

rates of interest to be designated by the Southern Company within the limits aforesaid, and to secure the same by a first mortgage to be dated, executed and delivered on or before July 1st, 1914, on all the railroad property of the Air Line Company, to which mortgage, and to the rights of the trustees and bondholders thereunder, all the estate, rights and interests of the Southern Railway Company in the mortgaged premises shall be subordinate and inferior. The proceeds of said bonds are to be used by the ~~Southern proceeds of said bonds are to be used by the~~ Southern Company solely for the purposes hereinafter stated, and said bonds are to have priority over the stock of the Air Line Company and the interest thereon is to be paid before any dividends shall be paid to the stockholders of the Air Line Company. Upon the maturity of said Twenty million dollars (\$20,000,000.00) par value of new bonds of the Air Line Company, the said company will from time to time, take all such corporate action as the Southern Company may reasonably request for the extension of said bonds, or, in the alternative, for the refunding thereof with new bonds of said Air Line Company in an amount not exceeding the aggregate of Twenty million dollars (\$20,000,000.00) par value."; and

(5) WHEREAS, the Air Line Company is desirous of refunding said \$20,000,000 principal amount of existing First Mortgage Bonds due July 1, 1944, with new First Mortgage and new Second Mortgage Bonds and of providing for additional Second Mortgage Bonds wherewith to repay to Southern the amounts to be advanced by it annually for the Sinking Fund requirements of the new First Mortgage, all on the terms and conditions hereinafter set forth; and

(6) WHEREAS, Southern is willing to meet the views of the Air Line Company in this respect, and consents to a refunding of said bonds on said terms and conditions hereinafter set forth, and agrees to extend its obligations under said Agreement and said Supplemental Agreement: (1) to the payment of the interest as it shall accrue upon certain new bonds as hereinafter described, as and when the same shall be issued and shall be outstanding; and (2) to the Sinking Fund requirements set forth in the proposed new First Mortgage as hereinafter referred to; and further agrees to continue all its obligations otherwise set forth in said Agreement and said Supplemental Agreement as hereinafter recited; and

(7) WHEREAS, Southern is willing to clarify and confirm its obligation to pay all income taxes of the Air Line Company as hereinafter stated;

NOW, THEREFORE, THIS AGREEMENT WITNESSETH:

FIRST. The Air Line Company hereby agrees to issue and sell, at such time and at such price as may be approved by Southern, its First Mortgage Bonds due November 1, 1963, in the principal amount of \$15,000,000, bearing interest at not more than 4% per annum, payable semi-annually on the first days of May and November of each year, said Bonds to be secured by a First Mortgage to be dated as of November 1, 1943, upon all the railroad property (except equipment) of the Air Line Company. Said First Mortgage shall require Annual Sinking Fund payments of \$150,000, on November 1, 1944, and on November 1 of each year thereafter to and including November 1, 1962.

SECOND. The Air Line Company hereby further agrees to create a Second Mortgage to be dated as of November 1, 1943, upon all the said railroad property (except equipment) of the Air Line Company, subordinate only to the lien of the First Mortgage referred to in Paragraph First of this Agreement. Said Second Mortgage shall secure Second Mortgage Bonds maturing November 1, 1963, to be issued thereunder (a) in the principal amount of \$5,000,000 in settlement of the advance of Southern to the Air Line Company as provided in Paragraph Fourth hereof, and (b) in principal amounts equal to the principal amounts of First Mortgage Bonds retired and cancelled from time to time through the Sinking Fund provisions of said First Mortgage as provided in Paragraph Fifth hereof; it being understood that the aggregate amount of First Mortgage Bonds outstanding at any time plus the amount of Second Mortgage Bonds outstanding at any time shall never exceed the principal amount of \$20,000,000. Said Second Mortgage Bonds shall bear interest at the same rate and such interest shall be payable semi-annually on the same dates as provided in said First Mortgage.

THIRD. It is agreed by the parties hereto (1) that all the estate, rights and interests of Southern in the mortgaged premises under said Agreement of March 26, 1881, said Supplemental Agreement of June 30, 1914, and this Second Supplemental Agreement shall be subordinate and inferior to said First Mortgage and said Second Mortgage, and to the rights of