund cash, the Trustee may reserve the right as between it and any such bondholder making a tender, to reject any or all tenders if, in its opinion, such bonds or Underlying Bonds can be otherwise purchased at lower price or prices than those contained in the tenders.

In the event that purchases of any bonds or Underlying Bonds are to be made by the Trustee pursuant to (b), such purchases may be made in any market where such bonds are ordinarily traded in, or as the Trustee acting in its unrestricted discretion may determine, at the lowest price or prices which the Trustee shall determine to be readily obtainable.