

THIS AGREEMENT made this *23rd* day of *November*, A. D. 1932, by and between THE PENNSYLVANIA RAILROAD COMPANY for itself and as Lessee of West Jersey and Seashore Railroad, hereinafter called "Pennsylvania," WEST JERSEY AND SEASHORE RAILROAD COMPANY, hereinafter called "West Jersey," parties of the first part, and READING COMPANY, for itself and as the majority stock owner of the Atlantic City Railroad Company, hereinafter called "Reading," and the ATLANTIC CITY RAILROAD COMPANY, hereinafter called "Atlantic," parties of the second part:

WHEREAS, West Jersey and Atlantic are the owners of certain railroads, facilities and appurtenances in the State of New Jersey, as generally indicated upon the map hereto attached, marked "Exhibit A," and made a part hereof; and

WHEREAS, the separate operation and maintenance of such railroads, facilities and appurtenances result in duplicate and unnecessary service and expense, so that for convenience and economy in operation, as well as to further promote the public convenience and meet its necessity and to assure the continuance of adequate service, provide continued improvements and construct new terminals and facilities, and also to avoid the duplication of terminals, facilities and service and the consequent waste in capital expenditures, maintenance and operating expenses, it is essential that the railroads of the said two parties shall be operated as a unit for the benefit of the public and in the joint interest of all of the parties to this agreement, and that lines and facilities no longer required for public accommodation shall be abandoned; and

WHEREAS, the railroad lines of Pennsylvania and Reading interchange traffic and both parties are otherwise interested in making the foregoing program effective; and

WHEREAS, in order to carry into effect such unified maintenance and operation and improvements it has been mutually determined that the issued and outstanding capital stock of Atlantic shall be owned two-thirds by Pennsylvania and one-third by Reading, and that for this purpose Reading shall sell, assign and transfer to Pennsylvania two-thirds of the issued and outstanding capital stock of Atlantic now owned by Reading; that Atlantic shall become the lessee of West Jersey in lieu of Pennsylvania; and that Atlantic shall maintain and conduct the operations of the unified Atlantic and West Jersey properties.

Now, Therefore, This Agreement Witnesseth, That in consideration of the covenants of each of the parties hereto to be kept and performed, they do hereby agree as follows:

FIRST: In order to effectuate a two-thirds ownership of the capital stock of Atlantic by Pennsylvania, Reading hereby agrees to deliver to Pennsylvania, for a consideration of One Dollar (\$1.00) two-thirds of the preferred and two-thirds of the common stocks of Atlantic now owned by Reading, and also, when and as acquired by Reading, two-thirds of not exceeding fifty-one (51) shares of common stock of Atlantic which Reading does not now own. Pennsylvania agrees to pay Reading two-thirds of the cost to the latter of acquiring such stock not now owned by Reading. It is agreed and understood that the two-thirds ownership of the capital stock of Atlantic by Pennsylvania shall at all times be maintained.

SECOND: Pennsylvania agrees to take all necessary steps, in conjunction with the other parties hereto, to have assigned to Atlantic the lease of West Jersey to Pennsylvania, dated June 30, 1930, for the remainder of the term therein mentioned. West Jersey consents to the assignment of the said lease upon the covenant and agreement of Reading and Pennsylvania to guarantee, jointly and severally, the payment of the rental and all other amounts as they become due under said lease in accordance with the terms thereof;

and for this purpose Reading and Pennsylvania hereby guarantee, jointly and severally, the payment of the rental and all other amounts as they accrue and become due in accordance with the terms of the said lease from and after the assignment thereof. As between Reading and Pennsylvania, the liability of each by reason of said guaranty shall be in proportion to the stock ownership of each in Atlantic, so that if either of them should pay on account of said guaranty an amount that is in excess of its said proportion, it shall have a right of action against the other to recover the said excess.

THIRD: Upon the execution of this agreement, the parties of the second part hereby agree to immediately cancel all funded debt of Atlantic except \$4,500,000. par value as follows:

First Mortgage	5% due May 1, 1954	\$2,200,000.
Seacoast R. R. Co. Prior Lien...	5% due April 1, 1948	350,000.
Seacoast R. R. Co. General "A"	5% due April 1, 1948	22,800.
First Consolidated Mortgage ..	4% due July 1, 1951	1,926,000.
Miscellaneous		1,200.
Total		\$4,500,000.

Reading agrees to cancel all amounts due it by Atlantic for advances for various purposes, and Reading will retain all current, deferred and unadjusted assets and pay all current, deferred and unadjusted liabilities of Atlantic as of the effective date of this agreement, and Reading will also receive the assets collected and pay all liabilities relating to transactions covering the period prior to the date of this agreement.

Pennsylvania will cancel amount of \$267,995.24 and any other obligations which may be due from West Jersey for transactions dating prior to lease of West Jersey to Pennsylvania dated, June 30, 1930.

FOURTH: The Board of Directors of Atlantic shall consist of ten members, of whom six shall be nominated by Pennsylvania and four by Reading.

There shall be an Executive Committee of the Board of Directors of Atlantic, consisting of one representative of Reading and one representative of Pennsylvania, which Executive Committee shall be vested with all powers of the Board of Directors in the recess of the latter.

The President and Vice-President of Atlantic shall be nominated alternately each year by Pennsylvania and Reading from members of the Board of Directors of Atlantic, Reading to first have the Presidency and Pennsylvania the Vice-Presidency.

It is understood and agreed that Reading shall designate the officers of the Legal, Claims, Secretarial and Treasury Departments and Pennsylvania shall designate the officers of the Accounting, Purchasing, Car Record, Engineering, Real Estate and Insurance Departments of Atlantic. Traffic officers of owning lines are to handle traffic matters. The books and records of all such Departments shall be open to inspection at any time by the officers or other authorized representatives of Pennsylvania and Reading. No contracts or orders for large purchases of materials or supplies, such as rail, ties and fuel, shall be placed until the placing of the same has been approved by the Purchasing Departments of Pennsylvania and Reading.

It is understood and agreed that the pensions of the employes now carried on the pension rolls of Pennsylvania and Atlantic on the roads to be operated by Atlantic under this agreement shall be assumed by Atlantic. This provision is subject to such changes as may be agreed upon in the future.

Atlantic shall conduct its operations in the interest of the owning companies and without favoritism toward or discrimination against either Pennsylvania or Reading. No existing route and channel of trade and commerce shall be discontinued without approval of both Pennsylvania and Reading.

FIFTH: There is attached hereto map marked "Exhibit B" and map marked "Exhibit C" (Camden and vicinity)

showing the portions of the property of Atlantic and West Jersey which it is proposed to operate, or exclude and abandon, and certain proposed new connections to be constructed, in order to effect the economies and efficiency of operations beneficial to the general public. There are also attached hereto revised balance sheets of Atlantic and West Jersey, marked "Exhibit D" and "Exhibit E," respectively, reflecting, as of August 31, 1932, the various changes to be made in the accounts. Additional adjustments to be made covering the period between September 1, 1932, and the effective date of this agreement, in order to conform with the terms and intent of this agreement.

SIXTH: Reading and Pennsylvania agree that, in the event of the inability of Atlantic at any time to pay its operating expenses, taxes, fixed or other charges, they will, at such time or times as the Board of Directors of Atlantic may determine, advance such sums to Atlantic as may be necessary for such purpose, and such advances will bear interest at an agreed rate. Such advances will be made by Reading and Pennsylvania on the basis of ownership of stock of Atlantic, that is, Reading will advance one-third of the required sum, and Pennsylvania will advance two-thirds of the required sum. Atlantic shall give notice in advance of its financial requirements, and upon the failure of Reading or Pennsylvania, or both, to make such advance or advances when due, Atlantic shall have a right of action against the party or parties in default to recover the amount or amounts required.

SEVENTH: It is hereby agreed:—

(a) That Pennsylvania and Reading identity in Camden is to be preserved as at present, Reading to maintain its present Linden Street Float bridge and yard together with its Delaware Avenue freight station; Pennsylvania to retain its present terminal owned by The United New Jersey Railroad and Canal Company.

(b) That Atlantic will use jointly with Pennsylvania the Federal Street and Broadway passenger stations, Clinton Street freight station and team tracks, engine terminal and car yard between Federal Street station and Clinton Street, and Pavonia receiving and dispatching yard in Camden, including necessary tracks to reach these facilities, on a joint facility user basis. Rental payments by Atlantic to Pennsylvania shall be paid at 6% per annum on the valuation thereof proportioned on a user basis, with 25% minimum and 75% maximum. Maintenance, operating expenses and taxes, and charges for property retired and not replaced and property retired and replaced, shall be on a user basis. Interest rate to be the subject of review should conditions change. It being understood and agreed that Pennsylvania and West Jersey hereby agree to use their best endeavors to so effect such arrangement for such use by Atlantic.

(c) That Pennsylvania will, for the convenience of the public in the purchase of tickets and handling of baggage to the railroads of Atlantic and Pennsylvania via Camden, maintain a sufficient force of employes at Market Street Wharf, Philadelphia, and the expense thereof shall be included as part of the expenses of the Camden passenger station and shall be apportioned between Atlantic, Pennsylvania and the Philadelphia and Camden Ferry Company on the basis of service rendered.

(d) That Pennsylvania will interchange freight with Atlantic at Pavonia Yard, Camden, and Reading will interchange freight with Atlantic at Bulson Street Yard (floatbridge), Camden.

(e) That upon the consummation of the consolidation of operations as herein proposed, Atlantic will join Pennsylvania in the operation of joint through passenger and freight trains, as requested by Pennsylvania, divisions of earnings and expenses on inter-road service to be mutually agreed upon by Pennsylvania and Reading.

(f) That Atlantic shall maintain such service as it may consider reasonable, to and from all points served by it

and also to and from its connections. The existing arrangements for through connecting service with the Baltimore and Ohio Railroad to be continued, *i. e.*, passengers destined to points on Atlantic arriving in Philadelphia via the Baltimore and Ohio Railroad to be transferred by the latter to Camden at no expense to Atlantic, but it is understood and agreed that no extra service will be required of Atlantic unless the volume of business presented by the Baltimore and Ohio Railroad, in the judgment of Atlantic, warrants such service.

(g) That the present trackage rights of the Central Railroad Company of New Jersey on the railroad of Atlantic between Winslow Junction and Atlantic City are to be continued on the present basis, *i. e.*, Atlantic to receive one-half of the total gross earnings of Central Railroad Company of New Jersey passenger trains allocated to Atlantic line, allocation as between the two lines being on basis of mileage pro-rate. Central Railroad Company of New Jersey to assume its own train expenses on railroad of Atlantic. This arrangement to be subject to revision at any time.

(h) That Atlantic will join with Pennsylvania and Reading and their connections in establishing and maintaining reasonable joint through freight and passenger rates. Divisions of such passenger and freight rates to be mutually agreed upon by Pennsylvania and Reading.

It is understood and agreed that Reading and its connections shall have the right of through ticketing of passengers with Atlantic via the Philadelphia and Camden Ferry, a subsidiary of Pennsylvania, or its successors or assigns, and the revenue received by the Ferry Company for such service shall be the same as that received for similar service to Pennsylvania and Atlantic.

(i) That all truck, bus or other forms of transportation in the territory covered by this agreement, and in which the parties of this agreement are interested, shall be conducted by, for, or in the name of Atlantic, or with its consent, with-

out discrimination as to interchange with Pennsylvania and Reading or their subsidiaries.

(j) That Pennsylvania and Reading shall lease to Atlantic, such engines and passenger cars for its operation as may be necessary, in proportion to ownership of Atlantic. Engines and passenger cars in through train operation with Pennsylvania on Atlantic shall be considered as a part of Pennsylvania proportion. Charges are to be uniform as between Pennsylvania, Reading and Atlantic. Freight cars shall be paid for on a per diem basis, A. R. A. rules.

(k) That any extensions in the territory of Atlantic, or its leased lines, shall be made by Atlantic or West Jersey, and neither Pennsylvania nor Reading, or their successors or assigns, shall, unless mutually agreed upon, make any extensions in such territory, it being understood that all proposed capital expenditures for extensions of track facilities, or for other purposes, shall be first submitted to the Board of Directors of Atlantic for approval and authorization before any expense is incurred in connection therewith; and expenditures primarily on West Jersey must also be approved by the Board of Directors of that Company. If at any time Atlantic is without sufficient funds to finance any additions, betterments or improvements or other capital items, which may be deemed necessary to the property of Atlantic, or the property of West Jersey, such funds shall be advanced by Pennsylvania and Reading in the proportion of stock ownership, and for such expenditures on the property of Atlantic, Atlantic may, if it may lawfully do so, issue its bonds or capital stock and deliver same to Pennsylvania and Reading in payment of such advances. Such expenditures on the property of West Jersey shall be handled in accordance with the lease of West Jersey to Pennsylvania dated June 30, 1930. Advances so made shall bear interest at an agreed rate from date of advancement to date of repayment.

(l) That the Kaighn's Point passenger terminal of Atlantic in Camden, shown on map hereto attached marked

"Exhibit F," is to be transferred to and become the property of Reading, or its nominee, for a consideration of One Dollar (\$1.00), it being understood and agreed that Atlantic is to have the right to retain track connection with the present industries and to serve same over the existing track, or tracks, through this passenger terminal property without rental, Atlantic to maintain at its own expense the track so used.

(m) That Reading shall cause to be conveyed to Atlantic, for a consideration of One Dollar (\$1.00), free and clear of all encumbrances, such real estate heretofore acquired, and now owned, in the name of the Eastern Real Estate Company, shown on the map hereto attached and made a part hereof, marked "Exhibit G," as shall be required in the construction of the proposed new station in Atlantic City approximately in the location of the present station of Atlantic, on Arctic Avenue or Atlantic Avenue, between Arkansas and Missouri Avenues.

(n) That Pennsylvania agrees to secure conveyance to West Jersey, for a consideration of One Dollar (\$1.00), of such property, if any, as may be held by its subsidiary companies, free of any encumbrances, controlled by Pennsylvania or its subsidiaries, which shall be required for the proposed new station in Atlantic City.

(o) That all material and supplies on property of West Jersey shall remain as property of Pennsylvania, its present Lessee, and all material and supplies on property of Atlantic shall remain as property of Reading, the present owner of Atlantic, it being understood and agreed that there shall be a joint inventory taken of such material and supplies at the effective date of this agreement, and Atlantic shall then purchase the same from Pennsylvania and Reading at the current market price at such time or times as such material and supplies may be needed by Atlantic.

(p) The present stock and/or bond ownership of Atlantic in the Stone Harbor Railroad and the Wildwood and Delaware Bay Short Line Railroad Companies is to remain

with Atlantic and the operations of these two lines are to be a part of Atlantic.

(q) That Reading and Pennsylvania shall not maintain individual ticket offices in the territory covered by this agreement unless competing lines should establish city offices, in which latter case Reading and Pennsylvania reserve the right to do likewise. This provision, it is agreed, does not apply to the City of Camden, in which Pennsylvania has lines other than those included in this agreement.

EIGHTH: Upon the execution of this agreement by the parties hereto, it is understood and agreed that the matters herein dealt with shall be actively worked out to a conclusion by the full co-operative efforts of the Companies parties hereto in order that the beneficial results herein contemplated to accrue as a result thereof shall materialize at the earliest possible date, it being agreed and understood that this agreement is executed by the parties hereto upon the full understanding that the obligations and undertakings of each of them are contingent upon any necessary approval thereof by any public body having jurisdiction thereover, and that in the event any such approval is withheld by any such public body, then, and in that event, if in the judgment of the Board of Directors of the Companies parties hereto such failure to secure such consent would substantially abrogate the benefits expected to accrue from the purposes contemplated by this agreement, either the parties of the first part or the parties of the second part may, by written notice to the other, abrogate and cancel this agreement and it shall thenceforth be null and void. It is fully understood and agreed, however, that after operation under this agreement has been initiated, as contemplated hereby, this agreement shall not be abrogated or cancelled, and nothing shall be done to disrupt the unified ownership and operations herein provided for and the guaranties assumed hereunder, except by the unanimous

consent and action of all of the parties hereto, in which event due provision shall be made to protect all financial payments and obligations under its provisions.

NINTH: The name of Atlantic shall be changed to "Pennsylvania-Reading Seashore Lines" at some expedient time after the arrangement herein contemplated is perfected.

TENTH: If the provisions of this agreement in any way conflict with the Charter or By-Laws of Atlantic, such Charter or By-Laws shall be modified to conform hereto.

ELEVENTH: In case of any difference of opinion between the parties hereto in relation to any of the provisions of this agreement or any matter arising thereunder, the matter in dispute shall be submitted to two arbitrators, one of whom shall be appointed by each of the parties so differing, and if the two arbitrators so appointed cannot agree, then the two so selected shall select a third disinterested and competent person, and the decision of the said three arbitrators, or a majority of them, shall be final and conclusive between the parties hereto; but if either of the parties hereto shall fail or refuse, after twenty days' written notice from the other, to select an arbitrator as aforesaid, then the parties not in default shall select an arbitrator as aforesaid for the parties so failing or refusing to select, and the said two arbitrators so selected, if unable to agree, shall select a third arbitrator, and the three so chosen, or a majority of them, shall proceed as hereinbefore mentioned, and the award of the said three arbitrators, or a majority of them, shall be final and conclusive between the parties hereto.

TWELFTH: It is hereby understood and agreed by and between the parties hereto that all of the terms and conditions of this agreement shall be binding upon, and enure to the benefit of, the parties hereto, respectively, and their respective successors and/or assigns.

In Witness Whereof, the parties hereto have hereunto attached their corporate seals, duly attested, the day and year aforesaid.

THE PENNSYLVANIA RAILROAD COMPANY (for itself and as Lessee of West Jersey and Seashore Railroad Company),

By

W. A. Atkinson
President.

Attest:

J. May Keller
Secretary.

WEST JERSEY AND SEASHORE RAILROAD COMPANY.

By

W. L. Loh
Vice President.

Attest:

J. P. Hulsen
Asst. Secretary.

READING COMPANY (for itself and as owner of majority of the capital stock of Atlantic City Railroad Company),

By

Charles L. Loring
President.

Attest:

J. J. Ware
Secretary.

ATLANTIC CITY RAILROAD COMPANY,

By

E. H. Heer
Vice President.

Attest:

H. Fisher
Asst. Secretary.