

MATT PARROTT & SONS CO., WATERLOO, IOWA D31724

FIRST MORTGAGE

CHICAGO GREAT WESTERN RAILWAY COMPANY
To
GUARANTY TRUST COMPANY OF NEW YORK, Trustee

Dated as of January 1, 1938

Filed for Record the 25 day of February
A. D. 1941, at 2:23 o'clock A. M.
Pearl E. Shetterly, Recorder
#1319 By, Deputy
Recording Fee, \$ 60.10

3

This Indenture of Mortgage and Deed of Trust dated as of the first day of January, 1938 (but actually executed and delivered on the 20th day of February, 1941), between CHICAGO GREAT WESTERN RAILWAY COMPANY, a corporation organized and existing under the laws of the State of Illinois, hereinafter called the "Railway Company," party of the first part, and GUARANTY TRUST COMPANY of NEW YORK, a corporation organized and existing under the laws of the State of New York, hereinafter called the "Trustee," party of the second part;

WHEREAS, the Railway Company is a corporation duly organized and existing under the laws of the State of Illinois and is authorized by its Articles of Incorporation and pursuant to law to acquire, own, lease, construct, extend, maintain and operate a line or lines of railroad in the states of Illinois, Iowa, Kansas, Minnesota, Missouri and Nebraska; and

WHEREAS, the Railway Company was organized in accordance with and in order to carry out that certain plan of reorganization for Chicago Great Western Railroad Company, Debtor, approved by the Interstate Commerce Commission by order entered April 17, 1939 in the matter of "Chicago Great Western Railroad Company Reorganization," Finance Docket No. 10772, and confirmed by the United States District Court for the Northern District of Illinois, Eastern Division, on March 26, 1940 in a proceeding for the reorganization of a railroad under Section 77 of Chapter VIII of the Bankruptcy Act, entitled "In the Matter of Chicago Great Western Railroad Company, Debtor," No. 58970; and

WHEREAS, the Railway Company, pursuant to said plan of reorganization as confirmed and pursuant to the order

ness of Chicago Great Western Railroad Company to Reconstruction Finance Corporation, (b) pay in full the indebtedness of Chicago Great Western Railroad Company to The Railroad Credit Corporation, (c) provide the Railway Company with funds for working capital in the amount of \$2,050,000 and (d) pay the purchase price of all the property of the St. Paul Bridge & Terminal Railway Company heretofore leased to Chicago Great Western Railroad Company under lease dated June 28, 1935 but now owned by the Railway Company, in the amount of \$1,500,000; and

WHEREAS, by virtue of the provisions of said plan of reorganization as confirmed, Bonds in the principal amount of \$500,000 are to be reserved to be issued at one time or from time to time for the purpose of exchanging, retiring, refunding or paying at or after their maturity or reimbursing the Railway Company for the purchase or payment of, at or after such maturity, Wisconsin Central Minneapolis Terminal Purchase Money Fifty Year 3 1/2% Gold Bonds, due January 1, 1950, or any Bonds hereafter issued by the Railway Company to refund said Wisconsin Central Bonds, all as hereinafter more particularly provided; and

WHEREAS, the Railway Company desires from time to time to issue additional Bonds as hereinafter provided for future financing or funding of capital expenditures of the Railway Company; and

WHEREAS, the Railway Company is duly authorized under the laws of the State of Illinois to issue its Bonds for said purposes and is duly authorized under the laws of all of the States in which its property lies to mortgage its property, real and personal, and its franchises to secure the payment of such Bonds; and

WHEREAS, at a meeting of the Board of Directors of the Railway Company duly held, pursuant to waivers of notice

4

of said United States District Court entered in said proceedings on February 15, 1941, and by virtue of appropriate conveyances from said Chicago Great Western Railroad Company, Debtor, and Patrick H. Joyce and Luther M. Walter as trustees of its property, and from St. Paul Bridge & Terminal Railway Company has acquired and is the owner of all of the lines of railroad and other properties and franchises heretofore owned by said Chicago Great Western Railroad Company, said trustees, and Mason City and Fort Dodge Railroad Company, Independent Elevator Company and The Leavenworth Terminal Railway & Bridge Company, and the properties of St. Paul Bridge & Terminal Railway Company heretofore leased to Chicago Great Western Railroad Company, all of which property and franchises are hereinafter in this Mortgage described; and

WHEREAS, the Railway Company, by virtue of the provisions of said order and said plan of reorganization, and in order to comply with the conditions of said conveyances, desires, and is obligated, upon the execution of this Mortgage, to issue its bonds (hereinafter sometimes called "Bonds of Series A") in the principal amount of Nineteen Million One Hundred Thirty Thousand One Hundred Dollars (\$19,130,100) of which \$10,130,100 principal amount is to be issued, upon the order of the Railway Company, and delivered in exchange for twenty-five per cent (25%) of the aggregate principal amount of the Chicago Great Western Railroad Company First Mortgage Four Per Cent Gold Bonds due September 1, 1959, plus accrued and unpaid interest thereon to January 1, 1938, and \$9,000,000 principal amount is to be issued to the Railway Company and pledged by it to secure a loan from Reconstruction Finance Corporation in the principal amount of Six Million Three Hundred Ninety-Six Thousand Eight Hundred Seventy Dollars (\$6,396,870) for the purpose of providing funds to (a) pay in full the indebted-

of said meeting signed by all the directors of the Railway Company, on the 3rd day of February, 1941, a quorum being present and acting throughout, resolutions were duly adopted authorizing the creation of a bonded indebtedness of Nineteen Million One Hundred Thirty Thousand One Hundred Dollars (\$19,130,100) to be evidenced by Bonds of Series A to be issued under this Mortgage and the execution and delivery by the Railroad Company of a mortgage or deed of trust substantially in the form of this Mortgage to the Trustee, and its successors, to secure said Bonds of Series A and such other Bonds as are issuable from time to time for the purposes and upon the conditions set forth in this Mortgage; and

WHEREAS, at a meeting of the stockholders of the Railway Company duly called by the Board of Directors for such purpose and held, pursuant to waivers of notice of said meeting signed by all the stockholders of the Railway Company, on the 3rd day of February, 1941, the creation of a bonded indebtedness not to exceed Twenty Million Dollars (\$20,000,000) in principal amount and the execution and delivery of said mortgage or deed of trust, as aforesaid, and the issuance of bonds thereunder were duly authorized and approved by the holders of more than two-thirds of the capital stock of the Railway Company, and the resolutions adopted at said meeting have been duly recorded as required by law; and

WHEREAS, the Bonds are to be issuable in series and in the case of each particular series, other than Bonds of Series A, the designation of the series, the date of the Bonds thereof, the date of maturity, the rate of interest, the interest payment dates, the denominations of such Bonds, redemption provisions, if any, sinking fund provisions, if any, and any limitation upon the aggregate principal amount of the Bonds of such series, as well as such additional provisions as are required or permitted by this Mortgage, are to be determined by the Board of

FOR RELEASE OF MORTGAGE RECORD
144 775
144 775

1 Partial
130 153

MATT PARROTT & SONS CO., WATERLOO, IOWA 501724

5

Directors of the Railway Company at the time of the authorization of such series; and

WHEREAS, the texts of the coupon Bonds of Series A and of the coupons to be attached thereto and of the registered Bonds without coupons of Series A and of the Trustee's certificate of authentication to be endorsed on all said Bonds of Series A are to be, severally, substantially as follows:

[FORM OF COUPON BOND OF SERIES A]

No. _____ \$ _____

CHICAGO GREAT WESTERN RAILWAY COMPANY
FIRST MORTGAGE 4% BOND
SERIES A, DUE JANUARY 1, 1988

Chicago Great Western Railway Company, a corporation organized and existing under the laws of the State of Illinois (hereinafter called the "Railway Company"), for value received, hereby promises to pay to the bearer, or, if this Bond be registered as to principal, then to the registered holder hereof, on the first day of January, 1988 (unless this Bond shall be called for previous redemption and payment duly provided for) the principal sum of _____ Dollars (\$ _____) and to pay interest on said principal sum at the rate of four per cent (4%) per annum from the date hereof, semi-annually on the first day of January and the first day of July in each year until the payment of said principal sum, but until the maturity of this Bond only upon presentation and surrender of the coupons for such interest installments, hereto attached, as they severally mature. Both the principal of and interest on this Bond are payable at the office or agency of the Railway Company in the Borough of Manhattan, in the City and State of New York, in such coin or currency of

6

the United States of America as at the time of payment shall be legal tender for the payment of public and private debts.

This Bond is one of an issue of First Mortgage Bonds of the Railway Company limited in aggregate principal amount to Twenty Million Dollars (\$20,000,000), issued and to be issued under and pursuant to, and all equally and ratably secured by, a mortgage or deed of trust (hereinafter called the "Mortgage"), dated as of January 1, 1938, executed by the Railway Company to Guaranty Trust Company of New York, a corporation organized and existing under the laws of the State of New York, as Trustee, to which Mortgage and any and all supplements thereto reference is hereby made for a description of the property mortgaged, the nature and extent of the security, and the rights of the holders of said Bonds and coupons and of the Trustee in respect of such security, and also for a statement of the terms and conditions upon which the Bonds are issued, received and held.

No reference herein to the Mortgage and no provision of this Bond or of the Mortgage shall alter or impair the obligation of the Railway Company, which is absolute and unconditional, to pay the principal of and interest on this Bond at the time and place and in the amount or at the rate and in the currency herein prescribed.

The Mortgage contains provisions giving to the holders of seventy-five per cent (75%) in aggregate principal amount of Bonds then outstanding affected by the particular modification, repeal or addition acted upon, the power by resolution at a bondholders' meeting or by an instrument or instruments in writing delivered to the Trustee to take the various actions therein specified, including the power to make any modification or repeal of or addition to the provisions of the Mortgage or any supplement thereto, or to make any modification of or addition to the rights and obligations of the Railway Company or the rights of the

7

holders of the Bonds, of all or any series, and appurtenant coupons, if any, under the Mortgage or any supplement thereto, provided that no such modification, repeal or addition shall be effective until approved by the Board of Directors of the Railway Company and provided further that no such modification, repeal or addition which in the opinion of the Trustee shall affect the rights, duties, or immunities of the Trustee under the Mortgage or any supplement thereto, may be made without its written consent; but, as provided in the Mortgage, the bondholders have no power to reduce the principal amount of any Bonds or the rate of interest thereon or otherwise modify the terms of payment of the principal of or interest on any such Bonds or to reduce the amount of the sinking fund for Bonds of Series A without the consent of the holder of each Bond so affected, or to effect a reduction of the percentage required for any action authorized to be taken by the bondholders, without the consent of the holders of all the outstanding Bonds.

The Bonds are issuable in series and the Bonds of any series may be for varying aggregate principal amounts and in the form of coupon Bonds and of registered Bonds without coupons, and the Bonds of any one series may differ from the Bonds of any other series as to date, maturity, interest rate, redemption and sinking fund provisions, if any, and otherwise, all as in the Mortgage provided and set forth. The Bonds of the series in which this Bond is included are designated First Mortgage 4% Bonds, Series A, due January 1, 1988 and the aggregate principal amount thereof is \$19,130,100.

If an event of default, as defined in the Mortgage, shall occur, the principal sum of the Bonds may be declared or may become due and payable, in the manner and with the effect in the Mortgage provided.

The Bonds of this Series are redeemable before maturity, for the purposes of the sinking fund or at the option of

8

the Railway Company, on any interest payment date, as a whole or in part by lot, after publication of notice of such redemption once each week for four successive weeks (the first publication to be not less than thirty days nor more than forty-five days prior to the date designated for such redemption) in one daily newspaper printed in the English language and published and of general circulation in the Borough of Manhattan, in the City and State of New York, and in one such newspaper published and of general circulation in the City of Chicago, State of Illinois, and upon payment of the principal amount thereof, plus accrued and unpaid interest thereon to the date designated for redemption.

The Bonds of this series shall be entitled to the benefits of an annual sinking fund payable on April 1 of each year commencing with April 1, 1941 in respect of the preceding calendar year, (a payment of \$95,650.50 having been made in respect of the years 1938 and 1939 at the time of the execution of the Mortgage) equal to (a) one-half of one per cent ($\frac{1}{2}\%$) of the maximum principal amount of Bonds of Series A at any time outstanding (as defined in the Mortgage) or (b) the available net income (as defined in the Mortgage) of the Railway Company for the calendar year next preceding such sinking fund payment date, whichever is less.

This Bond is transferable by delivery unless registered as herein provided. This Bond may be registered as to the principal sum in the name of the holder at the office or agency to be maintained by the Railway Company in the Borough of Manhattan, in the City and State of New York, such registration being noted hereon, after which no transfer shall be valid unless made at said office or agency by the registered holder, in person or by attorney, and similarly noted hereon, but this Bond may be discharged from registration by like transfer to bearer similarly noted hereon, whereupon transferability by de-

MATT. PARROTT & SONS CO., WATERLOO, IOWA. D51724

9

livery shall be restored. This Bond shall continue to be subject to successive registrations and transfers to bearer. No such registration, however, shall affect the negotiability of the coupons for interest hereto attached which shall always continue to be payable to bearer and to be transferable by delivery merely, and payment to the bearer of any such coupon shall fully discharge the Railway Company in respect of the interest installment represented thereby, whether or not this Bond be registered.

The coupon Bonds of this series are issuable in the denominations of \$100, \$500 and \$1000. The registered Bonds without coupons of this series are issuable in the denominations of \$1000, and any multiple of \$1,000. The coupon Bonds of this series and the registered Bonds without coupons of this series and the several denominations of either form are interchangeable (provided, however, that Bonds of this series of either form may not be exchanged for Bonds of this series of lesser denominations when such lesser denomination is less than \$1000) upon presentation thereof for that purpose at the office or agency of the Railway Company in the Borough of Manhattan, in the City and State of New York, and upon payment of charges, all as provided in the Mortgage.

No recourse shall be had for the payment of the principal of or interest on this Bond, or any part thereof, or for any claim based hereon or otherwise in respect hereof, or because of the creation of the indebtedness represented hereby, or based on or in respect of the Mortgage or any indenture supplemental thereto, against any incorporator, stockholder, officer or director, past, present or future, of the Railway Company, or of any successor corporation, either directly or through the Railway Company or any successor corporation or any other person, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, all such liability, whether presently existing

10

or hereafter arising, being, by the acceptance hereof, and as part of the consideration of the issue hereof, expressly waived and released.

Neither this Bond nor any of the coupons hereto attached shall be valid or obligatory for any purpose unless and until the certificate of authentication endorsed hereon shall have been executed by the Trustee under the Mortgage.

IN WITNESS WHEREOF, Chicago Great Western Railway Company has caused this Bond to be signed by its President or a Vice-President and its corporate seal to be hereunto affixed and to be attested by its Secretary or an Assistant Secretary, and coupons for interest, bearing the engraved facsimile of the signature of its Treasurer, to be attached hereto, and this Bond to be dated as of the first day of January, 1938.

CHICAGO GREAT WESTERN RAILWAY COMPANY

By _____
President

ATTEST:

Secretary

[FORM OF INTEREST COUPON FOR BONDS OF SERIES A]

No. _____ \$ _____

On the first day of _____, _____, unless the Bond hereinafter mentioned shall have been called for previous redemption and payment thereof duly provided for, Chicago Great Western Railway Company will pay to bearer at the office or agency of the Railway Company in the Borough of Manhattan, in the City and

11

State of New York, on surrender of this coupon, _____ Dollars in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts, being six months' interest then due on its First Mortgage 4% Bond, Series A, due January 1, 1988, No. _____.

Treasurer

[FORM OF REGISTERED BOND WITHOUT COUPONS
OF SERIES A]

No. _____ \$ _____

CHICAGO GREAT WESTERN RAILWAY COMPANY
FIRST MORTGAGE 4% BOND,
SERIES A, DUE JANUARY 1, 1988

Chicago Great Western Railway Company, a corporation organized and existing under the laws of the State of Illinois (hereinafter called the "Railway Company"), for value received, hereby promises to pay to _____, or registered assigns, on the first day of January, 1988 (unless this Bond shall be called for previous redemption and payment duly provided for) the principal sum of _____ Dollars (\$ _____) and to pay interest on said principal sum to the registered holder hereof at the rate of four per cent (4%) per annum from the date of this Bond, semi-annually on the first day of January and the first day of July in each year until the payment of said principal sum. Both the principal of and interest on this Bond are payable at the office or agency of the Railway Company in the Borough of Manhattan, in the City and State of New York, in such coin

12

or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts.

This Bond is one of an issue of First Mortgage Bonds of the Railway Company limited in aggregate principal amount to Twenty Million Dollars (\$20,000,000), issued and to be issued under and pursuant to, and all equally and ratably secured by, a mortgage or deed of trust (hereinafter called the "Mortgage"), dated as of January 1, 1938, executed by the Railway Company to Guaranty Trust Company of New York, a corporation organized and existing under the laws of the State of New York, as Trustee, to which Mortgage and any and all supplements thereto reference is hereby made for a description of the property mortgaged, the nature and extent of the security, and the rights of the holders of said Bonds and coupons and of the Trustee in respect of such security, and also for a statement of the terms and conditions upon which the Bonds are issued, received and held.

No reference herein to the Mortgage and no provision of this Bond or of the Mortgage shall alter or impair the obligation of the Railway Company, which is absolute and unconditional, to pay the principal of and interest on this Bond at the time and place and in the amount or at the rate and in the currency herein prescribed.

The Mortgage contains provisions giving to the holders of seventy-five per cent (75%) in aggregate principal amount of Bonds then outstanding affected by the particular modification, repeal or addition acted upon, the power by resolution at a bondholders' meeting or by an instrument or instruments in writing delivered to the Trustee to take the various actions therein specified, including the power to make any modification or repeal of or addition to the provisions of the Mortgage or any supplement thereto, or to make any modification of or addition to the rights and

MATT PARROTT & SONS CO., WATERLOO, IOWA DS1724

13

obligations of the Railway Company or the rights of the holders of the Bonds, of all or any series, and appurtenant coupons, if any, under the Mortgage or any supplement thereto, provided that no such modification, repeal or addition shall be effective until approved by the Board of Directors of the Railway Company and provided further that no such modification, repeal or addition which in the opinion of the Trustee shall affect the rights, duties, or immunities of the Trustee under the Mortgage or any supplement thereto may be made without its written consent; but, as provided in the Mortgage, the bondholders have no power to reduce the principal amount of any Bonds or the rate of interest thereon or otherwise modify the terms of payment of the principal of or interest on any such Bonds or to reduce the amount of the sinking fund for Bonds of Series A without the consent of the holder of each Bond so affected, or to effect a reduction of the percentage required for any action authorized to be taken by the bondholders, without the consent of the holders of all the outstanding Bonds.

The Bonds are issuable in series and the Bonds of any series may be for varying aggregate principal amounts and in the form of coupon Bonds and of registered Bonds without coupons, and the Bonds of any one series may differ from the Bonds of any other series as to date, maturity, interest rate, redemption and sinking fund provisions, if any, and otherwise, all as in the Mortgage provided and set forth. The Bonds of the series in which this Bond is included are designated First Mortgage 4% Bonds, Series A, due January 1, 1988 and the aggregate principal amount thereof is \$19,130,100.

If an event of default, as defined in the Mortgage, shall occur, the principal sum of the Bonds may be declared or may become due and payable, in the manner and with the effect in the Mortgage provided.

14

The Bonds of this series are redeemable before maturity, for the purposes of the sinking fund or at the option of the Railway Company, on any interest payment date, as a whole or in part by lot, after publication of notice of such redemption once each week for four successive weeks (the first publication to be not less than thirty days nor more than forty-five days prior to the date designated for such redemption) in one daily newspaper printed in the English language and published and of general circulation in the Borough of Manhattan, in the City and State of New York, and in one such newspaper published and of general circulation in the City of Chicago, State of Illinois, and upon payment of the principal amount thereof plus accrued and unpaid interest thereon to the date designated for redemption.

The Bonds of this series shall be entitled to the benefits of an annual sinking fund payable on April 1 of each year commencing with April 1, 1941, in respect of the preceding calendar year, (a payment of \$95,650.50 having been made in respect of the years 1938 and 1939 at the time of the execution of the Mortgage) equal to (a) one-half of one per cent (1/2%) of the maximum principal amount of Bonds of Series A at any time outstanding (as defined in the Mortgage) or (b) the available net income (as defined in the Mortgage) of the Railway Company for the calendar year next preceding such sinking fund payment date, whichever is less.

This Bond is transferable by the registered holder in person or by duly authorized attorney at the office or agency to be maintained by the Railway Company in the Borough of Manhattan, in the City and State of New York, upon surrender and cancellation of this Bond as provided in the Mortgage and upon payment of the charges therein specified; and upon any such transfer a new registered Bond or Bonds without coupons of the same series, for

15

a like aggregate principal amount, will be issued to the transferee.

The coupon Bonds of this series are issuable in the denominations of \$100, \$500 and \$1000. The registered Bonds without coupons of this series are issuable in the denominations of \$1,000, and any multiple of \$1,000. The coupon Bonds of this series and the registered Bonds without coupons of this series and the several denominations of either form are interchangeable (provided, however, that Bonds of this series of either form may not be exchanged for bonds of this series of lesser denominations when such lesser denomination is less than \$1,000) upon presentation thereof for that purpose at the office or agency of the Railway Company in the Borough of Manhattan, in the City and State of New York, and upon payment of charges, all as provided in the Mortgage.

No recourse shall be had for the payment of the principal of or interest on this Bond, or any part thereof, or for any claim based hereon or otherwise in respect hereof, or because of the creation of the indebtedness represented hereby, or based on or in respect of the Mortgage or any indenture supplemental thereto, against any incorporator, stockholder, officer or director, past, present or future, of the Railway Company, or of any successor corporation, either directly or through the Railway Company or any successor corporation or any other person, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise, all such liability, whether presently existing or hereafter arising, being, by the acceptance hereof, and as part of the consideration of the issue hereof, expressly waived and released.

This Bond shall not be valid or obligatory for any purpose unless and until the certificate of authentication endorsed hereon shall have been executed by the Trustee under the Mortgage.

16

IN WITNESS WHEREOF, Chicago Great Western Railway Company has caused this Bond to be signed by its President or a Vice-President and its corporate seal to be hereunto affixed and to be attested by its Secretary or an Assistant Secretary, and this Bond to be dated as of the _____ day of _____.

CHICAGO GREAT WESTERN RAILWAY COMPANY
By _____
President

ATTEST:

Secretary

[FORM OF TRUSTEE'S CERTIFICATE FOR BONDS OF SERIES A]

This Bond is one of the Bonds of Series A described in the within mentioned Mortgage.

GUARANTY TRUST COMPANY OF NEW YORK,
as Trustee
By _____
Authorized Officer

WHEREAS, the Interstate Commerce Commission by its order entered December 30, 1940 in Finance Docket No. 10772 has authorized the issue of the Bonds of Series A hereunder in the principal amount of \$19,130,100 to be issued for the purposes hereinabove described; and

WHEREAS, the form of this Mortgage and of the Bonds and coupons, and the execution and delivery hereof and thereof, have been approved and found to be in conformity with said plan of reorganization by said District Court of the United States by an order entered in said reorganization proceedings on February 15, 1941; and

HATT PARROTT & SONS CO., WATERLOO, IOWA D31724

17

WHEREAS, for the purpose of complying with the laws of the State of Missouri requiring the appointment of a Missouri corporation or a resident of the State of Missouri as co-trustee, the Railway Company and the Trustee have simultaneously with the execution and delivery of this Mortgage, executed and delivered an indenture supplemental hereto dated as of January 1, 1938 providing for the appointment of Commerce Trust Company as co-trustee of the property described in the granting clauses hereof which is located in the State of Missouri;

WHEREAS, all acts and things prescribed by law and by the Articles of Incorporation and by-laws of the Railway Company have been duly performed and complied with and the Railway Company has executed this Mortgage in the exercise of legal right, power and authority in it vested and all things necessary to make the Bonds and coupons, when executed by the Railway Company and authenticated by the Trustee, the valid and binding obligations of the Railway Company, and to make this Mortgage a valid and binding mortgage, deed of trust, and agreement for the security of the Bonds and coupons, have been done and performed:

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

That for and in consideration of the premises, and pursuant and subject to the order of said District Court of the United States entered in said reorganization proceedings on February 15, 1941, and in consideration of the acceptance and purchase of the Bonds by the holders thereof, and of the sum of Ten Dollars (\$10.00) lawful money of the United States of America to the Railway Company duly paid by the Trustee at the time of delivery of this Mortgage, the receipt whereof is hereby acknowledged, and in order to secure the payment of the principal of, premium if any, and interest on all of the Bonds at any time issued and outstanding under this Mortgage, accord-

18

ing to their tenor, purport and effect, as well the interest on the Bonds as the principal thereof, and to secure the performance and observance of all the covenants and conditions therein and herein contained, and to declare the terms and conditions upon which the Bonds and the coupons are issued, received and held, and in order to charge with such payment and with such performance and observance, the premises, railroads, railroad property and appurtenances, rights, privileges, franchises, estates, leaseholds, securities, and other property, real and personal, hereinafter described, the Railway Company has executed and delivered this Mortgage and has mortgaged, pledged, granted, bargained, sold, aliened, remised, released, conveyed, confirmed, assigned, transferred and set over and by these presents does mortgage, pledge, grant, bargain, sell, alien, remise, release, convey, confirm, assign, transfer and set over unto the Trustee, and to its successor or successors in the trust, and its and their assigns:

FIRST. All the right, title and interest of the Railway Company in and to all and singular the main lines of railroad constituting the railroad and trackage rights owned by the Railway Company, including the following:

(1) A main line extending from Chicago, Illinois, by way of Dubuque, Iowa, to Oelwein, Iowa, which said line is located in or passes into or through the counties of Cook, DuPage, Kane, DeKalb, Ogle, Stephenson and Jo Davies in the State of Illinois and the counties of Dubuque, Delaware, Buchanan and Fayette in the State of Iowa, and is approximately 245.78 miles in length of which 221.13 miles are owned main tracks, and of which 24.65 miles are trackage rights from Chicago, Illinois, to Forest Park, Illinois, and from Galena Junction, Illinois, to Dubuque, Iowa.

(2) A main line extending from Oelwein, Iowa, to the Cities of St. Paul and Minneapolis, Minnesota, which said line is located in or passes into or through the counties of Fayette, Bremer, Chickasaw, Howard and Mitchell in the State of Iowa and the counties of Mower, Dodge, Goodhue, Rice, Dakota, Ramsey and

19

Hennepin in the State of Minnesota, and is approximately 189.62 miles in length of which 179.01 miles are owned main tracks, and of which 10.61 miles are trackage rights from St. Paul, Minnesota, to Minneapolis, Minnesota.

(3) A main line extending from Oelwein, Iowa, southwestwardly through the Cities of Waterloo, Marshalltown and Des Moines, Iowa, St. Joseph, Missouri, and Leavenworth, Kansas, to Kansas City, Missouri, which said line is located in or passes into or through the counties of Fayette, Buchanan, Blackhawk, Grundy, Tama, Marshall, Jasper, Polk, Warren, Madison, Union, Ringgold and Taylor in the State of Iowa, the counties of Worth, Nodaway, Andrew, Buchanan, Platte and Jackson in the State of Missouri and the counties of Leavenworth and Wyandotte in the State of Kansas, and is approximately 356.54 miles in length of which 318.58 miles are owned main tracks, and of which 37.96 miles are trackage rights from St. Joseph, Missouri, to Bee Creek, Missouri, from Leavenworth, Kansas, to Kansas City, Missouri, and in Des Moines, Iowa.

(4) A main line extending from Mankato, Minnesota, by way of Faribault, Randolph, Red Wing and Rochester, Minnesota, to McIntire, Iowa, and thence to Osage, Iowa, which said line is located in or passes into or through the counties of Blue Earth, Le Sueur, Rice, Dakota, Goodhue, Olmstead, Mower and Fillmore in the State of Minnesota and the counties of Howard and Mitchell in the State of Iowa, and is approximately 213.9 in length of which 21.60 miles between Cannon Falls, Minnesota, and Red Wing, Minnesota, are owned jointly with Chicago, Milwaukee, St. Paul and Pacific Railroad Company.

(5) A main line extending from Hayfield, Minnesota, by way of Mason City and Fort Dodge, Iowa, to Omaha, Nebraska, which said line is located in or passes into or through the counties of Dodge and Mower in the State of Minnesota, the counties of Mitchell, Worth, Cerro Gordo, Franklin, Wright, Webster, Calhoun, Carroll, Crawford, Shelby, Harrison

20

and Pottawattamie in the State of Iowa, and the county of Douglas in the State of Nebraska, and is approximately 270.74 miles in length of which 262.62 miles are owned main tracks, and of which 8.12 miles are trackage rights from Council Bluffs, Iowa, to South Omaha, Nebraska.

(6) A main line extending from Oelwein, Iowa, to Clarion, Iowa, which said line is located in or passes into or through the counties of Fayette, Bremer, Butler, Franklin and Wright in the State of Iowa, and is approximately 98.1 miles in length.

SECOND. All the right, title and interest of the Railway Company in and to all and singular the branch lines of railroad and trackage rights owned by the Railway Company, including the following:

(1) A branch line extending from a junction with the main line at Sumner, Iowa, to Waverly, Iowa, which said branch line is located in the county of Bremer in the State of Iowa, and is approximately 21.9 miles in length.

(2) A branch line extending from a junction with the main line at a point known as Cedar Falls Junction in the State of Iowa, to Cedar Falls, Iowa, which said branch line is located in the county of Blackhawk in the State of Iowa, and is approximately 7.5 miles in length.

(3) A branch line extending from Simpson, Minnesota, to Winona, Minnesota, which said line is located in or passes into or through the counties of Olmstead and Winona in the State of Minnesota, and is approximately 51.1 miles in length of which 8.83 miles are owned main tracks, and of which 42.27 miles are trackage rights from Planks Junction, Minnesota, to Winona, Minnesota.

(4) A branch line extending from a junction with the branch line at Utica, Minnesota, to Altura, Minnesota, which said branch line is located in the county of Winona in the State of Minnesota, and is approximately 10.23 miles in length.

MATT PARROTT & SONS CO., WATERLOO, IOWA D81724

21

(5) A branch line extending from the end of branch line at Winona, Minnesota, to Sugar Loaf, Minnesota, which said branch line is located in the county of Winona in the State of Minnesota, and is approximately 2.53 miles in length.

(6) A branch line extending from a junction with the main line at a point known as Bellechester Junction, Minnesota, to Bellechester, Minnesota, which said branch line is located in the county of Goodhue in the State of Minnesota, and is approximately 5.6 miles in length.

(7) A branch line extending from a junction with the main line at Ft. Dodge, Iowa, to Gypsum, Iowa, together with certain tracks owned by the Railway Company at Evanston and Lehigh, Iowa, which said branch line and other tracks are located in the county of Webster in the State of Iowa, and are approximately 3.1 miles in length.

(8) A branch line extending from Sycamore, Illinois, to DeKalb, Illinois, which said line is located in the county of DeKalb in the State of Illinois, and is approximately 5.8 miles in length.

THIRD. All the right, title and interest of the Railway Company in and to all and singular the tracts and parcels of land and other property in the counties of Ramsey and Hennepin, in the State of Minnesota, owned by the Railway Company and described in that certain deed dated November 28, 1909 from Wisconsin Central Railway Company to Chicago Great Western Railroad Company and recorded on June 2, 1910 in the office of the Register of Deeds of Ramsey County, Minnesota, in Book 570 of Deeds, at page 602, and recorded on September 3, 1910, in the office of the Register of Deeds of Hennepin County, Minnesota, in Book 683 of Deeds, at page 350.

FOURTH. All the right, title and interest of the Railway Company in and to all of the railroad and other properties in the counties of Ramsey and Dakota, in the State of Minnesota, lately owned by St. Paul Bridge & Terminal

22

Railway Company and conveyed to the Railway Company by a warranty deed, a quitclaim deed and a bill of sale from St. Paul Bridge & Terminal Railway Company to Chicago Great Western Railway Company dated February 19, 1941, which said deeds are to be recorded simultaneously herewith in the office of the Register of Deeds of Ramsey County, Minnesota, and in the office of the Register of Deeds and the office of the Register of Titles of Dakota County, Minnesota.

FIFTH. Any and all rights of way, lands, fixtures, structures, improvements, tenements and hereditaments of whatever kind or description and wherever situated, now owned by the Railway Company and contiguous or appurtenant to any of the above-described lines of railroad, or which at any time hereafter may be acquired by or for it, including in the property comprised in the description in this paragraph any and all main tracks, yard tracks, side tracks, spur tracks, rights of way, easements, estates, superstructures, roadbed, bridges, trestles, culverts, viaducts, buildings, depots, stations, stock yards, warehouses, elevators, car-houses, enginehouses, freight-houses, machine shops and other shops, turntables, fuel stations, water stations, signals, interlocking plants, telegraph and telephone lines, fences, docks, structures and fixtures, and all other things of whatsoever kind and in any wise or at any time belonging or appurtenant to, or used in connection with any and every line of railway or branch thereof or other real property at any time subject to this Mortgage.

SIXTH. All the right, title and interest of every name and nature of the Railway Company in and to all locomotives, engines and motors, however propelled and operated, cars, other rolling stock and equipment, busses, trucks and other chattels now or hereafter owned by, and the title to which is or hereafter shall be vested in the Railway Company, including all right, title and interest

23

now vested in, or hereafter acquired by the Railway Company in and to any and all locomotives and other rolling stock and equipment or busses or trucks leased to or possessed by the Railway Company under any equipment trust agreement and lease, or other conditional sale agreement or lease, or any chattel mortgage.

SEVENTH. The following shares of capital stock now owned by the Railway Company:

Description	Par Value
The Minnesota Transfer Railway Company.....	\$ 91,300.00
The Saint Paul Union Depot Company.....	103,600.00
St. Joseph Union Depot Company.....	1,000.00
Kansas City Terminal Railway Company.....	183,333.33
Iowa Transfer Railway Company.....	16,100.00
Iowa Development Company.....	16,000.00
Iowa Townsite Company.....	10,000.00
Great Western Coal Company.....	50,000.00
Omaha Grain Terminals.....	100,000.00
Railway Express Agency, Incorporated (4 shares)	No par
Landers-Norblom-Christenson Company (Second Preferred)	900.00
Landers-Norblom-Christenson Company (Class B, Common) (4½ shares)	No par

EIGHTH. The following described evidences of indebtedness now owned by the Railway Company:

Description	Principal Amount
St. Joseph, Missouri Park Fund	
Certificates	\$798.13

NINTH. Any and all other property of every kind and description owned by the Railway Company at the date of the execution and delivery of this indenture, acquired by the Railway Company from said Trustees in said proceedings No. 58970 hereinbefore mentioned, and all right, title and interest of the Railway Company in and to any and all other property in or to which the Railway Company

24

now has or may hereafter acquire any right, title or interest.

TENTH. Any and all additions, betterments and improvements to rolling stock or other equipment, and any and all additions, betterments and improvements hereafter acquired or constructed to or upon or in connection with any and all of said lines of railroads, branch lines, extensions or upon or in connection with any of the telegraph and telephone and other communication lines hereinafter in paragraph Thirteenth referred to, or upon or in connection with other property, real or personal, now or at any time hereafter subject to the lien of this Mortgage.

ELEVENTH. Any and all corporate rights, powers, franchises, privileges and immunities now or hereafter owned or possessed by the Railway Company which now or at any time hereafter may be necessary for or appurtenant to the use, operation, management, maintenance, renewal, alteration or improvement of the railroads and other property now or hereafter subject to the lien of this Mortgage.

TWELFTH. Any and all leases, leasehold rights, joint facility and other trackage contracts, rights and privileges and amendments, renewals and extensions thereof, whether the same or any thereof be now held by the Railway Company or hereafter acquired by it for use upon or in connection with or belonging or appertaining to any of the aforesaid lines of railroad now or hereafter subject to the lien of this Mortgage, or relating to the ownership, use or operation of any terminals or union or other stations situated along, or at the terminus of any line of railroad now or hereafter subject to the lien of this Mortgage.

THIRTEENTH. Any and all telegraph, telephone or other communication lines now or hereafter owned by the Railway Company; and the right to the use of any and all telegraph, telephone or other communication lines along

MATT PARROTT & SONS CO., WATERLOO, IOWA D81724

25

the lines of railroad now or hereafter subject to the lien of this Mortgage, in the same manner and to the same extent as they are now or hereafter may be used or subject to use by the Railway Company.

FOURTEENTH. Any and all property of every kind and description (including railroads, leases of railroads, stocks, bonds or other property of any kind) which, at any time hereafter, by indenture or indentures supplemental hereto, may be expressly conveyed, mortgaged or pledged, delivered, assigned or transferred to the Trustee hereunder by the Railway Company, or by a successor corporation, or with its consent by any one in its behalf, as and for additional security or substituted security for the Bonds issued and to be issued hereunder; the Trustee being hereby authorized at any time and at all times to receive such conveyance, mortgage, pledge, delivery, assignment or transfer and to hold and apply any and all such properties subject to the trusts of this Mortgage; but any such conveyance, mortgage, pledge, delivery, assignment or transfer pursuant to the provisions of this clause as and for additional security or substituted security may be made subject to any liens, reservations, limitations, conditions and provisions which shall be specified or set forth in such supplemental indenture.

FIFTEENTH. Any and all property of every kind and description, including shares of stock, bonds and other obligations, whether owned by the Railway Company at the date of the execution and delivery of this Mortgage or thereafter acquired by it, which by any provision of this Mortgage the Railway Company is required to convey, mortgage, pledge, assign or transfer to the Trustee hereunder.

SIXTEENTH. Any and all lines of railroad, extensions, branches, terminal facilities, additional tracks, real property (whether or not suitable for carrier purposes), yards,

26

structures, and facilities of every kind, machinery, tools and other implements, rolling stock, busses, trucks and other equipment (and equity therein), additions, improvements and betterments, leases of lines of railroad and other property, trackage agreements, and all stocks, bonds and other obligations, and any and all other property of every kind and description, notwithstanding the same is not particularly described in this Mortgage, which from time to time shall be hereafter constructed or hereafter acquired by the Railway Company, whether or not such property is required to be specifically subjected to the lien of this Mortgage pursuant to the provisions of paragraph Fifteenth of the granting clauses, or has been so specifically subjected pursuant to the provisions of paragraph Fourteenth of the granting clauses.

SEVENTEENTH. All the right, title, estate and interest which the Railway Company now has or at any time hereafter may acquire in or to any of the railroads, franchises, leaseholds, stocks, bonds and other property, real, personal or mixed, mortgaged, conveyed, pledged and assigned under this Mortgage.

EIGHTEENTH. All the rents, issues, tolls, profits and other income from the premises and property herein or hereafter mortgaged and conveyed or assigned or intended so to be.

It is not intended to include in the lien hereof and this grant shall not be deemed to apply to (1) any rents, issues, tolls, profits or other income of the premises herein or hereafter mortgaged and conveyed or assigned, or (2) any cash (except cash deposited with the Trustee pursuant to any of the provisions of this Mortgage), government securities, federal, state and local, or bills, notes or accounts receivable, (other than bills, notes or accounts receivable which may hereafter be specifically subjected to the lien hereof and assigned to or deposited with the Trustee), unless and until one or more of the events of default

27

enumerated in Section 2 of Article Seven hereof shall have happened, but, upon the happening of any such event of default, all such rents, issues, tolls, profits or other income, cash, government securities, bills, notes or accounts receivable, shall immediately become subject to the lien hereof.

Nothing in this Mortgage expressed or implied is intended or shall be construed to limit the right of the Railway Company to consolidate with, merge into or convey the mortgaged property as a whole or substantially as a whole to, or to merge into the Railway Company, or to acquire the property as a whole or substantially as a whole of, another corporation without the property of such other corporation becoming subject to the lien of this Mortgage, provided that the property of the Railway Company prior to such consolidation, merger, conveyance or acquisition shall remain after such consolidation, merger, conveyance or acquisition subject to the continuing lien of this Mortgage, all as more fully provided and with the exceptions and upon the conditions set forth in Article Thirteen hereof.

Nothing in this Mortgage, expressed or implied, is intended or shall be construed to limit the right or power of the Railway Company, which is hereby expressly reserved, to construct or acquire locomotives, passenger, freight or other railroad cars, motor trucks or busses, or other equipment, under and pursuant to or with the intention of subjecting such equipment to, or placing the same under, any equipment trust agreement and lease, or other conditional sale agreement or lease, or any chattel mortgage (provided any such equipment trust agreement and lease, or other conditional sale agreement or lease, or chattel mortgage shall be created within ninety (90) days from the acquisition or the completion of construction of such equipment, as the case may be,) and it is expressly understood and agreed that the lien of this Mortgage shall at-

28

tach to any equipment acquired or constructed with any such intention or to any interest or equity of the Railway Company in or to equipment acquired and used by the Railway Company under and pursuant to any such equipment trust agreement and lease, or other conditional sale agreement or lease, or any chattel mortgage, (even though the initial cash payment therefor shall be made out of or charged to the Capital Fund account provided for in Section 14 of Article Five of this Mortgage), subject only to any such equipment trust agreement and lease, or other conditional sale agreement or lease, or any such chattel mortgage.

TO HAVE AND TO HOLD the premises, railroads, railroad property and appurtenances, rights, privileges, franchises, estates, leaseholds, securities, and other property, real or personal (hereinafter sometimes termed collectively the "trust estate") hereby conveyed, or intended so to be, or which may be conveyed or assigned by indentures supplemental hereto, unto the Trustee, its successor or successors in trust and assigns, forever;

SUBJECT, HOWEVER, as to that portion described above in paragraph Third of the granting clauses, to the lien of that certain indenture of trust and mortgage dated as of January 1, 1900 by and between Wisconsin Central Railway Company and Minneapolis Trust Company, as Trustee, to secure the payment of the principal of and interest on \$500,000 principal amount of Wisconsin Central Minneapolis Terminal Purchase Money Mortgage Fifty Year 3½% Gold Bonds, due January 1, 1950 (which was recorded on April 21, 1900 in the office of the Register of Deeds of Hennepin County, Minnesota, in Book 496 of Mortgages, at page 482 and following), which said mortgage and bonds were assumed by Chicago Great Western Railroad Company upon the purchase by said company of the property described above in paragraph Third of the granting clauses, and have been assumed by the Railway Company

HATT PARROTT & SONS CO., WATERLOO, IOWA D81724

29

pursuant to the plan of reorganization hereinabove referred to and pursuant to said order of said District Court entered February 15, 1941, and, as to said property so described above in paragraph Third of the granting clauses, subject also to the lien of said mortgage as it may be extended, and to the lien of any new mortgage thereon which may be created under the provisions of Section 7 of Article Five of this Mortgage for the purpose of refunding said Wisconsin Central Bonds;

SUBJECT ALSO, as to 1,828 $\frac{1}{3}$ shares of the capital stock of Kansas City Terminal Railway Company described above in paragraph Seventh of the granting clauses (which have a par value of \$100 per share) to the pledge of said shares of stock with The First National Bank of Kansas City, successor Trustee under the Stock Trust Agreement dated June 12, 1909 between all of the owners of the stock of Kansas City Terminal Railway Company and Pioneer Trust Company, of Kansas City, Missouri and Kansas City Terminal Railway Company, as supplemented by agreements dated January 24, 1910 and July 20, 1934 between the same parties or their successors and certain additional owners of the capital stock of said Kansas City Terminal Railway Company;

SUBJECT ALSO as to the property immediately herein-after described, to the respective rights of ownership or liens of the lessors, trustees or note holders or certificate holders under the following equipment trust agreements and leases, and leases of equipment:

Equipment Covered	Description of Obligation
30 locomotives numbered 850 to 879 inclusive.	Chicago Great Western Railroad equipment trust, Series A, formed October 1, 1930 under which at January 31, 1941 there were outstanding \$745,000 principal amount of equipment trust certificates bearing

30

Equipment Covered	Description of Obligation
498 steel box cars numbered 89000 to 89998 inclusive (even numbers only) except 89392 and 89540.	dividends at 4 $\frac{1}{2}$ % per annum, payable semi-annually on April 1 and October 1 in each year and maturing serially in annual amounts of \$149,000 on October 1 in each year to and including the year 1945
99 flat cars numbered 3700 to 3799 inclusive, except 3744.	Chicago Great Western Railroad equipment trust, Series B, formed July 1, 1934 under which at January 31, 1941 there were outstanding \$340,000 principal amount of equipment trust certificates bearing dividends at the rate of 4% per annum, payable semi-annually on January 1 and July 1 in each year, and maturing serially in semi-annual amounts of \$60,000 due January 1 and July 1 in each year to and including July 1, 1943, and in the principal amount of \$40,000 on January 1, 1944.
	Chicago Great Western Railroad equipment trust, Series C, formed July 1, 1936 under which at January 31, 1941 there were outstanding \$78,000 principal amount of equipment trust certificates bearing dividends at the rate of 4% per annum, payable semi-annually on January 1 and July 1 in each year, and maturing serially in semi-annual amounts of \$8,000 to and including July 1, 1945 and in the principal amount of \$6,000 on January 1, 1946.

31

Equipment Covered	Description of Obligation
1691 box cars numbered 43000 to 43398 inclusive and 85000 to 87998 inclusive (except 43032, 43044, 43108, 85558, 85582, 87134, 87348, 87418 and 87432) even numbers only.	Chicago Great Western Railroad equipment trust, Series D, formed June 1, 1937 under which at January 31, 1941 there were outstanding \$975,000 principal amount of equipment trust certificates bearing dividends at 3 $\frac{1}{2}$ % per annum, payable semi-annually on June 1 and December 1 in each year and maturing serially in semi-annual amounts of \$75,000 on June 1 and December 1 in each year to and including June 1, 1947.
299 automobile cars numbered 51000 to 51198 inclusive and 80400 to 80798 inclusive (except 80528) even numbers only.	
300 hopper cars numbered 67001 to 67599 inclusive odd numbers only.	
2290 cars.	
200 hopper cars numbered 68000 to 68199 inclusive.	Chicago Great Western Railroad Company notes dated April 1, 1937, issued to Pullman Standard Car Manufacturing Company under a lease agreement dated March 15, 1937, under which at January 31, 1941, there were outstanding \$295,477.98 principal amount of notes, maturing serially and semi-annually in various amounts on April 1 and October 1 in each year to and including April 1, 1947. The notes are non-interest-bearing prior to maturity, but there is included in the principal amount of the notes interest at 3 $\frac{1}{4}$ % per annum on the deferred installments of the purchase price of the equipment. After maturity the notes bear interest at 5% per annum.

32

Equipment Covered	Description of Obligation
2 oil-electric locomotives numbered 3 and 4.	Equipment lease of May 1, 1936, between Patrick H. Joyce and Luther M. Walter, Trustees, and Westinghouse Electric & Manufacturing Company, assigned by the latter to The First National Bank of St. Paul, Minnesota, under which at January 31, 1941, there was unpaid rental in the principal amount of \$12,000, payable in monthly installments of \$3,000 each, with interest at 2 $\frac{1}{2}$ % per annum, on the 1st day of each month to and including May 1, 1941.
3 Diesel locomotives numbered 5, 6 and 7.	Equipment lease of June 24, 1936 between Patrick H. Joyce and Luther M. Walter, Trustees, and Electro-Motive Corporation, assigned to the General Motors Acceptance Corporation and subsequently assigned to The First National Bank of St. Paul, Minnesota, under which at January 31, 1941, there was unpaid rental in the principal amount of \$24,500, payable in monthly installments of \$3,500 each, with interest at 2 $\frac{1}{2}$ % per annum, on the 10th day of each month to and including August 10, 1941.
50 box cars numbered 90,000-90,049 inclusive.	Equipment lease of June 28, 1938, between the Chicago Great Western Railroad Company and Patrick H. Joyce and Luther M. Walter, Trustees, and Pullman-Standard Car Manufacturing Company under which at January 31, 1941, there was unpaid the sum of

33

Equipment CoveredDescription of Obligation

100 flat cars numbered
3800 - 3899 inclu-
sive.

\$122,306.86 consisting of \$106,817.55 unpaid on the cost of the equipment and \$15,489.31 of interest at 4% per annum on the deferred installments of the purchase price of the equipment. The \$122,306.86 of purchase price is payable in quarterly installments of \$4,562.50 each, on the 1st days of February, May, August and November in each year to and including May 1, 1947, and \$3,681.86 on August 1, 1947.

Equipment lease of December 12, 1939, between Chicago Great Western Railroad Company and Patrick H. Joyce and Luther M. Walter, Trustees, and Pullman-Standard Car Manufacturing Company under which at January 31, 1941 there was unpaid the sum of \$183,567.58 consisting of \$171,255.44 unpaid on the cost of the equipment and \$12,312.14 of interest at 2¾% per annum on the deferred installments of the purchase price of the equipment. The \$183,567.58 of purchase price is payable in monthly installments of \$3,041.67 each on the 1st day of each month to and including January 1, 1946, and \$1,067.38 on February 1, 1946.

SUBJECT ALSO to any and all easements over, on or under any of the property above described, and any contracts, leases and other agreements affecting such property, granted or entered into by Chicago Great Western Railroad Company, Debtor, or Patrick H. Joyce and Luther M.

34

Walter, Trustees, prior to February 20, 1941, to the extent, but only to the extent, that in law any such easement, lease, contract or agreement shall constitute a lien or charge of record against any part of the trust estate prior to the lien of this Mortgage; *provided, however*, that the Trustee hereunder, upon the happening of any of the events of default enumerated in Section 2 of Article Seven hereof, shall have and may exercise any and all rights of said Debtor, said trustees and the Railway Company to terminate any such contract, lease or agreement or the grant of any such easement;

BUT IN TRUST NEVERTHELESS for the equal and proportionate benefit and security of all of the present and future holders of the Bonds issued and to be issued by the Railway Company, and authenticated by the Trustee under this Mortgage, and of the coupons issued or to be issued by the Railway Company hereunder, and for the enforcement of the payment of said Bonds and coupons when payable, and the performance of and compliance with the covenants and conditions of this Mortgage, without preference, priority or distinction as to lien or otherwise of any Bond over any other Bond of the same or any other series by reason of priority in the issue or negotiation or maturity thereof or otherwise, so that, except as in Section 1 of Article Seven hereof otherwise provided, each and every Bond issued and to be issued and authenticated as aforesaid shall have the same right, lien and privilege under this Mortgage and so that, subject to the terms hereof, the principal of, premium if any, and interest on every such Bond shall be equally and ratably secured hereby, as if all such Bonds at any time outstanding had been made, executed, delivered and negotiated simultaneously with the execution and delivery of this Mortgage.

AND IT IS HEREBY COVENANTED AND DECLARED that all of the Bonds, with the coupons for interest thereon, if any,

35

are to be issued, authenticated and delivered, and that the trust estate is to be held and disposed of by the Trustee, upon and subject to the following covenants, conditions, uses and trusts, and it is agreed and covenanted by the Railway Company with the Trustee and the respective holders from time to time of the Bonds hereby secured as follows, namely:

ARTICLE ONE.

**Limitation on Amount and Issue of Bonds;
Form, Execution and Registry of Bonds.**

SECTION 1. The authorized principal amount of Bonds issuable under this Mortgage, including the Bonds reserved under Section 2 of Article Two hereof, is limited to Twenty Million Dollars (\$20,000,000), except for Bonds issued pursuant to Sections 4, 6 and 7 of this Article and Section 1 of Article Three in exchange for or in lieu of other Bonds theretofore issued hereunder.

SECTION 2. The Bonds to be issued under this Mortgage, other than Bonds of Series A, together with the interest coupons appertaining thereto, shall be substantially of the tenor and purport set forth in the resolution of the Board of Directors of the Railway Company authorizing the issue of the series of Bonds of which such Bonds are a part and shall contain only such provisions as may be required or permitted by the terms of this Mortgage. The Bonds shall be designated generally as the Railway Company's "First Mortgage Bonds" and shall be issuable in series as from time to time shall be authorized by the Board of Directors of the Railway Company, commencing with the series designated as "First Mortgage 4% Bonds, Series A, due January 1, 1988" and herein sometimes referred to as "Bonds of Series A." Each series shall be distinguished by a serial letter or otherwise and the cou-

36

pon Bonds and the registered Bonds without coupons, and the several denominations of each form, shall also be distinguished by appropriate letters and numbers, all in accordance with such plan as may be adopted by the Railway Company and approved by the Trustee. All Bonds of the same series shall be identical in tenor, except as to denomination, and except that they may be in registered or in coupon form or both.

In authorizing the issue of any series of Bonds the Board of Directors of the Railway Company shall determine and specify in respect of the Bonds of said series the form and designation of the series, the date, the maturity, the rate of interest, the interest payment dates, the denominations, the place or places at which, and the coin or currency in which, the principal thereof and interest thereon shall be payable, the redemption provisions, if any, sinking fund provisions, if any, any limitation of the aggregate principal amount of the series (which limitation may thereafter be further limited by supplemental indenture pursuant to the provisions of Article Fourteen hereof), any restriction of the right to issue Bonds as coupon Bonds or as registered Bonds without coupons, and any provisions as to the right of interchange of coupon Bonds or registered Bonds without coupons and of the several denominations of either form.

In authorizing the issue of any series of Bonds the Board of Directors of the Railway Company may also determine that there shall be applicable to the Bonds of such series such variations from the form and terms thereof above specified for Bonds of Series A and also such other and different terms or conditions as are not inconsistent with the provisions of this Mortgage.

The foregoing provisions of this Section are subject to the following specific provisions in respect of the Bonds of Series A:

MATT PARROTT & SONS CO., WATERLOO, IOWA D31724

37

The \$19,130,100 aggregate principal amount of Bonds of Series A to be issued pursuant to Section 1 of Article Two hereof (a) shall be dated January 1, 1938 (except that registered Bonds shall be dated as in this Section provided); (b) shall mature January 1, 1988; (c) shall bear interest from the date thereof at the rate of four per cent (4%) per annum, payable semiannually on the first day of January and the first day of July in each year; (d) shall be payable both as to principal and interest at the office or agency of the Railway Company in the Borough of Manhattan, in the City and State of New York, (except that any interest due and unpaid upon Bonds of Series A at the date of authentication thereof may be paid by the Railway Company directly to the persons entitled to receive such Bonds) in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts; (e) shall be redeemable before maturity at the option of the Railway Company, as a whole or in part, on any interest payment date, upon not less than thirty nor more than forty-five days prior notice, in the manner in Article Three hereof provided, and upon payment of the principal amount thereof plus accrued and unpaid interest thereon to the date designated for redemption (provided, however, that the following Bonds of Series A shall not be included in any partial redemption of Bonds of Series A hereunder, *viz*: (1) Bonds of Series A held by the Depositary under the First Mortgage Bond Scrip Agreement dated February 20, 1941, made by and between the Railway Company and Guaranty Trust Company of New York as Depositary, and (2) Bonds of Series A reserved under the plan of reorganization hereinabove referred to for distribution pursuant to said plan of reorganization and said order of the District Court hereinabove referred to entered February 15, 1941); (f) shall be issuable in the form of coupon Bonds, registerable as to

38

principal, in denominations of \$100, \$500 and \$1000 and of registered Bonds without coupons in the denominations of \$1000, and any multiple of \$1000, and the coupon Bonds and registered Bonds without coupons of the several denominations shall be interchangeable (provided, however, that Bonds of Series A of either form may not be exchanged for Bonds of Series A of lesser denominations where such lesser denomination is less than \$1,000) and the coupon Bonds shall be registerable as to principal, at the office or agency of the Railway Company in the Borough of Manhattan, in the City and State of New York, in the manner provided in Section 4 of this Article; (g) shall be entitled to the benefits of the sinking fund provided for in Article Four hereof; and (h) generally shall be in substantially the form set forth in the preambles hereof.

All Bonds issued under this Mortgage shall be executed on behalf of the Railway Company by its President or one of its Vice-Presidents, and its corporate seal or a facsimile thereof thereunto affixed and attested by its Secretary or an Assistant Secretary and shall be delivered to the Trustee for authentication by it; and thereupon, as provided in this Mortgage and not otherwise, the Trustee, upon the written request of the Railway Company, shall authenticate such Bonds and shall deliver the same to the Railway Company or upon its written order. No Bond and no coupon appertaining thereto shall be valid or obligatory for any purpose or be secured by this Mortgage, or be entitled to any right or benefit hereunder, unless and until there shall have been endorsed upon such Bond by the Trustee a certificate of authentication substantially in the form hereinabove recited, and such authentication by the Trustee shall be conclusive evidence that the Bond so authenticated, and any coupon appertaining thereto, have been duly issued hereunder and that the holder thereof is entitled to the benefits of the trusts hereby created.

39

In case any of the officers of the Railway Company who shall have signed and sealed any of the Bonds issuable under this Mortgage shall cease to be such officers of the Railway Company before the Bonds shall have been actually authenticated or delivered by the Trustee, or issued, such Bonds, nevertheless, may be authenticated and delivered and issued as though the persons who signed and sealed such Bonds had not ceased to be officers of the Railway Company, and also any of the Bonds may be signed and sealed on behalf of the Railway Company by such persons as at the actual date of the execution of such Bonds shall be the proper officers of the Railway Company, although at the nominal date of such Bond any such person shall not have been such officer of the Railway Company.

The coupons to be attached to coupon Bonds shall bear the engraved facsimile signature of the present Treasurer or of any future Treasurer of the Railway Company and the Railway Company may adopt and use for that purpose the engraved facsimile signature of any person who shall have been such Treasurer, notwithstanding the fact that he may have ceased to be such Treasurer at the time when such Bonds shall be actually authenticated or delivered or issued.

The Trustee shall not authenticate or deliver any coupon Bonds except (1) coupon Bonds of Series A upon the original issuance thereof, (2) definitive coupon Bonds issued in exchange for temporary Bonds and (3) coupon Bonds issued pursuant to Section 6 of this Article in lieu of mutilated, destroyed, lost or stolen Bonds, unless all coupons appertaining thereto which have then matured and as to which payment thereof has been duly provided for, shall have been detached and cancelled.

Coupon Bonds, other than those of Series A, shall be dated as of the date specified in the resolution of the Board

40

of Directors providing for the creation of any series. Registered Bonds without coupons shall be dated the semi-annual interest payment date on which interest has been paid on such Bonds of such series next preceding the date of authentication thereof, unless such date of authentication be such an interest payment date, in which case the Bond shall be dated such date of authentication; provided that in the case of the initial issue of Bonds of any series, including Bonds of Series A, the date of any registered Bond without coupons constituting part of such initial issue shall be the date of the coupon Bonds of such series. Every registered Bond without coupons shall bear interest from its date.

At the request of the Railway Company, Bonds shall be authenticated and shall be delivered hereunder in advance of the registration or recording of this Mortgage or of any indenture supplemental hereto providing for the creation of any series of Bonds hereunder and the Railway Company with all convenient speed shall cause this Mortgage and any such supplemental indenture to be recorded as required by law.

SECTION 3. Bonds may be issued originally either as coupon Bonds or as registered Bonds without coupons, and the coupon Bonds and registered Bonds without coupons of any series may be made interchangeable (in the case of any or all denominations) or not as determined by the Board of Directors in authorizing the issue of any series, subject to the provisions above made in respect of Bonds of Series A. Any of the Bonds may have imprinted thereon any legend or legends required in order to comply with any law or with any rules or regulations of any governmental body or agency made pursuant thereto, or with the rules and regulations of any Stock Exchange, or to conform to general usage, and the Board of Directors of the Railway Company, by resolution, may amend any legend on Bonds then outstanding so as to comply with any such law, rule or regulation, or so as to conform to such usage.

41

SECTION 4. The Railway Company covenants to make in the manner in this Section below set forth, at the office or agency of the Railway Company to be maintained for that purpose in accordance with the provisions of Section 1 of Article Five of this Mortgage, exchanges and transfers of Bonds to which the right of such exchange or transfer attaches under the provisions of this Mortgage or of the resolution of the Board of Directors of the Railway Company authorizing the issue of the series of Bonds of which such Bonds are a part; but no exchange or transfer of any Bond subject to redemption under the provisions of this Mortgage or any indenture supplemental hereto, shall be made after the date of the first publication of a notice of redemption of such Bond.

Whenever any coupon Bond or Bonds to which the right of such exchange attaches shall be surrendered for the purpose, the Railway Company shall execute, and the Trustee shall authenticate and deliver in exchange for such surrendered Bond or Bonds, a coupon Bond or Bonds of the same series in the same aggregate principal amount and of such authorized denominations as may be requested.

Whenever any coupon Bond or Bonds to which the right of such exchange attaches shall be surrendered for the purpose, the Railway Company shall execute, and the Trustee shall authenticate and deliver in exchange for such surrendered Bond or Bonds, a registered Bond or Bonds without coupons of the same series in the same aggregate principal amount and of such authorized denominations as may be requested.

Whenever any registered Bond or Bonds without coupons, accompanied by a written instrument of transfer in form approved by the Railway Company, executed by the registered holder in person or by duly authorized attorney, shall be surrendered for transfer, or for exchange for registered Bonds without coupons of the same series of other authorized denominations, if such right of ex-

42

change exists, the Railway Company shall execute, and the Trustee shall authenticate and deliver in exchange for such surrendered Bond or Bonds, a new registered Bond or Bonds without coupons of the same series, for the same aggregate principal amount, registered in such name or names and of such authorized denominations as may be requested by the registered holder.

Whenever any registered Bond or Bonds without coupons to which the right of such exchange attaches, accompanied by a written instrument of transfer in form approved by the Railway Company, executed by the registered holder in person or by duly authorized attorney, shall be surrendered for the purpose, the Railway Company shall execute, and the Trustee shall authenticate and deliver in exchange for such surrendered Bond or Bonds, a coupon Bond or Bonds of the same series, for the same aggregate principal amount, of such authorized denominations as may be requested by the registered holder.

The foregoing provisions of this Section are subject to the limitations set forth in Section 2 of this Article in respect of the interchange of the various denominations of Bonds of Series A.

The coupon Bonds surrendered for exchange as in this Section 4 above provided, and the coupon Bonds issued upon such exchange, shall each bear all unmatured coupons and all matured coupons not fully paid, if any. In every case of transfer or exchange of Bonds the surrendered coupon Bond or Bonds, together with the appurtenant coupons, shall be cremated by the Trustee and the surrendered registered Bond or Bonds without coupons shall be cancelled and in the discretion of the Trustee may be cremated, and in each case appropriate certificates of cremation or cancellation shall be delivered by the Trustee to the Railway Company and to the bond registrar.

43

Each Bond delivered pursuant to the exercise of any privilege of transfer or exchange or in substitution for the whole or any part of one or more other Bonds shall carry all of the rights to interest accrued and unpaid, and to accrue, which were carried by the whole or such part of such one or more other Bonds, and such Bonds, if registered Bonds without coupons, shall be so dated, or, if coupon Bonds, shall have attached thereto such coupons, that neither gain nor loss in interest shall result from such transfer or exchange or substitution.

For any exchange or any transfer of Bonds, the Railway Company, at its option, may require the payment of a sum sufficient to reimburse it for any stamp tax or other governmental charge, and, for any exchange of Bonds, but not for any transfer, a further sum in addition thereto not exceeding two dollars for each new Bond issued. Except as above provided, no charge shall be made to the holder or registered owner of any Bond for any registration, transfer or discharge from registration of such Bond.

Upon presentation of any coupon Bond, other than a temporary Bond which does not contain provision for such registration, the Railway Company will register such Bond as to the principal sum thereof, in the name of the holder, on registry books to be provided for such purpose at the office or agency of the Railway Company to be maintained for that purpose, and said registration shall be noted on the Bond. After such registration no transfer of any Bond so registered shall be valid unless made on said books by the registered holder, in person or by duly authorized attorney, and similarly noted on the Bond. Upon presentation to the Railway Company, at such office or agency, of any such coupon Bond registered as to principal, accompanied by a written instrument of transfer in form approved by the Railway Company, executed by the registered holder, in person or by duly authorized attorney, such Bond shall be transferred upon such registry

44

books and such transfer shall be noted upon such Bond. The registered holder of any such coupon Bond registered as to principal also shall have the right to cause the same to be registered as payable to bearer, in which case transferability of the Bond by delivery shall be restored and thereafter the principal of such Bond when due shall be payable to the person presenting the Bond; but any such Bond registered as payable to bearer may be registered again in the name of the holder as aforesaid with the same effect as the first registration thereof, and successive registrations and transfers to bearer may be made from time to time as desired. Each registration of a coupon Bond, and each transfer of a coupon Bond so registered, shall be recorded on the registry books and shall be noted on the Bond by the bond registrar of the Railway Company. Registration of any of the coupon Bonds as to principal shall not affect the negotiability of the coupons appertaining to such Bond, but every such coupon shall always continue to be transferable by delivery merely and shall remain payable to bearer.

If one or more of the events of default enumerated in Section 2 of Article Seven of this Mortgage shall have happened and be continuing, nevertheless, the Trustee, in its discretion, may authenticate and deliver Bonds for the purposes of making the exchanges and transfers provided for in this Section.

SECTION 5. The Railway Company and the Trustee may deem and treat the bearer of any coupon Bond which shall not at the time be registered as to principal, and the bearer of any coupon for interest on any coupon Bond, whether such Bond shall be registered as to principal or not, as the absolute owner of such Bond or coupon for all purposes whatsoever and the rights of the Railway Company and the Trustee in this respect shall not be affected by any notice to the contrary.

45

As to all registered Bonds, either with or without coupons, the person in whose name they shall be registered shall for all purposes of this Mortgage be deemed and regarded as the owner thereof and payment on account of the principal of such Bond if it be a coupon Bond registered as to principal, and of the principal of and interest on such Bond if it be a registered Bond without coupons, shall be made only to or upon the order of such registered holder thereof. All such payments so made shall be valid and effectual to satisfy and discharge the liability of the Railway Company upon such Bonds to the extent of the sum or sums so paid, and no claim of any kind for the payment of the interest on or principal of any such Bond by any person other than the registered holder thereof shall affect the right to make payment thereof to said registered holder as aforesaid.

SECTION 6. In case any coupon Bond issued hereunder with the coupons thereto appertaining or any registered Bond without coupons shall become mutilated or be destroyed, stolen or lost, the Railway Company in the case of a mutilated Bond shall, and in the case of a destroyed, stolen or lost Bond may in its discretion, execute, and the Trustee, at the request of the Railway Company, shall authenticate and deliver, a new Bond of the same series, with or without coupons as the case may be, of like tenor and date, bearing the same or a different serial number or numbers and bearing the same rights with respect to interest and otherwise, in exchange and substitution for and upon cancellation of the mutilated coupon Bond and its coupons or the mutilated registered Bond without coupons, or in lieu of and in substitution for the coupon Bond and its coupons or the registered Bond without coupons so destroyed, lost or stolen, upon production of evidence satisfactory to the Railway Company and the Trustee of the destruction, theft or loss of such coupon Bond and its coupons or of such registered Bond without coupons,

46

pons, or that the mutilated Bond was one of the Bonds issued hereunder, as the case may be, and upon receipt by the Railway Company and the Trustee respectively of such indemnity as in their discretion they may require and upon compliance with such reasonable regulations as the Railway Company or the Trustee may prescribe, or if any such Bond or coupon shall have matured or shall be about to mature, instead of issuing a substituted Bond or coupon the Railway Company may pay the same without surrender thereof. The applicant for such substituted Bond shall pay all expenses and charges, including counsel fees, in connection with the preparation and issue thereof.

SECTION 7. Pending the preparation of the definitive engraved Bonds of any series to be issued hereunder, the Railway Company may execute and, upon the written request of the Railway Company, the Trustee shall authenticate and deliver, in lieu of such definitive engraved Bonds and subject to the same provisions, limitations and conditions, temporary printed Bonds in any denomination substantially of the tenor of the definitive engraved Bonds in lieu of which they are to be issued and in bearer form or in registered form, with or without coupons, and with appropriate omissions, insertions and variations as may be required.

Such temporary Bonds shall be exchangeable, without expense to the holder, for the definitive engraved Bonds in lieu of which they are issued, and, upon surrender and cancellation of such temporary Bonds, the Railway Company shall execute and the Trustee shall authenticate and deliver in exchange therefor definitive engraved Bonds of the same series for the same aggregate principal amount as the temporary Bonds surrendered. Until so exchanged the temporary Bonds in all respects shall be entitled to the same lien and security of this Mortgage as the definitive engraved Bonds issued and to be issued and authenticated hereunder.

47

ARTICLE TWO.

Issue of Bonds.

SECTION 1. Upon the execution and delivery of this Mortgage, the Railway Company shall execute and deliver to the Trustee \$19,130,100 principal amount of Bonds, which shall be known as "First Mortgage 4% Bonds, Series A, due January 1, 1988" and thereupon the Trustee, without further action by the Board of Directors of the Railway Company and without awaiting the filing or recording of this Mortgage, shall, at one time or from time to time, authenticate and deliver the same upon the written order of the Railway Company, signed in its name by its President or one of its Vice-Presidents. Bonds of Series A shall be limited (except for Bonds of Series A issued pursuant to Sections 4, 6 and 7 of Article One and Section 1 of Article Three in exchange for or in lieu of other Bonds of Series A theretofore issued hereunder) to an aggregate principal amount of \$19,130,100.

SECTION 2. Bonds in the principal amount of \$500,000 (hereinafter called "Reserved Bonds") shall be reserved hereunder to be issued at the time or times and on the conditions hereinafter in this Section provided, as a separate series or as part of any series other than Series A, for the purpose of exchanging, retiring, refunding or paying at or after maturity (whether such maturity shall be as expressed therein, or as extended from time to time) or reimbursing the Railway Company for the purchase or payment of, at or after such maturity, (1) Wisconsin Central Minneapolis Terminal Purchase Money Fifty Year 3½% Gold Bonds of Wisconsin Central Railway Company, due January 1, 1950 (hereinafter called "Wisconsin Central Bonds") secured by a mortgage dated as of January 1, 1900 by and between said Wisconsin Central Railway Company and Minneapolis Trust Company, as Trustee,

48

which mortgage constitutes a lien prior to the lien of this mortgage on certain terminal properties at Minneapolis, Minnesota, described above in paragraph Third of the granting clauses hereof, or (2) any bonds hereafter issued by the Railway Company under a new mortgage constituting a first lien on such property and issued to refund said Wisconsin Central Minneapolis Terminal Purchase Money Fifty Year 3½% Gold Bonds at maturity as in Section 7 of Article Five permitted (which bonds shall also be included in the term "Wisconsin Central Bonds" as hereinafter used in this Mortgage).

Whenever from time to time at or after the maturity of said Wisconsin Central Bonds, whether such maturity be at January 1, 1950, or any later date to which the payment thereof may from time to time be extended, the Railway Company shall deliver to the Trustee the resolution and other writings specified in Section 3 of this Article, and shall deposit or cause to be deposited with the Trustee, either in bearer form or accompanied by proper instruments of assignment or transfer, any portion or all of said Wisconsin Central Bonds, uncanceled, or shall deliver or cause to be delivered to the Trustee an instrument or instruments satisfying, releasing or discharging said mortgage securing said Wisconsin Central Bonds accompanied by an opinion of counsel satisfactory to the Trustee (who may be counsel for the Railway Company) that such instrument or instruments are valid and legally sufficient to effect the purported satisfaction, release or discharge, as the case may be, the Trustee, upon the written request of the Railway Company, shall authenticate and deliver to the Railway Company, or upon its written order, (a) Reserved Bonds in an aggregate principal amount equal to the principal amount of said Wisconsin Central Bonds so deposited with the Trustee, or (b), if an instrument or instruments satisfying, releasing, or discharging said mortgage securing said Wisconsin Central Bonds shall

49

have been delivered to the Trustee, all of said Reserved Bonds not theretofore issued under the provisions of this Section, *provided, however*, that if the Railway Company shall hereafter issue bonds under a new mortgage constituting a first lien on the property described above in paragraph Third of the granting clauses hereof for the purpose of refunding said Wisconsin Central Minneapolis Terminal Purchase Money Fifty Year 3½% Gold Bonds at maturity as in Section 7 of Article Five permitted, no Reserved Bonds shall be authenticated and delivered upon the deposit of any of said Wisconsin Central Minneapolis Terminal Purchase Money Fifty Year 3½% Gold Bonds or the cancellation of the Mortgage securing said bonds, but may be authenticated and delivered only upon the deposit of such refunding bonds or the cancellation of such refunding mortgage in the manner in this paragraph provided.

At any time or from time to time, at or after the maturity of said Wisconsin Central Bonds, whether such maturity be at January 1, 1950, or any later date to which the payment thereof may from time to time be extended, or within two years before any such maturity of said Wisconsin Central Bonds (if the Railway Company shall certify to the Trustee that it will not cause such maturity to be extended or further extended) the Railway Company may sell at such price or prices as may be determined by the Board of Directors of the Railway Company or otherwise dispose of all or any part or any remaining part of the Reserved Bonds to provide funds for the payment of the principal of said Wisconsin Central Bonds at or after maturity; and, in any such case, upon delivery to the Trustee of the resolution and other writings specified in Section 3 of this Article, the Trustee shall authenticate and deliver to the Railway Company, or upon its written order, Reserved Bonds in the aggregate principal amount specified in the resolution above mentioned, *provided*, that

50

cash equal to the principal amount of the Reserved Bonds so authenticated and delivered (other than cash received or receivable by the Trustee under any other provision of this Mortgage) shall simultaneously be deposited with the Trustee in exchange therefor. Any cash so deposited with the Trustee shall be held by it as a part of the trust estate and shall be paid out only as in this Section provided.

On the written order of the Railway Company and upon delivery to the Trustee from time to time of uncanceled matured Wisconsin Central Bonds, either in bearer form or accompanied by proper instruments of assignment and transfer, the Trustee out of the cash so deposited with it shall pay to the Railway Company, or upon its written order, a sum equal to the principal amount of Wisconsin Central Bonds so delivered to the Trustee to the extent such cash is sufficient therefor. On the written order of the Railway Company and upon delivery to the Trustee of an instrument or instruments satisfying, releasing or discharging said mortgage securing said Wisconsin Central Bonds, accompanied by an opinion of counsel satisfactory to the Trustee (who may be counsel for the Railway Company) that such instrument or instruments are valid and legally sufficient to effect the purported satisfaction, release or discharge, as the case may be, the Trustee shall pay to the Railway Company, or upon its written order, all moneys deposited with it under the provisions of this Section then remaining in its possession, *provided, however*, that if the Railway Company shall hereafter issue bonds under a new mortgage constituting a first lien on the property described above in paragraph Third of the granting clauses hereof for the purpose of refunding said Wisconsin Central Minneapolis Terminal Purchase Money Fifty Year 3½% Gold Bonds at maturity as in Section 7 of Article Five permitted, the Trustee shall not pay to the Railway Company any moneys deposited with it under

51

the provisions of this Section upon the delivery of any of said Wisconsin Central Minneapolis Terminal Purchase Money Fifty Year 3½% Gold Bonds, or the cancellation of the mortgage securing said bonds, but shall pay over such moneys only upon the delivery of such refunding bonds or the cancellation of such refunding mortgage in the manner in this paragraph provided.

Every Wisconsin Central Bond deposited with the Trustee shall be held by the Trustee uncanceled without extinguishment or impairment of lien, as additional security for the payment of the Bonds issued and to be issued hereunder, *provided, however*, that for the purpose of obtaining the release, satisfaction, or discharge of the mortgage securing said Wisconsin Central Bonds, the Trustee, at the request of the Railway Company, shall deliver said Wisconsin Central Bonds to the trustee under said mortgage to be cancelled.

SECTION 3. Whenever requesting the authentication of any Bonds hereunder, other than the Bonds of Series A mentioned in Section 1 of this Article or the Bonds to be issued under the provisions of Article One or Article Three of this Mortgage in exchange for or in replacement of Bonds issued hereunder and then outstanding, the Railway Company, in addition to complying with the other requirements of this Mortgage, shall cause to be delivered to the Trustee:

(1) A certified copy of the resolution of the Board of Directors of the Railway Company authorizing the proposed issue and setting forth the purpose and amount thereof, and stating that such Bonds are of a designated series previously authorized, if such be the fact, or specifying, as provided in Section 2 of Article One of this Mortgage, the particular provisions of the Bonds of the proposed series;

(2) An opinion of counsel satisfactory to the Trustee (who may be counsel for the Railway Company)

52

to the effect that no authorization for the issue of such Bonds is required by law to be given by any commission or other governmental body, except as therein shall be specified, and that in all other respects the Railway Company is authorized by law and by the terms of this Mortgage to issue the Bonds proposed to be issued. Such opinion shall also state that the authentication and delivery of Bonds applied for has been duly authorized by all requisite corporate authority on the part of the Railway Company; that such opinion and the instruments referred to therein, and theretofore and therewith delivered to the Trustee, conform to the requirements of this Mortgage and constitute sufficient authority under this Mortgage to the Trustee to authenticate and deliver the Bonds applied for; and that such Bonds when issued will constitute the valid and binding obligations of the Railway Company according to their terms;

(3) A copy, authenticated in such manner as may be satisfactory to the Trustee, of the order or orders or certificate or certificates authorizing such issue of Bonds made or given by the commissions or other governmental authorities specified in said opinion of counsel;

(4) A certificate signed by the President or a Vice-President and by the Comptroller or other chief accounting officer of the Railway Company stating that no event of default as defined in Section 2 of Article Seven hereof has happened and is continuing.

SECTION 4. At the option of the Railway Company, Bonds, other than Bonds of Series A, may from time to time be executed by the Railway Company and authenticated by the Trustee and delivered to the Railway Company, or on its written order, upon the deposit by the Railway Company with the Trustee of a sum in cash (hereinafter called "deposited cash") equal to the principal amount of Bonds so to be authenticated and delivered and upon delivery by the Railway Company to the Trustee of the resolution and other writings specified

HATT PARSONS & SONS CO., WATERLOO, IOWA D81724

53

in Section 3 of this Article. Such deposited cash shall be held by the Trustee as part of the trust estate until paid out pursuant to paragraph (2) of Part B of Section 5 of this Article.

SECTION 5. Part A. Bonds, other than Bonds of Series A, may from time to time be executed by the Railway Company and authenticated by the Trustee and delivered to or upon the written order of the Railway Company, and deposited cash may be paid by the Trustee to or upon the written order of the Railway Company, both within the limits and upon the conditions hereinafter in Part B of this Section set forth, to reimburse the Railway Company for expenditures made by the Railway Company (which include expenditures made by Patrick H. Joyce and Luther M. Walter, Trustees as aforesaid) after December 31, 1940 for some one or more of the following purposes:

The making, construction or acquisition by the Railway Company after December 31, 1940, of physical extensions, additions, improvements and betterments of every name and nature to or of any carrier property (other than equipment) which is then subject to the lien of this Mortgage, which extensions, additions, improvements and betterments are properly chargeable to the investment account of the Railway Company under the Accounting Rules and Regulations or other similar regulations in force at the time such extensions, additions, improvements and betterments are made, prescribed by the Interstate Commerce Commission or other governmental agency having jurisdiction, or if there are no such regulations then in force, under sound accounting principles.

Part B. Bonds shall be authenticated and delivered and deposited cash shall be paid by the Trustee under this Section, from time to time, only within the limits and upon the conditions hereinafter in this Part B set out:

(1) Before Bonds shall be authenticated and delivered under this Section, the Railway Company shall

54

deliver to the Trustee the resolution and other writings specified in Section 3 of this Article, and the certificate or certificates hereinafter in paragraph (3) of this Part B of this Section specified, and the opinion of counsel hereinafter in subparagraph (b) of paragraph (4) of this Part B of this Section specified. Such resolution shall recite the expenditures in reimbursement for which such Bonds are to be issued, and shall specify the purposes of such expenditures, which shall be some one or more of those enumerated above in Part A of this Section.

(2) Deposited cash against which Bonds have been authenticated and delivered pursuant to the provisions of Section 4 of this Article, and any other cash herein provided to be paid out as deposited cash under this Part B of this Section, shall be paid by the Trustee upon the written order of the Railway Company calling for the payment of a specified amount of such deposited cash, accompanied by the certificate or certificates in paragraph (3) of this Part B of this Section specified and the opinion of counsel hereinafter in subparagraph (b) of paragraph (4) of this Part B of this Section specified.

(3) The certificate or certificates to be delivered to the Trustee by the Railway Company whenever it shall request the authentication and delivery of Bonds or the payment of deposited cash to it to reimburse it for expenditures for any of the purposes for which Bonds may be issued or deposited cash paid out under the provisions of Part A of this Section, shall be signed by the President or a Vice-President, by the Chief Engineer and by the Comptroller or other chief accounting officer of the Railway Company, shall be dated not more than thirty days prior to the delivery of the application to the Trustee, and shall state:

(i) That expenditures to an amount specified have been made after December 31, 1940 for one or more of the purposes in Part A of this Section 5 hereinabove set forth, describing each particular purpose and the property made, constructed or acquired in such detail that the property may be iden-

55

tified and specifying the amount of expenditures for each of said stated purposes.

(ii) The Certified Cost to the Railway Company of the making, construction or acquisition of the physical extensions, additions, improvements or betterments to or of carrier property (other than equipment) described in such certificate. Certified Cost shall mean the cost (including as part of the cost the principal amount of any prior lien or charge on any such property acquired) to the Railway Company or the then fair value, whichever is less, of such extensions, additions, improvements or betterments. Fair value for the purpose of this certificate shall mean fair value of such extensions, additions, improvements or betterments to the Railway Company in the opinion of the person or persons signing the certificate, such value to be at the time when the certificate is signed and after making due allowance for depreciation or obsolescence, or both, and such allowance shall be not less in any case than at the rates in respect of such properties, if any, established by the Railway Company or prescribed by the Interstate Commerce Commission or other governmental agency having jurisdiction. If the cost of any parcel of property acquired shall exceed \$25,000, the Railway Company shall furnish to the Trustee, in addition to the other certificates required to be so furnished, a certificate as to the fair value of such property, determined as hereinabove provided, signed by an independent engineer satisfactory to the Trustee.

(iii) That the Railway Company has not been reimbursed for such certified expenditures by the authentication and delivery of Bonds or the payment of deposited cash to the Railway Company under any provision of this Mortgage, or any mortgage junior hereto, that such certified expenditures have not been made pursuant to any covenant or other provision contained in this Mortgage or any mortgage junior hereto requiring the Railway Company to replace or restore any property, that such

56

expenditures have not been made for extensions, additions, betterments or improvements which have been made the basis for the release of property or the payment of money under the provisions of Article Ten hereof or which have been described in any certificate delivered to the Trustee under the provisions of Sections 4 or 5 of Article Ten in lieu of the delivery of cash to the Trustee, that such expenditures have not been made out of the proceeds of insurance covering any part of the trust estate, and that no event of default as defined in Section 2 of Article Seven hereof has happened and is continuing.

(iv) Whether any such extensions, additions, improvements or betterments are subject to any lien or charge prior to the lien of this Mortgage, and, if such property or part thereof or interest or right therein is subject to any such prior lien or charge, such certificate shall specify the amount of any such prior lien or charge.

(v) That such certified expenditures are properly chargeable to the investment account of the Railway Company and that no part of such certified expenditures was or will be properly chargeable to the operating expenses or to the depreciation reserve, if any, for roadway and structures of the Railway Company under the Accounting Rules and Regulations, or other similar regulations at the time in force, prescribed by the Interstate Commerce Commission or other governmental agency having jurisdiction, or, if there are no such regulations then in force, under sound accounting principles.

(vi) The facts required to be stated to show compliance with paragraph (4) of this Part B of this Section.

(vii) Any certificate under this Section may state any other facts pertaining to the right to withdraw moneys or the requisition, authentication and delivery of Bonds hereunder.

(4) Upon receipt of such certificate or certificates and of the other writings by this Part B of Section

57

5 required, the Trustee either shall pay to the Railway Company, or upon its written order, an amount of deposited cash or shall authenticate and deliver to the Railway Company, or upon its written order, Bonds of a principal amount, equal to seventy-five per cent (75%) of the Certified Cost of the total extensions, additions, improvements or betterments set forth in such certificate or certificates, but if such extensions, additions, improvements or betterments are subject to any lien or charge prior to the lien of this Mortgage, there shall be deducted from said seventy-five per cent (75%) of the Certified Cost the amount of any such prior lien or charge, unless (1) the amount of such prior lien or charge shall already have been deducted in a previous application under this Mortgage in respect of other extensions, additions, improvements or betterments, or (2) the current application requests reimbursement for the balance of expenditures covered by a previous application and the amount of such prior lien or charge has been deducted in determining such balance, *provided, however:*

(a) All such extensions, additions, improvements or betterments, in respect of which Bonds shall be authenticated and delivered or deposited cash shall be paid hereunder, shall without further conveyance or transfer be and become, upon their making, construction or acquisition, subject to the lien of this Mortgage as a first lien, subject only to any lien specified in any certificate delivered under subparagraph (3) of this Part B of this Section.

(b) The Railway Company shall execute and acknowledge, or shall cause to be executed and acknowledged, such conveyances, declarations or instruments of further assurance, if any, as may be necessary for the purpose of effectually subjecting to the lien and operation of this Mortgage as a first lien, subject only to any lien specified in the certificate delivered under subparagraph (3) of this Part B of this Section, the extensions, additions, improvements or betterments against which Bonds are authenticated or deposited cash paid hereunder

58

and shall furnish to the Trustee a written opinion of counsel satisfactory to the Trustee (who may be counsel for the Railway Company) to the effect that the Railway Company has good title to such property and that such declarations, conveyances or other instruments, if any, are sufficient to subject to the lien and operation of this Mortgage as aforesaid all such property; or that no such declaration, conveyance or instrument of further assurance is necessary for the purpose aforesaid. Such opinion shall also state that the purposes for which such Bonds are to be authenticated or deposited cash paid out are purposes for which, under the provisions of this Mortgage, such Bonds may lawfully be issued or such deposited cash paid out.

(c) No Bonds shall be authenticated and delivered or deposited cash paid to the Railway Company to reimburse it for any expenditures made for the improvement, construction, completion or acquisition of any property or of any part of or interest or right in any property out of the proceeds of the loan contemplated by the plan of reorganization for Chicago Great Western Railroad Company, Debtor, to be made to the Railway Company by Reconstruction Finance Corporation under and pursuant to Section 5 of the Reconstruction Finance Corporation Act, as described in the preambles hereof.

(d) Except as hereinafter in this paragraph provided, no Bonds shall be authenticated and delivered or deposited cash paid to the Railway Company to reimburse it for expenditures made by the Railway Company for additions and betterments to, and improvements of, property subject to the lien of this Mortgage if such expenditures have been charged to the Capital Fund account provided for in Section 14 of Article Five hereof nor unless an amount equal to the appropriation and credit to the Capital Fund account for the year in which such expenditures were made has been used for the purposes specified in the second paragraph

59

of Section 14 of Article Five hereof and charged to the Capital Fund account, and the surplus funds (as defined in Section 14 of Article Five) in the Capital Fund account, if any, shall have been used in such year for such purposes to the extent of the amount by which $2\frac{1}{2}\%$ of "railway operating revenues" for such year (as defined in Section 14 of Article Five) exceeds the amount of the appropriation and credit to the Capital Fund account for the year in which the expenditures were made, *provided, however,* that there may be included in any certificate or certificates delivered to the Trustee under this Part B of Section 5, expenditures made by the Railway Company for additions and betterments to, and improvements of, property subject to the lien of this Mortgage which have been charged to said Capital Fund account upon the basis of which Bonds might otherwise be authenticated equal in amount to $33\frac{1}{3}\%$ of the Certified Cost of the extensions, additions, improvements or betterments described in said certificate or certificates which have not been so charged to said Capital Fund account, and the amount of deposited cash to be paid to the Railway Company or upon its order, and the amount of Bonds to be authenticated and delivered to the Railway Company or upon its order, shall be 75% of the total of (1) such expenditures charged to the Capital Fund account (such expenditures to be included in any such certificate only to the extent hereinabove permitted) and (2) the Certified Cost of such extensions, additions, improvements or betterments which have not been charged to the Capital Fund account.

SECTION 6. The Trustee shall be entitled to accept the resolutions, certificates, orders, opinions of counsel and other writings in this Article provided for as conclusive evidence of the truth of the statements therein contained, respectively, and as full authority for the taking of any action in accordance therewith under this Article, and they shall constitute full authority and protection to the Trustee

60

for the authentication and delivery of Bonds or the payment of deposited cash under the provisions of this Article.

The same officer or officers of the Railway Company need not certify to all the facts required to be certified under the provisions of this Article, but different officers may certify to separate facts respectively.

Section 7. Anything in this Mortgage to the contrary notwithstanding, no Bonds shall be authenticated and delivered to or upon the order of the Railway Company hereunder and no deposited cash shall be paid to or upon the order of the Railway Company, if an event of default as hereinafter defined in Section 2 of Article Seven shall have happened and is then continuing.

ARTICLE THREE.

Redemption of Bonds.

SECTION 1. In the creation of any particular series of Bonds hereunder the Railway Company may reserve the right to redeem, before maturity, the Bonds of that series, as a whole or in part, at such time or times and on such terms as the Board of Directors of the Railway Company may determine and as shall be appropriately specified in each of the Bonds of that series. Except as otherwise determined by the Board of Directors of the Railway Company prior to the issue under this Mortgage of any series of Bonds in respect of which the Railway Company shall reserve a right of redemption before maturity, the procedure for redemption shall be as set forth in this Article.

Notwithstanding the foregoing provisions of this Section, Bonds of Series A outstanding hereunder shall be redeemable before maturity at the option of the Railway Company, as a whole or in part, on any interest payment

61

date, upon payment of the principal amount thereof plus accrued and unpaid interest thereon to the date designated for redemption. The procedure for redemption of Bonds of Series A shall be as set forth in this Article, *provided, however*, that in any partial redemption of Bonds of Series A there shall not be included in the drawing provided for in this Article the distinguishing numbers of (1) Bonds of Series A held by the Depositary under the First Mortgage Bond Scrip Agreement dated February 20, 1941, made by and between the Railway Company and Guaranty Trust Company of New York as Depositary, and (2) Bonds of Series A reserved under the plan of reorganization hereinabove referred to for distribution pursuant to said plan of reorganization and said order of the District Court hereinabove referred to entered February 15, 1941.

In case the Railway Company shall desire to exercise such right to redeem all or any part of the Bonds of a particular series on any date in accordance with the right reserved so to do, notice of redemption, either of all or any part of the Bonds of such series, shall be given by the Railway Company by publication in one daily newspaper printed in the English language and published and of general circulation in the Borough of Manhattan, in the City and State of New York, and in one such newspaper published and of general circulation in the City of Chicago, State of Illinois, once each week for four successive weeks, the first publication to be not less than thirty days nor more than forty-five days prior to the date designated for such redemption. Such notice shall state the election by the Railway Company to redeem the Bonds specified therein and that interest on such Bonds shall cease to accrue on and after the date designated for redemption and shall require that the Bonds called for redemption be presented for payment at the office or agency of the Railway Company in the Borough of Manhattan, in the City and State of New York. The Railway Company shall also

62

cause a copy of such notice to be mailed postage prepaid, at least thirty days and not more than forty-five days prior to the date designated for redemption, to the registered holders of Bonds (including coupon Bonds registered as to principal) called for redemption, at their last address appearing on the Bond registry books, but failure to give such notice by mailing or any defect therein or in the mailing thereof shall not affect the validity of any proceeding for the redemption of Bonds.

In case the Railway Company shall elect to redeem less than all of the Bonds of any series then outstanding, it shall give the Trustee adequate written notice of the aggregate principal amount of Bonds of such series to be redeemed, and thereupon the Trustee shall draw by lot, in such manner as the Trustee may elect, the distinguishing numbers of a principal amount of Bonds outstanding equal to such aggregate principal amount of Bonds to be redeemed and shall thereafter notify the Railway Company in writing of the numbers of Bonds so drawn. In case of any registered Bonds without coupons which are to be redeemed in part only, such notice to be published as hereinbefore provided shall specify the respective numbers of such registered Bonds and the portions of any such registered Bonds to be redeemed and shall state that upon surrender of such Bonds for redemption, new Bonds of the same series, of an aggregate principal amount equal to the unredeemed portions of such Bonds will be issued in lieu thereof. Upon surrender of any Bond which is to be redeemed in part only, the Railway Company shall execute and the Trustee shall authenticate and deliver to the registered holder thereof or upon his order, and at the expense of the Railway Company, a new Bond or Bonds of the same series of authorized denominations for the unredeemed portion of the surrendered Bond.

SECTION 2. After the publication of the notice of redemption has been completed as above provided, the Bonds so called for redemption (including the designated portion of

63

any registered Bond without coupons) shall become due and payable on the date and at the place in such notice designated, at the applicable redemption price, together with interest accrued to the date designated for redemption, and on and after the date designated for redemption (unless the Railway Company shall make default in the payment of said Bonds at the redemption price or prices aforesaid, together with interest accrued to the date designated for redemption) interest shall cease to accrue on the Bonds or portion of Bonds so called for redemption, and on presentation and surrender thereof in accordance with said notice, with all unmatured coupons, if any, thereto appertaining, said Bonds shall be paid and redeemed by the Railway Company at the applicable redemption price. If Bonds called for redemption are not so paid and redeemed on presentation thereof, they shall continue to bear interest at the rate expressed therein until paid as if no such notice of redemption had been given.

SECTION 3. If the Railway Company shall deposit in trust with the Trustee, or with any paying agent, an amount in cash sufficient to redeem all of the Bonds or portions of Bonds called for redemption and to pay the interest accrued thereon to the date fixed for redemption, and shall furnish to the Trustee or to such paying agent proof satisfactory to the Trustee or paying agent, as the case may be, that notice of redemption of such Bonds has been published or will thereafter be published as herein provided, then the Bonds or portions of Bonds so called for redemption shall no longer be deemed to be outstanding hereunder for any purpose, except for the purpose of entitling the holders thereof to receive payment of the redemption price thereof and accrued interest to the date fixed for redemption and shall cease to be entitled to the security hereof and such Bonds or portions of Bonds shall cease to bear interest on the date fixed for redemption, and the coupons for interest appurtenant to such Bonds maturing subsequent to the date fixed for redemption shall be void.

64

The Trustee or paying agent, as the case may be, shall hold such redemption moneys in trust for the holders and registered owners of the Bonds or portions of Bonds called for redemption and shall pay the same to such holders or owners respectively upon presentation and surrender of such Bonds. Coupon Bonds upon such presentation must have attached thereto all coupons maturing after the redemption date. In any case where the date fixed for redemption shall be an interest payment date, the coupons maturing on the date fixed for redemption shall be detached by the holders and presented for payment in the usual manner and the Trustee or paying agent, as the case may be, shall apply cash received by it for the payment of accrued interest on the Bonds called for redemption to the payment of such coupons.

Any moneys so deposited with the Trustee or with any paying agent, as the case may be, remaining unclaimed for twenty years after the date designated for redemption of such Bonds shall then be repaid by the Trustee or such paying agent to the Railway Company on its request and thereupon all liability of the Trustee or such paying agent with respect to such moneys shall cease, and the holders of such Bonds shall thereafter be entitled to look only to the Railway Company for the payment thereof. In no event shall the holders of such Bonds be entitled to interest upon such money, whether held by the Trustee or any paying agent or so repaid to the Railway Company. The Trustee or any paying agent, as the case may be, may require, before making any such repayment to the Railway Company, that notice of such repayment (stating that after a date therein named any unclaimed balance of such moneys then remaining will be paid to the Railway Company) be published, at the expense of the Railway Company, in the manner and for the period required in Section 1 of this Article in respect of notices of redemption, but failure to request or require the publication of such notice shall not

65

affect the right of the Trustee or such paying agent to repay said moneys to the Railway Company.

SECTION 4. If the redemption date specified in any such notice shall be a Sunday or a legal holiday, generally or for any bank or trust company acting as Trustee or paying agent hereunder, payment of the redemption price and interest payable upon redemption may be made on the next succeeding day not a Sunday or a legal holiday with the same force and effect as if made on the nominal redemption date, and no interest shall be payable for the period between the nominal redemption date and the date of such payment.

SECTION 5. All Bonds redeemed and paid under the provisions of this Article, together with the coupons appertaining thereto, shall be cancelled by the Trustee or any such paying agent and delivered to the Trustee. The Trustee shall cremate all coupon Bonds so delivered to it and may, in its discretion, cremate any registered Bond or Bonds without coupons so delivered to it, and in each case appropriate certificates of cremation or cancellation shall be delivered by the Trustee to the Railway Company and to the bond registrar and to such paying agent. No new Bonds of any series shall be issued in lieu of any Bonds redeemed and paid under the provisions of this Article.

ARTICLE FOUR.

Sinking Fund for Bonds of Series A.

SECTION 1. The Railway Company covenants and agrees that immediately upon the execution hereof it will pay to the Trustee the sum of \$95,650.50 (representing the aggregate of the sinking fund payments which would have been due hereunder in respect of the calendar years 1938 and 1939 if this Mortgage had then been in effect, based

66

upon the available net income, as hereinafter defined, of Patrick H. Joyce and Luther M. Walter, said Trustees, for said years), and further covenants and agrees, subject to the provisions of Section 1 of Article Thirteen hereof, that it will pay to the Trustee on April 1, 1941 and on the first day of April in each year thereafter in respect of the preceding calendar year, so long as any Bonds of Series A are outstanding under this Mortgage, as and for a sinking fund for the retirement of such Bonds, a sum equal to (a) one-half of 1% of the maximum principal amount of Bonds of Series A at any time outstanding, as hereinafter in this Article defined, or (b) the available net income (as defined in Section 2 of this Article) of the Railway Company for the calendar year next preceding such sinking fund payment date, whichever is less. In case there shall be no such net income for any such calendar year, the Railway Company shall be under no obligation to make any sinking fund payment in respect of such year on April 1 of the ensuing year or at any other time, the intention being that such payments shall not be cumulative.

At the option of the Railway Company sinking fund payments may be made either in cash or in Bonds of Series A theretofore purchased by the Railway Company, with all unmatured coupons and matured coupons not fully paid attached, at the principal amount thereof or at the cost thereof to the Railway Company (exclusive of accrued interest and brokerage commissions), whichever is less, or partly in cash and partly in such Bonds.

With each such sinking fund payment the Railway Company shall deliver to the Trustee the certificate of its President or one of its Vice-Presidents certified as correct by its Comptroller or other chief accounting officer, in reasonable detail, showing (a) the maximum principal amount of Bonds of Series A at any time outstanding hereunder as defined in Section 2 of this Article, (b) the

67

available net income (as defined in Section 2 of this Article) of the Railway Company for the calendar year next preceding such sinking fund payment date (showing, in reasonable detail, the underlying calculations made in computing said amount) and (c) the cost to the Railway Company, as defined above, of any Bonds of Series A delivered to the Trustee for the sinking fund in lieu of cash. The Trustee shall be justified in relying upon such certificate.

SECTION 2. The "available net income of the Railway Company," as used in this Mortgage, for the particular year in question, shall mean the result obtained by deducting from "income available for fixed charges" of the Railway Company and/or of Patrick H. Joyce and Luther M. Walter, Trustees as aforesaid, as the case may be, for such year, the "fixed charges" of the Railway Company for such year, as such terms are or from time to time shall be defined in the Accounting Rules and Regulations, or other similar regulations at the time in force, prescribed by the Interstate Commerce Commission or other governmental agency having jurisdiction over the accounting methods of the Railway Company. If at any time when the calculation is to be made such terms are not defined in the accounting regulations of the Interstate Commerce Commission or other governmental agency having jurisdiction thereof, then such terms shall have the meaning sanctioned by sound accounting principles and not inconsistent with such regulations.

In determining the available net income of the Railway Company for any calendar year (including the year 1940), any adjustment necessary to correct the income account of the Railway Company of any prior year (including the years 1938, 1939 and 1940, but not including any year or years prior to 1938), shall be made by appropriate entries, and may either be made in the account of the current year, unless such making of such entries be in violation of the

68

applicable orders, rules and regulations of the Interstate Commerce Commission or such other governmental agency, if any, as at the time may have jurisdiction over the accounting practices of the Railway Company, or in the discretion of the Board of Directors of the Railway Company and with the approval of the Interstate Commerce Commission or such other governmental agency, if any, may be made in whole or in part in the account of any subsequent year or years, and in computing the available net income of the Railway Company for any calendar year, any such debits or credits made in the accounts of that year to adjust entries in the income account of prior years shall be treated as income items for that year, whether cleared through income or profit and loss accounts.

The Trustee, upon the written request of the holders of not less than ten per cent (10%) of the aggregate principal amount of all Bonds at the time outstanding, regardless of series, shall request that the accounts of the Railway Company for any calendar year (and for prior or subsequent years, so far as necessary to check the correctness of any certificate or statement delivered by the Railroad Company pursuant to Section 1 of this Article or Section 14 of Article Five hereof) be audited (so far as necessary to check the correctness of any such certificate or statement) at the expense of the Railway Company, by certified public accountants selected by the Board of Directors of the Railway Company and satisfactory to the Trustee. Any such audit made pursuant to the provisions of this paragraph shall, promptly after its completion, be filed with the Trustee and with the trustee (or where there is more than one trustee, with the corporate trustee) under any other indenture securing obligations of the Railway Company. Any such audit filed with the Trustee shall be open to inspection at all reasonable times by the holders of any of the outstanding Bonds. Within fifteen days after

69

the filing of any such audit with the Trustee, the Railway Company shall publish once a week for two successive weeks, in a daily newspaper printed in the English language and published and of general circulation in the Borough of Manhattan, City and State of New York, and in one such newspaper published and of general circulation in the City of Chicago, State of Illinois, a notice that such audit has been so filed and is so available for such inspection. The Railway Company agrees that it will forthwith comply with any such request of the Trustee for an audit and that it will render all reasonable assistance in connection with any such audit to the certified public accountants so selected and approved.

For the purpose of determining the amount of any annual sinking fund payment under Section 1 of this Article, the term "at any time outstanding" shall mean all Bonds of Series A which theretofore have been authenticated and delivered under this Mortgage, except (a) Bonds of Series A held in the treasury of the Railway Company which have never been issued, and (b) Bonds of Series A authenticated and delivered hereunder upon a transfer of which, or in exchange or substitution for, or in lieu of which, other Bonds have been authenticated and delivered under the provisions of this Mortgage.

SECTION 3. The Trustee shall apply the moneys in such sinking fund to the purchase from time to time of Bonds of Series A outstanding hereunder at a price (exclusive of accrued interest and brokerage commissions) not exceeding the principal amount thereof. Such purchases may be made by the Trustee from the Railway Company at a price not in excess of the market price (exclusive of accrued interest) on the date of any such purchase from the Railway Company as ascertained by the Trustee in any manner deemed by it to be reliable, but in no event in excess of such principal amount, but the Trustee shall purchase from the Railway Company only Bonds of Series A theretofore purchased by the Railway Company.

70

If on the first day of November in any year, beginning with the year 1941, the Trustee shall not have purchased Bonds of Series A in an amount sufficient to exhaust as near as may be the moneys in said sinking fund, the amount of such moneys remaining unexpended, if \$40,000 or more (or any amount less than \$40,000 if so requested by the Railway Company), shall be applied by the Trustee on the next ensuing interest payment date to the redemption of Bonds of Series A outstanding hereunder to the extent such funds will permit, in the manner and with the same effect as hereinbefore in Article Three provided, at the principal amount thereof plus accrued interest. Any such amount less than \$40,000 not so applied may be applied by the Trustee prior to the next sinking fund payment date to the purchase of Bonds of Series A upon the terms set forth in this Section, and any part thereof not so applied prior to the next sinking fund payment date shall be added to the next sinking fund payment and, together with said payment, applied in accordance with the provisions of this Article.

SECTION 4. The Railway Company covenants to pay to the Trustee upon its request the accrued interest on and any customary brokerage commissions payable with respect to the purchase of any Bonds of Series A so purchased by the Trustee, and the expenses of redemption and accrued interest upon such Bonds so called for redemption as herein provided, it being the intention that such brokerage commissions, expenses and accrued interest shall not be charged against the sinking fund.

SECTION 5. All coupon Bonds of Series A acquired through the operation of the sinking fund, together with appurtenant coupons, shall be cremated by the Trustee and all registered Bonds without coupons so acquired shall be cancelled and in the discretion of the Trustee may be cremated, and in each case appropriate certificates of their

71

cancellation or cremation shall be delivered by the Trustee to the Railway Company and the bond registrar. No new Bonds of any series shall be issued in lieu of any Bonds of Series A acquired through the operation of the sinking fund.

SECTION 6. If the Railway Company shall at any time pay or cause to be paid the principal of all of the Bonds of Series A, with all interest due thereon to the date of such payment, according to their terms, or shall deposit with the Trustee or with any paying agent an amount or amounts sufficient to pay the principal of all of said Bonds of Series A, with all interest thereon to the date of payment, according to their terms, or shall redeem all of said Bonds of Series A, then and in any such event all moneys then held by the Trustee in the sinking fund provided for said Bonds of Series A shall, upon demand of the Railway Company, be repaid to it.

SECTION 7. No moneys at any time held in the sinking fund shall be applied to the purchase or redemption of Bonds of Series A if on the date of purchase, or on the date of the first publication of the notice of redemption, as the case may be, any event of default as defined in Section 2 of Article Seven hereof shall exist. All moneys held in the sinking fund while any such default shall exist, except moneys necessary to pay for Bonds theretofore purchased for the sinking fund or to redeem Bonds, the first publication of the notice of redemption of which shall theretofore have been made, shall, unless and until all such defaults are remedied, be held as additional security for the payment of all the Bonds of Series A then outstanding.

72

ARTICLE FIVE.

Particular Covenants of the Railway Company.

The Railway Company covenants as follows:

SECTION 1. It will duly and punctually pay or cause to be paid the principal of, premium if any, and the interest on the Bonds, at the dates and place and in the manner, prescribed in the Bonds or in the coupons thereto appertaining, according to the true intent and meaning thereof. When and as paid all Bonds, together with the coupons thereto appertaining, if any, shall be cancelled by the paying agent as to the Railway Company's signature and delivered to the Trustee. All coupon Bonds, together with appurtenant coupons, so delivered to the Trustee shall be cremated by it and all registered Bonds without coupons so delivered to it, shall be cancelled and in the discretion of the Trustee may be cremated, and in each case appropriate certificates of cremation or cancellation shall be delivered by the Trustee to the Railway Company, the paying agent and the bond registrar.

At all times until the payment of the principal of the Bonds issued hereunder, the Railway Company will maintain an office or agency in the Borough of Manhattan, in the City and State of New York, where such of said Bonds and coupons as are there payable may be presented for payment and where such of said Bonds as are there registerable, transferable or exchangeable may be presented for registration, transfer or exchange and where notices and demands in respect of any and all such Bonds and coupons may be served. In case any Bonds issued hereunder are made payable, registerable, transferable or exchangeable in any other city, the Railway Company will maintain, so long as any of such Bonds are outstanding hereunder, an office or agency in such other city where such Bonds and

HATT PARROTT & SONS CO., WATERLOO, IOWA D31724

73

their coupons may be presented for payment or where such Bonds may be presented for registration, transfer or exchange and where notices and demands may be served. From time to time the Railway Company will give notice to the Trustee of the location of any such agency or agencies and of any change of location thereof, and in case the Railway Company shall fail to maintain any such office or agency or shall fail to give such notice of any change thereof, presentation and demand may be made and notices may be served at the principal office of the Trustee. As used in this Mortgage, the term "bond registrar" or other equivalent term shall be held and construed to mean the corporation or other person maintaining the office or offices or agency or agencies selected as hereinabove provided where bonds may be registered and the term "registry books" or other equivalent term shall be held and construed to mean the books kept by such bond registrar relating to the Bonds of any series issued hereunder.

SECTION 2. Whenever required by the Trustee, the Railway Company will grant, convey, confirm, assign, transfer and set over unto the Trustee the estate, right, title and interest of the Railway Company in or to all real and personal estate, rights and franchises which the Railway Company may hereafter acquire, and it will also do, execute, acknowledge and deliver or it will cause to be done, executed, acknowledged and delivered, all and every such further acts, deeds, transfers, conveyances and assurances for the better assuring, conveying and confirming unto the Trustee all and singular the trust estate hereby mortgaged or intended so to be, as the Trustee shall reasonably require for better accomplishing the purposes of this Mortgage and for securing payment of the principal of and interest on the Bonds intended to be hereby secured.

The Railway Company will deliver to the Trustee on or before the last day of January in each year after the year 1941 a certificate signed by its President or a Vice-Presi-

74

dent setting forth in reasonable detail a description of any substantial items of real and personal estate, rights and franchises acquired within the previous calendar year. The Trustee shall be fully justified in accepting such certificate without further inquiry as to items of property acquired by the Railway Company and shall be under no duty to require the granting, conveying, confirming, assigning, transferring and setting over unto the Trustee of any such property if furnished with an opinion of counsel satisfactory to the Trustee (who may be counsel for the Railway Company) that the same is unnecessary adequately to subject to the lien of this Mortgage all items of property set forth in such certificate.

The Railway Company owns and is lawfully possessed of the lines of railroad, property and franchises described in the granting clauses hereof, and is duly authorized to operate and does operate said lines of railroad, and covenants and agrees to execute any and all instruments and do any and all acts or things necessary or proper to perfect its title to the same or any thereof, and, subject to the provisions of Article Thirteen hereof, will at all times until the payment in full of the principal of the Bonds and of the interest thereon, take all steps and do all acts necessary to continue and maintain its corporate existence.

In all cases in which, pursuant to the requirements of any lien prior to the lien of this Mortgage, cash, securities, obligations or rights which would otherwise be required to be deposited with the Trustee hereunder are deposited with the trustee or mortgagee under such prior lien, the Railway Company shall forthwith, upon the discharge and cancellation of such prior lien (subject to the obligation of the Railway Company, if any, to cause the same to be deposited under any other such prior lien), cause to be deposited with the Trustee hereunder any and all of such cash, securities, obligations or rights remaining at the time of such discharge and cancellation with the trustee or

75

mortgagee of the prior lien so discharged and cancelled. The Railway Company hereby authorizes and directs the trustee or mortgagee under each such prior lien, upon such discharge and cancellation thereof, to deposit with the Trustee hereunder all such cash, securities, obligations or rights so remaining.

SECTION 3. The Railway Company from time to time as they shall become due will make, or cause to be made, any and all payments required to be made under and by the terms of any equipment trust agreement and lease or any conditional sale agreement or lease or other instrument constituting a lien on or claim of ownership to equipment in the possession of or used by the Railway Company, including those described in the granting clauses hereof, and will do or cause to be done all and every such further acts as may be necessary to assure to the Railway Company the use of such equipment and the ultimate acquisition of title thereto.

Nothing in this Section contained and nothing in any other provision of this Mortgage expressed or implied, is intended or shall be construed to limit the right or power of the Railway Company, which is hereby expressly reserved, prior to the maturity of any such equipment trust agreement and lease, conditional sale agreement or lease, or instrument, to extend the balance of the rental or other payments remaining to be paid thereunder or secured thereby or to refinance the same by entering into a new equipment trust agreement and lease or other conditional sale agreement or lease or other instrument creating a lien thereon.

SECTION 4. Exclusively for the benefit of holders of Bonds hereby secured, the Railway Company will well and truly pay and discharge the interest on all Wisconsin Central Bonds when and as the same shall become due and payable, and at or immediately after the maturity thereof

76

will pay or acquire and will deposit with the Trustee hereunder all such bonds, this covenant being subject, however, to the right of the Railway Company to extend the maturity of such Bonds as in this Section provided, and to its right to refund the same as in Section 7 of this Article provided.

The Railway Company hereby expressly reserves the right to extend the time of payment of the principal of any or all of said Wisconsin Central Bonds, whether at the same or a lower or higher rate of interest.

SECTION 5. The Railway Company from time to time as they become due and payable will pay and discharge or cause to be paid and discharged all taxes, assessments and governmental charges, the lien of which would be prior to the lien hereof, lawfully imposed upon the trust estate or any part thereof or upon the income and profits thereof, and also will pay and discharge all taxes, assessments and governmental charges lawfully imposed upon the interest of the Trustee in the trust estate or the income thereof, so that the lien and priority of this Mortgage shall be preserved at the cost of the Railway Company and without expense to the Trustee or the bondholders, and if any subsidiary company, other than Great Western Coal Company, Iowa Development Company or Iowa Townsite Company, shall fail to pay any and all such taxes, assessments and charges lawfully imposed upon the property of such company or upon the income and profits thereof, then the Railway Company will pay the same or will make adequate provision for the satisfaction or discharge thereof.

Nothing in this Section contained shall require the Railway Company to pay any such tax, assessment or governmental charge so long as the Railway Company in good faith shall contest the validity or amount thereof, unless in the opinion of the Trustee such action might jeopardize the interests of the bondholders.

77

SECTION 6. The Railway Company from time to time as the same shall become due and payable will observe and perform all of its obligations and will pay and discharge all sums payable under and by virtue of any lease or trackage agreement held by it and subject to the lien of this Mortgage, and will not suffer or permit any default for which such lease or trackage agreement may be terminated, so that, subject to the provisions of Articles Ten and Thirteen hereof, the interest of the Railway Company in all such leasehold estates or trackage agreements may be preserved unimpaired as security for the Bonds and coupons hereby secured.

Nothing in this Section contained shall require the Railway Company to make any such payments or to observe any such obligations so long as the Railway Company in good faith shall contest its liability for any such payments or its duty to observe any such obligations, unless in the opinion of the Trustee such action might jeopardize the interests of the bondholders.

SECTION 7. The Railway Company will not create or suffer to be created any lien or charge having priority or preference over or equality with the lien of this Mortgage upon the trust estate or any part thereof or upon the income and profits thereof, and, within three months after the same shall accrue, it shall pay, or cause to be discharged, or will make adequate provision for the satisfaction and discharge of, all lawful claims and demands of contractors, mechanics, laborers and others which if unpaid might by law be given precedence to this Mortgage as a lien or charge upon the trust estate or a part thereof, or on the income and profits thereof.

Nothing in this Section contained shall require the Railway Company to pay or discharge any such claim, demand, lien or charge so long as the Railway Company in good faith shall contest the validity or the amount thereof,

78

unless in the opinion of the Trustee such action might jeopardize the interests of the bondholders.

Nothing in this Section contained shall require the Railway Company to pay or discharge any claim, demand, lien or charge described in the granting clauses hereof or subject to which any property may be acquired by the Railway Company until the maturity thereof.

Unless and until any Reserved Bonds shall have been authenticated and delivered pursuant to the provisions of Section 2 of Article Two hereof, nothing in this Section contained or in any other provision of this Mortgage, shall be construed to prevent the creation of, and the Railway Company hereby expressly reserves the right to create, a new prior lien mortgage upon the property now subject to the present mortgage securing said Wisconsin Central Bonds (described above in paragraph Third of the granting clauses hereof) for the purpose of refunding the Wisconsin Central Bonds hereinabove described at maturity, whether such maturity be at January 1, 1950, or any later date to which the payment of said bonds may from time to time be extended, *provided, however*, that the amount of bonds issuable under such new prior lien mortgage shall be limited to \$500,000 principal amount.

SECTION 8. The Railway Company, with all convenient speed, will duly record, register and file and re-record, re-register and re-file this Mortgage and every indenture supplemental hereto which hereafter may be executed, as may be required by law in order to protect the lien hereof on the property covered hereby or by such supplemental indenture or intended so to be, and will pay any recording, registration or filing tax or fee legally due upon the recording of this Mortgage or of any indenture supplemental hereto or legally due at any time upon or in connection with the issuance of Bonds hereunder, and will make such statements and do such acts as are or shall be required

79

to be made or done by it under any law affecting the recording hereof or of any supplemental indenture and will, from time to time, at the request of the Trustee, furnish to it a written opinion of counsel satisfactory to the Trustee (who may be counsel for the Railway Company) that this Mortgage and every indenture supplemental hereto, has been recorded, registered, filed and re-recorded, re-registered and re-filed as aforesaid.

SECTION 9. If default shall be made in paying any sum which in Sections 3, 4, 5, 6, 7 and 8 of this Article the Railway Company has covenanted to pay or discharge, the Trustee, without affecting any of its rights hereunder, from time to time in its discretion may itself pay any sum so in default and thereupon shall have and forthwith may assert a lien for such advances, together with interest thereon at the rate of 4% per annum, upon the trust estate and the proceeds thereof, which lien shall be entitled to priority in rank and to priority in payment from the trust estate or the proceeds thereof or income and profits therefrom over the Bonds and coupons. The Trustee shall be under no obligation whatever to make any such payment unless furnished in advance with the necessary funds.

SECTION 10. Subject to the provisions of Articles Ten and Thirteen hereof, the Railway Company shall and will diligently preserve all of the rights and franchises to it granted and upon it conferred, and shall and will maintain, preserve and keep the same and every part thereof, and shall and will at all times to the extent needful and proper for the efficient and economic operation of the properties of the Railway Company maintain, preserve and keep its railroads, fixtures and appurtenances in good repair, working order and condition and shall from time to time make all needful and proper repairs thereto and renewals and replacements thereof and will at all times keep the lines of railroad subject to this Mortgage supplied with sufficient equipment, whether or not subject to the lien hereof, ma-

80

chinery, tools and other supplies, and will to the extent needful and proper for the efficient and economic operation of the properties of the Railway Company maintain the same in good order and condition, reasonable wear and tear excepted, and shall from time to time make all needful and proper repairs thereto and renewals and replacements thereof.

The Railway Company will keep on its books a list of all equipment subject to the lien of this Mortgage and, upon request of the Trustee, will furnish to it, at reasonable intervals, a statement of the number, description and condition of said equipment and will permit the Trustee through its agents to inspect said equipment and, in order to facilitate such inspection, upon request of the Trustee, will furnish to it such information as the Railway Company may have as to the location of said equipment at the time of any such request.

The Railway Company will, at all times, insure or keep insured such of its equipment, tools and machinery, buildings and other structures erected or to be erected on the trust estate and other property used in connection with the lines of railroad and other property at any time subject to the lien of this Mortgage as is usually insured by railroad companies, and in the same manner and to the same extent. On or before March 1, 1941 and on or before March 1 in each year thereafter, and at any other time upon the request of the Trustee, so long as this Mortgage shall remain in force, the Railway Company will furnish to the Trustee a list of all insurance policies then in force and such other data with respect thereto as the Trustee may reasonably request.

If the proceeds from any such insurance upon property subject to the lien of this Mortgage shall exceed the sum of \$25,000 in respect of any one loss, such proceeds shall, subject to the conditions of any prior lien on such property, be paid to the Trustee and shall be set apart and held in trust

81

by it and applied, at the written request of the Railway Company (the Railway Company not then being in default hereunder) to the repair, restoration or replacement of the property damaged or destroyed, or to the purchase of other property, real or personal, including equipment, or to the making of additions and betterments to, or improvements of, property now or hereafter subject to the lien of this Mortgage, or to reimburse the Railway Company for any expenditures made by it after the date of such loss for any of said purposes, *provided, however*, that only proceeds derived from insurance on equipment may be applied to the purchase of equipment. Such repairs, restorations, replacements, purchases, additions, betterments and improvements shall be made by or as directed by the Railway Company and the cost thereof shall be paid by the Trustee out of such proceeds pursuant to the written request of the Railway Company signed by its President or one of its Vice-Presidents and by its Comptroller or other chief accounting officer, which request shall set forth the nature of such repairs, restorations, replacements, purchases, additions, betterments or improvements and the cost thereof and shall be accompanied by the written opinion of counsel satisfactory to the Trustee (who may be counsel for the Railway Company) that any property so acquired is or upon acquisition will become subject to the lien of this Mortgage as hereinafter in this Section provided. Such request and written opinion shall constitute a sufficient warrant and direction to the Trustee for the expenditure of said proceeds in accordance with said request.

If such proceeds be \$25,000 or less they shall be applied by the Railway Company to or for the purpose above specified and on or before March 1, 1942 and on or before March 1 in each year thereafter so long as this Mortgage shall remain in force the Railway Company shall deliver to the Trustee a certificate signed by its President or one of its Vice Presidents and by its Comptroller or other chief

82

accounting officer showing the application of any such proceeds received by it in the preceding calendar year. Such certificate shall be accompanied by the written opinion of counsel satisfactory to the Trustee (who may be counsel for the Railway Company) that the property acquired with such proceeds is or upon acquisition will become subject to the lien of this Mortgage, as hereinafter provided.

Any property acquired by the Railway Company out of the proceeds of insurance as aforesaid and any and all repairs, restorations, replacements, additions, betterments and improvements to property subject to the lien of this Mortgage made out of such proceeds, subject to the conditions of any prior lien on the property with respect to which such insurance was collected, shall, *ipso facto*, become and be subject to this Mortgage as fully as though specifically mortgaged or assigned hereby, but in the case of property repaired or restored only in the same manner and to the same extent as the property with respect to which such insurance was collected, *provided, however*, that if requested by the Trustee, the Railway Company will convey and assign the same to the Trustee by appropriate deeds or other instruments of conveyance upon the trusts and for the purposes of this Mortgage.

SECTION 11. The Railway Company will not issue any Bonds or coupons hereunder or negotiate, sell or dispose of any Bonds or coupons issued hereunder in any manner other than in accordance with the provisions of this Mortgage or any indenture supplemental hereto and the agreements in that behalf herein or therein contained; and it will not issue Bonds hereunder contrary to the limitations herein provided or in excess of such amounts as shall from time to time be lawful under the provisions of the laws and statutes legally applicable to and affecting the issue of Bonds under this Mortgage and the aggregate amount thereof.

83

SECTION 12. Subject to the provisions of this Mortgage permitting the refunding of the Wisconsin Central Bonds, if the Railway Company shall hereafter create any mortgage upon the railroads and property subject to the lien of this Mortgage, or any part thereof, such mortgage shall be and shall be expressed to be subject to the prior lien of this Mortgage for the security of all Bonds then issued or thereafter to be issued under this Mortgage within the limitations fixed herein.

SECTION 13. The Railway Company will duly observe and perform its covenants and obligations contained in any writing executed by it as a supplement to this Mortgage as herein authorized.

SECTION 14. The Railway Company further covenants and agrees that it shall create and maintain an account on its books of account known as the "Capital Fund" of the Railway Company, and that on or before March 1, 1941 and on or before March 1 in each year thereafter so long as any of the Bonds issued hereunder are outstanding, it shall, except as otherwise provided in this Section 14, appropriate and credit to said Capital Fund account out of available net income of the Railway Company (as defined in Section 2 of Article Four hereof) either (a) an amount equal to 2½% of the "railway operating revenues" of the Railway Company for the next preceding calendar year or (b) an amount equal to the available net income of the Railway Company (as defined in Section 2 of Article Four hereof) for such preceding calendar year, less sinking fund payments made or to be made by the Railway Company to the Trustee for such calendar year pursuant to Article Four hereof and any sinking fund payments in respect of other Bonds issued hereunder required to be made for such calendar year before appropriations to said Capital Fund account, whichever such amount shall be less. The Railway Company shall be under no obligation to make any appropriation or credit to said account

84

in respect of any year, in excess of the available net income less sinking fund payments for such year, either in its accounts for that year or at any other time, the intention being that such appropriations and credits shall not be cumulative.

The Railway Company, at the time for making an appropriation and credit to the Capital Fund account as aforesaid, and after making such appropriation and credit, may charge against the Capital Fund account, to the extent of the credit balance in said account, all or any portion of the combined expenditures and debits for prior undercharges to the Railway Company's investment accounts that remain after giving effect to credits for prior overcharges to the Railway Company's investment accounts, made by the Railway Company during the next preceding calendar year for the following purposes; (a) the outright purchase of railroad equipment of any kind or character and initial cash payments and periodic principal payments in respect of railroad equipment acquired under and pursuant to any equipment trust agreement and lease, or other conditional sale agreement or lease, covering equipment in the possession of and used by the Railway Company and title to which may be acquired by the Railway Company pursuant to the terms of such agreement or lease, to the extent that the sum of all such payments made in such calendar year shall exceed the charges made by the Railway Company for depreciation of equipment for such calendar year; and (b) improvements to equipment or additions and betterments to, and improvements of, other property now or hereafter subject to the lien of this Mortgage, less retirements of roadway and structures in connection with replacements charged in the preceding calendar year either to operating expenses or to the depreciation reserve, if any, for roadway and structures; *provided, however*, that there shall not be charged against said Capital Fund account any expendi-

85

ture for such purposes made (1) out of the proceeds of the loan to be made to the Railway Company by Reconstruction Finance Corporation and described in the preambles hereof, (2) to replace property sold or otherwise disposed of under the provisions of Sections 6 or 7 of Article Ten hereof, (3) for additions and betterments and improvements described in any certificate delivered to the Trustee under the provisions of Sections 4 or 5 of Article Ten in lieu of the delivery of cash to the Trustee, or (4) out of the proceeds of insurance covering any part of the trust estate.

If on March 1 in any calendar year, after making credits to and charges against said Capital Fund account as above provided, there shall remain a credit balance in said Capital Fund account for which, or part of which, no deposit shall have theretofore been made as in this paragraph provided, the Railway Company shall deposit in a special account to be maintained with any bank or trust company in the United States of America having a capital and surplus of at least \$2,000,000, an amount in cash equal to such credit balance or such part thereof, *provided, however*, that if the Railway Company has made expenditures in the preceding two calendar months which are chargeable against the Capital Fund account, such expenditures may be deducted from the amount so to be deposited and any such expenditures shall be charged to the Capital Fund account at the time of making appropriations and credits to the Capital Fund account in the next succeeding calendar year. Any funds so deposited, and any other funds deposited in said special account, may, at the option of the Railway Company, be withdrawn from time to time and invested in United States Government obligations which shall be held by the Railway Company, and the term "surplus funds," as hereinafter used in this Section, shall be deemed to mean, as of the time of determination, the sum of (a) the amount of cash then deposited in said special account

86

and (b) the cost to the Railway Company of any such obligations then held by the Railway Company for said Capital Fund account ("cost to the Railway Company" of any such obligation shall mean the actual price paid for such obligation by the Railway Company, exclusive of accrued interest and brokerage, if any, which shall be paid by the Railway Company); *provided, however*, that upon payment at maturity or upon redemption, or sale, of any such United States Government obligations the Railway Company shall deposit in said special account an amount equal to the cost thereof to the Railway Company; but any payments on account of interest on any such obligations need not be so deposited. The surplus funds shall constitute a part of and shall be held for the account of said Capital Fund account and may be used and paid out currently by the Railway Company at any time or times and in any calendar year for the purpose of paying any or all expenditures which shall be properly chargeable against said Capital Fund account and any payments so made shall be charged to the Capital Fund account at the time for making appropriations and credits to the Capital Fund account in the next succeeding calendar year.

The Railway Company has heretofore deposited with The First National Bank of Chicago the sum of \$54,697.39 as surplus funds in the Capital Fund account, which is equal to the credit balance which would have remained in said Capital Fund account on March 1, 1940, if this Mortgage and the provisions of this Section had actually been in effect from and after January 1, 1938.

If on or before March 1 in any calendar year, it shall appear that the Railway Company has failed to earn its fixed charges, or any part thereof, in the preceding calendar year, then, but only in such event, any such surplus funds then remaining in said special account may be used for the payment of all or any part of the interest for such year on Bonds issued hereunder, or to reimburse the Rail-

87

way Company for such payment. If any of said surplus funds shall be so used to pay interest on Bonds issued hereunder, or to reimburse the Railway Company for such payment, the Railway Company agrees that, unless the sums so used shall have been restored out of other available funds, it will, to the extent necessary, apply to the restoration of any sums so used its net income for the next succeeding calendar year or years remaining after the appropriations to the Capital Fund account made as in this Section provided, as soon as such net income has been ascertained; and the Railway Company further covenants and agrees that it will not pay any interest on or make any sinking fund payment in respect of any bonds issued or to be issued under the General Income Mortgage of the Railway Company dated as of January 1, 1938, unless and until the funds so used to pay interest on Bonds issued hereunder, or to reimburse the Railway Company for such payment, have been restored as aforesaid.

Whenever after the appropriation and credit to and charges against said Capital Fund account for any calendar year the credit balance shown in said account shall exceed \$1,500,000, the Railway Company shall reduce the appropriation and credit to said Capital Fund account for such year by an amount equal to such excess, and shall thereafter, for each succeeding calendar year so long as such credit balance shall remain equal to \$1,500,000, appropriate and credit to said Capital Fund account only an amount equal to the charges against said account for the preceding calendar year for the purposes specified in the second paragraph of this Section, but the amount so appropriated and credited shall not be in excess of the lesser of the amounts specified in the first paragraph of this Section; *provided, however*, that if at any time after such credit balance shall have reached the sum of \$1,500,000, such credit balance shall fall below that amount, as a result of authorized charges against

88

said account, the Railway Company in each succeeding calendar year thereafter shall appropriate and credit to said Capital Fund account an amount equal to the charges against said account for the preceding calendar year for the purposes specified in the second paragraph of this Section plus the amount necessary to make such credit balance again reach \$1,500,000, but the amounts so appropriated and credited shall not be in excess of the lesser of the amounts specified in the first paragraph of this Section.

On or before April 1, 1941 and on or before April 1 in each calendar year thereafter the Railway Company shall deliver to the Trustee a statement, signed by its President or a Vice-President and certified as being correct by its Comptroller or other chief accounting officer, showing the total railway operating revenues of the Railway Company for the preceding calendar year and showing (a) the amount of the available net income of the Railway Company as defined herein for the preceding calendar year (showing, in reasonable detail, the underlying calculations made in computing said amount), (b) the amount of sinking fund payments made or to be made by the Railway Company to the Trustee pursuant to Article Four hereof and any sinking fund payments required to be made before appropriations to the Capital Fund account in respect of other Bonds issued hereunder for such preceding calendar year, (c) the appropriation and credit to said Capital Fund account for such preceding calendar year, (d) total combined expenditures and debits for prior undercharges to investment accounts remaining after giving effect to credits for prior overcharges to investment accounts made by the Railway Company during the preceding calendar year in respect of purposes specified in the second paragraph of this Section (showing separately the amounts of such expenditures, debits and credits); (e) the portion of the amount stated in subparagraph (d)

89

above charged against the Capital Fund account for such preceding calendar year (showing separately the amount thereof attributable to each of the several purposes specified under clause (a) and to each of the several purposes specified under clause (b) of the second paragraph of this Section and showing also charges for depreciation of equipment, and retirements of roadway and structures in connection with replacements charged to operating expenses or to depreciation reserve for roadway and structures, for such preceding calendar year); (f) the amount of any credit balance in said Capital Fund account after credits to and charges against said account for such preceding calendar year; and (g) the amount of any interest on Bonds issued under this Mortgage paid out of surplus funds; and if there shall be a credit balance in said Capital Fund account, the Railway Company at the time of delivering such statement shall also deliver to the Trustee a certificate of the bank or trust company with which such surplus funds shall have been deposited as hereinabove in this Section provided, showing the amount of moneys then on deposit with said bank or trust company in said account and if such amount be less than such credit balance, a statement by the chief accounting officer of the Railway Company showing the reasons for such difference and showing separately the cost to the Railway Company of any United States Government obligations in which such surplus funds shall have been invested.

The Railway Company will include in the annual report made by it each year to its stockholders a copy of the statements for such year required by this Section to be delivered to the Trustee, and will furnish a copy of each such report to the Trustee, within ten (10) days after the mailing thereof to its stockholders.

The Trustee shall be entitled to rely upon such statements and certificates and shall have no responsibility

90

relative thereto except to keep them on file for the inspection of any bondholder.

The term "railway operating revenues" and any other accounting terms used in this Section, which are not specifically defined herein, shall have the meaning from time to time defined in, and the accounting in respect of the Capital Fund account hereby created (including the determination of retirements of roadway and structures chargeable to operating expenses or depreciation reserve) shall be made in accordance with the Accounting Rules and Regulations or other similar regulations at the time in force prescribed by the Interstate Commerce Commission or other governmental agency having jurisdiction, or if at said date any such term is not defined, or such accounting is not provided for, in the accounting regulations of the Interstate Commerce Commission or other governmental agency having jurisdiction, then such term shall have the meaning and such accounting shall be made in the manner sanctioned by sound accounting principles and not inconsistent with such regulations.

SECTION 15. So long as any of the Bonds are outstanding hereunder, the Railway Company will not issue any bonds secured by a mortgage, deed of trust or other lien on the trust estate, or a part thereof, subordinate to the lien of this Mortgage, having a maturity date prior to the maturity date of the Bonds issued hereunder (except that the maturity date of such junior bonds as may be issued prior to the issue of any series of Bonds hereunder shall not be affected by the issue thereafter of any series of Bonds hereunder having a maturity date subsequent to the maturity date of such junior bonds), and the Railway Company will not call and redeem any such junior bonds, except bonds which may be called and redeemed out of moneys paid into any sinking fund created by any such mortgage, deed of trust or other instrument securing the same and expressed in such junior bonds, or out of moneys received for prop-

91

erty released from the lien of such mortgage, deed of trust or other instrument.

SECTION 16. Any moneys which at any time shall be deposited by the Railway Company with the Trustee or with any other depository, including any office or agency of the Railway Company maintained pursuant to Section 1 of this Article, for the purpose of paying any of the Bonds which shall have become due or payable at their stated maturity or by reason of call for redemption or otherwise, or for the purpose of paying any interest upon any of the Bonds, shall be and are hereby assigned, transferred and set over unto the Trustee, or such other depository, in trust for the respective holders of the Bonds or coupons or claims for interest, for the purpose of paying which said moneys shall have been deposited, and, in the event of the appointment of a receiver or receivers, or of a trustee or trustees in bankruptcy of the Railway Company, or of its property, neither such receiver or receivers, nor such trustee or trustees in bankruptcy, shall have any right, title or interest in said moneys so deposited, or in any part thereof.

ARTICLE SIX.

Control of Pledged Stocks and Bonds.

SECTION 1. All stock certificates, bonds and other evidences of indebtedness which are required by any of the provisions of this Mortgage or any indenture supplemental hereto to be pledged with, or which may be pledged with, the Trustee hereunder, shall be delivered to the Trustee in bearer form or accompanied by proper instruments of assignment and transfer and shall be held by and in the custody of the Trustee subject to the terms and provisions of this Mortgage or any indenture supplemental hereto.

SECTION 2. The Trustee is hereby authorized in its discretion to cause to be registered in its name as such Trust-

92

tee, or in the name of its nominee, any and all coupon bonds pledged with it hereunder or which at any time hereafter may be pledged with or delivered to it hereunder or to cause the same to be exchanged for registered bonds without coupons. The Trustee may cause to be transferred into its name as such Trustee, or in the name of its nominee, all registered bonds without coupons and all shares of stock so pledged with it hereunder or which at any time hereafter may be so pledged with or delivered to it as security hereunder; and it may make such other transfers and arrangements as may be required from time to time to protect the lien intended to be created hereby upon such bonds and shares of stock.

The Trustee may do whatever may be necessary for the purpose of maintaining, preserving, renewing or extending the corporate existence of any and all companies any of whose shares of stock shall at any time be pledged hereunder and for such purposes from time to time may sell, assign, transfer and deliver so many shares of the stock of the several companies as may be necessary to qualify persons to act as directors of or in any other official relation to any of such companies. Whenever the Railway Company, not being in default under this Mortgage, shall in writing so request, stating in such request that the Railway Company has no shares for that purpose under its control, other than shares held under this Mortgage, the Trustee, at the cost and expense of the Railway Company, shall assign and transfer to persons designated by the Railway Company a sufficient number of shares which then shall be held hereunder, to qualify such persons to act as directors of, or in any other official relation to, the several companies which issued such shares; *provided, however,* that under this provision, no transfer of the stock of any subsidiary company shall be made which shall reduce the amount of stock of any subsidiary company held under this Mortgage so as to render it less than a ma-

93

majority of the stock of such subsidiary company entitled to vote for the election of directors, and that in every case the Trustee shall make such arrangements as it shall deem expedient for the protection of the trusts hereunder in respect of the shares so assigned.

SECTION 3. Unless and until (1) the Trustee, under the powers in this Mortgage granted, or a receiver, or any trustee appointed under the provisions of the Bankruptcy Act, or any other state or federal law, shall have entered into possession of the trust estate, or a part thereof or (2) the Railway Company shall fail to pay all or any part of the interest on Bonds issued hereunder on the date on which such interest payment was due (without a period of grace) or (3) some one of the events of default enumerated in subsections (b) to (h) of Section 2 of Article Seven hereof shall have happened and be continuing— (a) the Trustee (except with the assent of the Railway Company) shall not collect or be entitled to collect the interest on any bonds, claims or indebtedness, or any cash dividends on any stocks, now or hereafter pledged under this Mortgage, whether before, at or after maturity, and shall not enforce any of the provisions of the mortgages, trust deeds or other instruments under which such bonds, obligations or indebtednesses were issued or by which the same are secured; (b) the Railway Company shall be entitled to receive all interest and cash dividends paid in respect of any such bonds, obligations or stocks pledged with the Trustee under this Mortgage; and (c) from time to time upon written request of the Railway Company the Trustee shall deliver to the Railway Company any coupons for such interest on pledged bonds in order that the Railway Company may receive payment thereof for its own use, and, on like request, the Trustee shall deliver to the Railway Company suitable orders in favor of the Railway Company, or its nominee or nominees, for the payment of such interest and dividends on

94

pledged bonds and stock, and the Railway Company may collect such coupons and interest and dividends as under clause (b) of this Section the Railway Company is entitled to receive (but not by legal proceedings or by the enforcement of any security therefor, except with the written consent of the Trustee, nor by any proceeding which the Trustee shall deem prejudicial to the trusts hereunder), and the Trustee at once shall pay over to the Railway Company any such interest and dividends which may be received by the Trustee or its nominees. In every such case the Railway Company shall be entitled for its own use to demand and receive and collect, release and discharge the interest on any such claim against or indebtedness of any other company pledged with the Trustee hereunder; and upon request of the Railway Company the Trustee shall execute and deliver to the Railway Company any reassignments or releases which may be required for that purpose.

It is specifically declared and agreed, however, that, except as in this Mortgage otherwise expressly provided, (1) the Railway Company shall not be entitled to receive, and the Trustee shall not pay over to the Railway Company, the principal of any bond, claim, obligation or indebtedness at any time subject to the lien hereof; (2) the Railway Company shall not be entitled to receive, and the Trustee shall not pay over, any interest on any such bond, claim, obligation or indebtedness subject to this Mortgage which shall have been paid out of the proceeds of any sale or condemnation or expropriation of any property covered by a mortgage or lien securing such bond, claim, obligation or indebtedness; (3) the Railway Company shall not be entitled to receive, and the Trustee shall not pay over, any dividend on any shares of stock subject to this Mortgage which shall have been paid out of the proceeds of any sale or condemnation or expropriation of the property of the company which issued

95

said stock or as a result of the dissolution, liquidation, in whole or in part, or winding up of such company or as a stock dividend or as a dividend which in any way shall be chargeable to or be payable out of capital or capital surplus or upon the reduction of the capital stock of any such company, it being the intention that the Railway Company shall be entitled to receive only payments made in cash out of the earned surplus of any such company; (4) the Railway Company shall not sell, assign or transfer any such coupon or right to interest or dividends delivered or assigned to it; (5) the Railway Company shall not collect any such coupon or interest by legal proceedings or by enforcement of any security therefor, except with the written consent of the Trustee, nor in any manner which the Trustee shall deem prejudicial to the trusts hereunder; and (6) until actually paid or discharged, every such coupon or right to interest or dividends and any such claim and indebtedness shall in all respects remain subject to the lien of this Mortgage.

The Trustee shall be entitled to assume that any interest received by it on any bond or other obligation, claim or indebtedness is not paid out of the proceeds of any sale or condemnation or expropriation of property, and that any dividend received in money on any share of stock is paid out of earned surplus, until it is notified in writing by a bondholder to the contrary.

If any such coupon or any such order for the payment of interest delivered to the Railway Company shall not forthwith be paid or cancelled, the Railway Company shall return the same to the Trustee, and in case of the payment of any such coupon or interest, the Railway Company shall, upon demand of the Trustee, furnish satisfactory evidence of the cancellation and extinguishment thereof.

SECTION 4. In case any sum shall be paid on account of the principal of any bond, claim, obligation or indebtedness

96

subject to the lien of this Mortgage, or in retirement or redemption of any shares of stock subject to this Mortgage, or shall be paid as interest or dividends which under the provisions of Section 3 of this Article the Railway Company is not entitled to receive, then, in any such case, any such sum shall be received by the Trustee and shall be held, used and paid over as provided in Section 9 of Article Ten hereof in respect of moneys received from the sale of released property.

SECTION 5. Unless and until (1) the Trustee, under the powers in this Mortgage granted, or a receiver, or any trustee appointed under the provisions of the Bankruptcy Act or any other state or federal law, shall have entered into possession of the trust estate or a part thereof or (2) the Railway Company shall fail to pay all or any part of the interest on Bonds issued hereunder on the date on which such interest payment was due (without a period of grace) or (3) some one of the events of default enumerated in subsections (b) to (h) of Section 2 of Article Seven hereof shall have happened and be continuing, the Railway Company shall have the right to vote, or to give any approval or consent in respect of, all shares of stock pledged hereunder, for all purposes not inconsistent with the provisions or purposes of this Mortgage, and with the same force and effect as though such shares had not been pledged hereunder, and from time to time upon written request of the Railway Company the Trustee forthwith shall execute and deliver, or shall cause to be executed and delivered, to the Railway Company, or its nominees, suitable powers of attorney or proxies for such purposes. The Trustee shall be fully protected and shall incur no liability in executing and delivering or causing to be executed and delivered any such powers of attorney or proxies.

SECTION 6. Whenever all of the Wisconsin Central Bonds shall have been exchanged under the provisions of Section

97

2 of Article Two hereof or have been paid, purchased or acquired, the Trustee shall, at the request of the Railway Company and upon delivery to the trustee under the mortgage securing the Wisconsin Central Bonds of all Wisconsin Central Bonds other than those held by the Trustee hereunder, forthwith release any such Wisconsin Central Bonds then held by the Trustee hereunder, and deliver the same without regard to and free from any limitations or requirements of Article Ten of this Mortgage, to the trustee under the mortgage securing said Wisconsin Central Bonds, and cause such bonds to be cancelled and such mortgage to be discharged of record and the mortgaged premises and property to be released from the lien of such mortgage.

SECTION 7. The Trustee at any time, upon the request of the Railway Company, may consent to the cancellation of any of the bonds or stocks pledged or deposited hereunder which, owing to foreclosure, reorganization, recapitalization, consolidation, or sale of any of the companies which issued the same, or for any reason, shall have become no longer of any value as security for the Bonds hereby secured, and such bonds or stocks shall thereupon be cancelled and delivered to the Railway Company. The Trustee may accept the opinion of counsel satisfactory to it (who may be counsel for the Railway Company) as conclusive evidence that the rights of the bondholders hereunder will not be prejudiced or impaired by such cancellation of any of such bonds or stocks proposed to be made under the provisions of this Section. The Trustee may consent to a reduction or increase in amount of the capitalization of any company whose stock is pledged hereunder, provided the proportionate amount so pledged is not thereby reduced.

SECTION 8. In case default shall be made in the payment of the principal of or interest on any of the bonds or other obligations pledged hereunder, or in the payment of the

99

or the property sold, can be acquired by crediting on the bonds, obligations, claims, indebtedness or shares of stock of such company held by the Trustee hereunder any sum accruing or to be received thereon out of the proceeds of such property and if such property can be acquired by paying not more than 10% of the price of any such property in cash, the Trustee may in its discretion, and if it is provided with the amount of cash necessary therefor and indemnified on account of its expenses in connection therewith, purchase or cause to be purchased such property either in the name of the Railway Company or in its own name or in the name of purchasing trustees, and shall use such bonds, obligations, claims, indebtedness and shares of stock in making payment for said property. If the Trustee is requested in writing by the Railway Company or by the holders of a majority in principal amount of the Bonds at the time outstanding hereunder so to purchase or cause to be purchased such property and if it is provided with the cash necessary therefor and indemnified on account of its expenses in connection therewith, the Trustee shall so purchase or cause to be purchased such property, regardless of the amount of the cash payment required, and shall use such Bonds, obligations, claims, indebtedness and shares of stock in making payment for said property. In case of any such purchase the Trustee shall take such steps as it may deem best to cause such property to be vested either in the Railway Company, subject to the lien of this Mortgage, or in some corporation organized or to be organized for that purpose, all of whose bonded debt (except such, if any, as shall represent a lien existing upon the property at the time it was acquired) and all of whose capital stock (except the number of shares required to qualify directors) shall be received and held by the Trustee and shall be vested in the Railway Company subject to the lien of this Mortgage.

The Trustee may also, in any case, take such action as

98

principal of or interest on any bonds or other obligations then secured by the same mortgage, deed of trust or other agreement as may secure or purport to secure bonds or obligations held by the Trustee hereunder, or in the due observance or performance of any covenant contained in any of such bonds or other obligations or in any mortgage or deed of trust or other instrument, if any, securing the same, then, and in any such case, the Trustee shall, upon the written request of the Railway Company, bring an appropriate action to recover such principal or interest or to compel the observance or performance of such covenant, and if it holds an amount of the entire issue of such bonds or obligations in default sufficient under such mortgage, deed of trust or instrument to take such action, cause proper proceedings to be instituted and prosecuted in some court of competent jurisdiction to foreclose the mortgage, deed of trust or other instrument by which such bonds or other obligations in default are secured, or otherwise enforce such rights, *provided, however*, that if (1) the Trustee, under the powers in this Mortgage granted, or a receiver, or any trustee appointed under the provisions of the Bankruptcy Act, or any other state or federal law, shall have entered into possession of the trust estate or a part thereof or (2) some one of the events of default enumerated in Section 2 of Article Seven hereof shall have happened and be continuing, then the Trustee in its discretion may institute such action or proceedings without such written request.

If at any time any company a majority or more of whose capital stock shall be held by the Trustee hereunder shall be dissolved or liquidated, or if all or any of the property of any such company shall be sold at any judicial or any other sale, or if any property covered by a mortgage securing any bonds or other obligations pledged with the Trustee hereunder shall be sold upon foreclosure of such mortgage, then, in every such case, if the property of said company,

100

the Trustee in its discretion shall deem best calculated to protect the interests of the bondholders in respect of any bonds, obligations, claims, indebtedness or shares of stock subject to the lien hereof; and for that purpose, with the consent of the Railway Company, the Trustee may join in or consent to any plan of reorganization in respect of any such bonds, obligations, claims, indebtedness or shares of stock, and may accept any cash, stocks, bonds or other securities issued or paid in exchange therefor under such plan, *provided, however*, that if (1) the Trustee, under the powers in this Mortgage granted, or a receiver, or any trustee appointed under the provisions of the Bankruptcy Act, or any other state or federal law, shall have entered into possession of the trust estate or a part thereof or (2) some one of the events of default enumerated in Section 2 of Article Seven hereof shall have happened and be continuing, the Trustee shall be entitled to take the steps in this paragraph authorized without the consent of the Railway Company.

The Railway Company covenants that on demand of the Trustee it forthwith will pay or satisfactorily provide for the payment of all expenditures (except expenditures for which cash has theretofore been deposited with the Trustee under the provisions of this Section) incurred by the Trustee under any of the provisions of this Section, including all sums required to obtain and perfect the ownership of and title to any property which the Trustee shall purchase or cause to be purchased pursuant to this Section, and in case the Railway Company shall fail so to do, then, without impairment of or prejudice to any of its rights hereunder by reason of such default of the Railway Company, the Trustee, in its discretion, without notice to the bondholders, may advance all such expenses and other moneys required, or may procure such advances to be made by others, and for such advances made by the Trustee or by others at its request, with interest thereon at the

101

rate of 4% per annum, the Trustee shall have a lien on the trust estate, which lien shall be prior to the lien of the Bonds hereby secured; but in no event shall the principal sum secured by such lien exceed in the aggregate at any one time a sum equal to five per cent (5%) of the total principal amount of Bonds then issued and outstanding hereunder. The Trustee shall be under no obligation to make any such advance unless prior to the making of such advance it shall be furnished with the necessary funds.

In case the Trustee shall not purchase or cause to be purchased the property sold at any such sale, and shall not join in or consent to a plan of reorganization in respect of such bonds or other obligations or shares of stock, then the Trustee shall receive any portion of the proceeds of such sales accruing on, or any moneys or securities to be distributed under any such plan of reorganization in respect of, the securities held by it hereunder. Any moneys so received by the Trustee shall be held, used and paid over as provided in Section 9 of Article Ten hereof in respect of moneys received from the sale of released property and any securities so received shall become subject to the lien and all terms and provisions of this Mortgage in the same manner and to the same extent as the securities in respect of which they were received.

SECTION 9. The Trustee at any time in its discretion, whether or not some one or more of the events of default enumerated in Section 2 of Article Seven shall have happened and be continuing, may consent to the renewal or extension of any of the several bonds, claims or other obligations pledged with or which hereafter may be pledged with the Trustee hereunder and of the mortgages, if any, securing the same, at the same or at a higher or a lower rate of interest; and in case of the renewal of any such bonds, claims or other obligations, the Trustee may surrender the same to the company which issued them or its successor and in lieu thereof may receive renewal

102

bonds, claims or other obligations bearing such interest and maturing at such time as the Trustee may deem reasonable, *provided*, that if such bonds, claims or other obligations were secured by a lien, such extended or renewal bonds, claims or other obligations shall be secured by a lien upon the same property, or upon the same property and additional property, equal or superior to that securing the bonds, claims or other obligations extended or renewed. The Trustee may receive the opinion of counsel satisfactory to it (who may be counsel for the Railway Company) as conclusive evidence that such extended or renewal bonds, claims or other obligations are so secured. All bonds, claims or other obligations received in exchange for or in renewal of the several bonds, claims or other obligations pledged with or which hereafter may be pledged with the Trustee shall be held subject to the lien and to all the terms and provisions of this Mortgage in the same manner and to the same extent as the bonds, claims or other obligations in exchange for which or in renewal of which they shall have been received.

SECTION 10. The pledge or assignment hereunder of any shares of stock of any company or companies now or hereafter pledged hereunder shall not prevent the consolidation or merger of any one or more of said companies with, or the sale, conveyance or transfer of all or any part of the property of any such company to, the Railway Company; but, anything in this Mortgage contained to the contrary notwithstanding, such consolidation, merger, sale, conveyance or transfer may be made under any laws to which such companies may then be subject; *provided, however*, that such consolidation, merger, sale, conveyance or transfer shall be made only upon such terms as shall not in any manner impair or prejudice the security hereunder. In the event of the consolidation or merger of any one or more of said companies with, or the sale, conveyance or transfer of its property to, the Railway Company, this

103

Mortgage *ipso facto* shall become and be a lien upon the property of the company so consolidated or merged with, or the property so sold, conveyed or transferred to the Railway Company, with the same force and effect as if the same had been directly owned by the Railway Company at the date of this Mortgage and conveyed to the Trustee hereunder; and the Railway Company shall execute and deliver to the Trustee all such instruments as may be required of it by the Trustee further to establish and perfect such lien.

Any company, shares of whose capital stock are pledged hereunder, may consolidate with, merge into, or sell or lease all or any part of its property to, any other person or corporation, *provided*, that the value of the security under this Mortgage shall not be in any way impaired or prejudiced thereby, and *provided further*, that the whole consideration payable, distributable or deliverable on account of the shares of capital stock pledged hereunder (whether such consideration be in cash or otherwise) shall be pledged with and delivered to the Trustee and shall be and become subject to this Mortgage.

The capital stock of any company, any of whose shares of capital stock are pledged hereunder, may for the purpose of carrying out any transaction permitted by the foregoing provisions of this Section, and as a part of or in contemplation of such transaction, be increased or reduced to the extent necessary therefor, *provided*, that the percentage of the capital stock of such company of each class pledged hereunder shall not be decreased by such increase or reduction of capital stock.

The Trustee may accept an opinion of counsel satisfactory to it (who may be counsel for the Railway Company) as conclusive evidence that the value of the security hereunder will not be prejudiced or impaired by any such consolidation, merger, lease, conveyance, transfer or sale pro-

104

posed to be made under the provisions of this Section. The Trustee shall do any and all things proper to carry into effect the purposes of this Section, and in order to facilitate the consolidation or merger in whole or in part of any such company, the Trustee, if necessary to such end, shall either vote or transfer into the name of the Railway Company, under such restrictions as it may deem sufficient for the protection of the holders of the Bonds hereby secured, the shares of any company about to be so merged or consolidated; but the certificates for any shares so transferred into the name of the Railway Company shall forthwith be delivered to and held by the Trustee hereunder and the Railway Company shall execute and deliver to the Trustee such instruments as the Trustee shall deem necessary in order to enable it to transfer such shares back into its own name, if at any time it shall deem such a course expedient for the protection of the bondholders.

SECTION 12. All moneys received by the Trustee under any of the provisions of this Article shall be held and disposed of by it in the manner and for the purposes provided by Section 9 of Article Ten hereof for the disposition of moneys received from the sale of released property, unless specific provision for the disposition thereof is made in this Article.

ARTICLE SEVEN.

Remedies of Trustee and Bondholders.

SECTION 1. The Railway Company will not, directly or indirectly, extend or assent to the extension of the time for the payment of any coupon or claim for interest on any of the Bonds hereby secured, and it will not, directly or indirectly, be a party to or approve any such arrangement by purchasing or refunding said coupons or claims for in-

terest or in any other manner. If the time for payment of any such coupon or claim for interest shall be so extended, whether or not by or with the consent of the Railway Company, such coupon or claim for interest shall not be entitled, in case of default hereunder, to the benefit of the security of this Mortgage, except subject to the prior payment in full of the principal of all Bonds hereby secured and then outstanding and all coupons and claims for interest thereon, the payment of which shall not have been so extended; *provided, however*, that the foregoing provisions of this Section shall not be applicable to any coupon or claim for interest the time for the payment of which shall have been extended, if such extension was made pursuant to a plan proposed by the Railway Company to all holders of any one or more series of Bonds secured hereby. If, at or after the maturity of Bonds, any coupons or claims for interest in respect of such Bonds shall be owned by the Railway Company, or shall be purchased by or on its behalf, then such matured coupons or claims for interest shall not be entitled to the benefit or security of this Mortgage and the Railway Company covenants that all such coupons and claims for interest so owned by it, or purchased by or on its behalf, at or after their maturity, shall be cancelled promptly.

SECTION 2. If one or more of the following events, herein called events of default, shall happen, that is to say:

(a) If default shall be made in the payment of any installment of interest on any of the Bonds hereby secured when and as the same shall become due and payable, as therein expressed, and such default shall continue for ninety days; or

(b) If default shall be made in the payment of the principal of any of the Bonds hereby secured when the same shall become due and payable either by the terms thereof or otherwise as herein provided; or

(c) If default shall be made in the payment of any installment of the sinking fund provided in Article

Four hereof in respect of Bonds of Series A, or any installment of any sinking fund provided in respect of any other series of Bonds, when and as the same shall become due and payable in accordance with the provisions of this Mortgage or any indenture supplemental hereto, and such default shall continue for sixty days; or

(d) If default shall be made in the deposit of moneys equal to the credit balance remaining in the Capital Fund account as in Section 14 of Article Five hereof provided, or if the Railway Company shall fail to make the appropriations and credits to said Capital Fund account at the times and in the manner provided in said Section 14 of Article Five, and any such default or failure shall continue for sixty days after written notice specifying such default and requiring the same to be remedied shall have been given to the Railway Company by the Trustee, which notice may be given by the Trustee in its discretion, and shall be given on the written request of the holders of twenty per cent (20%) in principal amount of the Bonds outstanding; or

(e) If default shall be made in the making of any payments required to be made by the Railway Company under and by the terms of any equipment trust agreement or lease, or any other lease, conditional sale agreement or other instrument constituting a lien on or claim of ownership to equipment described in the granting clauses hereof, or subsequently acquired, or if default shall be made in the payment of the interest on any Wisconsin Central Bond or if default shall be made in the payment of the principal of said Wisconsin Central Bonds at maturity as provided in Section 4 of Article Five hereof, or if default shall be made in the performance of any covenant contained in the mortgage securing said Wisconsin Central Bonds and by reason of such default any right of entry or right of action for the enforcement of the security afforded thereby shall accrue, or if default shall be made in the payment of the interest on or principal of any claim or obligation outstanding and secured by a lien

prior to that of this Mortgage on any part of the trust estate (including those prior liens mentioned in the granting clauses hereof), and any such default shall continue for sixty days after written notice specifying such default and requiring the same to be remedied shall have been given to the Railway Company by the Trustee, which notice may be given by the Trustee in its discretion, and shall be given on the written request of the holders of twenty per cent (20%) in principal amount of the Bonds at the time outstanding; or

(f) If default shall be made in the observance or performance of any other of the covenants, conditions and agreements on the part of the Railway Company, its successors or assigns, contained in the Bonds hereby secured or in this Mortgage or in any indenture supplemental hereto, and such default shall continue for sixty days (or in case of any default provided by a supplemental indenture for such time as may be specified therein) after written notice specifying such default and requiring the same to be remedied shall have been given to the Railway Company by the Trustee, which notice may be given by the Trustee in its discretion, and shall be given on the written request of the holders of twenty per cent (20%) in principal amount of the Bonds at the time outstanding; or

(g) If a court of competent jurisdiction shall enter an order approving a petition or an answer filed by any person other than the Railway Company for the reorganization of the Railway Company under the provisions of the Bankruptcy Act as now or hereafter amended, or other law or statute of the United States of America, or any state thereof, or, by order or decree of any court of competent jurisdiction, a trustee or a receiver shall be appointed of all or substantially all of the property of the Railway Company, and any such order or decree shall have continued unstayed on appeal or otherwise and in effect for sixty days; or

(h) If the Railway Company shall consent to the appointment of a receiver of all or any part of its

property, or shall file a petition seeking reorganization under the provisions of the Bankruptcy Act as now or hereafter amended, or other law or statute of the United States of America, or any state thereof, or shall file an answer admitting the material allegations of such a petition, or shall file a petition or take other steps to secure advantage of any act in aid of debtors;

then, and in each and every such case, the Trustee personally or by its agents or attorneys may enter into and upon all or any part of the trust estate, and each and every part thereof, and may exclude the Railway Company, its agents and servants wholly therefrom; and having and holding the same may use, operate, manage and control the same, and conduct the business thereof, either personally or by its superintendents, managers, agents, servants, attorneys, receivers or trustees, in such manner as the Trustee may deem to be to the best advantage of the bondholders, and upon every such entry the Trustee, at the expense of the trust estate, from time to time, either by purchase, repair or construction, may maintain and restore the rolling stock, tools and machinery and other property, buildings, bridges and structures erected upon or provided for use in connection with said railways and other premises whereof it shall become possessed as aforesaid, and may insure or keep insured such of the same as are usually insured by railway companies and in the same manner and to the same extent; and likewise from time to time, at the expense of the trust estate, may make all necessary or proper repairs, renewals and replacements and useful alterations, additions, betterments and improvements thereto and thereon, and purchase or otherwise secure the use of additional engines, rolling stock, tools, machinery and other property for use thereon, as to it may seem judicious; and, in such case, the Trustee shall have the right to manage the trust estate and to carry on the business and exercise all rights and powers of the Railway Com-

MATT PARROTT & SONS CO., WATERLOO, IOWA D91724

109

pany, either in the name of the Railway Company or otherwise, as the Trustee shall deem best; and shall be entitled to collect and receive all rates, fares, tolls, earnings, incomes, rents, issues, revenues and profits of the same and every part thereof, including the income from stock, bonds or other obligations subject to this Mortgage; and after deducting the expenses of operating said railways and other premises, and of conducting the business thereof, and of all repairs, maintenance, renewals, replacements, alterations, additions, betterments and improvements, and all payments which may be made for taxes, assessments, insurance and prior or other proper charges upon the trust estate, or any part thereof, as well as just and reasonable compensation for its own services and for the services of all attorneys, counsel, agents, clerks, servants and other employees by it properly engaged and employed, the Trustee shall apply the moneys arising as aforesaid as follows:

(a) If the principal of none of the Bonds hereby secured shall have become due and be unpaid, *first* to the payment of the interest in default, in the order of the maturity of the installments of such interest, with interest on such overdue installments of interest at the rate carried by the Bonds to which such interest pertains, such payments to be made ratably to the persons entitled to such payment without discrimination or preference, and *second* to the payment, ratably, of any moneys then due or overdue with respect to any sinking fund provided in respect of any Bonds issued hereunder, and *third* to the payment of any moneys then due or overdue with respect to the Capital Fund provided for in Section 14 of Article Five hereof, in accordance with the earnings provisions in said Section provided; or

(b) If the principal of all or any part of the Bonds hereby secured shall have become due, by declaration or otherwise, *first* to the payment of any interest in default on the Bonds, in the order of the maturity of

110

the installments, with interest on such overdue installments of interest at the rate carried by the Bonds to which such interest pertains, and *second* (subject to the provisions of Section 4 of this Article), to the payment of the principal of all Bonds secured hereby, whether due or not; in every instance such payments to be made ratably to the persons entitled to such payment, without discrimination or preference.

These provisions, however, are not intended to and shall not be deemed in any wise to modify the provisions of Section 1 of this Article but are subject thereto.

SECTION 3. If the Trustee, under the powers in this Mortgage granted, or a receiver or any trustee appointed under the provisions of the Bankruptcy Act, or any other state or federal law, shall have entered into possession of the trust estate, or a part thereof, or the Railway Company shall have failed to pay all or any part of the interest on Bonds issued hereunder on the date on which such interest payment was due (without a period of grace) or some one of the events of default enumerated in subsections (b) to (h) of Section 2 of this Article Seven shall have happened and be continuing, the Trustee shall be entitled, while such default shall continue, to vote on all shares of stock subject to the lien of this Mortgage, and, for the benefit of the holders of the Bonds hereby secured, shall be entitled to collect and receive all dividends on all shares of stock and all sums payable for principal, interest or otherwise upon any bonds or other obligations that shall then be subject to this Mortgage and shall apply, as hereinbefore in Section 2 of this Article provided, any moneys so received; and, as the holder of any such shares of stock, bonds or other obligations, shall be entitled to perform any and all acts, or to make and execute any and all transfers, requests, requisitions or other instruments, for the purpose of carrying out the provisions of this Section; but in the event that a receiver

111

or any such trustee shall have been appointed and shall be in possession of the trust estate, the Trustee, from time to time in its discretion, may, and if requested by the holders of a majority in principal amount of the Bonds at the time outstanding, shall, turn over any part or all of the interest moneys and cash dividends so collected by it, to such receiver or trustee.

SECTION 4. In case any one or more of the events of default enumerated in Section 2 of this Article shall have happened and be continuing, then, during the continuance of such default, the Trustee may, and, upon the written request of the holders of twenty per cent (20%) in principal amount of the Bonds then outstanding, shall, by notice in writing mailed to the Railway Company, declare the principal of all Bonds hereby secured and then outstanding to be forthwith due and payable, and upon any such declaration the same shall become and be forthwith due and payable, anything in this Mortgage or in the Bonds hereby secured contained to the contrary notwithstanding. This provision, however, is subject to the condition, that, if at any time after the principal of the Bonds shall have been so declared due and payable and before any sale of the trust estate or any part thereof shall have been made, all arrears of interest upon all the Bonds, with interest on overdue installments of interest at the rates carried by the Bonds, and the principal of any Bonds which shall have become due by their terms, and the reasonable charges and expenses of the Trustee, its agents and attorneys, shall either be paid by the Railway Company or be collected out of the income of the trust estate and all other defaults made good to the satisfaction of the Trustee, then and in every such case the holders of a majority in principal amount of the Bonds then outstanding, by written notice to the Railway Company and to the Trustee, may waive such default or defaults and its or their consequences and annul such declaration of the

112

maturity of the Bonds, but no such waiver shall extend to or affect any subsequent default or impair any right consequent thereon.

In case the Trustee shall have proceeded to enforce any right under this Mortgage, by foreclosure, entry or otherwise, and such proceedings shall have been discontinued or abandoned because of such waiver, or for any other reason, or shall have been determined adversely to the Trustee, then and in every such case the Railway Company and the Trustee shall be restored to their former position and rights hereunder in respect of the trust estate, and all rights, remedies and powers of the Trustee and of the Railway Company shall continue in the future as though no such proceedings had been taken.

SECTION 5. In case one or more of the events of default enumerated in Section 2 of this Article shall have happened and shall be continuing, the Trustee, with or without entry, personally or by attorney, in its discretion may

(a) Sell, subject to prior liens thereon, to the highest bidder, all and singular the trust estate, property and premises, rights, franchises, interests and appurtenances, and other real and personal property of every kind covered by this Mortgage, and all right, title and interest, claim or demand therein, and right of redemption thereof, in one parcel and as an entirety, except as in Section 7 of this Article provided; which sale or sales shall be made at public auction at such place in the City of Chicago, State of Illinois, or at such other place or places, and at such time and upon such terms, as the Trustee may fix and briefly specify in the notice of sale to be given as hereinafter in Section 8 of this Article provided; or

(b) Proceed to protect and to enforce its rights and the rights of bondholders under this Mortgage by a suit or suits in equity or at law, whether for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any

113

power herein granted, or for the foreclosure of this Mortgage, or for the enforcement of any other appropriate legal or equitable remedy, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce any of its rights or duties and the rights of bondholders under this Mortgage.

Upon the written request of the holders of twenty per cent (20%) in principal amount of the Bonds then outstanding, in case of any default made and continued as aforesaid, it shall be the duty of the Trustee, upon being indemnified as hereinafter provided, to take all steps necessary for the protection and enforcement of its rights and the rights of the bondholders and to exercise the powers of entry or sale herein conferred, or both, or to take appropriate judicial proceedings by action, suit or otherwise, as the Trustee, being advised by counsel, shall deem most expedient in the interest of the bondholders.

SECTION 6. Anything in this Mortgage contained to the contrary notwithstanding, the holders of a majority in principal amount of the Bonds hereby secured and then outstanding, from time to time, shall have the right to direct the method and place of conducting any and all proceedings for any sale of the premises hereby conveyed, mortgaged and pledged, *provided, however*, that the Trustee shall not be bound to follow such directions if, in its opinion, such action would be prejudicial to any other bondholder.

SECTION 7. In the event of any sale, whether made under the power of sale herein granted or conferred, or under or by virtue of judicial proceedings, or of some judgment or decree of foreclosure and sale, the whole of the trust estate shall be sold in one parcel, and as an entirety, unless such sale as an entirety is impracticable in the opinion of the Trustee by reason of some statute or other circumstance, or unless the holders of a majority in principal amount of the Bonds then outstanding shall in writing re-

114

quest the Trustee to cause said premises to be sold in parcels, in which case the sale shall be made in such parcels and in such order as may be specified in such request, and this provision shall bind the parties hereto and each and every of the holders of the Bonds and coupons hereby secured or intended so to be.

The Railway Company, for itself and all persons and corporations hereafter claiming through or under it, or who may at any time hereafter become holders of liens junior to the lien of this Mortgage, hereby expressly waives and releases all right to have the properties and estate comprised in the security intended to be created by this Mortgage marshalled upon any foreclosure or other enforcement hereof, and the Trustee or any court in which the foreclosure of this Mortgage or the administration of the trusts hereby created is sought, shall have the right as aforesaid to sell the entire property of every description comprised in, or subject to, the trusts created by this Mortgage as a whole in a single lot or parcel.

SECTION 8. Notice of any sale pursuant to any provision of this Mortgage, shall state the time and place of said sale, and shall contain a brief general description of the property to be sold, and shall be sufficiently given if published once in each week for four successive weeks prior to such sale in one daily newspaper printed in the English language and published and of general circulation in the City of Chicago, State of Illinois, and in one such newspaper published and of general circulation in the Borough of Manhattan, in the City and State of New York, and in such other manner as may be required by law.

SECTION 9. The Trustee may adjourn from time to time any sale to be made by it under the provisions of this Mortgage, by announcement at the time and place appointed for such sale, or for such adjourned sale or sales, and without further notice or publication such sale may

115

be made at any time or place to which the same shall be so adjourned.

SECTION 10. Upon the completion of any sale or sales under this Mortgage, the Trustee shall execute and deliver to the accepted purchaser or purchasers a good and sufficient bill or bills of sale and deed or deeds of conveyance of the property and franchises sold. The Trustee and its successors are hereby appointed the true and lawful attorneys, irrevocably, of the Railway Company, in its name and stead to make all necessary deeds, bills of sale and conveyances of the property and franchises and all necessary transfers of shares of stock or bonds or other obligations thus sold; and for that purpose it may execute all necessary deeds, bills of sale and other instruments of assignment and transfer and may substitute one or more persons with like power, the Railway Company hereby ratifying and confirming all that its said attorneys, or such substitute or substitutes, shall lawfully do by virtue hereof. Nevertheless, the Railway Company, if so requested by the Trustee, shall join in executing all necessary deeds of conveyance, bills of sale and other instruments of assignment and transfer.

Any such sale or sales made under or by virtue of this Mortgage, whether under the power of sale hereby granted and conferred, or under or by virtue of any judicial proceedings, shall operate to divest all right, title, interest, claim and demand whatsoever, either at law or in equity, of the Railway Company of, in and to the premises and property sold, and shall be a perpetual bar, both at law and in equity, against the Railway Company, its successors and assigns, and against any and all persons claiming the premises and property sold, or any part thereof, from, through or under the Railway Company, its successors or assigns.

The personal property and chattels conveyed, or intended to be conveyed, by or pursuant to this Mortgage,

116

other than stocks and bonds and other obligations or securities or claims, shall be real estate for all the purposes of this Mortgage, and shall be held and taken to be fixtures and appurtenances of said railroad and part thereof, and are to be used and sold therewith and not separate therefrom, except as herein otherwise provided.

SECTION 11. The receipt of the Trustee or other person authorized to receive the same for the purchase money paid at any such sale shall be a sufficient discharge therefor to any purchaser of the property, or any part thereof, sold as aforesaid, and no such purchaser, or his representatives, grantees or assigns, after paying such purchase money and receiving such receipt, shall be bound to see to the application of such purchase money or any part thereof upon or for any trust or purpose of this Mortgage, or, in any manner whatsoever, be answerable for any loss, misapplication or nonapplication of any such purchase money, or any part thereof, or be bound to inquire as to the authorization, necessity, expediency or regularity of any such sale.

SECTION 12. In case of a sale of the trust estate substantially as a whole under any of the foregoing provisions of this Article, whether made under the power of sale hereby granted or pursuant to judicial proceedings, the principal of all Bonds hereby secured and then outstanding, if not previously due, immediately thereupon shall become due and payable, anything in said Bonds or in this Mortgage to the contrary notwithstanding.

SECTION 13. The purchase money, proceeds and avails of any such sale, whether made under the power of sale hereby granted or pursuant to judicial proceedings, together with any other sums which then may be held by or for the Trustee under any of the provisions of this Mortgage as part of the trust estate or of the proceeds thereof, shall be applied as follows:

117

First. To the payment of the costs and expenses of such sale, including reasonable compensation to the Trustee, its agents, attorneys and counsel, and of all expenses, liabilities and advances made or incurred by the Trustee in managing and maintaining the trust estate and to the payment of all taxes, assessments or liens prior to the lien of this Mortgage, except taxes, assessments and prior liens, if any, subject to which the property shall have been sold.

Second. To the payment of the whole amount then due and unpaid upon the Bonds hereby secured, either for principal or interest, or for both, with interest on the overdue installments of interest at the rate carried by the Bonds to which such interest pertains, and in case such proceeds shall be insufficient to pay in full the whole amount so due and unpaid for principal and for installments of interest, with interest on overdue installments of interest as aforesaid, then to the payment of such principal and unpaid interest ratably, according to the aggregate of such principal and accrued and unpaid interest, without preference or priority of any Bond over any other Bond of the same or of another series or of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, subject, however, to the provisions of Section 1 of this Article.

Third. To the payment of the surplus, if any, to the Railway Company, its successors or assigns, or to whomsoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

SECTION 14. In case of any sale under the foregoing provisions of this Article, whether made under the power of sale hereby granted or pursuant to judicial proceedings, any purchaser, for the purpose of making settlement or payment for the property purchased, shall be entitled to use and apply any Bonds and any matured and unpaid coupons and interest obligations hereby secured, subject to the provisions of Section 1 of this Article, by present-

118

ing such Bonds and coupons in order that there may be credited, as paid thereon, the sums payable out of the net proceeds of such sale to the holder or registered owner of such Bonds and coupons, as his ratable share of such net proceeds; and such purchaser shall be credited on account of the purchase price payable by him with the sums payable out of such net proceeds which shall be applicable to the payment of and which shall have been credited upon the Bonds and coupons so presented; and, at any such sale, any bondholder may bid for, and purchase, such property, and may make payment therefor as aforesaid, and, upon compliance with the terms of said sale, may hold, retain and dispose of such property without further accountability therefor.

SECTION 15. The Railway Company covenants that (1) if default shall be made in the payment of any installment of interest of any Bond at any time outstanding and secured by this Mortgage, when and as the same shall become payable as therein expressed, and such default shall have continued for ninety days, or (2) if default shall be made in the payment of the principal of any of such Bonds when the same shall become due and payable, whether at the maturity of said Bonds or upon call for redemption or by declaration as provided in Section 4 of this Article or by a sale of the trust estate as provided in Section 12 of this Article, or otherwise as in this Mortgage provided, then upon demand of the Trustee the Railway Company will pay to the Trustee for the benefit of the holders of the Bonds and coupons hereby secured the whole amount then due and payable on such Bonds and coupons, for principal or for interest, or both, as the case may be, with interest on the overdue principal and the overdue installments of interest at the rate carried by the Bonds; and in case the Railway Company shall fail to pay the same forthwith upon such demand, the Trustee, in its own name and as Trustee of an express trust, shall be entitled to recover judgment for the whole amount so due and unpaid.

119

The Trustee shall be entitled to recover judgment as aforesaid, either before, or after, or during the pendency of any proceedings for the enforcement of the lien of this Mortgage upon the trust estate, and the right of the Trustee to recover such judgment shall not be affected by any entry or sale hereunder, or by the exercise of any other right, power or remedy for the enforcement of the provisions of this Mortgage or the foreclosure of the lien hereof; and in case of a sale of the trust estate as a whole, or any parcel thereof as in Section 7 of this Article provided, and of the application of the proceeds of sale to the payment of the debt hereby secured, the Trustee, in its own name and as Trustee of an express trust, shall be entitled to enforce payment of, and to receive, all amounts then remaining due and unpaid upon any and all of the Bonds and coupons hereby secured and then outstanding for the benefit of the holders thereof, and shall be entitled to recover judgment for any portion of the debt remaining unpaid, with interest thereon at the rate carried by the Bonds.

No recovery of any judgment by the Trustee and no levy of any execution upon or by virtue of any such judgment upon the trust estate, or part thereof, or on any other property, shall in any manner, or to any extent, affect the lien of this Mortgage on the trust estate or any part thereof, or any rights, powers or remedies of the Trustee hereunder or any rights, powers or remedies of the holders of the Bonds and coupons hereby secured, but such lien, rights, powers and remedies shall continue unimpaired as before.

Any moneys collected by the Trustee under this Section shall be applied by the Trustee,

First, to the payment of the costs and expenses of the proceedings resulting in the collection of such moneys, and of the expenses, liabilities and advances made or incurred by the Trustee in managing or maintaining the trust estate; and

120

Second, to the payment of the amounts then due and unpaid upon the Bonds and coupons in respect of which such moneys shall have been collected, for principal and interest, respectively, with interest on the overdue installments of interest at the rate carried by the Bonds to which such interest pertains, without any preference or priority of any kind, but subject to the provisions of Section 1 of this Article, ratably according to the amounts due and payable upon such Bonds and coupons for principal and interest, respectively, at the date fixed by the Trustee for distribution of such moneys, upon presentation of the several Bonds and coupons and their surrender, if fully paid, or for proper stamping, if only partially paid.

SECTION 16. The Railway Company will not at any time insist upon or plead, or in any manner whatever claim, or take the benefit or advantage of any law, wherever enacted, in aid of debtors or any law, wherever enacted, for staying actions in respect of mortgages or mortgage indebtedness or extending the time for payment of such indebtedness now or at any time hereafter in force in any locality where the trust estate, or any part thereof, may or shall be situate, nor will it claim, take or insist on any benefit or advantage from any law now or hereafter in force, wherever enacted, providing for the valuation or appraisal of the trust estate, or any part thereof, prior to any sale or sales thereof to be made pursuant to any provision hereof or to the decree, judgment or order of any court of competent jurisdiction; nor after any such sale or sales will it claim or exercise any right under any statute heretofore or hereafter enacted by the United States, or by any state, or otherwise, to redeem the property so sold or any part thereof; and the Railway Company hereby expressly waives all benefit and advantage of any such law or laws, and covenants that it will not hinder, delay or impede the execution of any power herein granted or delegated to the Trustee.

HATT, PARROTT & SONS CO., WATERLOO, IOWA D31724

121

tee, but that it will suffer and permit the execution of every such power, as though no such law or laws had been made or enacted.

SECTION 17. If any of the events of default enumerated in Section 2 of this Article shall have happened and be continuing, and a bill in equity shall be filed or any other judicial proceedings commenced to enforce any right of the Trustee or of the bondholders under this Mortgage, then the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the trust estate, and of the earnings, rents, issues, profits, tolls, revenues and income thereof, with such powers as the court making such appointment shall confer; but notwithstanding the appointment of any receiver, the Trustee shall be entitled as pledgee to retain possession and control of, and to collect all interest and dividends or earnings on, any shares of stock, cash, bonds and other obligations pledged with the Trustee hereunder. The Railway Company hereby irrevocably consents to the appointment of such receiver.

SECTION 18. If any of the events of default enumerated in Section 2 of this Article shall have happened and be continuing, and (1) at any time during the continuance of such default there shall be any existing judgment against the Railway Company unsatisfied and unsecured by bond on appeal, or (2) in any judicial proceeding referred to in paragraphs (g) or (h) of Section 2 of this Article any court of competent jurisdiction shall have taken under its control, whether through a receiver, trustee or otherwise, the property of the Railway Company, or a judgment or order be entered for the sequestration of its property, or (3) in case of default in the making of any payment specified in paragraphs (a) to (e) of said Section 2 of this Article, the Railway Company shall admit to the Trustee its inability to make good such default within the period

122

of grace in such paragraphs mentioned,—the Trustee, without waiting for the expiration of the period of grace, if any, in said Section specified in respect of such default, shall thereupon be entitled forthwith to exercise the right of entry herein conferred and also any and all other rights and powers herein conferred and provided to be exercised by the Trustee upon the occurrence and continuance of default as hereinbefore provided, and the Trustee shall thereupon be entitled as a matter of right (a) to the appointment of a receiver of the trust estate and of the earnings, rents, issues, profits, tolls, revenues and income thereof, with such powers as the court making such appointment shall confer and (b) to the entry of an order directing that the rents, issues, profits, tolls, revenues and other income of the premises and property comprised in the trust estate be segregated, sequestered and impounded for the benefit of the Trustee and the bondholders from and after the date of the institution of any judicial proceedings of the nature referred to in this Section or paragraphs (g) and (h) of Section 2 of this Article. Notwithstanding the appointment of any such receiver, the Trustee, as pledgee, shall be entitled to retain possession and control of, and to collect all interest and dividends or earnings on, any shares of stock, cash, bonds and other obligations pledged with it as security hereunder.

The Railway Company hereby irrevocably consents to the appointment of such receiver and to the entry of such order.

SECTION 19. With the consent of the Trustee, at any time before full payment of the Bonds hereby secured, and whenever the Railway Company shall deem it expedient for the better protection or security of the bondholders, although none of the events of default enumerated in Section 2 of this Article shall have happened and be continuing, the Railway Company may surrender and de-

123

liver to the Trustee full possession of the whole, or of any part, of the trust estate for any period, fixed or indefinite, and may authorize the Trustee to collect the dividends and interest on any or all shares of stock, bonds and other obligations held by it subject to this Mortgage, and to vote upon any or all such shares of stock, for any such period. In such event, the Trustee may enter into and upon the premises so surrendered and delivered, and may take and receive possession thereof for such period, fixed or indefinite, as aforesaid, without prejudice, however, to the right of the Trustee at any time subsequently, when entitled thereto by any provision hereof, to insist upon maintaining and to maintain such possession thereof, though beyond the expiration of any such prescribed period; and the Trustee from the time of its entry upon such premises and property may maintain, use, manage, operate and control the same in accordance with the provisions of Section 2 of this Article, and shall receive and apply the income and revenues thereof, together with the interest and dividends on any or all shares of stock, bonds and other obligations held by it subject to this Mortgage, as provided in said Section 2 of this Article. Upon application of the Trustee, and with the consent of the Railway Company, if none of the events of default enumerated in Section 2 of this Article shall have happened and be continuing, and without such consent if any one or more of such events of default shall have happened and be continuing, a receiver may be appointed to take possession of, and to operate, maintain and manage the whole or any part of the trust estate, and the Railway Company shall transfer and deliver to such receiver all such property, wheresoever the same may be situate; and in every case, when a receiver of the whole or of any part of the trust estate shall be appointed under this Section, or otherwise, the net income and profits of such property shall be paid over to and shall be received

124

by the Trustee and shall be applied by it in accordance with the provisions of said Section 2 of this Article. Notwithstanding the appointment of any such receiver, the Trustee, as pledgee, shall be entitled to retain possession and control of, and to collect all interest and dividends or earnings on, any shares of stock, cash, bonds and other obligations pledged with it as security hereunder.

SECTION 20. No holder of any Bond or coupon hereby secured shall have any right to institute any suit, action or proceeding in equity or at law for the foreclosure of this Mortgage, or for the execution of any trust hereunder, including the appointment of a receiver, or for any other remedy hereunder, unless such holder previously shall have delivered to the Trustee written notice that some one or more of the events of default enumerated in Section 2 of this Article, which default or defaults shall be specified in such notice, has happened and is continuing nor unless also the holders of twenty per cent (20%) in principal amount of the Bonds hereby secured and then outstanding shall have requested the Trustee in writing and shall have afforded to it reasonable opportunity either to proceed to exercise the powers hereinbefore granted, or to institute such action, suit or proceeding in its own name, nor unless holders of Bonds shall have offered to the Trustee adequate security and indemnity, satisfactory to it, against the costs, expenses and liabilities to be incurred therein or thereby, nor unless the Trustee shall have refused or neglected to act on such notification, request and offer of indemnity; and such notification, request and offer of indemnity are hereby declared, in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of this Mortgage and to any action or cause of action for foreclosure, including the appointment of a receiver or trustee, or for any other remedy hereunder; it being understood and intended that no one or more holders of the

125

Bonds and coupons shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the lien of this Mortgage or to enforce any right hereunder, except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had or maintained in the manner herein provided, and for the equal benefit of all holders of the outstanding Bonds and coupons.

Nothing contained in this Section or elsewhere in this Mortgage or in the Bonds or in the coupons shall affect or impair the obligation of the Railway Company, which is unconditional and absolute, to pay the principal of and interest on the Bonds to the respective holders of the Bonds and to the respective holders of the coupons, at the times and places in such Bonds or coupons stated, nor affect or impair the right of action at law, which is also absolute and unconditional, of such holders to collect such payment.

SECTION 21. Except as herein expressly provided to the contrary, no remedy herein conferred upon or reserved to the Trustee or the bondholders is intended to be exclusive of any other remedy or remedies, but each and every such remedy shall be cumulative, and shall be in addition to every other remedy given hereunder, or now or hereafter existing at law or in equity or by statute.

SECTION 22. No delay of the Trustee or of any bondholder in exercising any right or power accruing upon any default continuing as aforesaid and no omission to exercise any such right or power shall impair any such right or power or shall be construed to be a waiver of any such default, or an acquiescence therein; and every power and remedy given by this Article to the Trustee, or to the bondholders, may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the bondholders, respectively.

126

SECTION 23. The Trustee shall have power to institute and maintain suits or proceedings to restrain the enforcement of, or compliance with, or the observance of, any legislative or governmental enactment, rule or order that it may believe to be unconstitutional, or otherwise invalid, if the enforcement of, or compliance with, or observance of, such enactment, rule or order would, in the judgment of the Trustee, impair the security hereunder or be prejudicial to the Trustee or to the bondholders.

ARTICLE EIGHT.

Immunity of Incorporators, Stockholders, Officers and Directors.

No recourse under or upon any obligation, covenant or agreement contained in this Mortgage or in any indenture supplemental hereto or in any Bond or coupon or because of the creation of any indebtedness secured by this Mortgage shall be had against any incorporator, stockholder, officer or director, past, present or future, of the Railway Company or of any successor corporation, either directly or through the Railway Company or any successor corporation or any other person, whether by virtue of any constitution, statute or rule of law or by the enforcement of any assessment or penalty, or otherwise, it being expressly agreed and understood that this Mortgage and the obligations hereby secured are solely corporate obligations and that any and all such personal liability of every kind and nature and any and all such rights and claims against each and every such incorporator, stockholder, officer or director, past, present or future, of the Railway Company or of any successor corporation, whether presently existing or hereafter arising, and whether arising at common law or in equity, or created by statute or constitution, are hereby expressly waived and released as a condition of, and as part of the consideration for, the execution of this Mortgage and the issue of the Bonds and coupons hereunder.

127

ARTICLE NINE.

Bondholders' Acts, Holdings and Apparent Authority.

Any demand, request or other instrument required by this Mortgage to be signed and executed by the bondholders may be in any number of concurrent writings of similar tenor, and may be signed or executed by such bondholders in person or by agent appointed in writing. Proof of the execution of any such demand, request or other instrument, or of a writing appointing any such agent, and of the ownership by any person of Bonds transferable by delivery, shall be sufficient for any purpose of this Mortgage, and may be received by the Trustee as conclusive, if made in accordance with the provisions of this Article.

The fact and date of the execution by any person of any such demand, request or other instrument or writing, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which such document was acknowledged that the person signing such document acknowledged to him the execution thereof, or by an affidavit of a witness to such execution sworn to before any such notary or other such officer.

The fact of the holding by any person of Bonds or coupons transferable by delivery, and the principal amount and distinctive numbers and series of such Bonds or coupons, and the date of his holding the same (which holding the Trustee may deem to continue until the Trustee shall have received notice in writing to the contrary), may be proved (a) by the production of the Bonds or coupons, or (b) by a certificate executed by any trust company, bank, banker or other depository, wherever situated, satisfactory to the Trustee, showing that on the date therein mentioned, such person had on deposit with such depos-

128

itary the Bonds or coupons described in such certificate; or such facts may be proved by the certificate or affidavit of the person holding such Bonds or coupons, if such proof shall be satisfactory to the Trustee.

The ownership of registered Bonds without coupons and of coupon Bonds registered as to principal shall be proved by the registry books of such Bonds, or by a certificate of the registrar thereof.

The fact and date of the execution of any such demand, request or other instrument, and the amount and numbers and series of Bonds held by the person by or for whom such request or other instrument is executed, may also be proved in any other manner which the Trustee may deem sufficient.

Any request or consent of the holder or registered owner, as the case may be, of any Bond shall bind all future holders and owners of the same Bond and of Bonds issued in exchange therefor or in place thereof, in respect of anything done, omitted or suffered by the Trustee in pursuance of such request or consent.

ARTICLE TEN.

Releases of Mortgaged Property.

SECTION 1. From time to time, subject to the conditions and limitations in this Article prescribed and not otherwise, and upon delivery to the Trustee of the resolutions, opinion and certificate specified in Section 3 of this Article, the Trustee shall release from the lien of this Mortgage any part or parts of the lines of railroad or any undivided or part interest therein, any leases, trackage or other contracts, rolling stock, equipment and any other property (other than cash deposited with the Trustee under any provision hereof) and any stocks, bonds or other obliga-

129

tions (provided that, except as in Section 16 of this Article permitted, there shall not be so released less than the entire amount of stocks or bonds pledged hereunder of any company a majority of whose capital stock is owned by the Railway Company) then subject to the lien of this Mortgage, *provided*, that if the property sought to be released shall be a lease or trackage contract and the resolution of the Board of Directors requesting such release shall state that any such lease or trackage contract is no longer of value to the Railway Company, the certificate specified in Section 3 of this Article need not contain the statements required by sub-paragraphs (c), (d) and (e) of paragraph (2) of said Section; and *provided, further*, that if the property sought to be released consists of all or any portion of a line or lines of railroad of the Railway Company running from Chicago, Illinois, to Oelwein, Iowa, or from Oelwein, Iowa, to St. Paul and Minneapolis, Minnesota, or from Oelwein, Iowa to Kansas City, Missouri, or from Mankato, Minnesota, to Osage, Iowa, or from Hayfield, Minnesota, to Omaha, Nebraska, or from Oelwein, Iowa, to Clarion, Iowa, there shall also be delivered to the Trustee a certificate or other instrument or instruments evidencing the approval of the holders of a majority in principal amount of the Bonds at the time outstanding given in the manner provided in Article Fifteen, except that no such approval of the bondholders shall be required in respect of the release of an undivided part interest in any such line, provided that the Railway Company shall retain at least an undivided one-third interest in any such line and shall retain the perpetual right to operate over any such line, and that the Trustee shall be furnished with the certificate of an independent engineer satisfactory to it stating that the granting or selling of such undivided part interest by the Railway Company will not, in his opinion, adversely affect the operation over said line or lines by the Railway Company or impair or prejudice the value of the security afforded by this Mortgage.

130

SECTION 2. The Railway Company may at any time, provided the general integrity and continuity of its lines be not broken thereby, make any change in location of its lines, tracks, station houses, buildings or other structures situated upon any part of the trust estate, and the Trustee, upon delivery to it of the resolutions and opinion and the certificate in Section 3 of this Article specified and upon a conveyance to it of the new or relocated lines, tracks, station houses, buildings, or other structures and the property on which the same are erected, upon the trusts and for the purposes of this Mortgage, or upon being furnished a written opinion of counsel satisfactory to it (who may be counsel for the Railway Company) that no such conveyance is necessary for such purpose, shall release from the lien of this Mortgage the premises upon which the lines, tracks, station houses, buildings or other structures were originally located and any part of such lines, tracks, station houses, buildings or other structures unremoved and remaining thereon and shall execute and deliver any and all instruments necessary and proper to effect such purpose.

SECTION 3. Whenever requesting the release of any property pursuant to Sections 1 or 2 of this Article, the Railway Company shall deliver to the Trustee:

(1) A certified copy of resolutions of the Board of Directors of the Railway Company requesting the release of the property described in the certificate specified in paragraph (2) of this Section.

(2) A certificate signed by the President or a Vice-President and by the Chief Engineer and by the Comptroller or other chief accounting officer of the Railway Company which shall:

(a) Set forth a description of the property sought to be released;

(b) State that such property is not necessary or desirable for the operation, maintenance or

131

use of any of the lines of railroad which, or the leases of which, or the trackage rights with respect to which, are then subject to the lien of this Mortgage; or if the property sought to be released consists of property for the release of which the approval of bondholders is required under Section 1 of this Article, that the release thereof has been authorized by the bondholders pursuant to the provisions of Section 1 of this Article;

(c) State that the release requested is required for the purpose of carrying out a sale of the property to be released or for the exchange thereof for other property;

(d) Set forth the selling price of such property if it is to be sold, or a description of the property to be received in exchange therefor, if any;

(e) State that the fair value of such property is not greater than the price at which it is to be sold or the fair value of the property (including any cash) to be received in exchange therefor, as the case may be, *provided, however*, that in case the fair value of the property to be released exceeds in amount \$25,000, a further certificate complying with the requirements of this subparagraph (e) by an independent engineer (in the case of any property other than stocks, bonds or other obligations) or by an independent appraiser (in the case of stocks, bonds and other obligations) satisfactory to the Trustee, shall be delivered to the Trustee.

(3) An opinion signed by counsel satisfactory to the Trustee (who may be counsel for the Railway Company) stating that the action so requested is authorized by the provisions of this Article and that the resolutions and certificates furnished to the Trustee in connection therewith are in compliance with the provisions of this Section.

SECTION 4. Except as hereinafter in this Section permitted, in case of the release of property pursuant to the

132

provisions of Sections 1 or 2 of this Article, the consideration, or the property to be received in exchange therefor, must consist of (1) cash or (2) obligations secured by purchase money mortgages on the property to be released or (3) property of the character permitted to be made the basis for the authentication and delivery of Bonds under the provisions of Section 5 of Article Two hereof or (4) equipment, *provided, however*, that the aggregate principal amount of any obligations secured by purchase money mortgages to be received in exchange for such property plus the aggregate principal amount of all other obligations secured by purchase money mortgages theretofore delivered to the Trustee and then held as part of the trust estate shall not exceed ten per cent (10%) of the aggregate principal amount of Bonds at the time outstanding under this Mortgage, *provided, further*, that, notwithstanding any provision of Section 5 of Article Two hereof, property of the character specified in clause (3) of this Section may be received in exchange for property so released at its full fair value and not at seventy-five per cent (75%) of such value, *provided, further*, that equipment may be received in exchange only for equipment, and *provided, further*, that in the case of the relocation of any lines, tracks, station houses, buildings or other structures as permitted by Section 2 of this Article, the premises upon which the lines, tracks, station houses, buildings, or other structures were originally located, and any part of such lines, tracks, station houses, buildings or other structures unremoved and remaining thereon, may be exchanged for the property on which such relocation was made notwithstanding that the latter property cannot be made the basis for the authentication and delivery of Bonds under the provisions of Section 5 of Article Two hereof.

In case the consideration shall be cash, such cash shall be paid over to the Trustee, unless, in lieu of such cash, the

133

Railway Company shall deliver to the Trustee the certificate and opinion and other instruments described in paragraphs (3) and (4) of Part B of Section 5 of Article Two, (except that the certificate and opinion shall state that the extensions, additions, improvements or betterments specified in said certificate are subject to the lien of this Mortgage as a first lien thereon) specifying extensions, additions, improvements and betterments to or of property included in the trust estate otherwise sufficient to entitle the Railway Company to receive Bonds or deposited cash in an amount equal to seventy-five per cent (75%) of such cash consideration.

In case the consideration shall consist of obligations secured by a purchase money mortgage on the property to be released, the Railway Company shall deliver to the Trustee an opinion of counsel satisfactory to the Trustee (who may be counsel for the Railway Company) stating that such obligations are valid obligations, that the purchase money mortgage securing the same is sufficient to afford a valid purchase money lien upon the property to be released, subject to no lien prior thereto, except any prior lien subject to which said property is to be sold, and that the assignment to the Trustee of any such mortgage is valid and has been recorded.

In case the consideration shall consist of property of the character specified in clause (3) of this Section, the Railway Company shall deliver to the Trustee a certificate signed by the President of the Railway Company that such property has not been made the basis for the authentication and delivery of Bonds or the payment of deposited cash under the provisions of Section 5 of Article Two or the payment of deposited moneys under any other provision of this Mortgage and the opinion and other instruments which the Railway Company would be required to furnish pursuant to paragraph 4(b) of Part B of Section 5 of Article Two (except that the opinion shall state

134

that the extensions, additions, improvements or betterments specified in said certificate are subject to the lien of this Mortgage as a first lien thereon).

In case the consideration shall consist of equipment, the Railway Company shall furnish to the Trustee an opinion of counsel satisfactory to the Trustee (who may be counsel for the Railway Company) stating that such equipment upon the acquisition thereof will become subject to the lien of this Mortgage as a first lien thereon.

SECTION 5. The Railway Company from time to time, upon furnishing to the Trustee the opinion and other instruments hereinafter in this Section specified, may abandon the operation of any line of railroad or terminal or any portion thereof or may surrender any franchise or portion thereof without any action by the Trustee if such abandonment or surrender shall be or shall have been made either pursuant to the authority of the Interstate Commerce Commission or other public authority at the time having jurisdiction in the premises, when such authority is lawfully required to be obtained, or by virtue of or pursuant to an agreement with the Federal government or any State, municipality or other political division or subdivision of a State or any governmental agency, or by virtue of or pursuant to any other legal requirement. Prior to any such surrender or abandonment the Railway Company shall deliver to the Trustee:

(1) An opinion of counsel satisfactory to the Trustee (who may be counsel for the Railway Company) stating either (a) that such surrender or abandonment will be made pursuant to the authority of the Interstate Commerce Commission or other public authority at the time having jurisdiction in the premises or (b) will be made by virtue of or pursuant to an agreement with the Federal government or any State, municipality, or other political division or subdivision of a State or any governmental agency or will be made by virtue of or pursuant to any other legal

135

requirement, and that any requisite authority of the Interstate Commerce Commission or other public authority has been obtained or that no such authority is lawfully required to be obtained.

(2) A certified copy of any order of the Interstate Commerce Commission or such other public authority specified in said opinion of counsel and a copy of such agreement, if any, with the Federal government or any State, municipality, or other political division or subdivision of a State or any governmental agency.

Any tracks, rights-of-way, structures, leasehold interests and trackage or other rights pertaining to any line of railroad or terminal or portion thereof which shall have been abandoned by the Railway Company, shall be released by the Trustee upon compliance with the provisions of Section 1 of this Article.

If the Railway Company shall dismantle and remove any tracks or other structures or facilities or property pertaining to any line of railroad or terminal or portion thereof, the Railway Company may sell any such dismantled property free from the lien of this Mortgage and shall deliver to the Trustee either the consideration received for such dismantled property or the certificate and opinion and other instruments described in paragraphs (3) and (4) of Part B of Section 5 of Article Two specifying extensions, additions, improvements and betterments to or of property included in the trust estate which would otherwise be sufficient to entitle the Railway Company to receive Bonds or deposited cash in an amount equal to seventy-five per cent (75%) of the net consideration received for such dismantled property.

SECTION 6. If no event of default as defined in Section 2 of Article Seven hereof shall have happened and be continuing, the Railway Company may from time to time sell, exchange or otherwise dispose of free from the lien of

136

this Mortgage and without release by the Trustee, any of the property at any time subject to the lien hereof and not used or useful for railroad purposes of the Railway Company not exceeding in any one calendar year in the aggregate a total of Twenty-five Thousand Dollars (\$25,000) in value at the date of disposition, the Railway Company agreeing in each case that it shall expend the proceeds of any such sale or other disposal, or an amount equal to the fair value of any property not sold for cash, to replace the property so sold or otherwise disposed of by other property, not necessarily of the same character, which in its judgment is of at least equal value, and that all such substituted property and all property received in exchange for property which was subject to the lien hereof, which shall be of at least equal value to the property which was subject to the lien hereof at the time of its sale, exchange or disposal, shall forthwith or by appropriate supplemental indenture become subject to the lien hereof as a first lien thereon, *provided, however*, that only proceeds derived from the disposition of equipment may be applied to the acquisition of equipment and *provided, further*, that equipment may be received in exchange only for equipment.

In order to clear the title of record of any property sold, exchanged or otherwise disposed of in accordance with this Section, the Trustee from time to time, at the request of the Railway Company, upon receiving a certificate signed by the President or a Vice-President and by the Secretary or an Assistant Secretary of the Railway Company specifying the property to be released, stating that it is not used or useful for railroad purposes of the Railway Company and stating the value of all property theretofore sold, exchanged or otherwise disposed of by the Railway Company pursuant to this Section within the calendar year in which such property was sold, exchanged or otherwise disposed of, shall execute and deliver confirmatory

137

releases or certificates that such property is free from the lien of this Mortgage.

The Railway Company shall deliver to the Trustee, on or before the last day of January in each year, a certificate signed by its President or a Vice-President and by its Secretary or an Assistant Secretary setting forth in reasonable detail all property and the value thereof sold, exchanged or otherwise disposed of under this Section within the next preceding calendar year, and all replacements thereof.

SECTION 7. The Railway Company shall have full power, in its discretion, and without notice to or action by the Trustee, from time to time,

(a) (1) To alter, remove, demolish or retire from service, any building or structures or industry tracks or side tracks or yard tracks or other property on the trust estate which may have become unfit for use or which it may deem necessary or advantageous to alter, remove, demolish or retire in connection with the maintenance or operation of or in the improvement of the trust estate and to dispose of, free from the lien of this Mortgage, any portion of the fixtures, equipment, machinery, apparatus, implements, furniture, materials, supplies and portable personal property at any time subject to the lien hereof, which may have become obsolete or otherwise unfit for use upon the trust estate; in each case replacing the same, or substituting therefor, other property, not necessarily of the same character but having a value at least equal to the value of the old property at the time of its disposition or, if it be sold, to the consideration therefor received by the Railway Company, which consideration shall be not less than the value of the old property at the time of its disposition; and (2) to dispose of any scrap material accumulated in the operation or maintenance of the properties of the Railway Company; and

(b) To make any lease of, or to grant trackage rights upon, or to grant any easements over, under or

138

upon, the trust estate, or any part thereof, and to enter into any contract affecting the same, subject to the prior lien of this Mortgage, *provided, however*, that thereby the value of the security hereunder is not impaired and the continuity of the lines of railroad of the Railway Company, including leased lines, will not thereby be interrupted and the operation of said lines of railroad by the Railway Company will not be interfered with, and *provided further* that nothing in this Section contained shall be construed to give the Railway Company power to make any such lease, or to grant any such trackage rights or easement, or to enter into such contract, unless such lease, trackage rights or easement or contract shall be subordinate to the prior lien of this Mortgage; and

(c) To make changes or alterations in, or substitutions for, any leases, trackage rights, easements, agreements or contracts, which are subject to the lien of this Mortgage, *provided*, that thereby the value of the security hereunder is not impaired. Any changed, amended or supplemental lease, trackage right, easement or contract forthwith shall be subject to the lien of this Mortgage in the same manner and to the same extent as that previously existing.

SECTION 8. If by final decree or order of any court or governmental body or agency having jurisdiction in the premises the Railway Company shall be required in eminent domain proceedings or otherwise to part with the ownership, possession or operation of any portion or portions of the trust estate, or should any governmental body or agency exercise any right to purchase any part of the trust estate, the portion or portions with which the Railway Company may be so required to part, or the portion so purchased, shall, notwithstanding the foregoing provisions of this Article, be released by the Trustee from the lien of this Mortgage:

(a) if the Trustee is a party to the action or proceeding in which such decree or order shall have been entered, then on such terms and conditions as in such decree or order may be prescribed; or

139

(b) if the Trustee shall not be a party to such action or proceeding, or if any portion of the trust estate has been so purchased by any governmental body or agency, then on such terms and conditions as may be satisfactory to the Trustee in its discretion, or on such terms and conditions as may be prescribed by the decree or order of any court of competent jurisdiction in a separate action or proceeding brought by the Trustee or to which it is a party; and

(c) upon receipt by the Trustee of any consideration received by the Railway Company for the portion or portions of the trust estate so to be released or upon the making of arrangements satisfactory to the Trustee for the subsequent receipt by it of such consideration.

SECTION 9. All obligations received by the Railway Company as part of the consideration for property released, as provided in Section 1 of this Article, shall be delivered to the Trustee and shall be held by the Trustee and dealt with by it as provided in Article Six. All moneys received by the Trustee for or on account of property released as provided in Section 1 of this Article, and all moneys which may be received by it as compensation for any property subject to this Mortgage taken by the exercise of the power of eminent domain or pursuant to any other action or proceeding referred to in Section 8 of this Article, and any and all other moneys at any time received by the Trustee, except to the extent that any such moneys shall be applied in accordance with the requirements of any mortgages or pledges constituting prior liens thereon, or in accordance with the provisions of this Mortgage particularly applicable thereto, shall be received and shall be held by the Trustee as part of the trust estate and shall, at the request of the Railway Company, from time to time be paid over to the Railway Company for any of the purposes specified in Section 5 of Article Two of this Mortgage upon

140

compliance with the requirements applicable to the payment to the Railway Company of deposited cash thereunder, *provided, however*, that the opinion of counsel shall state that the extensions, additions, improvements or betterments specified as the basis for paying over such cash to the Railway Company are subject to the lien of this Mortgage as a first lien thereon, and *provided, further*, that such moneys shall be paid over to the Railway Company in an amount equal to one hundred per cent (100%) of the Certified Cost of the expenditures (other than any expenditures charged to the Capital Fund account) set forth in any certificate or certificates delivered to the Trustee pursuant to the provisions of said Section 5 of Article Two; or any such moneys, at the request of the Railway Company, if no event of default enumerated in Section 2 of Article Seven hereof shall have happened and be continuing, shall be applied by the Trustee from time to time to the purchase of Bonds secured by this Mortgage of any one or more series designated by the Railway Company, at the best prices obtainable (including accrued interest and brokerage commissions) not exceeding the then current redemption price (including accrued interest) of the Bonds purchased (in the case of redeemable Bonds) and not in excess of the principal amount of the Bonds purchased plus accrued interest (in the case of non-redeemable Bonds), or to the redemption of Bonds of any one or more series designated by the Railway Company in the manner specified in Article Three of this Mortgage, at the redemption prices specified in such Bonds. If any moneys so received by the Trustee shall not have been paid over to the Railway Company or applied to the purchase or redemption of Bonds as in this Section provided within three years after the receipt thereof and if such unapplied moneys shall amount to \$50,000, or more, the Trustee shall proceed, and shall be authorized in the name of the Railway Company, to call for redemption

141

Bonds which shall be subject to redemption in such a principal amount as will most nearly exhaust such moneys.

All coupon Bonds purchased or redeemed under the provisions of this Section shall be forthwith cancelled and cremated by the Trustee and all registered Bonds purchased or redeemed under the provisions of this Section shall be forthwith cancelled or cremated by the Trustee and in each case appropriate certificates of cremation or cancellation shall be delivered to the Railway Company and to the bond registrar. No new Bonds of any series shall be issued in lieu of any Bonds purchased or redeemed under the provisions of this Section.

SECTION 10. The resolutions, opinions and certificates hereinbefore provided to be furnished to the Trustee may be received by the Trustee as conclusive evidence of any of the facts, or of the continuance of any condition, or of anything by this Article required to be established or shown in order to authorize the action sought in respect of any property forming the subject of such resolutions, opinions and certificates, and shall be full warrant to the Trustee for any action taken on the faith thereof, but the Trustee, in its discretion, may require, at the cost and expense of the Railway Company, such further and additional evidence as to it may seem reasonable.

SECTION 11. Any property or rights received by the Railway Company in exchange or substitution for any property or rights released from the lien of this Mortgage, or which are made the basis of the withdrawal of deposited cash as aforesaid, shall be and become subject to this Mortgage as a first lien as fully as if specifically mortgaged hereby (subject only to the prior liens hereinabove described in the granting clauses hereof and then existing) but, if requested by the Trustee, the Railway Company will convey the same to the Trustee upon the trusts and for the purposes of this Mortgage, and the Railway

142

Company shall furnish to the Trustee a written opinion of counsel satisfactory to the Trustee (who may be counsel for the Railway Company) to the effect that the instruments of conveyance are sufficient for that purpose, or, in lieu of such instruments, the Railway Company shall furnish a written opinion of such counsel that no such instruments of conveyance are necessary for such purpose.

SECTION 12. The purchaser of any property released under the provisions of this Article shall not be required to see to the application of the purchase money.

SECTION 13. In case the trust estate shall be in possession of a receiver or any trustee appointed under the provisions of the Bankruptcy Act, or any other state or federal law, the powers conferred by this Article upon the Railway Company may be exercised by the receiver or trustee with the approval of the Trustee hereunder, and, if the Trustee hereunder shall be in possession of the trust estate under any provisions of this Mortgage, then all of the powers by this Article conferred upon the Railway Company may be exercised by the Trustee hereunder in its discretion. In case of the exercise of said powers by a receiver or trustee, such receiver or trustee shall deliver to the Trustee hereunder, in lieu of the resolutions, certificates and opinion by this Article required to be delivered to the Trustee by the Railway Company, appropriate orders of court, certificates of such receiver or trustee and the opinion of counsel satisfactory to the Trustee (who may be counsel for such receiver or trustee).

SECTION 14. Anything in this Article to the contrary notwithstanding, the Trustee may, but shall be under no duty to, release from the lien of this Mortgage any property subject to the lien hereof as in and by this Article provided, notwithstanding that at the time such release is requested any of the events of default enumerated in Section 2 of Article Seven of this Mortgage shall

143

have happened and be continuing, but the provisions of this section are not intended to limit or affect the provisions of Section 13 of this Article.

SECTION 15. If no event of default, as defined in Section 2 of Article Seven hereof, shall have happened and be continuing, or if such an event of default shall have happened and be continuing and the Trustee shall consent thereto in writing, the Railway Company may, for the purpose of refinancing or refunding any equipment trust agreement and lease or conditional sale agreement or lease, covering any equipment the right, title, interest or equity of the Railway Company in which is subject to the lien of this Mortgage, and for no other purpose, sell or convey its right, title, interest or equity in and to said equipment and upon delivery to the Trustee of a resolution of the Board of Directors of the Railway Company so requesting, together with a certificate signed by the President or a Vice-President and by the Comptroller or other chief accounting officer of the Railway Company, stating that such sale or conveyance has been made or contracted for and that such refinancing or refunding has been or is to be made upon terms which will effect a saving or advantage to the Railway Company, the Trustee shall release from the lien of this Mortgage all right, title, interest or equity of the Trustee in or to such equipment under this Mortgage. After having effected any such refinancing or refunding, the Railway Company shall immediately convey to the Trustee all right, title, interest or equity of the Railway Company in or to such equipment under the new equipment trust agreement and lease or conditional sale agreement or lease covering such equipment but subject to any such agreement or lease.

SECTION 16. Whenever the Railway Company shall acquire and subject to the lien of this Mortgage all or substantially all of the property, both real and personal, of any company all or any part of the capital stock of which

144

shall then be held by the Trustee subject to this Mortgage, the Trustee shall release all such stock so held by it from the lien of this Mortgage and shall deliver to the Railway Company the certificates therefor properly assigned for transfer; and the Trustee shall give to the Railway Company all proxies, powers and releases preliminary to the acquisition of such property by the Railway Company which may be necessary or desirable to enable such stock to be voted, sold, applied or otherwise disposed of in consummating such acquisition by consolidation, merger or purchase or in any other manner.

In case there shall be transferred to the Railway Company part only of the lines of railroad or other real property of any company, part of the capital stock of which (whether or not a majority of such capital stock is owned by the Railway Company) shall be subject to the lien of this Mortgage, such capital stock, or any part thereof which may be required for the purpose, may be exchanged for such property, or may be applied in consummating the acquisition of such property, and the stock to be so exchanged or applied shall be released by the Trustee from the lien of this Mortgage, *provided, however*, that the property acquired in lieu of the capital stock released shall, in the opinion of an independent engineer satisfactory to the Trustee, be at least equal in value to the released capital stock, and shall be forthwith subjected to the lien of this Mortgage as a first lien thereon. The Railway Company in any such case shall deliver to the Trustee a written opinion of counsel satisfactory to the Trustee (who may be counsel for the Railway Company) to the effect that upon the release of said stock, such property will become subject to this indenture as a first lien thereon.

In the event that the Railway Company shall have acquired the title in fee to any property on which mortgage debt shall be outstanding, the whole of which mortgage

MATT PARROTT & SONS CO., WATERLOO, IOWA D31724

145

debt shall previously have been pledged hereunder, the Trustee, at the request of the Railway Company, evidenced by a resolution of its Board of Directors, may cancel and discharge all such mortgage debt so as to release such property from the lien thereof, provided, that thereupon such property shall become subject to this Mortgage as a first lien thereon. The Railway Company in any such case shall deliver to the Trustee a written opinion of counsel satisfactory to the Trustee (who may be counsel for the Railway Company) to the effect that upon the release of said lien, such property will become subject to this Mortgage as a first lien thereon.

ARTICLE ELEVEN.

Concerning the Trustee.

SECTION 1. The Trustee accepts the trusts hereby created upon the following terms and conditions, to all of which the Railway Company and the holders of the Bonds and coupons at any time outstanding, by their acceptance thereof, agree:

(a) The recitals herein and in the Bonds contained shall be taken as the statements of the Railway Company, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representation as to the value or condition of the mortgaged property or any part thereof or as to the security afforded thereby and hereby, or as to the validity of the lien of this Mortgage or as to the validity of the Bonds issued hereunder, and the Trustee shall incur no responsibility in respect of any such matters, *provided, however*, that nothing herein contained shall relieve the Trustee from its duty to authenticate Bonds only as elsewhere permitted by this Mortgage.

(b) The Trustee shall be under no duty to file, register or record or cause to be filed, registered or re-

146

corded this Mortgage, or any supplement thereto, as a mortgage, conveyance or transfer of real or personal property or otherwise, or to refile, re-register or re-record or renew the same, and the holders of the Bonds at any time issued and outstanding hereunder release the Trustee of and from any failure so to file, register or record or refile, re-register or re-record or renew this Mortgage or any such supplement, and the bondholders shall rely solely upon the Railway Company for said filing or registering or recording or refiling or re-registering or re-recording or renewing. The Trustee shall be under no responsibility or duty with respect to the disposition of the Bonds authenticated and delivered under any of the provisions hereof or the application of the proceeds thereof or of any moneys paid to the Railway Company under any of the provisions hereof.

Should any taxes or other governmental charges be imposed upon the Trustee, in its capacity as Trustee hereunder, which it may be required to pay under any present or future law of the United States of America or of any other authority therein having jurisdiction, the Trustee shall be reimbursed and indemnified therefor by the Railway Company, and any liability incurred or amounts paid by the Trustee in respect of any such taxes or other governmental charges, until paid, shall constitute a lien upon the trust estate prior to any claim of the holders of Bonds.

(c) The Trustee may execute any of the trusts under this Mortgage or exercise any of the powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys, agents or employees and the Trustee shall not be answerable or accountable for any act, default, neglect or misconduct of any such attorneys, agents or employees, provided reasonable care has been exercised in the selection thereof and in the continued employment of any such attorney, agent or employee, nor shall the Trustee be otherwise answerable or accountable under any circumstances whatsoever, except for its negligence or bad faith. The Trustee shall not be under any obliga-

147

tion or duty to institute, appear in or defend any suit in respect hereof, unless first reasonably indemnified, and the Trustee shall not be under any obligation to take any action in respect of any default or otherwise or toward the execution or enforcement of any of the trusts hereby created or to institute, appear in or defend any suit or other proceeding in connection therewith, unless one or more of the holders of the Bonds shall, as often as required by the Trustee, furnish it with reasonable security and indemnity against the cost and expenses of said proceeding, but this provision shall not affect any discretionary power herein given to the Trustee to determine whether or not it shall take action in respect of such default or otherwise.

(d) Except as herein otherwise provided, any notice or demand which by any provision of this Mortgage is required or permitted to be given or served by the Trustee or any other person on the Railway Company, shall be deemed to have been sufficiently given and served for all purposes by being deposited, postage prepaid, in a United States Post Office letterbox or mail chute, addressed (until another address is filed by the Railway Company with the Trustee and thereafter if addressed to such new address) as follows: Chicago Great Western Railway Company, 309 West Jackson Boulevard, Chicago, Illinois. Any notice, request or demand by any bondholder to or upon the Trustee shall be deemed to have been sufficiently given or made, for all purposes, if given or made at the principal office of the Trustee.

(e) The Trustee shall not be bound to recognize any person as the holder of a Bond outstanding hereunder unless and until the Bond is submitted to the Trustee for inspection if required, and the title thereto established to the satisfaction of the Trustee.

(f) The Trustee shall be justified in relying upon any notice, resolution, request, waiver, consent, order, certificate, statement, affidavit, indemnity bond, report, appraisal, opinion, telegram, cablegram, radio-gram, letter, bond or other paper, document or instru-

148

ment believed by it in the exercise of due care to be genuine and to have been signed, sent or presented by the proper party or parties. The Trustee may consult with counsel (who may be counsel for the Railway Company where so specified in the Mortgage) and the opinion of said counsel shall be full and complete authority and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in accordance with the opinion of said counsel. The Trustee shall not be under any responsibility for the selection, appointment or approval of any accountant, appraiser, counsel or other nominee for any of the purposes expressed in this Mortgage, provided that the Trustee shall have exercised reasonable care in any such selection, appointment or approval made by it.

(g) Upon any application for the authentication or delivery of Bonds or for the payment of any moneys held by the Trustee under any provision of this Mortgage or for the execution of any release or upon any other application to the Trustee hereunder, the resolutions, certificates, statements, appraisals, opinions, reports, orders and other papers required by any of the provisions of this Mortgage to be delivered to the Trustee as a condition of the granting of said application, may be received by the Trustee as evidence of any statement of fact or opinion required under this Mortgage therein contained and shall be warrant, authority and protection to the Trustee acting on the faith thereof, not only in respect of such statements but also in respect of such opinions. Before granting any application, the Trustee shall not be under any duty to make any further investigation into the matters appearing to it to be covered by any such resolution, certificate, statement, appraisal, opinion, report, order or other paper, *provided, however*, that if, prior to action had thereon, the holders of not less than ten per cent (10%) in principal amount of the outstanding Bonds shall in writing request it so to do and shall furnish it with security and indemnity satisfactory to it against the costs and expenses of the investigation, the Trustee shall make

MATT PARSONS & SONS CO., WATERLOO, IOWA D31724

149

such further investigation as to it may seem proper, and *provided further*, that the Trustee may in its discretion make any such independent inquiry or investigation as it may see fit. If the Trustee shall determine, or shall be requested as aforesaid, to make said further investigation, it shall be entitled to examine the books, records and premises of the Railway Company, itself or by agent or attorney; and unless the Trustee shall be satisfied, with or without said examination, of the truth and accuracy of the matters stated in said resolution, certificate, statement, appraisal, opinion, report, order or other paper, the Trustee shall not be under any obligation to grant the application. If after said examination or other inquiry the Trustee shall determine to grant the application, it shall not be liable for any action taken with due care and in good faith. The reasonable expense of every examination shall be paid by the Railway Company, or if paid by the Trustee, shall be repaid by the Railway Company upon demand, with interest at the rate of 4% per annum, or such lower rate as may be agreed upon, and until said repayment, shall be secured by a lien on the trust estate and the proceeds thereof prior to the lien of the Bonds issued hereunder.

(h) The Railway Company covenants and agrees to pay to the Trustee from time to time on demand of the Trustee, reasonable compensation (which shall not be limited by any provision of law with respect to the compensation of fiduciaries or of the trustee of an express trust) for all services rendered by it hereunder and also its reasonable expenses and counsel fees and other disbursements, and those of its attorneys, agents and employees, incurred in and by the administration and execution of the trusts hereby created and the exercise of its powers and the performance of its duties hereunder. In default of payment by the Railway Company, the Trustee shall have a lien therefor on the trust estate and the proceeds thereof prior to the lien of the Bonds issued hereunder.

(i) Whenever in the administration of the trusts created by this Mortgage the Trustee shall deem it

150

necessary or desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, said matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be proved and established by a certificate signed by the President or a Vice-President and by the Comptroller or other chief accounting officer or the Secretary or an Assistant Secretary of the Railway Company and delivered to the Trustee, but in its discretion the Trustee may require such further or additional evidence as to it may seem reasonable.

(j) The Trustee shall be under no duty to invest any moneys paid to or deposited with it or to its credit pursuant to any of the provisions of this Mortgage, and shall not be liable for interest on any moneys during the period such moneys remain on deposit with it, except such interest as the Trustee may agree with the Railway Company to pay.

(k) The Trustee, or any company in or with which the Trustee may be interested or affiliated, or any officer or director or trustee or stockholder of the Trustee or of any such company, may acquire and hold Bonds issued hereunder, and the Trustee may act as depository, transfer agent, paying agent, registrar, custodian, escrow agent or fiscal agent for the Railway Company or for any committee or other body, firm or corporation in respect of any bonds, notes or other securities, whether or not issued pursuant hereto.

(l) Any action at any time taken by the Trustee pursuant to or with respect to this Mortgage at the request or with the consent or approval (expressed or implied) of any person who at the time is the holder of any Bond secured hereby, shall be conclusive and binding upon all future holders of such Bond.

(m) All rights of action under this Mortgage may be enforced by the Trustee without the possession of any of the Bonds or the production thereof on the trial or other proceedings relative thereto.

151

SECTION 2. Any moneys which at any time shall be deposited under this Mortgage with the Trustee by or for the account of the Railway Company shall be held in trust by the Trustee for the holders of the Bonds and coupons issued hereunder until disposed of conformably with the provisions of this Mortgage but need not be segregated and may be held as part of the general funds of the Trustee, and the Trustee shall not be under any liability for interest on such moneys, except such as it may agree with the Railway Company to pay thereon.

SECTION 3. Any company into which the Trustee or any successor to it in the trusts created by this Mortgage may be merged or converted, or with which it or any such successor may be consolidated, or any company resulting from any merger, conversion, or consolidation to which the Trustee or any such successor shall be a party, provided such company shall be a trust company or a banking corporation in good standing organized under the laws of the United States or the State of New York or the State of Illinois and shall have an office in the Borough of Manhattan in the City and State of New York or in the City of Chicago, State of Illinois, and shall have a capital and surplus aggregating at least \$5,000,000, shall be the successor trustee under this Mortgage without the execution or filing of any paper or the performance of any further act on the part of the parties hereto, anything herein to the contrary notwithstanding. In case any of the Bonds shall have been authenticated but not delivered, any such successor trustee may adopt the certificate of authentication of Guaranty Trust Company of New York, or of any successor to it, as Trustee hereunder, and deliver the same so authenticated; and in case any of the Bonds shall not have been authenticated, any successor trustee may authenticate such Bonds either in the name of any predecessor trustee or in the name of such successor trustee, and in all such cases such

152

certificate shall have the full force which it is anywhere in the Bonds or this Mortgage provided that the certificate of the Trustee shall have.

SECTION 4. The Trustee or any successor Trustee may at any time resign and be discharged from the trusts hereby created by giving to the Railway Company written notice of such resignation specifying a date when such resignation shall take effect. Notice of such resignation shall be published once each week for two successive weeks, on days not more than sixty days nor less than thirty days prior to the date so specified, in one daily newspaper printed in the English language and published and of general circulation in the Borough of Manhattan, in the City and State of New York, and in one such newspaper published and of general circulation in the City of Chicago, State of Illinois, and such resignation shall take effect on the day specified in said notice or on the date of the appointment of a successor trustee as hereinafter provided, whichever shall be later.

The Trustee or any successor trustee may be removed at any time by the holders of a majority in principal amount of the Bonds hereby secured and then outstanding by an instrument or concurrent instruments signed by such holders or their attorneys-in-fact duly authorized. Any Trustee so removed shall be entitled to its reasonable compensation then accrued and unpaid, and the reimbursement of proper expenses theretofore incurred and not previously reimbursed.

SECTION 5. In case at any time the Trustee or any successor trustee shall resign or shall be removed or shall become incapable of acting or shall be adjudged bankrupt or insolvent, or if a receiver of the Trustee or any successor, or of its property, shall be appointed, or if any public officer in the exercise of his official powers shall take charge or control of the Trustee or any successor, or its property or affairs, or if a vacancy shall arise in the trus-

153

teeship under this Mortgage from any cause, a successor trustee or successor trustees may be appointed by the holders of a majority in principal amount of the Bonds then outstanding hereunder, by an instrument or concurrent instruments in writing signed and acknowledged by such bondholders or their attorneys-in-fact duly authorized, and delivered to such new trustee hereunder, notification being given to the Railway Company and the predecessor trustee, *provided, however*, that until a new trustee shall be appointed by the bondholders as aforesaid, the Railway Company, by an instrument duly executed and acknowledged by its proper officers, by authority of its Board of Directors, may appoint a trustee to fill the vacancy until the appointment of a new trustee by the bondholders as herein authorized. The Railway Company shall publish notice of any such appointment by it made once each week for two successive weeks in one daily newspaper printed in the English language and published and of general circulation in the Borough of Manhattan, in the City and State of New York, and in one such newspaper published and of general circulation in the City of Chicago, State of Illinois. Any new Trustee appointed by the Railway Company shall, immediately and without further act, be superseded by a trustee appointed by the bondholders in the manner above provided if such appointment by the bondholders be made within one year after the first publication of the notice of the appointment of the new trustee by the Railway Company.

Every trustee appointed under any of the provisions of this Article, in succession to Guaranty Trust Company of New York, or in succession to any such successor trustee, shall be a trust company or a banking corporation in good standing organized under the laws of the United States or the State of New York or the State of Illinois, having an office in the Borough of Manhattan in the City and State of New York or in the City of Chicago, State of Illinois,

154

and having a capital and surplus aggregating at least \$5,000,000.

If in a proper case no appointment of a successor trustee shall be made by the bondholders pursuant to the foregoing provisions of this Section within six months after the happening of any of the events set forth in the first paragraph of this Section, the holder of any Bond outstanding hereunder or any retiring trustee hereunder may apply to any court of competent jurisdiction to appoint a successor trustee. Said court may thereupon, after such notice, if any, as said court may deem proper and prescribe, appoint a successor trustee. Any trustee appointed by the Railway Company shall, immediately and without further act, be superseded by a trustee appointed by any such court in the manner above provided, if such appointment by such court be made within eighteen months after the first publication of the notice of the appointment of the new trustee by the Railway Company. If application shall be made to any such court within such eighteen months' period in this paragraph provided, the bondholders shall have no power to appoint a trustee as in this section provided unless such application shall be dismissed within one year after the first publication of the notice of the appointment of a new trustee by the Railway Company.

Any successor trustee appointed hereunder shall execute, acknowledge and deliver to the predecessor trustee hereunder and to the Railway Company an instrument in writing accepting such appointment hereunder, and thereupon said successor trustee, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessor in trust hereunder, with like effect as if originally named as trustee herein; but the retiring trustee, nevertheless, on the written request of the Railway Company or of the successor trustee, and upon pay-

155

ment of its unpaid compensation and expenses, if any, shall execute, acknowledge and deliver such instruments of conveyance and further assurances and do such other things as may reasonably be required for more fully and certainly vesting and confirming in said successor trustee all the right, title and interest of the retiring trustee in and to the trust estate and said rights, powers, trusts, duties and obligations; and the retiring trustee shall also, upon like request and upon payment of its unpaid compensation and expenses as aforesaid, pay over, assign and deliver to the successor trustee any money and other property subject to the lien of this Mortgage then held by it, and deliver any and all records, or copies thereof, in respect of the trusts hereunder which it may have; and upon request of any such successor trustee the Railway Company shall execute, acknowledge and deliver any and all deeds, conveyances or other instruments in writing for more fully and certainly vesting in and confirming to such successor trustee said estates, properties, rights, powers and duties.

SECTION 6. If at any time or times, in order to conform to any legal requirement, the Trustee shall so request, the Railway Company and the Trustee shall unite in the execution and performance of all instruments and agreements necessary or proper to appoint another bank or trust company or one or more persons approved by the Trustee, either to act as co-trustee or co-trustees of all or any part of the trust estate, jointly with the Trustee originally named herein or its successor, or to act as separate trustee or trustees of any such property, with such power and authority as may be necessary to the effectual operation of the trusts herein set forth and specified in the instrument of appointment.

SECTION 7. The Trustee is hereby appointed (and the successive holders of the Bonds issued hereunder, by taking and holding the same, shall conclusively be deemed

156

to have so appointed the Trustee) the true and lawful attorney-in-fact of the respective holders of the Bonds issued hereunder, with authority to make or file, irrespective of whether the Bonds or any of them are in default as to payment of principal or interest, in the respective names of the holders of the Bonds and coupons or in behalf of all holders of the Bonds and coupons as a class, any proof of debt, amendment to any proof of debt, petition or other document, and to execute any and all other papers and documents and do and perform any and all other acts and things for and in behalf of the respective holders of the Bonds and coupons, or in behalf of all holders of the Bonds and coupons as a class, as may be necessary or advisable in the opinion of the Trustee in order to have the claims of the holders of the Bonds and coupons against the Railway Company, or any successor, or any other person or corporation, allowed and paid in any equity receivership, insolvency, liquidation, bankruptcy, reorganization or other proceedings which shall involve the trust estate or any part thereof, and to receive payment of or on account of any such claim or claims; and any receiver, assignee or trustee in any such proceeding is hereby authorized by each of the bondholders to make such payments to the Trustee, and, in the event the Trustee shall consent to the making of such payments directly to the bondholders, to pay to the Trustee any amount due it for compensation and expenses, including counsel fees, incurred by it up to the date of such distribution. The Trustee shall have full power of substitution and delegation in respect of any such power. Nothing herein contained shall give the Trustee authority to assent to or reject on behalf of any holder of Bonds and coupons any plan of reorganization proposed or approved in any such proceeding.

157

ARTICLE TWELVE.**Possession until Default—Defeasance Clause.**

SECTION 1. Unless and until (1) the Trustee, under the powers in this Mortgage granted, or a trustee appointed under the provisions of the Bankruptcy Act or any other state or federal law or a receiver shall have entered into possession of the trust estate or a part thereof or (2) some one or more of the events of default enumerated in Section 2 of Article Seven hereof shall have happened and be continuing the Railway Company, its successors and assigns, shall be suffered and permitted to retain actual possession of all of the trust estate (other than certificates of stock, cash, bonds and other obligations pledged hereunder or to be pledged hereunder) and to manage, operate and use the same and every part thereof with the rights and franchises appertaining thereto and to collect, receive, take, use and enjoy the rents, earnings, income, issues and profits thereof (as well as of such certificates of stock, cash, bonds and other obligations so pledged hereunder).

SECTION 2. If (a) when all of the Bonds shall become due and payable at maturity, upon call for redemption, by declaration, or otherwise, the Railway Company shall have paid or caused to be paid the whole amount of the principal and premium, if any, and interest due on all of the Bonds then outstanding, or shall have provided for the payment of such Bonds by depositing with the Trustee as trust funds the entire amount then due thereon for principal and premium, if any, and interest, or shall deliver to the Trustee for cancellation all Bonds and coupons issued hereunder and not theretofore cancelled, or (b) prior to all of the Bonds having become due and payable, the Railway Company shall deposit with the Trustee as trust funds

158

an amount sufficient to pay or redeem all Bonds at the time issued and outstanding, together with the interest thereon to maturity or the date of redemption, and, in case the Bonds are to be redeemed, furnish proof satisfactory to the Trustee that notice of redemption of all outstanding Bonds has been given as provided in Article Three hereof, or make arrangements satisfactory to the Trustee that such notice will be so given,—and if, in either such event, the Railway Company shall pay or cause to be paid all other sums payable hereunder by the Railway Company and shall well and truly keep and perform, according to the true intent and meaning of this Mortgage, all covenants herein required to be kept and performed by it,—then, and in any such case, all property, rights and interests hereby conveyed, assigned or pledged shall revert to the Railway Company, its successors or assigns, and the estate, right, title and interest of the Trustee shall thereupon cease and determine and become void; and the Trustee in any such case, on written demand of the Railway Company, its successors or assigns, shall enter satisfaction of this Mortgage upon the records, and shall assign and transfer or cause to be assigned and transferred, and shall deliver, or cause to be delivered to the Railway Company, its successors and assigns, all moneys (other than moneys deposited with it under this Section or previously deposited with it for the payment of principal, premium, coupons or claims for interest on the Bonds) and all personal or other property then held hereunder by the Trustee, and shall deliver to the Railway Company orders for the payment of any moneys deposited with other depositaries as in this Mortgage or any supplement hereto provided; otherwise, the same shall remain in full force and effect.

Any moneys deposited with the Trustee under this Section shall be held by it as a trust deposit and applied to the payment of the Bonds issued hereunder and secured hereby, interest thereon and coupons appertaining thereto

159

and premium, if any, in respect of which such moneys shall have been deposited. Upon the request of the Railway Company, any moneys so deposited remaining unclaimed by the holders of the Bonds and coupons for twenty years after the date when such Bonds shall be payable, shall be repaid by the Trustee to the Railway Company and all liability of the Trustee with respect to such moneys shall thereupon cease and the holders of said Bonds and coupons shall thereafter be entitled to look only to the Railway Company for payment thereof, *provided, however*, that the Trustee, before being required to make any such repayment, may, at the expense of the Railway Company, cause notice that said moneys have not been claimed and after a date specified therein any unclaimed balance of such moneys then remaining will be repaid to the Railway Company, to be published once each week for four successive weeks in one daily newspaper printed in the English language and published and of general circulation in the Borough of Manhattan, in the City and State of New York, and in one such newspaper published and of general circulation in the City of Chicago, State of Illinois. In no event shall the holders of such Bonds or coupons appertaining thereto be entitled to interest upon such money whether remaining with the Trustee or so repaid by it to the Railway Company.

All coupon Bonds, together with the appurtenant coupons, paid under this Section, shall be cremated by the Trustee and all registered Bonds without coupons so paid shall be cancelled and in the discretion of the Trustee may be cremated, and in each case appropriate certificates of cancellation or cremation shall be delivered by the Trustee to the Railway Company, the paying agent and the bond registrar.

160

ARTICLE THIRTEEN.**Consolidation, Merger, Conveyance and Lease.**

SECTION 1. Nothing contained in this Mortgage or in any Bond issued or to be issued hereunder shall prevent the consolidation or merger of the Railway Company with or into any other corporation lawfully entitled to acquire and operate the trust estate or any conveyance or lease by the Railway Company of the trust estate as a whole, or substantially as a whole, to any other such corporation, or the merger into the Railway Company or the acquisition by the Railway Company of the property as a whole, or substantially as a whole, of any other corporation, or shall prevent successive consolidations, mergers, conveyances, acquisitions or leases to which the Railway Company or any successor shall be a party, *provided, however*, that every such consolidation, merger, conveyance, acquisition or lease shall be on such terms as shall fully preserve and in no respects impair the lien and security of this Mortgage or any of the rights and powers of the Trustee or of the bondholders hereunder, and *provided further*, that immediately upon any such consolidation, merger or conveyance, any successor corporation resulting from such consolidation or merger, or the corporation to which such conveyance is made, as the case may be, shall, by an indenture supplemental hereto, expressly assume the due and punctual payment of the principal of and interest on all of the Bonds issued and to be issued hereunder according to their tenor and purport and the due and punctual performance of all of the covenants, terms and conditions of this Mortgage, and of any indentures supplemental hereto, to be kept, observed and performed by the Railway Company, and in said supplemental indenture shall make equitable provision, satisfactory to the Trustee, for determin-

MATT PARROTT & SONS CO., WATERLOO, IOWA D21724

161

ing the portion of the earnings of such successor corporation to be used as a basis for the determination under the provisions of this Mortgage or any indenture supplemental hereto of the amounts to be paid into any sinking fund provided in respect of Bonds issued hereunder or to be appropriated and credited to the Capital Fund provided for in Section 14 of Article Five hereof, and *provided further*, that, as a condition of any such lease of the trust estate, the corporation to which such property shall be so leased, shall as a part of the consideration therefor, by an indenture supplemental hereto, assume the due and punctual payment of the principal of and interest on all of the Bonds issued and to be issued hereunder according to their tenor and purport and the due and punctual performance of all of the covenants, terms and conditions of this Mortgage and any indentures supplemental thereto to be kept, observed and performed by the Railway Company, and make equitable provision satisfactory to the Trustee for such a determination of earnings.

SECTION 2. In the absence of an express grant by the successor corporation or by the Railway Company, as the case may be, this Mortgage shall not by reason of any such consolidation, merger, conveyance or acquisition, or otherwise, constitute and become a lien upon, and the term "trust estate" as herein used shall not include or comprise:

(1) Any property or franchise which, prior to such consolidation, merger, conveyance or acquisition, was owned by any corporation with or into which the Railway Company or any successor corporation may be consolidated or merged or which may be merged into the Railway Company or to which the Railway Company or any successor corporation may make any such conveyance, or any property or franchises which theretofore may have been acquired by the Railway Company or any successor corporation and which prior to such consolidation, merger, conveyance or acquisition was not subject to the lien of this Mortgage; or

162

(2) Any property or franchise which may be purchased, constructed or otherwise acquired by the successor corporation or by the Railway Company after the date of any such consolidation, merger, conveyance or acquisition, excepting only the betterments, extensions, improvements, additions, repairs, renewals, replacements, substitutions, alterations, property and franchises mentioned and referred to in clauses (a) and (b) hereinafter contained in this Section, which, as and when purchased, constructed, or otherwise acquired by such successor corporation or by the Railway Company, shall be and become subject to the lien of this Mortgage, notwithstanding any such consolidation, merger, conveyance or acquisition.

In order to confirm of record the lien of this Mortgage and to preserve and protect the rights of the bondholders hereunder, the supplemental indenture or indentures provided for in Section 1 of this Article shall be recorded as in Section 8 of Article Five hereof provided, and if any such indenture does not contain an express grant by the successor corporation, as further security for all Bonds issued and to be issued hereunder, of all of its property and franchises then owned and which it may thereafter acquire, it shall contain:

(a) A grant by such successor corporation confirming the prior lien of this Mortgage upon the trust estate and subjecting to the lien and operation hereof as a first lien, or as a lien subject to liens affecting the property and franchises of the Railway Company prior to such consolidation, merger or conveyance: (1) all property acquired either with cash at any time then or thereafter held hereunder by the Trustee or in exchange for property released from the lien hereof or the acquisition or construction of which has been or shall be made the basis of the withdrawal of cash or the issuance of Bonds hereunder; (2) all betterments, extensions, improvements and additions of, to, upon and for the property, rights and franchises subject to the lien hereof; (3) all repairs, renewals, re-

163

placements, substitutions and alterations of, to, upon and for such property, rights and franchises; (4) all property, rights and franchises acquired pursuant to any covenant herein contained which may be purchased, constructed, or otherwise acquired by such successor corporation from and after the date of such consolidation, merger or conveyance, as the case may be; and (5) all equipment and additions, betterments and improvements to any property all or any part of the purchase price or the cost of which has been charged against the Capital Fund provided for by Section 14 of Article Five hereof; and

(b) An undertaking on the part of such successor corporation that all property and franchises thereafter acquired by it and necessary to the full and complete performance of any covenant herein contained relating to the maintenance and upkeep of the trust estate, to the making of all needful and proper renewals, replacements, substitutions and alterations and to the preservation and keeping in full effect of all rights, franchises and privileges, subject to the lien hereof, and of any other covenant herein, shall be conclusively deemed and taken to be acquired by it in performance of such covenant and to have become subject to the prior lien of this Mortgage; and

(c) An undertaking by such successor corporation to keep the trust estate, so far as practicable, readily identifiable; and a stipulation that the Trustee shall not be taken impliedly to waive, by accepting or joining in the supplemental indenture, any rights it would otherwise have.

SECTION 3. In case the Railway Company or any successor corporation shall be consolidated or merged with or into or shall make a conveyance to any other corporation as permitted and upon the terms provided in Section 1 of this Article, the corporation formed by or resulting from such consolidation or merger or to which such conveyance shall have been made as aforesaid,—upon executing and delivering to the Trustee, and causing to be recorded, the supplemental indenture provided for in Section 1 of this

164

Article,—shall succeed to and be substituted for the Railway Company with the same force and effect as if it had been named in and had executed this Mortgage, as the party of the first part hereto, and shall have and possess and may exercise, subject to the terms and conditions of this Mortgage and any indentures supplemental hereto, each and every power, authority and right herein reserved to or conferred upon the Railway Company; and thereupon such successor corporation may cause to be signed and may issue, either in its own name or in the name of the party of the first part, and under the corporate seal of either the party of the first part or the successor corporation, any and all Bonds which shall not theretofore have been signed by the party of the first part and delivered to the Trustee; and the Trustee, upon the order of such successor corporation, and subject to all the terms, conditions and limitations in this Mortgage and in any and all indentures supplemental hereto prescribed, shall authenticate any and all Bonds which previously shall have been signed by the party of the first part and delivered to the Trustee for authentication, and any Bonds which such successor corporation shall thereafter cause to be signed and delivered to the Trustee for such purpose, and deliver the same to such successor corporation or upon its order.

SECTION 4. All Bonds issued by any such successor corporation shall in all respects have the same legal rank and security as the Bonds theretofore issued in accordance with the terms of this Mortgage by the Railway Company. In case of any such consolidation, merger or conveyance such changes in phraseology and form (but not in substance) may be made in the Bonds and coupons thereafter to be issued as may be appropriate to reflect any such consolidation, merger or conveyance.

SECTION 5. For every purpose of this Mortgage, including the execution, issue and use of any and all Bonds issued or issuable hereunder, the term "Railway Company" in-

165

cludes and means not only the party of the first part, but also any such successor corporation upon compliance with the provisions of this Article. Any act or proceeding by any provision of this Mortgage authorized, required or permitted to be done or performed by the stockholders or by any board or officer of the Railway Company, shall and may be done and performed, with like force and effect, by the stockholders or by the like board or officer of any successor corporation, subject, however, to the provisions of Section 3 of this Article.

SECTION 6. Every supplemental indenture provided for in this Article shall be in form approved in and by an opinion of counsel satisfactory to the Trustee (who may be counsel for the Railway Company), and the Trustee may accept the opinion of such counsel that the provisions and conditions of this Article have been complied with as conclusive evidence of such compliance.

SECTION 7. In case of the consolidation of the Railway Company with or the merger into it of, or the conveyance to it of all of the property of a corporation a majority of the capital stock of which shall be pledged under this Mortgage, the lien of this Mortgage upon such capital stock shall terminate upon such consolidation, merger or conveyance becoming effective, and such capital stock, if then in the possession of the Trustee, shall be surrendered to the Railway Company or to the successor corporation if the railroads and other property theretofore owned by the company whose capital stock were so pledged shall have been subjected to the lien of this Mortgage by a supplemental indenture executed as provided in Article Fourteen hereof, but such supplemental indenture may provide that the lien of this Mortgage on such railroads and other property shall be subordinate to the liens which then there may be thereon.

In case of the consolidation of the Railway Company

166

with, or the merger into it of, or the conveyance to it of all of the property of, a corporation any of the bonds or other obligations of which shall be pledged under this Mortgage, the lien of this Mortgage upon such bonds or other obligations shall terminate upon such consolidation, merger or conveyance becoming effective, and such bonds or other obligations, if then in the possession of the Trustee, shall be surrendered to the Railway Company or to the successor corporation if the railroads and other property theretofore owned by the company whose bonds or other obligations were so pledged shall have been subjected to the lien of this Mortgage as a first lien thereon by a supplemental indenture executed as provided in Article Fourteen hereof.

SECTION 8. The Railway Company covenants and agrees that no consolidation or merger and no conveyance or lease of the trust estate as a whole or substantially as a whole, to which the Railway Company or any successor corporation shall be a party, shall be made or effected unless the terms, covenants and conditions contained in this Article shall have been complied with and observed by the Railway Company or the successor corporation as the case may be.

ARTICLE FOURTEEN.

Supplemental Indentures.

SECTION 1. The Railway Company, when authorized by resolution of its Board of Directors, and the Trustee, from time to time and at any time, may enter into an indenture or indentures supplemental hereto and which thereafter shall form a part hereof, for any one or more of the following purposes:

(a) To correct the description of any property hereby conveyed, transferred and assigned, or in-

167

tended so to be, or to convey, transfer and assign to the Trustee and to subject to the lien of this Mortgage, with the same force and effect as though included in the granting clauses hereof, additional property then owned by the Railway Company, acquired by it through consolidation, merger, purchase or otherwise;

(b) To pledge with or assign to the Trustee and to subject to the lien of this Mortgage with like effect shares of stocks, bonds, indebtedness and other obligations of other companies;

(c) To evidence the succession of another corporation to the Railway Company, or successive successions, and assumption by a successor corporation of the covenants and obligations of the Railway Company under this Mortgage;

(d) To add to the covenants of the Railway Company such further covenants as its Board of Directors and the Trustee shall consider to be for the protection of the trust estate and of the holders of Bonds issued or issuable under this Mortgage, and to make the occurrence and continuance of a default in any of such additional covenants an event of default permitting the enforcement of all or any of the several remedies provided in this Mortgage as herein set forth, *provided, however*, that in respect of any such additional covenant such supplemental indenture may provide for a particular period of grace after default which may be shorter or longer than allowed in the case of other defaults or may permit an immediate enforcement upon such default or may limit the remedies available to the Trustee upon such default;

(e) To establish the terms, provisions and conditions of a particular series of Bonds, as determined by the Board of Directors of the Railway Company and within the limitations herein expressed;

(f) To provide the terms and conditions of redemption of the Bonds of any particular series then about to be issued;

(g) To provide the terms and conditions of a sinking fund with respect to Bonds of any particular series then about to be issued;

168

(h) To provide the terms and conditions of the exchange of Bonds of one denomination for Bonds of other denominations and of the exchange of coupon Bonds for registered Bonds without coupons of the same series;

(i) To provide that the Bonds of any particular series, other than Series A, may be converted into other obligations or shares of stock of the Railway Company and the terms and conditions of such conversion;

(j) To make any modifications herein or in the form of any Bonds or their interest coupons which may be expedient to facilitate the listing of such Bonds on the New York Stock Exchange or any other stock exchange or bourse; *provided*, that the Trustee shall be of the opinion that any such modification will not be prejudicial to the interests of the bondholders;

(k) To make any modifications herein or in the form of any Bonds or their interest coupons which may be required by law;

(l) To provide additional or other restrictions and limitations upon the issue of Bonds or additional covenants and undertakings of the Railway Company with respect thereto;

(m) For any other purpose not inconsistent with the terms of this Mortgage, or for the purpose of curing any ambiguity or of curing, correcting or supplementing any defective or inconsistent provision contained herein or in any supplemental indenture.

SECTION 2. The Trustee is authorized to join with the Railway Company in the execution of any such supplemental indenture, to make any further agreements and stipulations which may be therein contained, not inconsistent with the provisions of this Mortgage, and to accept the conveyance, transfer and assignment of any property thereunder.

169

SECTION 3. The Railway Company agrees to furnish to the Trustee upon the execution and delivery of each supplemental indenture, whether pursuant to the provisions of this Article or any other provision of this Mortgage, an opinion of counsel satisfactory to the Trustee (who may be counsel for the Railway Company) stating that in the opinion of such counsel the execution of any such supplemental indenture is authorized by, and is in compliance with, the provisions of this Mortgage.

ARTICLE FIFTEEN.

Bondholders' Meetings.

SECTION 1. In addition to the power and authority given under Article Fourteen hereof, whenever the Railway Company shall desire any amendment or addition to or modification or repeal of any of the provisions of this Mortgage or any indenture supplemental hereto, or any sanction, authorization or waiver in Section 6 of this Article authorized, it shall file with the Trustee a written request, accompanied by a copy of a resolution of the Board of Directors of the Railway Company, certified by its Secretary or Assistant Secretary under its corporate seal, requesting the Trustee to call a meeting of the holders of the Bonds to be affected by any action requested to be taken, for the purpose of considering and acting upon such request. The Trustee, upon receipt of any such request shall, or at any time in its discretion may, call a meeting of the bondholders that may be affected by the matters to be considered at such meeting, *provided*, that it shall be furnished at the time of any such request with an amount sufficient to defray the cost of publishing the notice in accordance with the provisions of Section 2 of this Article. If the Trustee shall fail to call a meeting within ten days after being requested so

170

to do, the Railway Company, pursuant to a resolution of its Board of Directors, may call such meeting in the manner herein provided.

SECTION 2. Notice of every such meeting of bondholders, setting forth in reasonable detail the purpose of such meeting, shall be given by publishing the same once each week for four successive weeks in one daily newspaper printed in the English language and published and of general circulation in the Borough of Manhattan, in the City and State of New York, and in one such newspaper published and of general circulation in the City of Chicago, State of Illinois, the first publication to be not less than thirty nor more than sixty days prior to the date fixed for the meeting. A copy of such notice shall also be sent by mail, within said period, to the holders of registered Bonds without coupons and to the holders of coupon Bonds registered as to principal at their last addresses appearing upon the Bond register. The place, date and hour of holding such meeting and the dates of publishing such notice shall be determined by the Trustee in its discretion, or if such meeting shall be called by the Railway Company, shall be determined by it in its discretion.

SECTION 3. The Trustee, or upon its refusal so to do, the Railway Company, may (for the purpose of enabling the bondholders to be present and vote at any meeting without producing their Bonds and of enabling them to be present and vote at any such meeting by proxy) make, and may from time to time vary, such regulations as it shall think fit for the deposit of unregistered Bonds with or the exhibition thereof to any bank, banker or trust company or corporation, firm or person approved by the Trustee or the Railway Company, as the case may be, and for the issue to the persons so depositing or exhibiting the same, of certificates by any such bank, banker, trust company or corporation, firm or person, entitling the persons depositing or exhibiting the same to be present

171

and vote or to appoint proxies to represent them and vote for them at any such meeting and at any adjournment thereof, in the same way as if the person so present and voting, either personally or by proxy, exhibited at said meeting the Bonds in respect of which such certificates shall have been issued, notwithstanding any transfer of such Bonds subsequent to the issuance of such certificates, and any regulations so made shall be binding and effective and the votes given in accordance therewith shall be valid and shall be counted. Each such certificate shall state the date on which the Bond or Bonds in respect of which such certificate shall have been issued were deposited with or exhibited to such person or institution and the series and serial numbers and the principal amounts of such Bonds. In the event that two or more such certificates shall be issued in respect of any Bond or Bonds, the certificate bearing the latest date shall be recognized and be deemed to supersede all certificates previously issued with respect to such Bond or Bonds. Neither the person named in any such certificate nor his proxy shall be entitled to vote at any such meeting if (1) another certificate bearing a later date issued in respect of the same Bond shall be produced, (2) the Bond specified in such certificate shall itself be produced at the meeting (or in case such Bond shall have been surrendered in exchange for another coupon Bond pursuant to this Mortgage or any supplemental indenture, such other Bond shall be produced), or (3) the Bond specified in such certificate shall then be registered as to principal or shall have been exchanged for a registered Bond without coupons pursuant to this Mortgage or any supplemental indenture. If such regulations are made by the Railway Company, copies thereof and any amendments thereto shall be filed with the Trustee.

Owners of fully registered Bonds and coupon Bonds registered as to principal to be affected by the business to be submitted to the meeting may, by proxy duly ex-

172

ecuted in writing, appoint any person to represent them and vote for them at any such meeting or adjournment thereof. Each such writing shall state the aggregate principal amount of Bonds regarding which the person authorized thereby is entitled to vote.

SECTION 4. To be entitled to vote at any meeting of Bondholders a person shall be (a) a holder of a coupon Bond transferable by delivery, (b) a registered owner of a coupon Bond registered as to principal or of a registered Bond without coupons, or a proxy for such registered owner, or (c) subject to clauses (1), (2) and (3) of Section 3 of this Article, the person named in a certificate issued pursuant to Section 3 of this Article or his proxy. The only persons who shall be entitled to be present or to speak at any meeting of Bondholders shall be the persons entitled to vote at such meeting and the counsel of any such person and any representatives of the Trustee and its counsel and any representatives of the Railway Company and its counsel.

Bonds owned or held by or for the account of the Railway Company or any subsidiary company, or any corporation or corporations or person owning, directly or indirectly, a majority of the voting stock of the Railway Company, shall not be deemed to be outstanding for any purpose of this Article, except that any Bond pledged by the Railway Company, or by any subsidiary company, or by any such corporation or person, as security for loans or other obligations, otherwise than to another subsidiary company or to another such corporation or person, if the pledgee is entitled pursuant to the terms of its pledge agreement and free to exercise in his discretion, uncontrolled by the Railway Company, any subsidiary or by any such corporation or person, the right to vote such Bond, shall be deemed to be outstanding for all purposes of this Article. No Bond which shall have been called for

173

redemption and payment duly provided for shall be deemed to be outstanding for any purpose of this Article.

SECTION 5. The representation of at least seventy-five per cent (75%) of the aggregate principal amount of the outstanding Bonds to be affected by the business to be submitted to the meeting, by the persons holding such Bonds or by proxy, shall be necessary to constitute a quorum at any such meeting, but less than a quorum may adjourn the meeting from time to time and from place to place and the meeting may be held as adjourned without further notice, whether such adjournment shall have been had by a quorum or by less than a quorum. The Trustee, or the Railway Company, as the case may be, shall by an instrument in writing appoint a temporary chairman of the meeting, and the meeting shall be organized by the election of a permanent chairman and a secretary. At any meeting, each bondholder shall be entitled to one vote for every \$100 principal amount of Bonds upon which he shall be entitled to vote, as aforesaid. The chairman of the meeting shall have no right to vote other than by virtue of Bonds held by him or instruments in writing as aforesaid duly designating him as the person to vote on behalf of other bondholders.

SECTION 6. A meeting of the bondholders shall have the power, by resolution affirmatively voted for by seventy-five per cent (75%) of the principal amount of the Bonds outstanding to be affected by any such action:

(a) to authorize the Trustee to join with the Railway Company in making any modification or repeal of or addition to any provision of this Mortgage or any supplement hereto, and any modification of or addition to the rights and obligations of the Railway Company or the rights of the holders of the Bonds, of all or any series, and appurtenant coupons, under this Mortgage or any supplement hereto, *provided, however,* that no modification or repeal of or addition

174

to the provisions of this Mortgage or any indenture supplemental hereto shall be effective until approved by resolution of the Board of Directors of the Railway Company, and *provided further,* that no such modification or repeal of or addition to the provisions of this Mortgage or any supplement hereto which, in the opinion of the Trustee, shall affect its rights, duties or immunities under this Mortgage or any supplement hereto may be made without the written consent of the Trustee;

(b) to sanction any compromise of the rights of the bondholders against the Railway Company or against its property whether such rights shall arise under the provisions of this Mortgage or otherwise;

(c) to require the Trustee on having entered into or taken possession of the trust estate, or any part thereof, to restore the same to the Railway Company upon such conditions as the bondholders may impose;

(d) to terminate, notwithstanding the provisions of Article Ten, either before or after an event of default, the lien of this Mortgage or any indenture supplemental hereto as to any property or properties or part or parts thereof at any time subject hereto and cause the same to revert to the Railway Company free and clear of the lien hereof upon such conditions as the bondholders may direct;

(e) to sanction any plan for the reorganization, readjustment or liquidation of the Railway Company;

(f) to authorize the Trustee to accept in satisfaction or part satisfaction for the sale or transfer of all or any part of the trust estate any securities of any corporation formed or to be formed;

(g) to waive any default on the part of the Railway Company, other than the non-payment of the principal of any Bonds issued under this Mortgage at maturity or any interest thereon when due, upon such terms as may be approved at said meeting; and

(h) to exercise any and every power given the bondholders, or any specified percentage thereof, under any provision of this Mortgage;

175

provided, however, that, anything in this Article to the contrary notwithstanding, the bondholders shall have no power to reduce the principal amount of any Bonds or the rate of interest thereon, or otherwise modify the terms of payment of the principal of or interest on any such Bonds, or to reduce the amount of the sinking fund for Bonds of Series A, without the consent of the holder of each Bond so affected, or to effect a reduction of the percentage required by this Section for any action authorized to be taken by the bondholders pursuant to this Section, without the consent of the holders of all the outstanding Bonds.

If more than one series of Bonds shall be outstanding under this Mortgage and any business to be submitted to such meeting shall affect the rights of the holders of the Bonds of one or more series and shall not affect the rights of the holders of the Bonds of one or more of the other series, then the holders of the Bonds of the one or more series whose rights are not affected shall not be entitled to notice of, or to attend or vote at, any such meeting or to be counted for the purpose of a quorum. If the business to be submitted to such meeting shall affect the holders of all Bonds then outstanding hereunder in common, or shall involve the modification of any terms or provisions of this Mortgage or of any supplement hereto applicable to the Bonds of all series then outstanding, the affirmative vote of seventy-five per cent (75%) of the principal amount of the Bonds of all series then outstanding shall be required to effect such modification, but such vote need not include seventy-five per cent (75%) of the principal amount of each series. If any business to be submitted to such meeting shall affect the rights of the holders of the Bonds of any series not in common with the rights of the holders of the Bonds of all other series, the affirmative vote of seventy-five per cent (75%) of the principal amount of the Bonds of the series so affected, voting separately, and seventy-five per

176

cent (75%) of the principal amount of the Bonds of all series affected in common, voting collectively, shall be required.

The Trustee shall be entitled to rely upon an opinion of counsel for the Trustee with respect to the extent, if any, to which any action taken at such meeting affects the rights of the holders of Bonds of one or more, but less than all, of the series of Bonds outstanding.

SECTION 7. The votes upon any resolution shall be by ballot, and the chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports in duplicate of all votes cast at the meeting. A record in duplicate of the proceedings of every such meeting shall be prepared by the secretary of the meeting, and there shall be attached to said record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits of one or more persons having knowledge of the facts, setting forth a copy of the notice of the meeting and showing that said notice was published as provided in Section 2 of this Article. The record shall be signed and verified by the affidavits of the permanent chairman and secretary of the meeting, and one of the duplicates shall be delivered to the Railway Company and the other to the Trustee. Any record so signed and verified shall be conclusive evidence that such meeting was duly convened and held, and any resolution or proceeding stated in such record to have been adopted or taken shall be deemed conclusively to have been duly adopted or taken at the meeting.

SECTION 8. Any such resolution so adopted in accordance with the provisions of Section 6 of this Article at a meeting of the bondholders duly convened and held shall be binding upon all bondholders, whether or not

177

present or voting, in person or by proxy, at such meeting, and all Bonds issued under this Mortgage are to be owned and held on the condition, as part of the consideration for the issuance thereof, that any resolution so adopted at a meeting of the bondholders shall be final and conclusive upon all holders of Bonds and upon their successors and assigns. The Trustee shall be bound to give effect to any such resolution, and the passing of any such resolution shall be conclusive evidence that the circumstances justify the passing thereof.

SECTION 9. Bonds authenticated and delivered after the date of any bondholders' meeting may bear a notation in form approved by the Trustee as to any action taken at meetings of bondholders theretofore held, and upon the demand of the holder of any Bond outstanding at the date of any bondholders' meeting and presentation of his Bond for that purpose, the Railway Company shall cause suitable notation to be made on the Bond, by endorsement or otherwise, as to any action taken at any meeting of bondholders theretofore held. If the Railway Company or the Trustee shall so determine, new Bonds, so modified as to conform, in the opinion of the Trustee and the Board of Directors of the Railway Company, to any bondholders' resolution, shall be prepared by the Railway Company, authenticated by the Trustee and delivered, without cost, to the holders of Bonds of the same series then outstanding hereunder upon surrender of such Bonds with all unmatured coupons and all matured coupons not fully paid, in equal aggregate principal amounts. The Railway Company or the Trustee may require the Bonds outstanding to be presented for notation or exchange as aforesaid, if either of them shall see fit to do so.

Indentures supplemental to this Mortgage embodying any modification or repeal of or addition to the provisions of this Mortgage, or any modification of or addition to the rights and obligations of the Railway Company or the

178

rights of the holders or registered holders of the Bonds and appurtenant coupons made at any bondholders' meeting and approved by resolution of the Board of Directors of the Railway Company as aforesaid, may be executed by the Trustee and the Railway Company, and, upon demand of the Trustee, or if so specified in any resolution adopted at any bondholders' meeting, shall be executed by the Railway Company and the Trustee.

SECTION 10. Any power exercisable at any bondholders' meeting convened pursuant to this Article may also be exercised by an instrument or instruments signed by the holders of seventy-five per cent (75%) in principal amount of the Bonds outstanding affected thereby (including the holders of seventy-five per cent (75%) in principal amount of the Bonds of each series not affected in common with another series, and the holders of seventy-five per cent (75%) in principal amount of the Bonds outstanding of series affected in common) and delivered to the Trustee together with such proof of the fact and date of the execution thereof and the fact and date of the holding of Bonds by the signers thereof as may be required by the Trustee under the provisions of Article Nine hereof.

ARTICLE SIXTEEN.

Miscellaneous Provisions.

SECTION 1. Any moneys received by any paying agent under any provision of this Mortgage for the payment of the principal of, premium, if any, or interest on the Bonds shall be held in trust for the holders of the Bonds and coupons for the payment of which such moneys were received until paid conformably with the provisions of this Mortgage, but need not be segregated and may be held as part of the general funds of the paying agent, and the paying agent shall not be under any liability for

179

interest on any such moneys, except such as it may agree with the Railway Company to pay thereon.

SECTION 2. Nothing in this Mortgage expressed or implied is intended or shall be construed to give to any person, firm or corporation other than the parties hereto and the holders of the Bonds and coupons secured by this Mortgage, any legal or equitable right, remedy or claim under or in respect of this Mortgage, or any covenant, condition or provision herein contained; all the covenants, conditions and provisions hereof being and intended to be for the sole and exclusive benefit of the parties hereto, their successors and assigns, and of the holders of the Bonds and coupons hereby secured.

SECTION 3. As used in this Mortgage, except when otherwise indicated, the terms "this Mortgage" or "Mortgage" shall mean this Mortgage either as originally executed or as the same may from time to time be supplemented, modified or amended by any supplemental indenture entered into pursuant to any of the provisions hereof. The term "paying agent" shall be held and construed to mean any corporation, partnership or other person appointed by the Railway Company to pay the principal of, premium, if any, and interest upon the Bonds and any successor appointed by the Railway Company for such purpose. The words "Bond," "bondholder," "holder" or "owner" shall include the plural as well as the singular number. The term "daily newspaper" shall mean a newspaper usually published at least six days a week. The term "subsidiary company" shall mean any company a majority of whose stock entitled to vote for the election of directors is owned directly or indirectly by the Railway Company or by any other corporation a majority of whose stock entitled to vote for the election of directors is owned directly or indirectly by the Railway Company.

Unless otherwise expressly defined in respect of any specific provision of this Mortgage, the terms "outstand-

180

ing Bonds," "Bonds outstanding" or any variation thereof, as used herein in respect of any one or more series of Bonds, shall mean and shall be taken to mean all Bonds theretofore authenticated and delivered hereunder, except (a) Bonds held in the treasury of the Railway Company which have never been issued, (b) Bonds which, although issued, have been reacquired by the Railway Company and which are held in its treasury, (c) Bonds which have been paid or redeemed or purchased and cancelled under the provisions of this Mortgage, (d) Bonds called for redemption and in respect of the redemption of which the Railway Company shall have complied with the provisions of Section 3 of Article Three hereof, and (e) Bonds authenticated and delivered hereunder upon a transfer of which, or in exchange or substitution for, or in lieu of which, other Bonds have been authenticated and delivered under the provisions of this Mortgage.

Anything in this Mortgage to the contrary notwithstanding, so long as all or any part of the \$9,000,000 principal amount of Bonds which are to be issued to the Railway Company and pledged by it with Reconstruction Finance Corporation are held by said Reconstruction Finance Corporation or its assigns as such pledgee, said Bonds, or such part thereof, as the case may be, shall be deemed to be outstanding for all purposes of this Mortgage.

The term "equipment" as used in this Mortgage shall include locomotives, whether steam, diesel or electric, passenger, freight and other railroad cars, motor trucks or busses, airplanes, passenger automobiles, snow plows, derricks or other work equipment or cars.

SECTION 4. Whenever in this Mortgage a resolution of the Board of Directors of the Railway Company is required, the Railway Company shall deliver to the Trustee a writing setting forth a copy of such resolution, having

MATT PARROTT & SONS CO., WATERLOO, IOWA 501724

181

appended thereto a certificate signed by the Secretary or an Assistant Secretary of the Railway Company under its corporate seal setting forth that such resolution was duly adopted and remains in full force and effect. Every order, request, demand or other instrument of the Railway Company required to be delivered to the Trustee preliminary to any action authorized to be taken by it thereon, shall (unless otherwise permitted or required by this Mortgage) be in writing and signed by the President or a Vice-President and by the Secretary or an Assistant Secretary, or the Comptroller or other chief accounting officer of the Railway Company.

SECTION 5. Guaranty Trust Company of New York, party of the second part hereto, hereby accepts the trusts in this Mortgage declared and provided and agrees to perform the same upon the terms and conditions herein set forth.

For the purpose of facilitating the recording of this Mortgage, the same may be executed simultaneously in any number of counterparts, each of which so executed shall be deemed to be an original, and such counterparts shall together constitute but one and the same instrument.

In order to comply with the provisions of the plan of reorganization for Chicago Great Western Railroad Company, Debtor, hereinabove referred to, this Mortgage is dated as of January 1, 1938, although executed and delivered on February 20, 1941, and, except in so far as it shall be necessary that this Mortgage be or become effective from January 1, 1938 in order to carry out any provision hereof, this Mortgage shall be effective from the date on which it is so executed and delivered.

IN WITNESS WHEREOF, CHICAGO GREAT WESTERN RAILWAY COMPANY, the party of the first part, has, in pursuance of the resolutions aforesaid of its Board of Directors and the aforesaid approval of its stockholders, caused this Mortgage to be signed and acknowledged by its President,

182

and its corporate seal to be affixed hereunto and the same to be attested by the signature of its Secretary; and GUARANTY TRUST COMPANY OF NEW YORK, the party of the second part, for the purpose of testifying its acceptance of the trusts hereby created, has caused this Mortgage to be signed and acknowledged by a Vice-President, and its corporate seal to be affixed hereunto and the same to be attested by the signature of an Assistant Secretary, all as of the day and year first above written.

CHICAGO GREAT WESTERN RAILWAY COMPANY

By P. H. JOYCE
President

(Corporate Seal)

ATTEST:

B. F. PARSONS
Secretary

Witnesses to the signatures of the officers of Chicago Great Western Railway Company:

GUY A. GLADSON
W. A. S. MULLIGAN

GUARANTY TRUST COMPANY OF NEW YORK

By ARTHUR E. BURKE
Vice President

(Corporate Seal)

ATTEST:

W. W. MERKER
Assistant Secretary

183

Witnesses to the signatures of the officers of Guaranty Trust Company of New York:

W. C. SANDY
R. NELSON BUTZ, JR.

184

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.

I, WM. J. BURNHAM, a Notary Public in and for said County, in the State aforesaid, Do HEREBY CERTIFY that P. H. JOYCE, personally known to me to be the President of CHICAGO GREAT WESTERN RAILWAY COMPANY, a corporation, and B. F. PARSONS, personally known to me to be the Secretary of said corporation, and personally known to me to be the same persons whose names are subscribed to the foregoing instrument as such President and Secretary, appeared before me this day in person and being by me duly sworn severally said and acknowledged that they are the President and Secretary, respectively, of Chicago Great Western Railway Company, that they signed and delivered the said instrument as President and Secretary of said corporation, and caused the corporate seal of said corporation to be affixed thereto, pursuant to authority, given by the Board of Directors of said corporation as their free and voluntary act, and as the free and voluntary act and deed of said corporation, for the uses and purposes therein set forth, and that the seal affixed to said instrument is the corporate seal of said corporation.

GIVEN under my hand and notarial seal this 20th day of February, A. D. 1941.

(Notarial Seal) WM. J. BURNHAM
Notary Public

My commission expires:
Mar. 30, 1942

WM. J. BURNHAM
Notary Public, New York County
Clerk's No. 396, Register's No. 2B123.
Commission Expires March 30, 1942.

MATT PARROTT & SONS CO., WATERLOO, IOWA D31724

185

STATE OF NEW YORK }
COUNTY OF NEW YORK } ss.

I, WM. J. BURNHAM, a Notary Public in and for said County, in the State aforesaid, Do HEREBY CERTIFY that ARTHUR E. BURKE, personally known to me to be a Vice-President of GUARANTY TRUST COMPANY OF NEW YORK, a corporation, and W. W. MERKER, personally known to me to be an Assistant Secretary of said corporation, and personally known to me to be the same persons whose names are subscribed to the foregoing instrument as such Vice-President and Assistant Secretary, appeared before me this day in person and being by me duly sworn severally said and acknowledged that they are the Vice-President and Assistant Secretary, respectively, of GUARANTY TRUST COMPANY OF NEW YORK, that they signed and delivered the said instrument as Vice-President and Assistant Secretary of said corporation, and caused the corporate seal of said corporation to be affixed thereto, pursuant to authority, given by the Board of Directors of said corporation as their free and voluntary act, and as the free and voluntary act and deed of said corporation, for the uses and purposes therein set forth, and that the seal affixed to said instrument is the corporate seal of said corporation.

GIVEN under my hand and notarial seal this 20th day of February, A. D. 1941.

(Notarial Seal)

WM. J. BURNHAM
Notary Public.My commission expires:
Mar. 30, 1942WM. J. BURNHAM
Notary Public, New York County
Clerk's No. 396, Register's No. 2B123.
Commission Expires March 30, 1942.