

MATT PARROTT & BONS CO., WATERLOO, IOWA FT2292

EXECUTED IN 260 CONTERPARTS OF WHICH THIS IS NO. 232

GENERAL MORTGAGE

CHICAGO, ROCK ISLAND AND PACIFIC RAILROAD COMPANY

TO THE NORTHERN TRUST COMPANY

AND GALE F. JOHNSTON TRUSTEES

DATED AS OF JANUARY 1, 1948

Filed for record this 15 day of January

A. D. 1948, at 9:06 o'clock A. M.

#224

Wilma M. Wade Register of Deeds, Recorder, of County Clerk

, Deputy

Fee \$2.50 VC

For Release of Annexed Mortgage See Mortgage Record 29 Page 338

This Indenture of Mortgage and Deed of Trust dated as of the first day of January, One Thousand Nine Hundred Forty-eight (hereinafter referred to as the "Mortgage"), between CHICAGO, ROCK ISLAND AND PACIFIC RAILROAD COMPANY, a Delaware corporation (hereinafter referred to as the "Company"), having its principal office in the City of Chicago, State of Illinois, party of the first part, and THE NORTHERN TRUST COMPANY, an Illinois corporation, having its office at 50 South LaSalle Street in the City of Chicago, State of Illinois, and GALE F. JOHNSTON, of the City of St. Louis, State of Missouri (hereinafter together referred to as the "Trustees"), parties of the second part,

WITNESSETH:

WHEREAS, the Company is a corporation organized and existing under the laws of the State of Delaware; and

WHEREAS, the Company was organized in order to carry out a certain plan of reorganization certified by order of the Interstate Commerce Commission dated May 1, 1944, in proceedings entitled "Chicago, Rock Island and Pacific Railway Company Reorganization, Finance Docket No. 10028," and confirmed by order of the District Court of the United States for the Northern District of Illinois, Eastern Division, entered May 23, 1947, in proceedings for the reorganization of a railroad under Section 77 of the Bankruptcy Act, entitled "In the Matter of The Chicago, Rock Island and Pacific Railway Company, Debtor, No. 53209" (said plan as so confirmed being hereinafter referred to as the "Plan" and the debtor in said proceedings being hereinafter referred to as the "Debtor"), and said order of confirmation has become final in all respects; and

WHEREAS, pursuant to the Plan and the order of the Court directing consummation of the Plan, the Company now owns

the several lines of railway and other property and franchises heretofore owned by the Debtor and by Joseph B. Fleming and Aaron Colnon, as trustees of the Debtor's property, by virtue of appropriate conveyances from said trustees, and has acquired by appropriate conveyances and now owns the several lines of railway and other property and franchises heretofore owned by The Chicago, Rock Island and Gulf Railway Company, a corporation of the State of Texas, Choctaw, Oklahoma and Gulf Railroad Company, a corporation organized under an Act of Congress approved August 24, 1894, as amended by an act approved March 28, 1900, Rock Island, Arkansas and Louisiana Railroad Company, a corporation of the States of Arkansas and Louisiana, Rock Island Memphis Terminal Railway Company, a corporation of the State of Tennessee, Rock Island Omaha Terminal Railway Company, a corporation of the State of Nebraska, Rock Island, Stuttgart and Southern Railway Company, a corporation of the State of Arkansas, and St. Paul and Kansas City Short Line Railroad Company, a corporation of the State of Iowa, and by Joseph B. Fleming and Aaron Colnon, as trustees of their several properties, and by Morris Terminal Railway Company, a corporation of the State of Illinois, and certain properties heretofore owned by Rock Island Improvement Company, a corporation of the State of New Jersey; and

WHEREAS, in order to comply with the provisions of the Plan and orders of the Court and to provide funds for its lawful corporate purposes, the Company has duly determined to issue its General Mortgage Bonds, not limited in aggregate principal amount except as hereinafter provided, to be secured by the Mortgage on the real and personal property of the Company hereinafter described or referred to as being or to become subject to the lien hereof, such Bonds to be issued in one or more series from time to time, the Bonds of each series

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to be issued originally either as coupon Bonds registerable as to principal or as registered Bonds without coupons, or both, and all such Bonds to be authenticated by the certificate of the Corporate Trustee, all as hereinafter provided; and

WHEREAS, in accordance with the Plan, the Reorganization Managers designated pursuant thereto have duly determined the form and provisions of the Mortgage and of the Bonds of Series A to be issued thereunder and of the coupons appertaining thereto; and

WHEREAS, the Bonds of Series A, the interest coupons to be attached to the coupon Bonds of Series A, and the Corporate Trustee's certificate of authentication to be endorsed on the Bonds of all series, are to be substantially in the following forms, respectively:

(Form of Coupon Bond of Series A)

No. \$

CHICAGO, ROCK ISLAND AND PACIFIC RAILROAD COMPANY
GENERAL MORTGAGE 4 1/2% CONVERTIBLE INCOME BOND,
SERIES A, DUE JANUARY 1, 2019

CHICAGO, ROCK ISLAND AND PACIFIC RAILROAD COMPANY, a corporation existing under the laws of the State of Delaware, and having its principal office in the City of Chicago, State of Illinois (herein referred to as the "Company"), for value received, hereby promises to pay to bearer or, if this Bond be registered as to principal, then to the registered holder hereof, on January 1, 2019, the principal sum of 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; and (except as herein otherwise provided) to pay interest on said principal sum in like coin or currency at the rate of 4 1/2% per annum, from January 1, 1948, until said principal sum becomes due and payable as

Except as aforesaid, no interest shall be required to be paid on this Bond on any interest payment date, if the amount then payable would be less than 1/4 of 1% of the principal sum hereof, and any amount available for interest not payable because of this provision shall be reserved and added to the amount available for, or payable on account of, interest on the next date on which interest shall be paid.

The principal of, premium if any, and interest on this Bond are payable at the office or agency of the Company in the City of Chicago, State of Illinois, or, at the option of the holder hereof, at the office or agency of the Company in the Borough of Manhattan, City and State of New York.

This Bond is one of the General Mortgage Bonds of the Company (herein referred to as the "Bonds"), not limited in aggregate principal amount except as provided in the Mortgage, issued and to be issued under, and all equally and ratably secured by, a mortgage and deed of trust dated as of January 1, 1948, (herein referred to as the "Mortgage"), duly executed and delivered by the Company to The Northern Trust Company and Gale F. Johnston, as Trustees, and their successors in trust (which Trustees and their successors in trust are hereinafter referred to as the "Trustees"), to which Mortgage and all indentures supplemental thereto reference is hereby made for a description of the property mortgaged and pledged, the nature and extent of the security, the rights of and restrictions upon the Company and the holders of the Bonds and coupons in respect of such security, the rights, duties and immunities of the Trustees and the terms and conditions under which the Bonds are, and may be, issued and secured. By the terms of the Mortgage, the Bonds may be for various principal sums and are issuable in series, and the Bonds of any series may differ from the Bonds of any other series as to denomination, date, maturity, interest rate, redemption, sinking fund provisions and otherwise, all as in the Mortgage provided. Bonds of Series A, of which this is one, are designated as the "General Mortgage 4 1/2% Convertible Income Bonds, Series A, due January 1, 2019," and the aggregate principal amount thereof is limited to \$80,000,000.

herein provided and, if default be made in the payment of said principal sum when so due and payable, thereafter (to the extent permitted by law) at the highest rate of interest borne by any of the Bonds outstanding under the Mortgage hereinafter referred to until the Company's obligation with respect to the payment of said principal sum shall be discharged as provided in the Mortgage, but only, in the case of interest due on or before the date said principal sum becomes due and payable, upon presentation and surrender of the appropriate interest coupons hereto appertaining.

Until said principal sum becomes due and payable as herein provided or until interest on said principal sum becomes fixed as hereinafter provided, interest on this Bond with respect to each calendar year prior to the calendar year immediately preceding the date of maturity of this Bond will be payable on the first April 1 following such calendar year when and to the extent that the Available Net Income of the Company, as defined and made applicable to the payment of such interest, is adequate therefor under the terms and provisions of the Mortgage. Interest of 4 1/2% on the principal sum of this Bond for the calendar year 2018 will be paid on January 1, 2019, whether or not the Available Net Income of the Company for the calendar year 2018 is adequate for the payment of such interest. To the extent that the Available Net Income of the Company applicable to the payment of interest on this Bond for any calendar year prior to the year 2018 shall be less than 4 1/2% of such principal sum, such interest shall accrue and accumulate up to but not exceeding 13 1/2% of such principal sum. When said principal sum becomes due and payable or when an event of default as defined in the Mortgage shall occur, any interest on this Bond that has accumulated as aforesaid and that remains unpaid, plus interest reserved as hereinafter provided, and interest (to the extent not otherwise payable) at the rate of 4 1/2% per annum from January 1 of the preceding calendar year to the date when said principal sum becomes due and payable or when such event of default occurs, shall then be due and payable. Accumulations of interest on this Bond shall not bear interest.

Bonds of any other series bearing any interest payable unconditionally at a fixed rate, either from a date stated therein or from some fixed or determinable date thereafter, may be issued under the Mortgage, but in the event of the issuance of any such Bonds the accumulations of unpaid interest on this and all other Bonds of Series A shall become immediately due and payable and the interest on this and all other Bonds of Series A shall become fixed and unconditionally payable at the rate of 4 1/2% per annum for the full calendar year during which the interest on such Bonds of any other series becomes fixed and for all succeeding calendar years until the principal sum becomes due and payable, and shall be payable semi-annually on such dates as may be determined by the Board of Directors of the Company and as shall be provided in the supplemental indenture creating such other series. In such event the Company will make provision for the issuance of new Bonds of Series A in exchange and substitution for the Bonds of Series A then outstanding.

If an event of default as defined in the Mortgage shall occur, the principal of this Bond may be declared or may become due and payable prior to the stated date of maturity hereof in the manner, with the effect and subject to the conditions provided in the Mortgage.

The Mortgage contains provisions permitting the Company and the Trustees at any time or times, with the consent of the holders of not less than 66 2/3% in aggregate principal amount of the Bonds then outstanding and to be directly affected thereby, evidenced as in the Mortgage provided, and with the approval of the Interstate Commerce Commission or other public regulatory body having jurisdiction in the premises, to modify or alter in any manner any of the provisions of the Mortgage or of any indenture supplemental thereto or the rights of the holders of the Bonds and coupons to be directly affected thereby or the rights and obligations of the Company; provided, however, that without the consent of the holder of this Bond, as evidenced by an appropriate legend endorsed hereon (such consent to be conclusive and binding upon such holder and upon all future holders of this Bond), no

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such modification or alteration shall (i) permit the creation by the Company of any mortgage or other lien in the nature of a mortgage ranking prior to or on a parity with the lien of the Mortgage or of any indenture supplemental thereto, with respect to any property covered thereby, otherwise than as permitted by the Mortgage, or (ii) effect a reduction of the percentage required for any action authorized to be taken by the holders of the Bonds, or (iii) alter or impair the obligation of the Company to pay the principal amount or the interest specified in this Bond at the places and in the manner specified in this Bond or in any interest coupon appertaining hereto, or (iv) alter or impair the obligation of the Company to pay the principal or the interest specified in this Bond at the time specified in this Bond or in any interest coupon appertaining hereto, unless the holders of at least 75% in aggregate principal amount of all of the Bonds at the time outstanding, evidenced as in the Mortgage provided, and with the approval of the Interstate Commerce Commission or other public regulatory body having jurisdiction in the premises, shall have consented to extend to any fixed or determinable date the time or times of payment of the principal of, or the time or times of payment of any fixed interest or unpaid accumulations of contingent interest on, all of the Bonds of Series A then outstanding for a period of not exceeding 25 years beyond the original date of maturity of the principal amount hereof.

This Bond is subject to redemption on any interest payment date prior to maturity at the option of the Company, or on April 1 of any year, beginning with the year 1949, through the operation of the Series A Sinking Fund hereinafter mentioned in each case upon publication of notice of such redemption once each week for four successive weeks in a newspaper printed in the English language and customarily published on each business day and of general circulation in the City of Chicago, State of Illinois, and in a like newspaper published on each business day and of general circulation in the Borough of Manhattan, City and State of New York, the first publication to be not less than 60 days and not more than 90 days before the date fixed for redemption, all as provided in the Mortgage, at a redemption price equal to the principal

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or agencies, such registration being noted hereon, after which no transfer hereof shall be valid unless made on said books at either said office or agency by the registered holder in person or by his attorney duly authorized in writing, and similarly noted hereon; but this Bond may be discharged from such registration by like transfer to bearer noted hereon, whereupon transferability by delivery shall be restored. Such registration, however, shall not affect the transferability by delivery of the coupons for the interest hereon, and such coupons shall continue to be payable to bearer and transferable by delivery.

The Company, the Trustees, any paying agent and any bond registrar may deem and treat the bearer hereof, or if registered as to principal the registered holder hereof, and the bearer of any interest coupon appertaining hereto whether or not this Bond shall be registered as to principal, as the absolute owner of this Bond or such coupon, as the case may be (whether or not this Bond or such coupon shall have become due and payable), for the purpose of receiving any payment then being made of or on account of the principal hereof, premium if any, and interest hereon, and for all other purposes, and neither the Company nor the Trustees nor any paying agent nor any bond registrar shall be bound by any notice to the contrary.

Coupon Bonds of this Series are issuable in denominations of \$50, \$100, \$500 and \$1,000. Registered Bonds without coupons of this Series are issuable in denominations of \$1,000, \$5,000 and \$10,000, and, with the consent of the Company, in denominations in excess of \$10,000. Upon presentation thereof for that purpose at the office or agency maintained by the Company in said City of Chicago or in said Borough of Manhattan, and in the manner, subject to the limitations, and upon payment of the charges provided in the Mortgage, coupon Bonds of this Series, with all unmatured coupons and any matured coupons in default appertaining thereto, may be exchanged for a like aggregate principal amount of registered Bonds without coupons of this Series of authorized denominations, coupon Bonds of this Series of the denominations of

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sum hereof, plus all unpaid interest on such principal sum that has accumulated for prior years, interest that has been reserved as hereinabove provided, and interest (to the extent not otherwise payable) on such principal sum from January 1 of the preceding calendar year to the date fixed for redemption calculated at the rate of 4½% per annum.

As provided in the Mortgage, the Bonds of Series A in principal sums aggregating \$100 or multiples thereof are convertible, at the option of the holders thereof, at any time prior to maturity (or, in the case of a Bond of Series A called for prior redemption, then at any time on or before the date fixed for redemption, or in case said date shall be a legal holiday, then on or before the first business day thereafter) upon surrender thereof for that purpose at the office or agency of the Company in the City of Chicago, State of Illinois, or in the Borough of Manhattan, City and State of New York, into Series B Preferred Stock or Common Stock of the Company, upon the basis of one fully paid and nonassessable share of such Series B Preferred Stock or Common Stock for each \$100 of the principal sum thereof, subject to the provisions of the Mortgage as to interest on Bonds converted and dividends on stock received therefor, as to issuance of scrip in lieu of fractional shares, and as to change in the conversion basis or substitution of other stock, securities or property in the event of consolidation, merger, conveyance of assets, recapitalization or the issuance of additional shares.

The Bonds of Series A are entitled to the benefits of annual payments into the Series A Sinking Fund out of Available Net Income, if any, as defined and made applicable for such purposes under the terms of the Mortgage, and are subject to redemption through the operation thereof.

This Bond is transferable by delivery unless registered as to principal. This Bond may be registered as to principal at the office or agency maintained by the Company in said City of Chicago, or, at the option of the holder, at the office or agency maintained by the Company in said Borough of Manhattan on registry books kept for such purpose at such offices

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\$50, \$100 and \$500 aggregating \$1,000 in principal amount, with all unmatured coupons and any matured coupons in default appertaining thereto, may be exchanged for a coupon Bond of this Series of the denomination of \$1,000 bearing all unmatured coupons and any matured coupons in default appertaining thereto, and registered Bonds without coupons of this Series may be exchanged for a like aggregate principal amount of coupon Bonds of this Series of the denomination of \$1,000 and bearing all unmatured coupons and any matured coupons in default appertaining thereto or for a like aggregate principal amount of registered Bonds without coupons of this Series of other authorized denominations.

As provided in the Mortgage, no recourse shall be had for the payment of the principal of or the premium if any or interest on this Bond, or for any claim based hereon, or because of the creation of indebtedness represented hereby, or otherwise in respect hereof, or based on or in respect of the Mortgage or any indenture supplemental thereto, against any past, present or future incorporator, stockholder, officer or director, as such, of the Company or of any successor corporation, 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 being, by the acceptance hereof and as part of the consideration for the issue hereof, expressly waived and released.

Neither this Bond nor any interest coupon appertaining hereto shall be valid or become obligatory for any purpose unless and until the certificate of authentication hereon shall have been signed by the Corporate Trustee under the Mortgage.

IN WITNESS WHEREOF, Chicago, Rock Island and Pacific Railroad Company has caused this Bond to be signed by its President or one of its Vice Presidents, and its corporate seal or a facsimile thereof to be affixed hereto or imprinted or engraved hereon and attested by its Secretary or an Assistant Secretary, and coupons for interest bearing the facsimile

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signature of its Treasurer to be attached hereto, and this Bond to be dated as of January 1, 1948.

CHICAGO, ROCK ISLAND AND PACIFIC
RAILROAD COMPANY

By _____
President

ATTEST:

Secretary

(Form of Interest Coupon, except Interest Coupon due
January 1, 2019, for Coupon Bonds of Series A)

No. _____

On the first day of April, _____, unless the Bond hereinafter mentioned shall have been called for previous redemption and payment thereof duly provided for, or shall have been surrendered for conversion into Series B Preferred Stock or Common Stock prior to January 1 of said year, Chicago, Rock Island and Pacific Railroad Company will pay to bearer upon surrender of this coupon at its office or agency in the City of Chicago, State of Illinois, or, at the option of the bearer, at its office or agency in the Borough of Manhattan, City and State of New York, 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, such amount, if any, as shall be payable on said date as interest, both current and accumulated, on its General Mortgage 4½% Convertible Income Bond, Series A, due January 1, 2019, No. _____, in accordance with the provisions of said Bond and the Mortgage therein mentioned.

If no interest shall be payable on said date in accordance with the provisions of said Bond and Mortgage, this coupon shall be void and of no further force and effect.

Treasurer

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for the payment of public and private debts; and (except as herein otherwise provided) to pay interest on said principal sum in like coin or currency at the rate of 4½% per annum, from January 1, 1948 (except to the extent paid on or before the date hereof on a principal sum equivalent to the principal sum hereof), until said principal sum becomes due and payable as herein provided and, if default be made in the payment of said principal sum when so due and payable, thereafter (to the extent permitted by law) at the highest rate of interest borne by any of the Bonds outstanding under the Mortgage hereinafter referred to until the Company's obligation with respect to the payment of said principal sum shall be discharged as provided in the Mortgage.

Until said principal sum becomes due and payable as herein provided or until interest on said principal sum becomes fixed as hereinafter provided, interest on this Bond with respect to each calendar year prior to the calendar year immediately preceding the date of maturity of this Bond will be payable on the first April 1 following such calendar year when and to the extent that the Available Net Income of the Company, as defined and made applicable to the payment of such interest, is adequate therefor under the terms and provisions of the Mortgage. Interest of 4½% on the principal sum of this Bond for the calendar year 2018 will be paid on January 1, 2019, whether or not the Available Net Income of the Company for the calendar year 2018 is adequate for the payment of such interest. To the extent that the Available Net Income of the Company applicable to the payment of interest on this Bond for any calendar year prior to the year 2018 shall be less than 4½% of such principal sum, such interest shall accrue and accumulate up to but not exceeding 13½% of such principal sum. When said principal sum becomes due and payable or when an event of default as defined in the Mortgage shall occur, any interest on this Bond that has accumulated as aforesaid and that remains unpaid, plus interest reserved as hereinafter provided, and interest (to the extent not otherwise payable) at the rate of 4½% per annum from January 1 of the preceding calendar year to the date when said

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(Form of Interest Coupon due January 1, 2019,
for Coupon Bonds of Series A)

No. _____

On the first day of January, 2019, unless the Bond hereinafter mentioned shall have been called for previous redemption and payment thereof duly provided for, or shall have been surrendered for conversion into Series B Preferred Stock or Common Stock prior to January 1 of said year, Chicago, Rock Island and Pacific Railroad Company will pay to bearer upon surrender of this coupon at its office or agency in the City of Chicago, State of Illinois, or, at the option of the bearer, at its office or agency in the Borough of Manhattan, City and State of New York, 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, such amount as shall be payable on said date as interest on its General Mortgage 4½% Convertible Income Bond, Series A, due January 1, 2019, No. _____, in accordance with the provisions of said Bond and the Mortgage therein mentioned.

Treasurer

(Form of Registered Bond without Coupons of Series A)

No. _____ \$ _____

CHICAGO, ROCK ISLAND AND PACIFIC RAILROAD COMPANY
GENERAL MORTGAGE 4½% CONVERTIBLE INCOME
BOND, SERIES A, DUE JANUARY 1, 2019

CHICAGO, ROCK ISLAND AND PACIFIC RAILROAD COMPANY, a corporation existing under the laws of the State of Delaware, and having its principal office in the City of Chicago, State of Illinois (herein referred to as the "Company"), for value received, hereby promises to pay to _____, or registered assigns, on January 1, 2019, the principal sum of _____ Dollars (\$ _____) in such coin or currency of the United States of America as at the time of payment shall be legal tender

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principal sum becomes due and payable or when such event of default occurs, shall then be due and payable. Accumulations of interest on this Bond shall not bear interest. Except as aforesaid, no interest shall be required to be paid on this Bond on any interest payment date if the amount then payable would be less than ¼ of 1% of the principal sum hereof, and any amount available for interest not payable because of this provision shall be reserved and added to the amount available for, or payable on account of, interest on the next date on which interest shall be paid.

The principal of, premium if any, and interest on this Bond are payable at the office or agency of the Company in the City of Chicago, State of Illinois, or, at the option of the registered holder hereof, at the office or agency of the Company in the Borough of Manhattan, City and State of New York.

This Bond is one of the General Mortgage Bonds of the Company (herein referred to as the "Bonds"), not limited in aggregate principal amount except as provided in the Mortgage, issued and to be issued under, and all equally and ratably secured by, a mortgage and deed of trust dated as of January 1, 1948 (herein referred to as the "Mortgage"), duly executed and delivered by the Company to The Northern Trust Company and Gale F. Johnston, as Trustees, and their successors in trust (which Trustees and their successors in trust are hereinafter referred to as the "Trustees"), to which Mortgage and all indentures supplemental thereto reference is hereby made for a description of the property mortgaged and pledged, the nature and extent of the security, the rights of and restrictions upon the Company and the holders of the Bonds and coupons in respect of such security, the rights, duties and immunities of the Trustees and the terms and conditions under which the Bonds are, and may be, issued and secured. By the terms of the Mortgage, the Bonds may be for various principal sums and are issuable in series, and the Bonds of any series may differ from the Bonds of any other series as to denomination, date, maturity, interest rate, redemption, sinking fund provisions and otherwise, all as in

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the Mortgage provided. Bonds of Series A, of which this is one, are designated as the "General Mortgage 4½% Convertible Income Bonds, Series A, due January 1, 2019," and the aggregate principal amount thereof is limited to \$80,000,000.

Bonds of any other series bearing any interest payable unconditionally at a fixed rate, either from a date stated therein or from some fixed or determinable date thereafter, may be issued under the Mortgage, but in the event of the issuance of any such Bonds the accumulations of unpaid interest on this and all other Bonds of Series A shall become immediately due and payable and the interest on this and all other Bonds of Series A shall become fixed and unconditionally payable at the rate of 4½% per annum for the full calendar year during which the interest on such Bonds of any other series becomes fixed and for all succeeding calendar years until the principal sum becomes due and payable, and shall be payable semi-annually on such dates as may be determined by the Board of Directors of the Company and as shall be provided in the supplemental indenture creating such other series. In such event the Company will make provision for the issuance of new Bonds of Series A in exchange and substitution for the Bonds of Series A then outstanding.

If an event of default as defined in the Mortgage shall occur, the principal of this Bond may be declared or may become due and payable prior to the stated date of maturity hereof in the manner, with the effect and subject to the conditions provided in the Mortgage.

The Mortgage contains provisions permitting the Company and the Trustees at any time or times, with the consent of the holders of not less than 66⅔% in aggregate principal amount of the Bonds then outstanding and to be directly affected thereby, evidenced as in the Mortgage provided, and with the approval of the Interstate Commerce Commission or other public regulatory body having jurisdiction in the premises, to modify or alter in any manner any of the provisions of the Mortgage or of any indenture supplemental thereto or the rights of the holders of the Bonds and coupons to be directly

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the City of Chicago, State of Illinois, and in a like newspaper published on each business day and of general circulation in the Borough of Manhattan, City and State of New York, the first publication to be not less than 60 days and not more than 90 days before the date fixed for redemption, all as provided in the Mortgage, at a redemption price equal to the principal sum to be redeemed, plus all unpaid interest on such principal sum that has accumulated for prior years, interest that has been reserved as hereinabove provided, and interest (to the extent not otherwise payable) on such principal sum from January 1 of the preceding calendar year to the date fixed for redemption calculated at the rate of 4½% per annum.

As provided in the Mortgage, this Bond is convertible, at the option of the holder hereof, at any time prior to maturity (or, if this Bond be at any time called for prior redemption, then at any time on or before the date fixed for redemption, or in case said date shall be a legal holiday, then on or before the first business day thereafter) upon surrender of this Bond for that purpose at the office or agency of the Company in the City of Chicago, State of Illinois, or in the Borough of Manhattan, City and State of New York, into Series B Preferred Stock or Common Stock of the Company, upon the basis of one fully paid and nonassessable share of such Series B Preferred Stock or Common Stock for each \$100 of the principal sum hereof, subject to the provisions of the Mortgage as to interest on Bonds converted and dividends on stock received therefor, as to issuance of scrip in lieu of fractional shares, and as to change in the conversion basis or substitution of other stock, securities or property in the event of consolidation, merger, conveyance of assets, recapitalization or the issuance of additional shares.

The Bonds of Series A are entitled to the benefits of annual payments into the Series A Sinking Fund out of Available Net Income, if any, as defined and made applicable for such purposes under the terms of the Mortgage, and are subject to redemption through the operation thereof.

This Bond is transferable by the registered holder hereof in person (or by his attorney duly authorized in writing) at

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affected thereby or the rights and obligations of the Company; provided, however, that without the consent of the holder of this Bond, as evidenced by an appropriate legend endorsed hereon (such consent to be conclusive and binding upon such holder and upon all future holders of this Bond), no such modification or alteration, shall (i) permit the creation by the Company of any mortgage or other lien in the nature of a mortgage ranking prior to or on a parity with the lien of the Mortgage or of any indenture supplemental thereto, with respect to any property covered thereby, otherwise than as permitted by the Mortgage, or (ii) effect a reduction of the percentage required for any action authorized to be taken by the holders of the Bonds, or (iii) alter or impair the obligation of the Company to pay the principal amount or the interest specified in this Bond at the places and in the manner specified in this Bond or (iv) alter or impair the obligation of the Company to pay the principal or the interest specified in this Bond at the time specified in this Bond, unless the holders of at least 75% in aggregate principal amount of all of the Bonds at the time outstanding, evidenced as in the Mortgage provided, and with the approval of the Interstate Commerce Commission or other public regulatory body having jurisdiction in the premises, shall have consented to extend to any fixed or determinable date the time or times of payment of the principal of, or the time or times of payment of any fixed interest or unpaid accumulations of contingent interest on, all of the Bonds of Series A then outstanding for a period of not exceeding 25 years beyond the original date of maturity of the principal amount hereof.

This Bond, or portions thereof amounting to \$1,000 or multiples of \$1,000, is subject to redemption on any interest payment date prior to maturity at the option of the Company, or on April 1 of any year, beginning with the year 1949, through the operation of the Series A Sinking Fund hereinafter mentioned, in each case upon publication of notice of such redemption once each week for four successive weeks in a newspaper printed in the English language and customarily published on each business day and of general circulation in

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the office or agency maintained by the Company in said City of Chicago, or, at the option of the registered holder, at the office or agency maintained by the Company in said Borough of Manhattan, on registry books kept for such purpose at such offices or agencies, but only in the manner, subject to the limitations, upon payment of the charges provided in the Mortgage, and upon surrender and cancellation of this Bond. Upon any such transfer a new registered Bond or Bonds without coupons of the same series and maturity date and of authorized denominations for the same aggregate principal amount will be issued to the transferee in exchange therefor.

The Company, the Trustees, any paying agent and any bond registrar may deem and treat the registered holder hereof as the absolute owner of this Bond (whether or not this Bond shall have become due and payable), for the purpose of receiving any payment then being made of or on account of the principal hereof, premium if any, and interest hereon, and for all other purposes, and neither the Company nor the Trustees nor any paying agent nor any bond registrar shall be bound by any notice to the contrary.

Coupon Bonds of this Series are issuable in denominations of \$50, \$100, \$500 and \$1,000. Registered Bonds without coupons of this Series are issuable in denominations of \$1,000, \$5,000 and \$10,000, and, with the consent of the Company, in denominations in excess of \$10,000. Upon presentation thereof for that purpose at the office or agency maintained by the Company in said City of Chicago or in said Borough of Manhattan and in the manner, subject to the limitations, and upon payment of the charges provided in the Mortgage, coupon Bonds of this Series, with all unmatured coupons and any matured coupons in default appertaining thereto, may be exchanged for a like aggregate principal amount of registered Bonds without coupons of this Series of authorized denominations, coupon Bonds of this Series of the denominations of \$50, \$100 and \$500 aggregating \$1,000 in principal amount with all unmatured coupons and any matured coupons in default appertaining thereto may be exchanged for a coupon Bond of this Series of the denomination of \$1,000 bearing all unmatured coupons

MATT FARROTT & SONS CO., WATERLOO, IOWA F12282

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and any matured coupons in default appertaining thereto, and registered Bonds without coupons of this Series may be exchanged for a like aggregate principal amount of coupon Bonds of this Series of the denomination of \$1,000 and bearing all unmatured coupons and any matured coupons in default appertaining thereto or for a like aggregate principal amount of registered Bonds without coupons of this Series of other authorized denominations.

Each registered Bond without coupons of this series delivered pursuant to the exercise of any privilege of transfer, exchange or substitution for the whole or any part of one or more other Bonds of this series (except new Bonds of this series delivered by the Company in exchange and substitution for Bonds of this series then outstanding in the event interest on Bonds of this series becomes payable unconditionally at a fixed rate) shall carry all of the rights to interest which were carried by the whole or such part of such other Bond or Bonds at the time of such transfer, exchange or substitution, and interest shall be deemed to have been paid on such registered Bond without coupons to the extent paid, made available for payment or under a similar provision deemed to have been paid on an equal principal amount of the Bond or Bonds for which said Bond was transferred, exchange or substituted.

As provided in the Mortgage, no recourse shall be had for the payment of the principal of or the premium if any or interest on this Bond, or for any claim based hereon, or because of the creation of indebtedness represented hereby, or otherwise in respect hereof, or based on or in respect of the Mortgage or any indenture supplemental thereto, against any past, present or future incorporator, stockholder, officer or director, as such, of the Company or of any successor corporation, 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 being, by the acceptance hereof and as part of the consideration for the issue hereof, expressly waived and released.

This Bond shall not be valid or become obligatory for any purpose unless and until the certificate of authentication

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WHEREAS, the execution and delivery of the Mortgage have been authorized by resolutions duly adopted by the stockholders and Board of Directors of the Company; and

WHEREAS, all acts and things prescribed by law and by the articles of incorporation and by-laws of the Company necessary to make the Bonds of Series A when executed by the Company and authenticated by the Corporate Trustee, as in the Mortgage provided, valid, binding and legal obligations of the Company, and to make the Mortgage a valid and binding mortgage and deed of trust to secure the payment of the Bonds, have been performed, and the execution and delivery of the Mortgage have been duly authorized in all respects;

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that in order to secure the payment of the principal of, premium if any, and interest on all the Bonds at any time issued and outstanding hereunder, according to their tenor and effect, and the performance and observance of the covenants and conditions contained in the Bonds and in the Mortgage, and in consideration of the premises and the acceptance by the Trustees of the trusts hereby created, and of the acceptance of the Bonds (and coupons, if any) by the holders thereof, and of the sum of One Dollar in hand paid by the Trustees to the Company upon the execution and delivery of the Mortgage, receipt whereof is hereby acknowledged, the Company has granted, bargained, sold, conveyed, released, confirmed, mortgaged, pledged, assigned, transferred and set over, and by these presents does grant, bargain, sell, convey, release, confirm, mortgage, pledge, assign, transfer and set over, unto the Trustees, and to their successors in the trust, and their assigns forever, subject to the terms of the Mortgage, all and singular the following described property, rights, privileges and franchises of the Company:

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hereon shall have been signed by the Corporate Trustee under the Mortgage.

IN WITNESS WHEREOF, Chicago, Rock Island and Pacific Railroad Company has caused this Bond to be signed by its President or one of its Vice Presidents, and its corporate seal or a facsimile thereof to be affixed hereto or imprinted or engraved hereon and attested by its Secretary or an Assistant Secretary, and this Bond to be dated _____.

CHICAGO, ROCK ISLAND AND PACIFIC
RAILROAD COMPANY

By _____

ATTEST:

President

Secretary

(Form of Corporate Trustee's Certificate of Authentication on Bonds of all Series)

CORPORATE TRUSTEE'S CERTIFICATE OF AUTHENTICATION.

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

As Corporate Trustee

By _____

Authorized Officer

and

WHEREAS, the Bonds of series other than Series A and the coupons to be attached to such thereof as may be coupon Bonds are to be substantially in the forms hereinabove set forth for the Bonds of Series A, but with such omissions, insertions and variations as may be authorized and permitted by the Mortgage; and

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FIRST. All of the Company's right, title and interest in and to all and singular the lines of railroad now owned or operated by the Company, including specifically but not exclusively the following:

Group A: Main lines, first main track:

Miles

ITEM (1). Beginning at a point of connection with the line described in ITEM (1) of Group C, at or near 63rd Street in the City of Chicago, Illinois, and extending in a general westerly direction through the Cities of Joliet, Moline and Rock Island in the State of Illinois, Davenport, Iowa City, Des Moines and Council Bluffs in the State of Iowa, Omaha and Lincoln in the State of Nebraska, Belleville, Phillipsburg and Goodland in the State of Kansas, and Burlington and Limon in the State of Colorado, to the City of Colorado Springs, Colorado, including the right to the use of 7.69 miles of track of other companies; also a line beginning at Limon, Colorado, and extending in a northwesterly direction to the City of Denver, Colorado, over 89.41 miles of track of Union Pacific Railroad Company and 0.37 of a mile of track of Denver Union Terminal Company, and having a length of approximately 1,156.44

ITEM (2). Beginning at a connection with the line described in ITEM (1) of this Group A, at or near Fillmore Street in the City of Davenport, Iowa, and extending in a general southwesterly direction through the Cities of Muscatine, Eldon and Allerton in the State of Iowa, Trenton and Kansas City in the State of Missouri, Kansas City, Topeka, Herington and Wichita in the State of Kansas, Enid, El Reno, Chickasha and Waurika in the State of Oklahoma, and Fort Worth in the State of Texas, to Dallas, Texas, excluding 4.52 miles of track between Birmingham and Kansas City, Missouri, owned jointly with Chi-

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cago, Milwaukee, St. Paul and Pacific Railroad Company and described in ITEM (2) of Group C, but including 78.50 miles of track owned by other companies, and having a length of approximately 932.84

ITEM (3). Beginning at a point of connection with the line described in ITEM (2) of this Group A, at or near Main Street in the City of Herington, Kansas, and extending in a general southwesterly direction through the Cities of Hutchinson, Bucklin and Liberal in the State of Kansas, Guymon in the State of Oklahoma, Dalhart in the State of Texas, and Tucumcari in the State of New Mexico, to Santa Rosa, New Mexico, and having a length of approximately 523.55

ITEM (4). Beginning at the Union Depot, near Main Street in the City of Burlington, Iowa, and extending in a general northerly direction through the Cities of Columbus Junction, West Liberty, Cedar Rapids and Cedar Falls in the State of Iowa, and Albert Lea, Owatonna and St. Paul in the State of Minnesota, to a point near 4th Avenue in the City of Minneapolis, Minnesota, including 58.00 miles of track of other companies, and having a length of approximately 365.68

ITEM (5). Beginning at a point of connection with the line described in ITEM (2) of this Group A, in Section 11, Township 68 North, Range 22 West, at or near Allerton, Wayne County, Iowa, and extending in a general northerly direction through the Cities of Corydon, Chariton, Carlisle, Des Moines and Iowa Falls, in the State of Iowa to a connection with the line described in ITEM (4) of this Group A, at or near Elmore Street in Manly, Iowa, including 10.79 miles of track of other companies, and having a length of approximately 202.40

Miles

24

ITEM (6). Beginning at a point in the line described in ITEM (4) of this Group A, at or near Iowa Street in the City of Vinton, Iowa, and extending in a general northwesterly direction through the Cities of Iowa Falls and Estherville in the State of Iowa, Ellsworth and Pipestone in the State of Minnesota, and Elkton in the State of South Dakota, to a point of connection with the line described in ITEM (5) of Group C, in the Northeast Quarter of Section 32, Township 117 North, Range 52 West, in the City of Watertown, Codington County, South Dakota, and having a length of approximately 376.02

ITEM (7). Beginning at the Union Station in the City of St. Louis, Missouri, and extending in a general westerly direction through the Cities of Union, Eldon, Versailles and Pleasant Hill in the State of Missouri to a connection with the railway line of Kansas City Terminal Railway Company, at Sheffield, in the City of Kansas City, Missouri, including 17.22 miles of track of other companies, and having a length of approximately 295.29

ITEM (8). Beginning at a point of connection with the line described in ITEM (2) of this Group A, in McFarland, Kansas, and extending in a general northwesterly direction through the Cities of Manhattan and Clay Center in the State of Kansas to a connection with the line described in ITEM (1) of this Group A in the City of Belleville, Kansas, and having a length of approximately 103.24

ITEM (9). Beginning at the Grand Central Station, at or near Calhoun and Main Streets in the City of Memphis, Tennessee, and extending in a general westerly direction through the Cities of Forrest City, Brinkley, DeValls Bluff, Little

Miles

25

Rock and Booneville in the State of Arkansas, McAlester, Shawnee, Oklahoma City, El Reno, Weatherford and Elk City in the State of Oklahoma, and Amarillo in the State of Texas, to a connection with the line described in ITEM (3) of this Group A, in the Northeast Quarter of Section 14, Township 11 North, Range 30 East, near Third Street in the City of Tucumcari, Quay County, New Mexico, including 4.95 miles of track of other companies, and having a length of approximately 875.80

ITEM (10). Beginning at a point in the line described in ITEM (9) of this Group A, in the Southwest Quarter of Section 15, Township 1 North, Range 12 West, known as Hot Springs Junction, at or near the City of Little Rock, Arkansas, and extending in a general southerly direction through the Cities of Haskell, Tinsman and El Dorado in the State of Arkansas, and Dubach, Winnfield and Alexandria in the State of Louisiana, to Eunice, Louisiana, including 49.59 miles of track of other companies, and having a length of approximately 332.16

ITEM (11). Beginning at a connection with the line described in ITEM (2) of this Group A, at or near the north line of Walnut Street, and extending southeasterly to a point at or near Cadiz Street, all in the City of Dallas, Texas, and having a length of approximately 1.08

ITEM (12). Beginning at a connection with the line described in ITEM (2) of this Group A, in the City of Dallas, Texas, and extending in a general southerly direction to Waxahachie, Texas, over the tracks of Missouri-Kansas-Texas Railroad Company of Texas, pursuant to the terms of a certain agreement between Missouri-Kansas-Texas Railroad Company of Texas, The Chicago, Rock Island and Gulf Railway Com-

Miles

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pany and Fort Worth and Denver City Railway Company, dated December 30, 1930, and having a length of approximately 28.67

Wholly owned 4,847.98
Trackage rights 345.19
Total miles of main track in Group A 5,193.17

Group B: Branch lines, first main track:

ITEM (1). Beginning at a connection with the line described in ITEM (1) of Group A, at or near 89th Street and Vincennes Avenue in the City of Chicago, and extending in a westerly and southerly direction to a junction with the line described in ITEM (1) of Group A, at or near Grove Street, in Blue Island, all in Cook County, Illinois, and having a length of approximately 6.65

ITEM (2). Beginning at a connection with the line described in ITEM (1) of this Group B, at or near 89th Street and Racine Avenue, known as Brainerd Junction, and extending in an easterly direction to a point known as Mill Gate, at or near Calumet River, all in the City of Chicago, Cook County, Illinois, and having a length of approximately 6.28

ITEM (3). Beginning at a point of connection with the line described in ITEM (2) of this Group B, at or near 95th Street and Torrence Avenue, known as Irodale Junction, and extending in a southerly direction to a point at or near Calumet River, near 106th Street, all in the City of Chicago, Cook County, Illinois, and having a length of approximately 1.51

ITEM (4). A line connecting the line described in ITEM (1) of Group A and the line described in ITEM (1) of Group D, in the City of Bureau, Bureau County, Illinois, and having a length of approximately 0.13

Miles

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| | <i>Miles</i> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| ITEM (5). Beginning at a junction with the line described in ITEM (1) of <i>Group D</i> , at or near Bridge Street in the City of Peoria, Illinois, and extending in a southwesterly direction to Iowa Junction, in the Southwest Quarter of Section 19, Township 8 North, Range 8 East, in Peoria County, Illinois, and having a length of approximately | 3.09 |
| ITEM (6). Beginning at a point, at or near Bridge Street in the City of Peoria, Illinois, and extending in a general northwesterly direction to a point of connection with the line described in ITEM (1) of <i>Group A</i> , in the Northwest Quarter of Section 11, Township 17 North, Range 1 East, at or near Colona, Henry County, Illinois, including 9.65 miles of track of Chicago, Burlington and Quincy Railroad Company, between Orion and Colona, in Henry County, Illinois, and having a length of approximately..... | 82.22 |
| ITEM (7). Beginning at a junction with the line described in ITEM (1) of <i>Group A</i> , at Menlo, Iowa, and extending in a general northerly direction to Guthrie Center, Guthrie County, Iowa, and having a length of approximately..... | 14.12 |
| ITEM (8). Beginning at a junction with the line described in ITEM (1) of <i>Group A</i> , at or near Atlantic, Cass County, Iowa, and extending in a general northerly direction to Audubon, Audubon County, Iowa, and having a length of approximately | 24.56 |
| ITEM (9). Beginning at a connection with the line described in ITEM (1) of <i>Group A</i> , at or near Avoca, Pottawattamie County, Iowa, and extending in a general southerly direction to Carson, in said County and State, and having a length of approximately | 17.73 |

29

| | <i>Miles</i> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| tion to a connection with the line described in ITEM (3) of <i>Group C</i> , at or near Chancy in the City of Clinton, Iowa, including 35.33 miles of track of other companies, and having a length of approximately | 35.35 |
| ITEM (17). Beginning at a connection with the line described in ITEM (2) of <i>Group A</i> , at or near Eldon, Iowa, and extending in a general northwesterly direction through Ottumwa and Pella in the State of Iowa to a connection with the line described in ITEM (1) of <i>Group A</i> , at or near Altoona, Iowa, and having a length of approximately | 87.71 |
| ITEM (18). Beginning at a connection with the line described in ITEM (4) of <i>Group A</i> , at or near Waverly Junction, Iowa, and extending in a northeasterly direction to Waverly, Iowa, and having a length of approximately..... | 5.79 |
| ITEM (19). Beginning at a connection with the line described in ITEM (6) of <i>Group A</i> , at or near Dows, Iowa, and extending in a general northwesterly direction through Forest City, Iowa, to a connection with the line described in ITEM (27) of this <i>Group B</i> , at or near Lakota, Iowa, and having a length of approximately..... | 70.55 |
| ITEM (20). Beginning at a connection with the line described in ITEM (19) of this <i>Group B</i> , at or near Hayfield Junction, Iowa, and extending in a general westerly direction to Titonka, Iowa, and having a length of approximately..... | 24.92 |
| ITEM (21). Beginning at a connection with the line described in ITEM (1) of <i>Group A</i> , at or near West Des Moines, Iowa, and extending in a general northwesterly direction through the Cities of Gowrie, Pocahontas and Hartly in the State of Iowa to Sibley, Iowa, including 62.62 miles of | |

28

| | <i>Miles</i> |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| ITEM (10). Beginning at a connection with the line described in ITEM (1) of <i>Group A</i> , at or near Avoca, Pottawattamie County, Iowa, and extending in a general northerly direction to Harlan, Shelby County, Iowa, and having a length of approximately | 11.91 |
| ITEM (11). Beginning at a connection with the line described in ITEM (4) of <i>Group A</i> , at or near Linn, Iowa, and extending in a general northwesterly direction through Oelwein and West Union to Decorah, Iowa, and having a length of approximately | 114.18 |
| ITEM (12). Beginning at a connection with the line described in ITEM (11) of this <i>Group B</i> , at Postville Junction, Iowa, and extending in a general northeasterly direction to Postville, Iowa, and having a length of approximately..... | 3.42 |
| ITEM (13). Beginning at a connection with the line described in ITEM (1) of <i>Group A</i> , at or near Iowa City, Iowa, and extending in a general southwesterly direction to Montezuma, Iowa, and having a length of approximately..... | 70.99 |
| ITEM (14). Beginning at a connection with the line described in ITEM (13) of this <i>Group B</i> , at or near Thornburg, Iowa, and extending in a general southwesterly direction to What Cheer, Iowa, and having a length of approximately..... | 4.93 |
| ITEM (15). Beginning at a point of connection with the line described in ITEM (4) of <i>Group A</i> , at or near Nichols, Iowa, and extending in a general southwesterly direction to Lone Tree, Iowa, and having a length of approximately..... | 6.67 |
| ITEM (16). Beginning at a connection with the line described in ITEM (2) of <i>Group A</i> , at or near Schmidt Road in the City of Davenport, Iowa, and extending in a general northeasterly direc- | |

30

| | <i>Miles</i> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| track of The Minneapolis and St. Louis Railway Company from West Des Moines to Gowrie, Iowa, and having a length of approximately..... | 171.95 |
| ITEM (22). Beginning at the Union Station, at or near Exchange Street in the City of Keokuk, Iowa, and extending in a general northwesterly direction through Mount Zion, Iowa, to a junction with the line described in ITEM (2) of <i>Group A</i> , at Eldon, Iowa, including 0.09 of a mile of track of the Keokuk Union Depot Company of Keokuk, Iowa, and having a length of approximately | 63.84 |
| ITEM (23). Beginning at a connection with the line described in ITEM (22) of this <i>Group B</i> , at or near Mount Zion, Iowa, and extending in a general southwesterly direction to Keosauqua, Iowa, and having a length of approximately..... | 4.50 |
| ITEM (24). Beginning at a connection with the line described in ITEM (2) of <i>Group A</i> , at or near Ainsworth, Iowa, and extending in a general westerly direction through Washington and Oskaloosa in the State of Iowa to a connection with the line described in ITEM (17) of this <i>Group B</i> , at or near Evans Junction, Iowa, and having a length of approximately | 64.05 |
| ITEM (25). Beginning at a connection with the line described in ITEM (5) of <i>Group A</i> , at or near Carlisle, Iowa, and extending in a general westerly direction to Winterset, Iowa, and having a length of approximately | 32.38 |
| ITEM (26). Beginning at a connection with the line described in ITEM (25) of this <i>Group B</i> , at Summerset Junction, Iowa, and extending in a general southerly direction to Indianola, Iowa, and having a length of approximately..... | 6.30 |

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Miles

ITEM (27). Beginning at a connection with the line described in ITEM (6) of Group A, at or near Estherville, Iowa, and extending in a general northeasterly direction through Armstrong and Lakota in the State of Iowa to a connection with the line described in ITEM (4) of Group A, at Albert Lea, Minnesota, and having a length of approximately 82.07

ITEM (28). Beginning at a point of connection with the line described in ITEM (6) of Group A, at or near Lake Park, Iowa, and extending in a general northwesterly direction through Worthington, Minnesota, to a connection with the line described in ITEM (6) of Group A, at Hardwick, Minnesota, and having a length of approximately 53.79

ITEM (29). Beginning at a connection with the line described in ITEM (6) of Group A, at or near Ellsworth, Minnesota, and extending in a general westerly direction through Rock Rapids, Iowa, to Sioux Falls, South Dakota, and having a length of approximately 42.52

ITEM (30). Beginning at a connection with the line described in ITEM (4) of Group A, at or near Clarks Grove, Minnesota, and extending in an easterly direction to Maple Island, Minnesota, and having a length of approximately 8.70

ITEM (31). Beginning at a connection with the line described in ITEM (4) of Group A, at or near Inver Grove, Minnesota, and extending in a northwesterly direction to West St. Paul, Minnesota, and having a length of approximately 8.50

ITEM (32). Beginning at a connection with the line described in ITEM (2) of Group A, at or near Coburn, Grundy County, Missouri, and extending in a southwesterly direction through Altamont and St. Joseph in the State of Missouri, and Hor-

32

Miles

ton and Holton in the State of Kansas, to a junction with the line described in ITEM (2) of Group A, at St. Joseph Line Junction in North Topeka, Kansas, including 7.59 miles of track of other companies, and having a length of approximately 160.69

ITEM (33). Beginning at a junction with the line described in ITEM (32) of this Group B in the City of St. Joseph, Missouri, and extending in a general southwesterly direction to Atchison, Kansas, including 1.82 miles of track of other companies, and having a length of approximately 21.49

ITEM (34). Beginning at the freight house of the Company, at or near 12th and Wyoming Streets in Kansas City, Missouri, and extending in a general westerly direction to a connection with the line described in ITEM (2) of Group A, at a point known as CRI&P Junction in Kansas City, Kansas, including 0.08 of a mile of track of Union Pacific Railroad Company, and having a length of approximately 3.59

ITEM (35). Beginning at a connection with the line described in ITEM (2) of Group A, at or near Birmingham, Missouri, and extending in a general southwesterly direction through Kansas City, Missouri, to a point of connection with the line described in ITEM (34) of this Group B, at or near 2nd Street in Kansas City, Kansas, including 11.66 miles of track of other companies, and having a length of approximately 11.84

ITEM (36). Beginning at a point on the railway line of Kansas City Terminal Railway Company at West Bluffs Junction, at or near Kansas City Union Station, in Kansas City, Missouri, and extending in a westerly direction to a junction with the line described in ITEM (34) of this Group B, at or near Kansas Avenue in Kansas City,

33

Miles

Kansas, including 1.36 miles of track of Kansas City Terminal Railway Company, and having a length of approximately 1.43

ITEM (37). Beginning at a connection with the line described in ITEM (32) of this Group B, at or near Horton, Kansas, and extending in a general northwesterly direction through Sabetha in the State of Kansas, and Pawnee and Beatrice in the State of Nebraska, to a connection with the line described in ITEM (1) of Group A, at or near Jansen, Nebraska, and having a length of approximately 107.68

ITEM (38). Beginning at a connection with the line described in ITEM (1) of Group A, at or near Fairbury, Nebraska, and extending in a general northwesterly direction through Hebron to Ruskin, Nebraska, and having a length of approximately 39.64

ITEM (39). Beginning at a point of connection with the line described in ITEM (2) of Group A, at or near the City of Herington, Kansas, and extending in a general northwesterly direction through Abilene to the City of Salina, Kansas, including 20.53 miles of track of other companies, and having a length of approximately 48.76

ITEM (40). Beginning at a point of connection with the line described in ITEM (3) of Group A, at or near Bucklin, Kansas, and extending in a general northwesterly direction to Dodge City, Kansas, and having a length of approximately 26.60

ITEM (41). Beginning at a connection with the line of Denver & Rio Grande Western Railroad Company at Quiras Street in the City of Denver, Colorado, and extending in a westerly direction to Remaco, Colorado, over the tracks of Denver and Intermountain Railroad Company, and having a length of approximately 6.43

34

Miles

ITEM (42). The line of Nashville, Chattanooga & St. Louis Railway Company in Broadway between Porter Street and Kansas Street, all in the City of Memphis, Tennessee, and having a length of approximately 1.26

ITEM (43). Beginning at a connection with the line described in ITEM (9) of Group A, at or near Hulbert, Arkansas, and extending in a general northerly direction to Presley Junction, Arkansas, over the tracks of St. Louis-San Francisco Railway Company, and having a length of approximately 3.24

ITEM (44). Beginning at a connection with the line described in ITEM (9) of Group A, at or near Mesa, Arkansas, and extending in a general northerly direction to Searcy, Arkansas, and having a length of approximately 37.60

ITEM (45). Beginning at a connection with the line described in ITEM (9) of Group A, at or near Mesa, Arkansas, and extending in a general southerly direction to Stuttgart, Arkansas, and having a length of approximately 21.09

ITEM (46). Beginning at a point of connection with the line described in ITEM (10) of Group A, at or near Haskell, Arkansas, and extending in a general southwesterly direction to Hot Springs, Arkansas, and having a length of approximately 29.37

ITEM (47). Beginning at a connection with the line described in ITEM (46) of this Group B, at or near Butterfield, Arkansas, and extending in a general southerly direction through Malvern, Arkansas, to Camden, Arkansas, including 2.24 miles of track of St. Louis Southwestern Railway Company, and having a length of approximately 63.55

ITEM (48). Beginning at a connection with the line described in ITEM (10) of Group A, at or near

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Miles

Tinsman, Arkansas, and extending in a general southeasterly direction to Crossett, Arkansas, and having a length of approximately..... 43.57

ITEM (49). Beginning at a connection with the line described in ITEM (9) of Group A, at or near Branch Junction, near Haileyville, Oklahoma, and extending in a general southwesterly direction to Pittsburg, Oklahoma, and having a length of approximately 18.51

ITEM (50). Beginning at a connection with the line described in ITEM (9) of Group A, at Gulf Junction, Oklahoma, and extending in a southerly direction to a connection with the line described in ITEM (2) of Group A, at Pacific Junction, Oklahoma, all known as the El Reno Cut-off, at or near the City of El Reno, Oklahoma, and having a length of approximately..... 2.06

ITEM (51). Beginning at a connection with the line described in ITEM (2) of Group A, at a point known as Rock Island Junction, and extending in a northwesterly direction to a connection with the line described in ITEM (9) of Group A, at a point known as Pan Handle Junction, all at or near the City of El Reno, Oklahoma, and having a length of approximately 0.31

ITEM (52). Beginning at a connection with the line described in ITEM (2) of Group A, at El Reno Junction, Oklahoma, and extending in a southeasterly direction to a connection with the line described in ITEM (9) of Group A, and beginning at a connection with the line described in ITEM (9) of Group A, at Belt Junction, Oklahoma, and extending in a southerly direction to a connection with the line described in ITEM (2) of Group A, at Pacific Junction, Oklahoma, at or near the City of El Reno, Canadian County, Oklahoma, and having a length of approximately..... 1.61

37

Miles

northeasterly direction through Morse, Texas, and Baker, Oklahoma, to a connection with the line described in ITEM (3) of Group A, at or near Liberal, Kansas, and having a length of approximately 151.95

ITEM (59). Beginning at a connection with the line described in ITEM (58) of this Group B, at Wye Switch near Morse, Texas, and extending in a general westerly direction to a connection with the line described in ITEM (3) of Group A, at or near Dalhart, Texas, and having a length of approximately 59.56

ITEM (60). Beginning at a connection with the line described in ITEM (2) of Group A, at or near Bridgeport, Texas, and extending in a general westerly direction through Jacksboro to Graham, Texas, and having a length of approximately..... 56.45

ITEM (61). A line beginning at Milan, Rock Island County, Illinois, and extending in a general southeasterly direction to Preemption, Mercer County, Illinois, and having a length of approximately 16.67

ITEM (62). Beginning at a connection with the line described in ITEM (2) of Group A, at or near Irving, Texas, and extending in a general northerly direction to Carrollton, Texas, and having a length of approximately 11.20

Wholly owned 2,289.82
Trackage rights 163.90

Total miles of main track in Group B..... 2,453.72

Group C: The undivided interest of the Company in each of the following lines of railroad:

ITEM (1). An undivided one-half interest in a line beginning at or near LaSalle and Van Buren

36

Miles

ITEM (53). Beginning at a connection with the line described in ITEM (2) of Group A, at or near North Enid, Oklahoma, and extending in a general northeasterly direction to Ponca City, Oklahoma, and having a length of approximately..... 54.83

ITEM (54). Beginning at a connection with the line described in ITEM (2) of Group A, at or near Enid, Oklahoma, and extending in a general southwesterly direction through O'Keene and Watonga in the State of Oklahoma to a connection with the line described in ITEM (9) of Group A, at or near Geary, Oklahoma, and having a length of approximately 78.05

ITEM (55). Beginning at a connection with the line described in ITEM (54) of this Group B, at or near O'Keene, Oklahoma, and extending in a northerly and westerly direction through Homestead and Ingersoll to Alva, Oklahoma, and having a length of approximately..... 68.59

ITEM (56). Beginning at a connection with the line described in ITEM (2) of Group A, at or near Chickasha, Oklahoma, and extending in a general westerly direction through Anadarko to Mangum, Oklahoma, and having a length of approximately 97.73

ITEM (57). Beginning at a connection with the line described in ITEM (56) of this Group B, at or near Anadarko, Oklahoma, and extending in a general southeasterly direction through Fort Sill and Lawton in the State of Oklahoma to a connection with the line described in ITEM (2) of Group A, at or near Waurika, Oklahoma, and having a length of approximately..... 77.06

ITEM (58). Beginning at a connection with the line described in ITEM (9) of Group A, at or near Amarillo, Texas, and extending in a general

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Miles

Streets, and extending in a southerly direction to a connection with the line described in ITEM (1) of Group A, at or near 63rd Street, all in the City of Chicago, Illinois, and having a length of approximately 6.35

ITEM (2). An undivided one-half interest in a line extending in a general southwesterly direction from a point of connection with the line described in ITEM (2) of Group A, at or near Birmingham, Missouri, to a connection with the line described in said ITEM (2) of Group A, at or near Kansas City Southern Junction, in Kansas City, Missouri, and having a length of approximately 4.52

ITEM (3). An undivided one-half interest in a line beginning at a connection with the line described in ITEM (16) of Group B, at or near Chancy in the City of Clinton, Iowa, and extending in a northeasterly direction to a point of connection with the line described in ITEM (4) of this Group C, at or near 10th Street in the City of Clinton, Iowa, and having a length of approximately 1.62

ITEM (4). An undivided one-third interest in a line beginning at a point of connection with the line described in ITEM (3) of this Group C, at or near the south line of 10th Street, and extending in a northeasterly direction to a point at or near the north line of said 10th Street, all in the City of Clinton, Iowa, and having a length of approximately 0.04

ITEM (5). An undivided one-half interest in a line beginning at a point of connection with the line described in ITEM (6) of Group A, in the Northeast Quarter of Section 32, Township 117

MAY PARROTT & BORG CO., WATERLOO, IOWA

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North, Range 52 West, in the City of Watertown, Codington County, South Dakota, and extending in a northwesterly direction to a point at or near Third Street in the City of Watertown, South Dakota, and having a length of approximately..... 1.34

Total miles of main track in Group C..... 13.87

Group D: The leasehold interest of the Company in the following lines of railroad:

ITEM (1). Held under lease from Peoria and Bureau Valley Railroad Company, dated April 4, 1854, beginning at a point of connection with the line described in ITEM (4) of Group B, at Bureau, Bureau County, Illinois, and extending in a southwesterly direction to a point of connection with the line described in ITEM (5) of Group B, at or near Bridge Street in the City of Peoria, Illinois, and having a length of approximately 46.97

ITEM (2). Held under lease from Burlington-Rock Island Railroad Company, dated June 1, 1931, beginning at a point of connection with the railway line of Missouri-Kansas-Texas Railroad Company, at Waxahachie, Texas, and extending in a general southerly direction to Teague, Texas, and having a length of approximately..... 67.69

Total miles of main track in Group D..... 114.66

Group E: Additional main tracks:

All tracks owned by the Company or in which it has an interest and commonly designated as second main track, third main track, etc., and used as part of or in connection with any of said lines of railroad above described in Groups

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THIRD. All right, title and interest, legal or equitable, of the Company in and to all lands, tenements, hereditaments, easements, rights of way and other real property and interests in real property of whatever kind or description and wherever situated, and in and to all structures, improvements and fixtures thereon.

FOURTH. All right, title and interest of every name and nature, legal or equitable, of the Company in any and all mechanical equipment, machinery, tools, implements, furniture, supplies, materials, and other chattels.

FIFTH. All right, title and interest of every kind and nature, legal or equitable, of the Company in and to Equipment (as defined in Article I) now or hereafter owned by the Company, and any and all additions, betterments and improvements thereto, including all right, title and interest now or hereafter vested in the Company in and to any and all such property now or hereafter leased to or possessed by the Company under any Equipment Obligation.

SIXTH. Subject to the Company's First Mortgage, the following described shares of capital stock of other corporations now owned by the Company:

Group A: Shares deposited with the corporate trustee of the First Mortgage:

| Name of Company | Number of Shares | Total Par Value |
|------------------------------------------------------------|------------------|-----------------|
| Arkansas & Memphis Railway Bridge and Terminal Company | | |
| Preferred Shares | 5,500 | \$550,000 |
| Common Shares | 2 | 200 |
| Atchison Union Depot and Railroad Company | 9 | 9,000 |
| The Belt Railway Company of Chicago..... | 2,400 | 240,000 |
| Burlington, Muscatine & Northwestern Railway Company | 1,000 | 100,000 |

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A, B, C, and D, and having an aggregate length of approximately:

| | Miles |
|-----------------------|--------|
| Wholly owned..... | 421.35 |
| Jointly owned..... | 10.26 |
| Held under lease..... | 0.13 |
| Trackage rights | 201.55 |

Miles

633.29

Group F: Yard tracks and sidings:

All yard, side, industrial, switch, connecting, terminal, passing and shop tracks and turnouts owned by the Company or in which it has an interest and used or provided for use in connection with any of the lines of railroad and tracks above described in Groups A, B, C, D, and E, and having an aggregate length of approximately:

| | Miles |
|-----------------------|----------|
| Wholly owned..... | 2,431.85 |
| Jointly owned | 106.16 |
| Held under lease..... | 83.25 |
| Trackage rights | 334.42 |

2,955.68

SECOND. All right, title and interest, legal or equitable, of the Company in any and all other main and branch lines and tracks, cut-off, spur, industrial, switch, connecting, storage, yard or terminal tracks, superstructures, roadbeds, bridges, trestles, culverts, viaducts, buildings, depots, stations, stock yards, warehouses, elevators, car houses, engine houses, freight houses, machine shops and other shops, turntables, fuel stations, water stations, signals, interlocking plants, telegraph and telephone lines, fences, docks, structures and fixtures.

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| Name of Company | Number of Shares | Total Par Value |
|---------------------------------------------------|------------------|-----------------|
| Burlington-Rock Island Railroad Company | 1,520 | \$152,000 |
| Calumet Western Railway Company..... | 1,080 | 108,000 |
| The Denver Market & Produce Terminal, Inc. | 500 | 50,000 |
| The Denver Union Terminal Railway Company | 50 | 5,000 |
| Galveston Terminal Railway Company..... | 125 | 12,500 |
| Iowa Transfer Railway Company..... | 161 | 16,100 |
| Joliet Union Depot Company..... | 100 | 10,000 |
| Kansas City Terminal Railway Company.... | 5 | 500 |
| Keokuk Union Depot Company..... | 200 | 20,000 |
| Leavenworth Depot & Railroad Company.... | 80 | 8,000 |
| The Minnesota Transfer Railway Company | 913 | 91,300 |
| Oklahoma City Junction Railway Company | 2,500 | 50,000 |
| Peoria and Bureau Valley Railroad Company | 1,487 | 148,700 |
| Peoria Terminal Company | 5,000 | 500,000 |
| The Pullman Company..... | 16,161 | 161,610 |
| Railway Express Agency, Inc..... | 22 | no par value |
| Rock Island-Frisco Terminal Railway Company | 3,000 | 300,000 |
| Rock Island Improvement Company..... | 1,030 | 103,000 |
| The Rock Island Motor Transit Company.... | 1,000 | 100,000 |
| St. Joseph Union Depot Company..... | 20 | 2,000 |
| St. Paul Union Depot Company..... | 1,036 | 103,600 |
| Terminal Railroad Association of St. Louis | 2,058 | 205,800 |
| The Union Terminal Company (Dallas, Texas) | 2 | 200 |
| The Wichita Union Terminal Railway Company | 2 | 200 |

Group B: Shares deposited under and subject to the following agreements:

2,898 shares, of the par value of \$100 each, of Arkansas & Memphis Railway Bridge and Terminal Company, deposited with Guaranty Trust Company of New York under Stock Trust Agreement dated March 2, 1914;

1828 $\frac{1}{3}$ shares, of the par value of \$100 each, of Kansas City Terminal Railway Company, deposited with The First National Bank of Kansas City, Missouri, under Stock Trust Agreement dated June 12, 1909;

58 shares, of the par value of \$100 each, of The Union Terminal Company (Dallas, Texas), deposited with Continental Illinois National Bank and Trust Company of Chicago under Stock Trust Agreement dated April 1, 1912;

331 $\frac{1}{3}$ shares, of the par value of \$100 each, of The Wichita Union Terminal Railway Company, deposited with The First National Bank of Kansas City, Missouri, under Stock Trust Agreement dated November 1, 1911.

SEVENTH. Subject to the Company's First Mortgage, the following described bonds now owned by the Company and deposited with the corporate trustee of the First Mortgage:

| Description | Principal Amount |
|-----------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| Peoria Railway Terminal Company First Mortgage Four Per Cent. Thirty Year Gold Bonds, due January 1, 1937, extended to mature January 1, 1967 | \$702,000.00 |
| Choctaw and Memphis Railroad Company First Mortgage Gold Bonds, due January 1, 1949 | 766,000.00 |

EIGHTH. All of the Company's estate, right, title, interest, terms and remainders of terms, franchises, privileges and rights of action of whatsoever name and nature in law or in

(7) With Chicago, Milwaukee, St. Paul & Pacific Railroad Company, dated November 23, 1901, for a term of 99 years, covering trackage rights between Comus and Rosemount, Minnesota.

(8) With Chicago, Milwaukee, St. Paul & Pacific Railroad Company, dated May 29, 1902, for a term expiring January 1, 2003, covering trackage rights between Newport and St. Paul, Minnesota.

(9) With Chicago, Milwaukee, St. Paul & Pacific Railroad Company, dated June 25, 1936, for a term expiring January 1, 2003, covering trackage rights between Sibley Street and Robert Street in the City of St. Paul, Minnesota.

(10) With Chicago, Milwaukee, St. Paul & Pacific Railroad Company, dated June 25, 1936, for a term of 99 years, covering trackage rights between Robert Street and Minnesota Street in the City of St. Paul, Minnesota.

(11) With Chicago, Milwaukee, St. Paul & Pacific Railroad Company, dated May 31, 1902, for an indefinite period, covering trackage rights between Minnesota Street and Chestnut Street in the City of St. Paul, Minnesota.

(12) With Chicago, Milwaukee, St. Paul & Pacific Railroad Company, dated May 31, 1902, for a term of 99 years, covering trackage rights between Chestnut Street in the City of St. Paul, Minnesota, and passenger depot and yards at Minneapolis, Minnesota.

(13) With Chicago, Milwaukee, St. Paul & Pacific Railroad Company, dated January 31, 1940, for an indefinite period, covering trackage rights between Schmidt Road and connection with Davenport, Rock Island and Northwestern Railway Company in Davenport, Iowa.

(14) With Chicago, St. Paul, Minneapolis and Omaha Railway Company, dated May 31, 1902, for an indefinite period, covering trackage rights between Minnesota Street and Chestnut Street in the City of St. Paul, Minnesota.

equity in and to any and all leases, leasehold rights, joint facilities and other trackage contracts, rights and privileges and amendments and renewals and extensions thereof, now owned or hereafter acquired by the Company in connection with or relating to the ownership, use or operation by the Company of any lines of railroad, or any terminals or union or other stations, situated along, or at the terminus of, any of the Company's lines of railroad, including specifically but not exclusively the following:

(A) Trackage agreements:

(1) With Chicago, Burlington and Quincy Railroad Company, dated February 24, 1940, for an indefinite period, covering trackage rights between Orion and Colona, Illinois.

(2) With Chicago, Burlington and Quincy Railroad Company, dated May 29, 1902, for a term of 999 years, covering trackage rights between Newport and St. Paul, Minnesota.

(3) With Chicago, Burlington and Quincy Railroad Company, dated July 1, 1930, for a term expiring December 31, 1954, covering trackage rights between Birmingham and Ustick, Missouri.

(4) With Chicago, Burlington and Quincy Railroad Company, dated July 1, 1930, for a term expiring December 31, 1954, covering trackage rights between Ustick, Missouri, and connection with Kansas City Terminal Railway Company tracks in Kansas City, Missouri.

(5) With Chicago Great Western Railway Company, dated February 24, 1912, for a term expiring April 23, 2000, covering trackage rights between Manly and Clear Lake Junction, Iowa.

(6) With Chicago, Milwaukee, St. Paul & Pacific Railroad Company, dated August 1, 1931, for a term expiring December 31, 2030, covering trackage rights between Polo and Birmingham, Missouri.

(15) With Davenport, Rock Island and Northwestern Railway Company, dated December 8, 1931, for an indefinite period, covering trackage rights between Chaney and Shaffton, Iowa.

(16) With Davenport, Rock Island and Northwestern Railway Company, dated January 23, 1940, for an indefinite period, covering trackage rights between Davenport and Shaffton, Iowa.

(17) With Denver and Rio Grande Western Railroad Company, dated December 1, 1928, for an indefinite period, covering trackage rights between Roswell and Colorado Springs, Colorado, including the use of passenger and freight terminal facilities.

(18) With Louisiana and Arkansas Railway Company, dated June 1, 1925, for a term expiring May 31, 1955, with the option to renew or extend the same for an additional 30 years, covering trackage rights between Winnfield and Packton, Louisiana.

(19) With Louisiana and Arkansas Railway Company, dated February 11, 1907, for an indefinite period, covering trackage rights between Packton and Pineville, Louisiana.

(20) With Louisiana and Arkansas Railway Company, dated December 1, 1906, for an indefinite period, covering trackage rights between Pineville and Alexandria, Louisiana.

(21) With Minneapolis & St. Louis Railway Company, dated July 1, 1901, for a term of 999 years, covering trackage rights between Manly Junction and Northwood, Iowa.

(22) With Minneapolis & St. Louis Railway Company, dated August 6, 1940, for an indefinite period, covering trackage rights between 14th Street in the City of Des Moines and Gowrie, Iowa.

(23) With Nashville, Chattanooga & St. Louis Railway Company, dated March 14, 1917, for an indefinite period,

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covering trackage rights between Aulon Avenue and Kansas Avenue in the City of Memphis, Tennessee.

(24) With St. Joseph & Grand Island Railway Company, dated April 5, 1904, for a term of 99 years, covering trackage rights between 4th Street in the City of St. Joseph, Missouri, and Elwood, Kansas.

(25) With St. Joseph & Grand Island Railway Company, dated September 1, 1933, for a term of 99 years, covering trackage rights between Elwood and Troy, Kansas.

(26) With St. Louis-San Francisco Railway Company, dated March 24, 1904, for a term of 50 years, covering trackage rights between Sheffield and Leeds, Missouri.

(27) With St. Louis-Southwestern Railway Company, dated January 1, 1926, for an indefinite period, covering trackage rights between Kent and Camden, Arkansas.

(28) With Terminal Railroad Association of St. Louis, dated December 16, 1902, in perpetuity, covering trackage rights from Rock Island Junction, Missouri (east of Lackland) via North St. Louis to the Union Station in St. Louis, Missouri.

(29) With Union Pacific Railroad Company, dated May 1, 1890, for a term of 999 years, covering trackage rights and the use of a bridge over Missouri River, between Council Bluffs, Iowa, and Albright, Nebraska.

(30) With Union Pacific Railroad Company, dated March 19, 1887, for a term of 999 years, covering trackage rights between North Topeka and Kansas City, Kansas.

(31) With Union Pacific Railroad Company, dated April 10, 1889, for a term of 999 years, covering trackage rights between Limon and Denver, Colorado.

(32) With Union Pacific Railroad Company, dated December 15, 1933, for a term of 999 years, covering trackage rights between Abilene and Salina, Kansas.

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use of passenger terminal, trackage and other appurtenant facilities at Kansas City, Missouri.

(8) With Keokuk Union Depot Company, dated July 1, 1890, for an indefinite period, covering the use of passenger station and appurtenant facilities at Keokuk, Iowa.

(9) With The Leavenworth Depot and Railroad Company, dated December 1, 1924, for a term of 50 years, covering the use of passenger station and appurtenant facilities at Leavenworth, Kansas.

(10) With Rock Island-Frisco Terminal Railway Company, dated July 1, 1927, for an indefinite period, covering the use of freight terminal property and facilities at St. Louis, Missouri.

(11) With St. Joseph Union Depot Company, dated June 24, 1935, in perpetuity, covering the use of passenger station and appurtenant facilities at St. Joseph, Missouri.

(12) With The St. Paul Union Depot Company, dated December 18, 1916, for a term of 99 years, covering the use of passenger terminal and appurtenant facilities at St. Paul, Minnesota.

(13) With Terminal Railroad Association of St. Louis, dated December 16, 1902, for an indefinite period, covering the use of passenger terminal and appurtenant facilities at St. Louis, Missouri.

(14) With The Union Terminal Company, dated April 1, 1912, for a term of 99 years, covering the use of passenger station and appurtenant facilities at Dallas, Texas.

(15) With Union Pacific Railroad Company, dated September 1, 1898, for a term of 50 years, covering the use of passenger station at Omaha, Nebraska.

(16) With The Wichita Union Terminal Railway Company, dated November 1, 1911, for a period of 999 years, covering the use of passenger station and appurtenant facilities at Wichita, Kansas.

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(33) With Missouri-Kansas-Texas Railroad Company, dated December 30, 1930, for an indefinite period, covering trackage rights between Dallas and Waxahachie, Texas.

(34) With St. Louis-San Francisco Railway Company, dated April 1, 1943, for an indefinite period, covering trackage rights between Hulbert and Presley Junction, Arkansas.

(B) Agreements relating to union and other stations, terminal railroads and bridges:

(1) With Atchison Union Depot and Railroad Company, dated August 10, 1935, in perpetuity, covering the use of passenger station and appurtenant facilities at Atchison, Kansas.

(2) With Chicago, Milwaukee, St. Paul & Pacific Railroad Company, dated May 31, 1902, for a term of 99 years, covering the use of passenger station at Minneapolis, Minnesota.

(3) With The Denver Union Terminal Railway Company, dated March 2, 1914, for a term of 99 years, covering the use of passenger station and appurtenant facilities at Denver, Colorado.

(4) With Fort Worth Union Passenger Station Company, dated December 29, 1930 and April 22, 1932, covering the use of passenger station facilities at Fort Worth, Texas.

(5) With Illinois Central Railroad Company, dated November 10, 1933, for an indefinite period, covering the use of Grand Central Passenger Terminal at Memphis, Tennessee.

(6) With Joliet Union Depot Company, dated June 1, 1944, for an indefinite period, covering the use of passenger station and appurtenant facilities at Joliet, Illinois.

(7) With Kansas City Terminal Railway Company, dated June 12, 1909, for a term of 200 years, covering the

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(17) With Arkansas & Memphis Railway Bridge and Terminal Company, dated March 2, 1914, for a term of 50 years, covering the use of a railroad and bridge over the Mississippi River at Memphis, Tennessee.

(18) With 1938 Euclid, Inc. (formerly Atchison and Eastern Bridge Company), dated June 25, 1930, for a term expiring December 31, 1950, covering the use of railroad bridge across the Missouri River and appurtenant trackage at Atchison, Kansas.

(C) Agreements relating to switching roads, freight transfer yards, etc.:

(1) With The Belt Railway Company of Chicago, dated November 1, 1912, for a term expiring September 1, 1962, covering the use of freight switching belt line tracks and facilities at Chicago, Illinois.

(2) With Calumet Western Railway Company, dated June 6, 1901, for a term of 50 years and thereafter until cancelled on one year's notice, covering the use of railroad and of freight switching facilities at South Chicago, Illinois.

(3) With Iowa Transfer Railway Company, dated January 4, 1906, for a term of 50 years, covering the use of freight switching and transfer yards at Des Moines, Iowa.

(4) With Minnesota Transfer Railway Company, pursuant to provisions of the By-Laws of said Company, covering the use of freight switching and transfer yards at Minneapolis, Minnesota.

(5) With The Denver Market & Produce Terminal, Inc., dated April 15, 1939, for an indefinite period, covering the use of joint fruit and produce terminal facilities at Denver, Colorado.

(6) With Oklahoma City Junction Railway Company, dated November 23, 1945, for an indefinite period, covering the use of railroad and freight switching facilities at Oklahoma City, Oklahoma.

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NINTH. Any and all right, title and interest of every name and nature of the Company in and to any and all telegraph, telephone or other communication facilities; and the rights and agreements covering the rights to the use of any and all telegraph, telephone or other communication facilities along the Company's lines of railroad, as they may be used from time to time or subject to use by the Company.

TENTH. Any and all corporate rights, powers, franchises, privileges and immunities now owned or possessed by the Company.

ELEVENTH. All property of every kind and description which may hereafter be acquired by the Company and which (a) shall be acquired in replacement of or substitution for or shall constitute additions, betterments or improvements to any property now or hereafter owned by the Company and subject to the lien of the Mortgage or which may at any time become subject to the lien of the Mortgage, or (b) shall be appurtenant to or acquired for use upon or in connection with any of the Company's lines of railroad or for use upon or in connection with any other property, real or personal, which may at the time be subject to the lien of the Mortgage, or (c) shall be acquired in whole or in part through the issuance or by the use of the proceeds of Bonds issued under the Mortgage or First Mortgage Bonds issued under the First Mortgage, or by the use of moneys deposited with the Corporate Trustee under any provision of the Mortgage or with the corporate trustee of the First Mortgage under any provision thereof, or (d) by any provision of the Mortgage the Company is required to convey, mortgage, pledge, assign or transfer to the Trustees hereunder.

TWELFTH. All property of every kind and description, in addition to that above described, which, at any time hereafter,

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SIXTEENTH. All Securities (as defined in Article I) now owned or hereafter acquired by the Company.

SEVENTEENTH. All of the Company's right, title and interest in and to a judgment entered July 9, 1946, in Consolidated Civil Action No. 2239 in the District Court of the United States for the Southern District of Texas, Houston Division, in favor of Joseph B. Fleming and Aaron Colnon, Trustees of the Estate of The Chicago, Rock Island and Pacific Railway Company, debtor, against Burlington-Rock Island Railroad Company in the principal sum of \$9,829,922.23, and such lien on the property of said Burlington-Rock Island Railroad Company as may have been created by the abstracting and recording of such judgment.

EIGHTEENTH. All other property which from time to time hereafter shall be constructed or acquired by the Company, whether or not such property is particularly described in the Mortgage or required to be specifically subjected to the lien of the Mortgage pursuant to any provisions hereof; provided, however, that if the Company shall acquire substantially all of the properties of any other corporation, such properties shall be subject to the lien of the Mortgage only to the extent and under the conditions provided in Article XII.

For the purposes of the foregoing granting clauses **FIRST** to **EIGHTEENTH**, inclusive:

(1) The word "property" shall be deemed to include property of every kind and description, whether real, personal, or mixed, whether tangible or intangible, and whether of present or future interests, including, without limitation, franchises, leaseholds, stocks, bonds and other securities;

(2) The "Company's lines of railroad" shall be deemed to include any main or branch or cut-off lines of

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by indenture or indentures supplemental hereto, or other instruments of transfer, may be expressly conveyed, mortgaged or pledged, delivered, assigned or transferred to the Trustees hereunder by the Company or by a successor corporation, or with its consent by anyone in its behalf, as and for additional security or substitute security for the Bonds issued and to be issued hereunder, the Trustees 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 the Mortgage; provided that any such conveyance, mortgage, pledge, delivery, assignment or transfer made pursuant to the provisions of this granting clause **TWELFTH**, as and for additional security or substituted security, may be made subject to any liens, reservations, limitations, conditions and provisions, consistent with the provisions of the Mortgage, which shall be specified or set forth in such supplemental indenture or instrument of transfer.

THIRTEENTH. All other property of every kind and description, real, personal or mixed, now owned by the Company or in which it now has any right, title or interest, including all property of every kind and description acquired by the Company from the trustees of the Debtor's property, and from the several corporations and trustees described in the third paragraph of the preambles of the Mortgage.

FOURTEENTH. All property which may now or at any time hereafter be subject to the lien of the Company's First Mortgage, it being the intention that the Mortgage shall constitute a lien junior to the lien of the First Mortgage on all property which may at any time be subject to the lien of said First Mortgage.

FIFTEENTH. All 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.

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railroad, and any and all main, branch, second, spur, side, industrial, switch, connecting, storage, yard, terminal, passing and shop tracks and turnouts, which the Company may own, either solely or jointly, or over which the Company may operate or have any right to operate under any lease, trackage or operating agreement;

(3) Out of the grants hereby made, the last day of the term of each leasehold estate (whether created orally or by written instrument) now or hereafter enjoyed by the Company is hereby excepted and reserved, whether falling within the general or particular description of property herein described;

(4) It is not intended to subject to the lien hereof, and this grant shall not be deemed to apply to, any additional line of railroad, or Securities of corporations owning the same, or Equipment and other property therefor, hereafter acquired by the Company, representing an addition to the Company's lines of railroad, unless such additional line of railroad (a) is less than 10 route miles in length, or (b) parallels or constitutes an alternate route for then existing routes used by the Company's railroad system, or (c) is acquired through the issuance of Bonds or First Mortgage Bonds or the use of the proceeds thereof or the use of moneys deposited with the Corporate Trustee under any provision of the Mortgage or with the corporate trustee of the First Mortgage under any provision thereof;

(5) It is not intended to subject to the lien hereof, and this grant shall not be deemed to apply to

(a) any rents, issues, tolls, profits or other income from the premises and property herein or hereafter mortgaged and conveyed or assigned, or

(b) any cash, government securities, federal, state or local, or bills, notes or accounts receivable (except cash, government securities or bills, notes or accounts receivable deposited or required to be de-

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posited with the Corporate Trustee pursuant to any of the provisions of the Mortgage), or

- (c) any materials or supplies, or
- (d) any Special Securities, as defined in Article I,

unless and until one or more of the Events of Default enumerated in Section 2 of Article XVI hereof shall have occurred; but, upon the occurrence of any such Event of Default, all such rents, issues, tolls, profits and other income, cash, government securities, bills, notes and accounts receivable, materials and supplies and Special Securities shall immediately become subject to the lien hereof to the extent permitted by law;

(6) The provisions of the Mortgage, including those in the foregoing granting clauses FIRST to EIGHTEENTH, inclusive, shall be construed, and the lien of the Mortgage at any time shall be determined, in conformity with the following restrictions and rules of construction, which shall prevail over any other provision of the Mortgage in the event of any inconsistency therewith:

(a) Subject to the limitations of Article XII, the provisions of the Mortgage which may reasonably be construed to subject to the lien of the Mortgage property which may be acquired hereafter by the Company, or in which the Company hereafter may acquire an interest, shall be construed as applying to such property, and a liberal scope and effect shall be given to such provisions.

(b) Nothing in the Mortgage, express or implied, is intended or shall be construed to limit the right or power of the Company, which is hereby expressly reserved, to acquire any property or interest therein subject to liens or charges existing thereon at the time of the acquisition thereof, or to create any purchase money mortgage, or other lien or charge on such property or interest in order to finance the cost thereof, or to extend the term of or to refund any such lien or purchase money mortgage.

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railroad equipment, whether owned by the Company or by any other railroad, after one or more Events of Default enumerated in Section 2 of Article XVI hereof shall have occurred and be continuing.

(f) Nothing in the Mortgage is intended or shall be construed to require the deposit with the Corporate Trustee of any securities, or of any instruments of the character referred to in granting clauses EIGHTH and NINTH, except such securities and instruments as are by the terms of the Mortgage specifically required to be so deposited.

To HAVE AND TO HOLD the premises, railroads, railroad property, appurtenances, rights, privileges, franchises, estates, leaseholds, securities and other property, real, personal and mixed, hereby granted, bargained, sold, conveyed, released, confirmed, mortgaged, pledged, assigned, transferred or set over, or intended so to be, or which may in any manner become subject to the lien of the Mortgage by indentures supplemental hereto or otherwise (all of which property at any given time subject to the lien of the Mortgage, whether by the terms of the Mortgage, including the after-acquired property clauses thereof, or by subsequent conveyance, delivery or pledge to the Trustees, or either of them, or otherwise, is herein sometimes referred to as the "mortgaged property");

SUBJECT, HOWEVER, to the following:

- (1) The prior lien of the Company's First Mortgage, as defined in Article I, upon all of the mortgaged property except moneys held in trust by the Corporate Trustee under any of the provisions of the Mortgage;
- (2) The prior rights, charges, lien and title under the following Equipment Obligations assumed by the Company in accordance with the Plan and the orders of the Court:

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(c) Nothing in the Mortgage, express or implied, is intended or shall be construed to limit the right or power of the Company, which is hereby expressly reserved, to consolidate with or merge into, or to convey or lease the mortgaged property as a whole, or substantially as a whole, to another corporation or corporations, or to merge another corporation or corporations into the Company or to acquire property, as a whole or substantially as a whole, of another corporation or corporations, all as provided and with the exceptions and upon the terms and conditions set forth in Article XII hereof.

(d) Nothing in the Mortgage, express or implied, is intended or shall be construed to limit the right or power of the Company, which is hereby expressly reserved, to subject to an Equipment Obligation (by transfer to a trustee thereunder, or otherwise) any Equipment constructed or acquired for its use, at any time within two years from the date the same is so constructed or acquired, if such Equipment Obligation is created for the purpose of providing for, or reimbursing the Company for, in whole or in part, the cost of such construction or acquisition, and if such Equipment has not theretofore been made the basis for the authentication and delivery of any Bonds or First Mortgage Bonds or the withdrawal of cash held by the Corporate Trustee of the Mortgage under any provision thereof or by the corporate trustee of the First Mortgage under any provision thereof. The lien of the Mortgage shall attach to the right, title and interest of the Company then or thereafter existing in such Equipment, subject only to such Equipment Obligation.

(e) Nothing in the Mortgage, express or implied, is intended or shall be construed to limit the right or power of the Company, which is hereby expressly reserved, to use and apply any of its materials and supplies in the routine maintenance and repair of

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(a) Equipment Trust Agreement and Lease, Series S, dated February 1, 1940, between the Trustees of the Estate of The Chicago, Rock Island and Pacific Railway Company and The First National Bank of Chicago, Trustee, final semi-annual installment of principal due February 1, 1950;

(b) Equipment Trust Agreement and Lease, Series T, dated November 1, 1940, between the Trustees of the Estate of The Chicago, Rock Island and Pacific Railway Company and Chicago Title and Trust Company, Trustee, final installment of principal due May 1, 1949;

(c) Conditional Sale Agreement, dated June 1, 1944, between the Trustees of the Estate of The Chicago, Rock Island and Pacific Railway Company and The First National Bank of Chicago, owner by assignment from Rock Island Improvement Company, vendor and prior owner, final monthly installment of principal due July 1, 1954;

(d) Conditional Sale Agreement, dated September 1, 1945, between the Trustees of the Estate of The Chicago, Rock Island and Pacific Railway Company and The First National Bank of Chicago, owner by assignment from Rock Island Improvement Company, vendor and prior owner, final monthly installments of principal due September 1, 1955;

under which Equipment Obligations the unpaid balance of outstanding obligations as of the close of business on December 31, 1947, aggregated \$9,582,940 in principal amount;

(3) The prior rights and lien of the First Mortgage of Choctaw and Memphis Railroad Company to Girard Life Insurance, Annuity and Trust Company of Philadelphia (now Girard Trust Company), as trustee, dated January 2, 1899; and

(4) All and singular the other matters hereinabove set forth in the granting clauses hereof and to Permitted

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Encumbrances as defined in Article I but only to the extent that the same shall constitute a prior lien or charge of record against any part of the mortgaged property;

BUT IN TRUST, NEVERTHELESS, upon the terms and conditions of the Mortgage, for the equal and proportionate benefit and security (except as provided in Section 1 of Article XVI) of all present and future holders of Bonds and coupons, according to their tenor, purport and effect, without preference, priority or distinction (except as provided in Section 1 of Article XVI) as to lien or otherwise; so that (except as aforesaid) each and every Bond and coupon shall have the same right, lien and privilege under the Mortgage and shall be equally and ratably secured thereby in accordance with the provisions of the Mortgage;

AND IT IS HEREBY COVENANTED AND DECLARED that all of the Bonds and coupons for interest thereon, if any, are to be issued, authenticated and delivered, and that the mortgaged property is to be held and disposed of by the Trustees, upon and subject to the following covenants, conditions, uses and trusts:

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the nature of the matter or action covered by the application, referring to the particular provision or provisions of the Mortgage upon which the application is based, and enumerating the resolutions, certificates, opinions, securities, cash, instruments of transfer and other papers and documents or property delivered or to be delivered to the Corporate Trustee with or in connection with such application.

"Available Net Income" for any calendar year shall mean the income of the Company for such year available for fixed charges, adjusted by (i) deducting therefrom all dividends received during such year on the Stocks of Railroad Subsidiaries in which more than 50% of the total outstanding shares of capital stock having general voting rights is owned by the Company and all charges properly deductible therefrom representing rental for leased roads and fixed interest requirements on all Bonds, First Mortgage Bonds, Prior Lien Bonds, Equipment Obligations, taxes, judgments and reparations claims, and (ii) adding thereto for all purposes the income of such Railroad Subsidiaries for such year available for dividends (whether or not paid) on the Stocks of such Railroad Subsidiaries then owned by the Company, and (iii) adding thereto solely for the purposes of subsections (d) and (e) of Section 1 of Article V the balance, if any, remaining in the Capital Fund on December 31 of such year which is to be transferred to the treasury of the Company pursuant to the requirements of Section 2 of Article VI, subject to the following:

(a) Income of the Company available for fixed charges and the deductions required to be made therefrom shall be determined in accordance with the Uniform System of Accounts applicable to such year, except that there shall be added thereto such amounts as shall have been charged to operating expenses during such year representing the

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ARTICLE I

DEFINITIONS

The terms defined in this Article I (unless otherwise expressly provided or unless the context otherwise requires) shall have the following meanings, respectively:

"Additions and Betterments" shall mean improvements, extensions and betterments to Fixed Property, and additional Fixed Property, of the Company becoming subject to the lien of the Mortgage and acquired or constructed by the Company after the date of the execution and delivery of the Mortgage the cost of which, at the time of acquisition or construction, was properly chargeable to Road and Equipment Account, except:

- (a) Purchased Property; and
- (b) Such improvements, extensions, betterments and additional Fixed Property as:

(1) Were acquired or constructed through grants or donations or expenditures from the Capital Fund or the application of funds pursuant to Section 24 of Article VIII or the application of funds made available by charges to operating expenses on account of service losses on nondepreciable mortgaged property retired and replaced; or

(2) Had a Life Expectancy of less than 25 years when acquired or constructed by the Company; or

(3) Are subject to any Prior Lien.

"Application" shall mean a letter or other instrument in writing dated not more than 60 days prior to its delivery to the Corporate Trustee and signed by the President or a Vice President of the Company and by either (a) the Secretary or an Assistant Secretary of the Company, or (b) the Chief Accounting Officer of the Company, setting forth briefly

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service value (i.e. the ledger value less the value of salvage, if any) of any non-depreciable road property retired and not replaced.

(b) In determining income of the Company for any year any adjustment necessary to correct the income account for any prior year shall be made by appropriate entries and may be made either in the accounts of the current year (unless in violation of the applicable orders, instructions and regulations) or, in the discretion of the Board of Directors and subject to any requisite approval of the Interstate Commerce Commission or other public regulatory body having jurisdiction, may be made in whole or in part in the accounts of any subsequent year or years; and in determining Available Net Income for any year any such entries made in the accounts of that year to adjust the income accounts of prior years, whether cleared through income or profit and loss accounts, shall be treated as items affecting the income accounts for the year in which they are entered on the books, *provided, however*, that in determining Available Net Income for any year no adjustments necessary to correct the income account of any prior year need be taken into account except to the extent that cash shall have been received or paid or set aside for payment by the Company in respect thereof in such year, or prior to March 15 in the next succeeding year, and *provided, further*, that if prior to March 15 in any year the Board of Directors shall determine that a substantial liability exists which would have reduced the Available Net Income for the preceding calendar year or years if such liability had been accrued in such year or years, then all or such portion of such liability as the Board of Directors shall determine may be deducted in arriving at the Available Net Income for the preceding calendar year, in which case such amount so deducted shall not again be deducted in arriving at the Available Net Income for any subsequent year or years.

(c) All computations of Available Net Income shall be made on a calendar year basis and each calendar year shall constitute an income period.

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"Board of Directors" shall mean the Board of Directors of the Company as from time to time constituted or, except when the vote of a specified percentage or number of the whole Board of Directors is required, any executive committee or other committee of the Board of Directors which shall be authorized by resolution of the Board of Directors or by the by-laws of the Company to act in place of the Board of Directors during any period or for any purpose germane to the Mortgage.

"Bondable Equipment" shall mean locomotives, however propelled or operated, and passenger, freight, mail, express, baggage, and other railway cars.

"Bonded," when used with reference to Bonds, Additions and Betterments, Cost of Additions and Betterments, Net Cost, Bondable Equipment, Cost of Bondable Equipment, Purchased Property or Cost of Purchased Property shall mean that such Bonds, Additions and Betterments, Cost of Additions and Betterments, Net Cost, Bondable Equipment, Cost of Bondable Equipment, Purchased Property or Cost of Purchased Property have been made the basis by the Company for (a) the authentication and delivery of any Bonds or First Mortgage Bonds, (b) the release of any property from the lien of the Mortgage or of the First Mortgage or of any Prior Lien, (c) the withdrawal, payment or application of any cash held by the Corporate Trustee under any provision of the Mortgage or by the corporate trustee of the First Mortgage or by the trustee or mortgagee of any Prior Lien under any provision thereof, or (d) the surrender or other use, under the provisions of Section 7 or 8 of Article IX, of Securities theretofore Bonded; and when used with reference to Railroad Subsidiary Bonds, Railroad Subsidiary Stocks or Prior Lien Bonds, or any securities acquired in substitution therefor, shall mean that such Bonds or Stocks, or any securities

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"Capital Fund" shall mean the fund created and maintained by the Company in accordance with the provisions of Article VI.

"Certified Resolution" shall mean a resolution or resolutions certified by the Secretary or an Assistant Secretary of the Company, under its corporate seal, as having been duly adopted by the Board of Directors at a meeting held on a specified date and as being in full force and effect as of the date of certification.

"Chief Accounting Officer" shall mean, as of any particular time, the officer having general supervision over the accounts of the Company or his principal assistant.

"Company" shall mean and include not only Chicago, Rock Island and Pacific Railroad Company, the party of the first part to the Mortgage, but also any corporation that shall have complied with the provisions of Article XII and that shall have become a successor corporation as defined in Section 1 of said Article XII.

"Contingent Interest" shall mean with respect to the Bonds, First Mortgage Bonds or other obligations of the Company the interest thereon to the extent that such interest is payable on condition that there is Available Net Income or other funds applicable to such payment.

"Corporate Trustee" shall mean The Northern Trust Company or any corporation which shall be its successor as a Trustee under the Mortgage.

"Cost," when used with reference to any Purchased Property, shall mean the amount properly charged to Capital Accounts as the cost or investment of the Company therein, except (a) in the case of Purchased Property which shall be required or permitted by the Uniform System of Accounts

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acquired in substitution therefor, have been made the basis by the Company for (a) the authentication and delivery of any Bonds or First Mortgage Bonds, or (b) the withdrawal, payment or application of any cash held by the Corporate Trustee under any provision of the Mortgage, or by the corporate trustee of the First Mortgage under any provision thereof.

If any Bonds, Bondable Equipment, Purchased Property or Prior Lien Bonds, made the basis for any of the foregoing purposes, shall be in excess of the amount required for that particular purpose, such excess shall not be deemed to be Bonded.

All of the mortgaged property owned by the Company on the date of the execution and delivery of the Mortgage, and all property acquired by the Company in payment or satisfaction of or exchange or substitution for the judgment described in granting clause Seventeenth of the Mortgage, shall for all purposes of the Mortgage be deemed to be Bonded.

"Bondholders" shall mean, as of any particular date, all holders of coupon Bonds not registered as to principal and all registered owners of coupon Bonds registered as to principal and of registered Bonds without coupons, provided such Bonds, whether coupon or registered, are Outstanding Bonds.

"Bonds" shall mean all bonds of all series which have been authenticated and delivered at any time under the Mortgage.

"Capital Accounts" shall mean the following present accounts, or similar accounts performing the functions of said present accounts, maintained by the Company in accordance with the Uniform System of Accounts:

Account 701—Road and Equipment Property and
Account 705—Miscellaneous Physical Property.

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to be charged to Capital Accounts at the original cost thereof when first devoted to railroad purposes, the excess of such original cost over the cost or investment of the Company therein, and (b) the aggregate principal amount of any indebtedness secured by Prior Liens thereon and by lien on any Equipment included therein, whether or not assumed or guaranteed by the Company; and, when used with reference to Bondable Equipment, shall mean the amount properly charged to Road and Equipment Account as the cost or investment of the Company in Equipment; and, when used with reference to Railroad Subsidiary Bonds and Railroad Subsidiary Stocks, shall mean the amount properly charged to investment accounts in accordance with the Uniform System of Accounts as the cost or investment of the Company therein.

"Cost of Additions and Betterments" shall mean the amount properly charged to Road and Equipment Account as the cost or investment of the Company therein.

"Daily Newspaper" shall mean, with respect to any City or Borough, a newspaper printed in the English language and customarily published on each business day and of general circulation in such City or Borough.

"Debt Securities" shall mean Prior Lien Bonds and the bonds, notes, certificates of indebtedness and other obligations and claims for the payment of money of any corporation or analogous legal entity other than the Company.

"Emergency First Mortgage Bonds" shall mean all First Mortgage Bonds issued pursuant to the provisions of Section 2 of Article III of the First Mortgage that are Outstanding First Mortgage Bonds.

"Engineer" shall mean, as of any particular time, the Chief Engineer of the Company or his principal assistant.

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"Engineer's Certificate" shall mean a certificate signed and verified by the Engineer and dated not more than 60 days prior to the delivery thereof to the Corporate Trustee.

"Equipment" shall mean locomotives, however propelled or operated, passenger, freight, mail, express, baggage or other railway cars, work cars, buses, tractors, trailers, trucks, automobiles, aircraft, boats, vessels, tugs, lighters, floats, barges, ferries and any and all other vehicles and conveyances used for the transportation of passengers, employees, freight, mail, express, baggage and materials by land, air or water.

"Equipment Obligation" shall mean with respect to the Company any obligation or guaranty of the Company (other than Bonds and First Mortgage Bonds), and with respect to a Railroad Subsidiary any obligation or guaranty of such Railroad Subsidiary, issued under and secured by a right, charge, lien or title with respect to Equipment evidenced by an equipment trust agreement, conditional sale agreement, rental agreement, lease, chattel mortgage or other such instrument.

"Equipment Sinking Fund" shall mean any sinking fund established pursuant to the provisions of Section 2 of Article VII for the retirement of Bonds.

"Event of Default" shall mean any event defined as such in Section 2 of Article XVI.

"First Mortgage" shall mean the indenture executed and delivered by the Company to The First National Bank of Chicago and Joseph C. Williams, as trustees, dated as of January 1, 1948, as amended, modified or supplemented from time to time, or any mortgage having a substantially equivalent lien.

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reasonable maintenance, replacements and repairs, as evidenced by an Engineer's Certificate delivered to the Corporate Trustee.

"Mortgage" shall mean this indenture as originally executed or as the same may be supplemented, modified or amended from time to time.

"Net Cost," when used in connection with any Application with respect to Additions and Betterments, shall mean the Cost of such Additions and Betterments minus:

(a) The aggregate amounts credited to Road and Equipment Account prior to the date of such Application, in accordance with the requirements of the Uniform System of Accounts, by reason of the retirement of any of such Additions and Betterments; and

(b) The aggregate amounts provided by the Company prior to the date of such Application for depreciation of such Additions and Betterments.

"Officers' Certificate" shall mean a certificate which is signed and verified by the President or a Vice President and by the Chief Accounting Officer of the Company and dated not more than 60 days prior to the delivery thereof to the Corporate Trustee, and which conforms to the requirements of Section 2 of Article XX, when applicable.

"Opinion of Counsel" shall mean a written opinion of counsel, who shall be satisfactory to the Corporate Trustee and who may be counsel for the Company, and dated not more than 60 days prior to the delivery thereof to the Corporate Trustee, and which conforms to the requirements of Section 2 of Article XX, when applicable.

"Outstanding Bonds" shall mean, as of any particular date, all Bonds of all series when no particular series is specified in the context, or all Bonds of any specified series, whether in the

Article I

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"First Mortgage Bonds" shall mean all bonds authenticated and delivered under the First Mortgage.

"Fixed Interest" shall mean, with respect to the Bonds or other obligations of the Company, the interest thereon to the extent that such interest is payable unconditionally.

"Fixed Property" shall mean all property the cost of which, at the time of acquisition or construction, was properly chargeable to Road and Equipment Account, except Equipment and except property having a Life Expectancy of less than 25 years when acquired or constructed by the Company.

"Independent Engineer" shall mean any individual, partnership or corporation engaged in the engineering business and satisfactory to the Corporate Trustee, provided such individual, partnership or corporation is in fact independent and neither such individual nor any partner of such partnership nor any officer or director of such corporation is an officer, director or employee of the Company or of any Railroad Subsidiary.

"Independent Engineer's Certificate" shall mean a certificate signed and verified by an Independent Engineer and dated not more than 60 days prior to the delivery thereof to the Corporate Trustee.

"Individual Trustee" shall mean Gale F. Johnston or any individual who shall be his successor as a Trustee under the Mortgage.

"Life Expectancy," when used with respect to Additions and Betterments, or with respect to Equipment, shall mean the estimated number of years of useful life thereof in the transportation service of the Company, from the date of acquisition or construction thereof by the Company, with

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form of coupon Bonds or registered Bonds without coupons or both, authenticated and delivered by the Corporate Trustee under the Mortgage, except, with respect to all Bonds of all series or all Bonds of any specified series, as the case may be:

(a) Bonds theretofore cancelled by the Corporate Trustee or delivered to the Corporate Trustee for cancellation;

(b) Bonds for the payment, purchase or redemption of which moneys in the necessary amount shall have been irrevocably deposited in trust with the Corporate Trustee, provided that if such Bonds are to be redeemed notice of such redemption shall have been given, or provision satisfactory to the Corporate Trustee shall have been made for giving such notice, as provided in Article IV;

(c) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the provisions of Section 7 of Article II; and

(d) Bonds then owned by the Company, other than Bonds pledged by the Company, as evidenced by an Officers' Certificate delivered to the Corporate Trustee.

"Outstanding First Mortgage Bonds" shall mean, as of any particular date, all First Mortgage Bonds of all series when no particular series is specified in the context, or all First Mortgage Bonds of any specified series, authenticated and delivered by the corporate trustee under the First Mortgage, except, with respect to all First Mortgage Bonds of all series or all First Mortgage Bonds of any specified series, as the case may be:

(a) First Mortgage Bonds theretofore redeemed or cancelled;

(b) First Mortgage Bonds for the payment, purchase or redemption of which moneys in the necessary amount

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shall have been irrevocably deposited in trust with the Corporate Trustee or with the corporate trustee of the First Mortgage, provided that if such First Mortgage Bonds are to be redeemed notice of such redemption shall have been given, or provision shall have been made for giving such notice, to the satisfaction of the Corporate Trustee;

(c) Lost, stolen, mutilated or destroyed First Mortgage Bonds in lieu of or in substitution for which other First Mortgage Bonds shall have been issued;

(d) First Mortgage Bonds deposited and pledged with the Corporate Trustee; and

(e) First Mortgage Bonds then owned by the Company, other than First Mortgage Bonds pledged by the Company, as evidenced by an Officers' Certificate delivered to the Corporate Trustee.

"Permitted Encumbrances" shall mean, as of any particular time, any of the following:

(a) Liens for taxes, assessments or governmental charges not then delinquent; liens for workmen's compensation awards and similar obligations not then delinquent; liens or encumbrances in connection with litigation against the Company concerning claims for personal injuries or damages to property arising out of the operation of its business if entitled to priority over the lien of the Mortgage by operation of law; other liens not exceeding \$100,000 in the aggregate arising out of litigation against the Company; liens for the payment or discharge of which provisions satisfactory to the Corporate Trustee have been made; mechanics', laborers', materialmen's and similar liens not then delinquent; any of such liens irrespective of amount, whether or not delinquent, the validity of which is being contested at the time by the Company in good faith; and undetermined liens or charges incidental to construction.

(b) Liens securing indebtedness neither payable nor assumed nor guaranteed by the Company, nor on which

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"Purchased Property" shall mean lines of railroad, bridges or railroad terminals, including the Bondable Equipment thereof, purchased or acquired by the Company from others, directly connected with the lines of railroad owned by the Company and deemed by the Board of Directors to be necessary or useful in connection with the operation of the Company's system.

"Railroad Subsidiary" shall mean any corporation owning one or more lines of railroad, bridges or railroad terminals, including the Bondable Equipment thereof, directly connected with the lines of railroad owned by the Company and deemed by the Board of Directors to be necessary or useful in connection with the operation of the Company's system, of which at least 50% of the total outstanding shares of capital stock having general voting rights is owned by the Company, or by the Company and other railroad corporations.

"Railroad Subsidiary Bonds" shall mean the bonds of a Railroad Subsidiary secured by a general lien on all or substantially all of its physical property.

"Railroad Subsidiary Stocks" shall mean the shares of any class of capital stock of a corporation issued prior to and outstanding upon the date it shall become a Railroad Subsidiary and the shares of any class of capital stock thereafter issued by such Railroad Subsidiary.

"Road and Equipment Account" shall mean Account 701—Road and Equipment Property, or a similar account or accounts performing the functions of said Account 701, maintained by the Company in accordance with the Uniform System of Accounts.

"Securities" shall mean Debt Securities or Stocks or both.

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it customarily pays interest, on property with respect to which the Company owns easements or rights of way.

(c) Rights reserved to or vested in any governmental authority or agency or in any municipality by the terms of any franchise, grant, license or permit or by any provision of law to terminate such franchise, grant, license or permit, or to purchase or appropriate or recapture, or to designate a purchaser of, any of the mortgaged property; or to demand and collect any tax or other compensation for the use of streets or other public places or to control or regulate the mortgaged property.

(d) Any obligation or duty affecting the mortgaged property, or the uses, removal, control or regulation thereof by any public authority, under any franchise, grant, license or permit or provision of law.

(e) Rights of lessees under leases from the Company, and interests of others than the Company in property owned jointly or in common.

(f) Easements, rights of way, exceptions, reservations, restrictions, conditions, limitations, covenants, adverse rights or interests and any other defects or irregularities in title affecting the mortgaged property which do not materially affect the use of the mortgaged property for the purposes for which it is held by the Company, as the case may be, and may be properly ignored as to their effect upon the security of the Mortgage. Any Opinion of Counsel required by the Mortgage may recite that, as to the matters covered by this clause (f), it is based upon a written statement of the Engineer.

"Prior Lien" shall mean any lien prior to the lien of the Mortgage, except the First Mortgage, Equipment Obligations and Permitted Encumbrances, existing or placed on any property at the time of the acquisition thereof by the Company.

"Prior Lien Bonds" shall mean any indebtedness or obligation secured by a Prior Lien.

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"Special Securities" shall mean Securities of a corporation or analogous legal entity in which the aggregate cost or investment of the Company is less than \$5,000.

"Stated Value," when used with reference to preferred or common shares of Railroad Subsidiary Stocks of a Railroad Subsidiary, shall mean the par value of such shares as have a par value and the amount shown in the capital stock accounts on the books of such Railroad Subsidiary in respect of such shares as have no par value.

"Stocks" shall mean any proprietary interest in a corporation or other analogous legal entity or certificates evidencing the same.

"Uniform System of Accounts" shall mean (a) the system of accounts for steam railroads prescribed by the Interstate Commerce Commission, and the instructions, interpretations, regulations and orders of the Interstate Commerce Commission thereunder, in effect at the date of the execution and delivery of the Mortgage or as thereafter modified, or (b) any other system of accounts thereafter prescribed by the Interstate Commerce Commission or by any other public regulatory body having similar jurisdiction over the accounts of the Company, or (c) to the extent not covered by the systems of accounts referred to in clauses (a) and (b) above, any system of accounts that is in accord with sound accounting principles as determined by a certified public accountant selected by the Company and approved by the Corporate Trustee.

"Value" shall mean, with respect to the unretired physical property of a Railroad Subsidiary, the fair value thereof to such Subsidiary as determined by an Independent Engineer.

Article II
Sections 1 and 2

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ARTICLE II

DESCRIPTION OF BONDS

SECTION 1. The Bonds shall be designated generally as the Company's "General Mortgage Bonds" and may be issued in one or more series as shall be authorized from time to time in the manner provided in the Mortgage.

The authorized aggregate principal amount of Bonds shall be unlimited, except as may be provided hereinafter and except as may be limited by applicable federal and state laws now or hereafter enacted.

SECTION 2. The initial series of Bonds shall be designated as "Series A" and shall be limited in aggregate principal amount to \$80,000,000, and the Bonds of Series A to be issued pursuant to Section 1 of Article III shall:

(a) be designated "General Mortgage 4½% Convertible Income Bonds, Series A, due January 1, 2019";

(b) be dated as of January 1, 1948, except that all registered Bonds without coupons shall be dated as of the date of their authentication;

(c) mature January 1, 2019, unless previously redeemed pursuant to Article IV or converted pursuant to Article XI or declared due and payable pursuant to Article XVI;

(d) bear interest at the rate of 4½% per annum from January 1, 1948, until the principal sum thereof becomes due and payable as herein provided, and, if default be made in the payment of said principal sum when so due and payable, thereafter (to the extent permitted by law) at the highest rate of interest borne by any of the Outstanding Bonds until the Company's obligation with respect to the payment of said principal sum shall be discharged as provided in the Mortgage; but until interest on said principal sum becomes fixed as provided in

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Section 2

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ing, (viii) in the case of registered Bonds without coupons, such interest shall be payable only to the extent not paid on or before the date thereof on an equivalent amount of Bonds, and (ix) after said principal sum becomes due and payable as herein provided, such interest shall not be contingent but shall be fixed until said principal sum is paid;

(e) provide that in the event Bonds of any other series bearing interest payable unconditionally at a fixed rate, either from a date stated therein or from some fixed or determinable date thereafter, shall be issued under the Mortgage, the accumulations of unpaid interest on all Bonds of Series A shall become immediately due and payable and the interest on all Bonds of Series A shall become fixed and unconditionally payable at the rate of 4½% per annum for the full calendar year during which the interest on such Bonds of any other series becomes fixed and for all succeeding calendar years until the principal sum becomes due and payable, and shall be payable semi-annually on such dates as may be determined by the Board of Directors of the Company and as shall be provided in the supplemental indenture creating such other series;

(f) be payable, both as to principal, premium if any, and interest, at the office or agency of the Company in the City of Chicago, State of Illinois, or, at the option of the holder or registered owner, at the office or agency of the Company in the Borough of Manhattan, City and State of New York, 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;

(g) be redeemable before maturity at the option of the Company upon the terms stated in Article IV;

(h) be issued as coupon Bonds in denominations of \$50, \$100, \$500 and \$1,000, and as registered Bonds without coupons in denominations of \$1,000, \$5,000 and \$10,000, and, with the consent of the Company (such consent as to

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Section 2

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this Section 2, (i) such interest with respect to each calendar year prior to the calendar year 2018 will be payable on the first April 1 following such calendar year when and to the extent that the Available Net Income of the Company, as defined and made applicable to the payment of such Contingent Interest, is adequate therefor under the terms and provisions of the Mortgage, (ii) interest of 4½% on said principal sum for the calendar year 2018 will be paid on January 1, 2019, whether or not the Available Net Income of the Company for the calendar year 2018 is adequate for the payment of the interest on said principal sum for such calendar year, (iii) to the extent that the Available Net Income of the Company applicable to the payment of interest on such Bonds for any calendar year prior to the year 2018 shall be less than 4½% of said principal sum, such interest shall accrue and accumulate up to but not exceeding 13½% of such principal sum, (iv) to the extent that any interest on such Bonds has accumulated as aforesaid and remains unpaid when said principal sum becomes due and payable or when an Event of Default shall occur, such interest plus interest reserved as hereinafter provided, and interest (to the extent not otherwise payable) at the rate of 4½% per annum from January 1 of the preceding calendar year to the date when said principal sum becomes due and payable or when such Event of Default occurs, shall then be due and payable, (v) accumulations of interest on such Bonds shall not bear interest, (vi) no interest shall be required to be paid on such Bonds on any interest payment date if the amount then payable would be less than ¼ of 1% of said principal sum, and any amount available for interest not payable because of this provision shall be reserved and added to the amount available for, or payable on account of, interest on the next date on which interest shall be paid, (vii) in the case of coupon Bonds, as to interest due on or before the date said principal sum becomes due and payable, such interest shall be payable only upon presentation and surrender of the appropriate coupons thereto appertain-

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Section 2

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any particular Bond to be evidenced conclusively by the execution thereof by the officers on behalf of the Company) in denominations in excess of \$10,000, the Bonds of either form to be exchangeable for Bonds of either form in authorized denominations (except that, unless otherwise ordered by the Company for the purpose of effecting distribution of Bonds of Series A pursuant to the Plan, Bonds of the denominations of \$50, \$100 and \$500 shall in each case be exchangeable only for Bonds of the denomination of \$1,000, and Bonds of the denomination of \$1,000 shall not be exchangeable for Bonds of the denominations of \$50, \$100 or \$500); and shall be transferable, and the coupon Bonds shall be registerable as to principal, at the office or agency of the Company in the City of Chicago, State of Illinois, or, at the option of the holder or registered owner, at the office or agency of the Company in the Borough of Manhattan, City and State of New York, as provided in Section 5 of this Article II;

(i) provided in the case of registered Bonds without coupons of Series A that each such 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 of Series A (except new Bonds of Series A delivered by the Company in exchange and substitution for Bonds of Series A then outstanding in the event interest on Bonds of any other series becomes payable unconditionally at a fixed rate, as provided in this Section 2) shall carry all of the rights to interest which were carried by the whole or such part of such one or more other Bonds of Series A at the time of transfer, exchange or substitution; and, in the case of registered Bonds without coupons of Series A, that as to each such Bond delivered upon the exercise of any privilege of transfer or exchange or in substitution, as aforesaid, interest shall be deemed to have been paid on said Bond to the extent paid, made available for payment, or under a provision similar to this deemed to have been paid, on an

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Article II
Sections 2 and 3

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equal principal amount of the Bond or Bonds for which said Bond was transferred, exchanged or substituted;

(j) be entitled to the benefits of the Series A Sinking Fund as provided in Section 1 of Article VII;

(k) be convertible into shares of Series B preferred stock or common stock of the Company as provided in Article XI; and

(l) be substantially in the respective forms recited in the preambles of the Mortgage, and bear appropriate serial numbers.

In the event of the issuance of any Bonds of any other series bearing interest payable unconditionally at a fixed rate, either from a date stated therein or from some fixed or determinable date thereafter, then the Company, by the supplemental indenture creating such other series, shall make provision (a) for the issuance of new Bonds of Series A in the form of coupon Bonds or registered Bonds without coupons substantially in the forms hereinbefore recited but with such omissions, variations and insertions as to designation, form and dates of payment of interest, and with such coupons, as may be appropriate, (b) for the exchange and substitution, without expense to the holder, of such new Bonds of Series A for the Bonds of Series A then outstanding, interest on which has or may become fixed by virtue of such event, and (c) for the manner of evidencing the rights of the holders and registered owners of the Bonds of Series A then outstanding to receive the unpaid accumulations of contingent interest that become immediately due and payable thereon, by the issuance of appropriate coupons or certificates of indebtedness or otherwise.

SECTION 3. The Bonds of series other than Series A, and the coupons, if any, appertaining thereto, shall be substantially in the forms hereinbefore recited for the Bonds of

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Section 3

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tive denominations of each and the place or places, if any, for registration as to principal of coupon Bonds and for registration and transfer of registered Bonds without coupons and the procedure therefor;

(h) provisions, if any, for exchanges of coupon Bonds of all or specified denominations for registered Bonds without coupons, of registered Bonds without coupons of all or specified denominations for coupon Bonds, of coupon Bonds for coupon Bonds of other denominations, and of registered Bonds without coupons for registered Bonds without coupons of other denominations, and the place or places for such exchanges;

(i) limitations, if any, upon the aggregate principal amount of Bonds of the series which may be issued;

(j) provisions, if any, for the payment of principal or interest or both, without deduction for taxes, or for reimbursement of taxes in case of payment thereof by the holders;

(k) provisions, if any, for exchangeability of Bonds of one series for Bonds of another series;

(l) provisions, if any, with regard to any obligation of the Company to permit the conversion of Bonds of any series into stock or other securities of the Company;

(m) provisions, if any, reserving to the Company the right to redeem all or any part of the Bonds of any series before maturity;

(n) provisions, if any, for any sinking fund with respect to the Bonds of any series and the priority thereof over any sinking fund with respect to the Bonds of any series except Bonds of Series A; and

(o) any other provisions not in conflict with the provisions of the Mortgage.

In authorizing the issue of any series of Bonds (other than Bonds of Series A), all matters in respect of the Bonds of

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Series A, with such omissions, variations and insertions as may be authorized, permitted or required by the Mortgage and as may be prescribed in the supplemental indenture providing for the creation of such other series.

The Bonds, and the coupons, if any, appertaining thereto, may contain such specifications, descriptive words and recitals, and may have such letters, numbers or other marks of identification or designation and such legends or endorsements printed, lithographed or engraved thereon, as the Company may deem appropriate and as are not inconsistent with the provisions of the Mortgage or as may be required to comply with any law or with any rule or regulation made pursuant thereto or with any rule or regulation of any stock exchange on which the Bonds may be listed or to conform to usage.

The several series of Bonds may differ from the Bonds of Series A and as between series in respect of any or all of the following matters:

(a) title;

(b) date;

(c) date of maturity (which shall not be earlier than the date of maturity of Outstanding Bonds of Series A, except Bonds issued pursuant to the provisions of Section 3 of Article III);

(d) interest rate, the extent to which any portion of such interest shall be Contingent Interest, and the extent to which such Contingent Interest shall be cumulative;

(e) interest payment dates;

(f) place or places for the payment of principal and for the payment of interest;

(g) whether issuable as registered Bonds without coupons, or as coupon Bonds with or without the privilege of registration as to principal, or both, and the respec-

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such series set forth in clauses (a) to (g), inclusive, of this Section 3, and the form of the Bonds and coupons, if any, of such series, shall be determined and specified, and any and all matters permitted by clauses (h) to (o), inclusive, of this Section 3 may be determined and specified, in a supplemental indenture providing for the creation of such series.

Bonds of any particular series shall be identical except that they may be of different numbers, of different denominations, in the form of coupon Bonds or registered Bonds without coupons, and may have serial maturities, in which case the several maturities may differ with respect to redemption price and interest rate.

SECTION 4. The Bonds shall be signed on behalf of the Company by its President or a Vice President, and its corporate seal or a facsimile thereof shall be affixed thereto or imprinted or engraved thereon and attested by its Secretary or an Assistant Secretary. Only such Bonds as shall bear thereon a certificate of authentication executed by the Corporate Trustee substantially in the form hereinbefore recited shall be secured by the Mortgage or be entitled to any right or benefit hereunder; and no Bond and no coupon thereunto appertaining shall be or become valid or obligatory for any purpose until such certificate shall have been duly executed on such Bond. Such certificate executed by the Corporate Trustee upon any Bond executed by the Company shall be conclusive evidence that the Bond so authenticated has been duly executed, authenticated and delivered hereunder and is one of the Bonds described in the Mortgage. The Corporate Trustee shall not authenticate or deliver any coupon Bond until all matured coupons thereunto appertaining shall have been detached and cancelled, except as otherwise provided in Section 5 or Section 7 of this Article II.

In case any person who, as an officer of the Company, shall have signed any of the Bonds or attested the seal thereon shall cease to be such officer before the Bonds so signed or sealed shall have been authenticated and delivered by the Corporate Trustee or disposed of by the Company, such Bonds, nevertheless, may be authenticated, delivered and disposed of as though the person had not ceased to be such officer; and any Bond may be signed on behalf of the Company and the seal of the Company may be attested by such persons as, at the actual date of the execution of the Bond, shall be the proper officers of the Company, although at the nominal date of such Bond any such person was not such officer.

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

SECTION 5. In all cases in which the privilege of exchanging Bonds of any series exists and is exercised, the Bonds to be exchanged shall be surrendered at any office or agency maintained by the Company in accordance with the provisions of Section 2 of Article VIII with respect to the Bonds of such series, and the Company shall execute and the Corporate Trustee shall authenticate and deliver in exchange therefor the Bond or Bonds which the holder making the exchange shall be entitled to receive. All coupon Bonds surrendered for exchange and delivered in exchange shall have attached thereto all unmatured coupons appertaining thereto

of the coupons appertaining thereto, which shall continue to be payable to bearer and transferable by delivery.

All Bonds presented or surrendered for exchange, transfer, registration or discharge from registration as provided in this Section 5 shall be in bearer form or, if registered, shall be accompanied by a written instrument or instruments of transfer in form approved by the Company duly executed by the registered holder or his legal representative, either in person or by duly authorized attorney.

Upon every exchange, transfer, registration or discharge from registration of Bonds the Company may require the payment of a sum sufficient to cover any tax or taxes or other governmental charge and in addition thereto a further sum not exceeding \$2.00 for each new Bond then issued, except as otherwise provided in Section 6 of this Article II, in Section 3 of Article IV and in Section 6 of Article XIX.

The Company shall not be required to make transfers or exchanges of registered Bonds without coupons of any series for a period of 10 days next preceding any interest payment date of the Bonds of such series or next preceding any selection by lot of Bonds to be redeemed. The Company shall not be required to make transfers or exchanges of any Bonds selected for redemption.

If one or more Events of Default shall have occurred and be continuing, nevertheless the Company shall duly execute and the Corporate Trustee shall authenticate and deliver Bonds for the purposes of making the exchanges and transfers provided for in this Section 5.

SECTION 6. Pending the preparation of definitive Bonds of any series, the Company may execute and the Corporate Trustee shall authenticate and deliver one or more temporary Bonds (printed or lithographed) of such series with or with-

and, in case at the time of any such exchange interest on the Bonds of the particular series is in default, shall in addition have attached thereto all matured coupons in default.

The Company shall keep, at the offices or agencies to be maintained by the Company in accordance with the provisions of Section 2 of Article VIII, a register or registers in which, subject to such reasonable regulations as it may prescribe, the Company shall register Bonds entitled to registration and shall transfer registered Bonds. At all reasonable times such register or registers shall be open for inspection by the Corporate Trustee and, upon demand by holders of at least 10% in aggregate principal amount of Outstanding Bonds, by such holders.

Upon surrender for transfer of any registered Bond without coupons of any series at any office or agency maintained with respect to the Bonds of such series, the Company shall execute and the Corporate Trustee shall authenticate and deliver in the name of the transferee or transferees a new registered Bond or Bonds without coupons of the same series and maturity for a like aggregate principal amount.

Upon presentation for registration of any coupon Bond registerable as to principal at any such office or agency, such Bond shall be registered as to principal in the name of the holder and the fact of such registration shall be noted on the Bond. No transfer of any coupon Bond so registered as to principal shall be valid unless made at any such office or agency and similarly noted on the Bond, but the same may be discharged from registration by being in like manner transferred to bearer, and thereupon transferability by delivery shall be restored. Coupon Bonds entitled to registration shall continue to be subject to successive registrations and transfers to bearer, at the option of the holders. Such registration of any coupon Bond shall not affect the negotiability

out one or more coupons and of any denomination or denominations, in bearer form, registerable or not registerable as to principal, or in registered form, which shall be substantially in the form of the definitive Bonds of such series, but with any omissions, insertions and variations appropriate for temporary Bonds, all as authorized by the Board of Directors and as provided in the written order of the Company for the authentication and delivery thereof. Every such temporary Bond shall be authenticated by the Corporate Trustee upon the same conditions and in substantially the same manner, and with like effect, as the definitive Bonds. When definitive Bonds of any series are prepared and ready for delivery, the temporary Bonds of such series may be surrendered in exchange therefor, and the Corporate Trustee shall authenticate and deliver in exchange therefor, without expense to the holder, an equal aggregate principal amount of definitive Bonds of the same series and maturity. Until so exchanged, the temporary Bonds shall in all respects be entitled to the same benefit and security of the Mortgage as definitive Bonds authenticated and delivered hereunder. Interest when and as payable upon temporary Bonds without coupons in bearer form and not registered as to principal shall be paid only upon presentation thereof for notation thereon of such payment.

When temporary Bonds of any series are authenticated and delivered, the Company will cause definitive Bonds of such series to be prepared without unreasonable delay.

SECTION 7. In case any temporary or definitive Bond and any coupons appertaining thereto shall become mutilated or be destroyed, lost or stolen, the Company in its discretion may execute, and upon the written request of the Company, signed by its President or a Vice President, the Corporate Trustee may authenticate and deliver, a new Bond (with coupons

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corresponding to the coupons, if any, appertaining to the mutilated, destroyed, lost or stolen Bond) of the same series and maturity and of like tenor, in exchange and substitution for the mutilated Bond and its coupons, if any, or in lieu of and substitution for the Bond and its coupons, if any, so destroyed, lost or stolen, or, if any such Bond or any coupon shall have matured or shall be about to mature or shall have been called for redemption, instead of issuing a substituted Bond or coupon the Company may pay the same without surrender thereof. In case of destruction, loss or theft of any Bond or coupon, the applicant for a substituted Bond or for such payment shall furnish to the Company, to the Corporate Trustee and to any paying agent of the Company, in their discretion, evidence to their satisfaction of the destruction, loss or theft of such Bond and its coupons, if any, and of the ownership thereof, and also such security or indemnity as may be required by the Company, the Corporate Trustee and such paying agent to save each of them harmless. The Corporate Trustee may authenticate any such substituted Bond and deliver the same with appurtenant coupons, if any, or the Corporate Trustee or any paying agent of the Company may make any such payment, upon the written request or authorization of the Company, signed by its President or a Vice President, and shall incur no liability to anyone by reason of anything done or omitted to be done by it in good faith under the provisions of this Section 7. Upon the issue of any substituted Bond, the Company may require the payment of a sum sufficient to cover any tax or taxes or other governmental charge and any other expense connected therewith, and also a further sum not exceeding \$2.00 for each Bond so issued in substitution.

Notwithstanding any limitations contained in the Mortgage, any Bonds and coupons issued under the provisions of this Section 7 shall constitute original contractual obligations, in

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accordance with their terms, on the part of the Company, and shall be equally and proportionately entitled to the benefit and security of the Mortgage with all other Bonds and coupons issued under the Mortgage, in accordance with the terms thereof.

SECTION 8. Except as otherwise provided in the Mortgage, all Bonds (and appurtenant coupons, if any) surrendered for the purpose of payment, redemption, exchange or transfer shall either be surrendered to the Company or any paying agent and by it delivered to the Corporate Trustee, or be surrendered to the Corporate Trustee, and shall be cancelled by the Corporate Trustee as and when so delivered or surrendered to it, and no Bonds or appurtenant coupons shall be issued under the Mortgage in lieu of Bonds or appurtenant coupons so surrendered except as expressly permitted by any of the provisions of the Mortgage. All coupons surrendered to the Company or any paying agent for the purpose of payment shall be cancelled and delivered to the Corporate Trustee.

The Corporate Trustee shall make appropriate notations in its records in respect of all Bonds and appurtenant coupons cancelled as aforesaid, shall cremate all such cancelled coupon Bonds not registered as to principal and all cancelled coupons, and shall, at the direction of the Company, cremate all such cancelled coupon Bonds registered as to principal and registered Bonds without coupons, and shall deliver a certificate of any such cremation to the Company.

Subject to the provisions of Article XI, if the Company shall acquire any of the Bonds otherwise than as aforesaid, such acquisition shall not operate as a redemption or satisfaction of the indebtedness represented by such Bonds unless and until the same are surrendered to the Corporate Trustee for cancellation.

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ARTICLE III

ISSUANCE OF BONDS

SECTION 1. Upon the execution and delivery of the Mortgage, and whether before or after the recording of the Mortgage, Bonds of Series A in the aggregate principal amount of Eighty Million Dollars (\$80,000,000) may be executed by the Company and shall be authenticated by the Corporate Trustee and delivered to or upon the written order of the Company, signed by its President or a Vice President, without any further action on the part of the Company.

No Bonds other than those authenticated and delivered pursuant to this Section 1 shall be authenticated or delivered by the Corporate Trustee pursuant to the provisions of this Article III at any time when an Event of Default shall have occurred and be continuing.

SECTION 2. From time to time and in the manner provided in this Section 2, Bonds of one or more series, other than Series A and series created for the purpose of Section 3 of this Article III, may be executed by the Company and shall be authenticated by the Corporate Trustee and delivered to or upon the written order of the Company, signed by its President or a Vice President, for or on account of Additions and Betterments acquired or constructed during a period beginning not more than 60 months prior to the date of an Application for the authentication of such Bonds; provided, however, (i) that the principal amount of such Bonds shall not exceed 75% of the Net Cost of such Additions and Betterments, (ii) that no Bonds shall be authenticated and delivered on the basis of Additions and Betterments that have theretofore been Bonded or in a principal amount which, when added

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to the amount of expenditures from the Capital Fund for or on account of the Cost of such Additions and Betterments, would exceed the Net Cost thereof, (iii) that no Bonds shall be authenticated and delivered under this Section 2 at a time when there are any unpaid accumulations of Contingent Interest on any Outstanding Bonds of any series and unless there shall have been paid or set aside for payment as interest on all Outstanding Bonds, for each of the two calendar years next preceding the year in which such Application is made, amounts equal to the amounts that would have been payable as interest on all Outstanding Bonds for each of said calendar years respectively if the maximum annual rate or rates of interest expressed therein had been Fixed Interest, (iv) that the Company shall have expended all of the funds which it has covenanted to apply only to the Cost of Additions and Betterments under the provisions of Section 24 of Article VIII, and (v) that there are no funds remaining in the Capital Fund available for expenditure for Additions and Betterments.

Bonds shall be authenticated and delivered under this Section 2 upon delivery to the Corporate Trustee in each case of:

- (a) An Application for the authentication of Bonds under this Section 2, stating the principal amount of Bonds the authentication of which is applied for;
- (b) The documents specified in Section 9 of this Article III;
- (c) An Officers' Certificate stating:
 - (1) A description of the property constituting the Additions and Betterments made the basis of the Application, in such reasonable detail as shall be sufficient to permit identification thereof, and a statement that all such property constitutes Additions and Betterments as defined in Article I, that such Addi-

tions and Betterments were acquired or constructed by the Company during a period beginning not more than 60 months prior to the date of the Application and have not theretofore been Bonded;

(2) The Cost of such Additions and Betterments;

(3) The aggregate amounts credited to Road and Equipment Account prior to the date of the Application, in accordance with the Uniform System of Accounts, by reason of the retirements of any of such Additions and Betterments;

(4) The aggregate amounts provided by the Company prior to the date of such Application for depreciation of such Additions and Betterments;

(5) The Net Cost of such Additions and Betterments;

(6) The amount of expenditures that have theretofore been made from the Capital Fund for or on account of the Cost of such Additions and Betterments;

(7) The principal amount of Bonds that could be authenticated on the basis of the Application, and the principal amount of Bonds the authentication of which is applied for in the Application;

(8) That there are no unpaid accumulations of Contingent Interest on any Outstanding Bonds of any series and that there has been paid or set aside for payment, in the manner provided by Section 2 of Article VIII, as interest on all Outstanding Bonds, for each of the two calendar years next preceding the year in which such Application is made, amounts equal to the amounts that would have been payable as interest on all Outstanding Bonds for each of said calendar years respectively if the maximum annual rate or rates of interest expressed therein had been Fixed Interest; and

(9) That the Company has expended all of the funds which it has covenanted to apply only to the

for the purpose of acquiring new Bondable Equipment may be executed by the Company and shall be authenticated by the Corporate Trustee and delivered to or upon the written order of the Company, signed by its President or a Vice President, in an aggregate principal amount not exceeding 75% of the Cost of such Bondable Equipment; provided, however, that no Bonds of any such series shall be authenticated and delivered (i) on the basis of Bondable Equipment that is or has been subject to any Prior Lien or Equipment Obligation or that has theretofore been Bonded, or (ii) having a maturity date beyond the Life Expectancy of the Bondable Equipment the acquisition of which is made the basis for the authentication and delivery of the Bonds of such series or beyond 15 years after the date of the authentication and delivery of such Bonds, whichever is the lesser number of years.

Bonds shall be authenticated and delivered under this Section 3 upon delivery to the Corporate Trustee in each case of:

(a) An Application for the authentication of Bonds under this Section 3, stating the principal amount of Bonds the authentication of which is applied for;

(b) The documents specified in Section 9 of this Article III;

(c) An Officers' Certificate stating:

(1) The aggregate Cost of Bondable Equipment which is made the basis of the Application, the principal amount of Bonds that could be authenticated on the basis of the Application, and the principal amount of Bonds the authentication of which is applied for in the Application;

(2) A description of such Bondable Equipment in reasonable detail; and

(3) That each item of such Bondable Equipment has been acquired by the Company and is new, has

Cost of Additions and Betterments under the provisions of Section 24 of Article VIII and that there are no funds remaining in the Capital Fund available for expenditure for Additions and Betterments;

(d) An Engineer's Certificate stating that all unretired Additions and Betterments included in the Officers' Certificate required by subsection (c) above had a Life Expectancy of not less than 25 years when acquired or constructed by the Company;

(e) All such deeds, supplemental indentures or instruments of further assurance, if any, as in the Opinion of Counsel furnished pursuant to subsection (f) below may be specified as necessary or advisable to subject to the lien of Mortgage the property included in the unretired Additions and Betterments shown in the Officers' Certificate required by subsection (c) above;

(f) An Opinion of Counsel that all property included in the unretired Additions and Betterments shown in the Officers' Certificate required by subsection (c) above is subject to the lien of the Mortgage, or will become subject to such lien upon the delivery and recording or filing of such deeds, supplemental indentures or instruments of further assurance, if any, as are specified in said Opinion of Counsel, subject to no defect in title and subject to no lien thereon equal or prior to the lien of the Mortgage except the First Mortgage and Permitted Encumbrances; and

(g) Evidence satisfactory to the Corporate Trustee that the Company has a commitment from a bona fide purchaser or purchasers to purchase such Bonds from the Company upon their authentication and delivery or from a financial or insurance institution for a loan to the Company secured by the pledge of such Bonds in an amount that will not result in a violation of the covenant in respect of pledges in Section 20 of Article VIII.

SECTION 3. From time to time and in the manner provided in this Section 3, Bonds of one or more series created solely

not theretofore been Bonded, and is not and has not been theretofore subject to any Prior Lien or Equipment Obligation;

(d) All such bills of sale, supplemental indentures or instruments of further assurance, if any, as in the Opinion of Counsel furnished pursuant to subsection (e) below may be specified as necessary or advisable to subject such Equipment to the lien of the Mortgage;

(e) An Opinion of Counsel that all Equipment included in the Officers' Certificate required by subsection (c) above is subject to the lien of the Mortgage or will become subject to such lien upon the delivery and recording or filing of the bills of sale, supplemental indentures or instruments of further assurance, if any, specified in said Opinion of Counsel, and is subject to no lien or encumbrance except the First Mortgage;

(f) An Engineer's Certificate establishing the Life Expectancy of such Equipment; and

(g) A supplemental indenture establishing an Equipment Sinking Fund meeting the requirements specified in Section 2 of Article VII.

SECTION 4. From time to time and in the manner provided in this Section 4, Bonds of one or more series, other than Series A and series created for the purpose of Section 3 of this Article III, may be executed by the Company and shall be authenticated by the Corporate Trustee and delivered to or upon the written order of the Company, signed by its President or a Vice President, for the purpose of acquiring Purchased Property, but in an aggregate principal amount not exceeding 75% of the Cost thereof, or, if such Purchased Property is to be acquired subject to any Prior Lien thereon or indebtedness secured by lien on any Bondable Equipment included therein, in an aggregate principal amount not exceeding an amount which, when added to the principal amount of the indebtedness secured by such Prior Liens and Bondable Equip-

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ment liens, will equal 75% of the sum of the Cost of such Purchased Property and the aggregate principal amount of such indebtedness; provided, however, (i) that no Bonds shall be authenticated and delivered on the basis of Purchased Property which has theretofore been Bonded, and (ii) that no Bonds shall be authenticated and delivered under this Section 4 at a time when there are any unpaid accumulations of Contingent Interest on any Outstanding Bonds of any series and unless there shall have been paid or set aside for payment as interest on all Outstanding Bonds, for each of the two calendar years next preceding the year in which such Application is made, amounts equal to the amounts that would have been payable as interest on all Outstanding Bonds for each of said calendar years respectively if the maximum annual rate or rates of interest expressed therein had been Fixed Interest.

Bonds shall be authenticated and delivered under this Section 4 upon delivery to the Corporate Trustee in each case of:

- (a) An Application for the authentication of Bonds under this Section 4, stating the principal amount of Bonds the authentication of which is applied for;
- (b) The documents specified in Section 9 of this Article III;
- (c) An Officers' Certificate stating:
 - (1) A description in reasonable detail of the Purchased Property for the acquisition of which the authentication of Bonds is applied for in the Application;
 - (2) The Cost of such Purchased Property determined in accordance with the definition of Cost, when used with reference to Purchased Property, in Article I;

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tificate required by subsection (c) above, and Permitted Encumbrances.

SECTION 5. From time to time and in the manner provided in this Section 5, Bonds of one or more series, other than Series A and series created for the purpose of Section 3 of this Article III, may be executed by the Company and shall be authenticated by the Corporate Trustee and delivered to or upon the written order of the Company, signed by its President or a Vice President, for the purpose of acquiring Railroad Subsidiary Bonds or Railroad Subsidiary Stocks, subject to the provisions of Section 8 of Article X and to the following conditions:

- I. Bonds may be authenticated and delivered under this Section 5 to acquire Railroad Subsidiary Bonds not then Bonded to the extent only of the principal amount of such Railroad Subsidiary Bonds or the Cost to the Company therefor, whichever shall be less, and to the extent only that the principal amount of such Railroad Subsidiary Bonds does not exceed an amount which, when added to the principal amount of all indebtedness then outstanding secured by liens prior to or equal to the lien of such Railroad Subsidiary Bonds, will equal 75% of the Value of the then unretired physical property subject to such liens;
- II. Bonds may be authenticated and delivered under this Section 5 to acquire Railroad Subsidiary Stocks not then Bonded in a principal amount not exceeding the smallest of the following amounts:
 - (i) 75% of the Cost to the Company of such Railroad Subsidiary Stocks;
 - (ii) If such Railroad Subsidiary Stocks are preferred shares, that proportion of the excess of 75% of the Value of the then unretired physical property of such Railroad Subsidiary over the amount of all of its liabilities and indebtedness, if any, which the Stated Value of such preferred shares bears to the Stated Value of all of its preferred shares then outstanding;

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(3) If such Purchased Property is to be acquired subject to any Prior Lien or indebtedness secured by lien on any Bondable Equipment included therein, a description of each such Prior Lien and Bondable Equipment lien and the principal amount of indebtedness secured thereby;

(4) A computation showing the principal amount of Bonds that could be authenticated on the basis of the Application, and the principal amount of Bonds the authentication of which is applied for in the Application; and

(5) That there are no unpaid accumulations of Contingent Interest on any Outstanding Bonds of any series and that there has been paid or set aside for payment, in the manner provided by Section 2 of Article VIII as interest on all Outstanding Bonds, for each of the two calendar years next preceding the year in which such Application is made, amounts equal to the amounts that would have been payable as interest on all Outstanding Bonds for each of said calendar years respectively if the maximum annual rate or rates of interest expressed therein had been Fixed Interest;

(d) All such deeds, supplemental indentures or instruments of further assurance, if any, as in the Opinion of Counsel furnished pursuant to subsection (e) below may be specified as necessary or advisable to subject such Purchased Property to the lien of the Mortgage; and

(e) An Opinion of Counsel that all of such Purchased Property is subject to the lien of the Mortgage, or will become subject to such lien upon the delivery and recording or filing of the deeds, supplemental indentures or instruments of further assurance, if any, specified in said Opinion of Counsel, subject to no defect in title and subject to no lien equal or prior to the lien of the Mortgage except the First Mortgage and the Prior Liens and Bondable Equipment liens described in the Officers' Cer-

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(iii) If such Railroad Subsidiary Stocks are common shares, that proportion of the excess of 75% of the Value of the then unretired physical property of such Railroad Subsidiary over the sum of the amount of all of its liabilities and indebtedness, if any, and the Stated Value of all of its preferred shares, if any, then outstanding which the Stated Value of such common shares bears to the Stated Value of all of its common shares then outstanding;

(iv) If such Railroad Subsidiary Stocks are common shares, that proportion of 75% of the sum of all liabilities and indebtedness of such Railroad Subsidiary, the Stated Value of all of its preferred shares then outstanding and the product obtained by multiplying the number of its common shares then outstanding by the average Cost to the Company per share of such common shares which the number of such common shares bears to the total number of common shares of such Railroad Subsidiary then outstanding;

III. No Bonds shall be authenticated and delivered under this Section 5 at a time when there are any unpaid accumulations of Contingent Interest on any Outstanding Bonds of any series and unless there shall have been paid or set aside for payment, in the manner provided in Section 2 of Article VIII, as interest on all Outstanding Bonds, for each of the two calendar years next preceding the year in which such Application is made, amounts equal to the amounts that would have been payable as interest on all Outstanding Bonds for each of said calendar years respectively if the maximum annual rate or rates of interest expressed therein had been Fixed Interest.

Bonds shall be authenticated and delivered under this Section 5 upon the delivery to the Corporate Trustee in each case of:

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(a) An Application for the authentication of Bonds under this Section 5, stating the principal amount of Bonds the authentication of which is applied for;

(b) The documents specified in Section 9 of this Article III;

(c) An Officers' Certificate which shall:

(1) Name the corporation the bonds or stocks of which are to be pledged and deposited with the Corporate Trustee, and state that such corporation is a Railroad Subsidiary, or will become a Railroad Subsidiary upon the acquisition of the Railroad Subsidiary Stocks made the basis for the issuance of Bonds;

(2) If the Application is with respect to Railroad Subsidiary Bonds, state the principal amount of all Railroad Subsidiary Bonds of such Railroad Subsidiary then outstanding, the principal amount thereof to be pledged and deposited concurrently with the Corporate Trustee, the Cost thereof to the Company, and the principal amount of all indebtedness then outstanding secured by liens prior to or equal to the lien of such Railroad Subsidiary Bonds;

(3) If the Application is with respect to Railroad Subsidiary Stocks, state the number of shares and classes of all outstanding stocks of such Railroad Subsidiary, the number of shares of each class to be pledged and deposited concurrently with the Corporate Trustee, the Cost thereof to the Company, the amount of all of the liabilities and indebtedness of such Railroad Subsidiary, and the Stated Value of all shares of each class of stock of such Railroad Subsidiary then outstanding;

(4) Furnish a computation showing that the principal amount of Bonds the authentication of which is applied for in the Application meet the requirements of subsections I and II of this Section 5;

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the lien of the Mortgage or will become subject to such liens upon delivery thereof or delivery of the instruments, if any, specified in said Opinion of Counsel; that the Company has valid title to such securities and the right to own and pledge the same, free from any other lien; that such securities have been duly authorized by all corporate authority required under the laws of the state of incorporation, the charter (or other document of organization) and the by-laws of the Railroad Subsidiary issuing the same; that no authorization by any commission or governmental authority is required by law for the issue of such securities or for the valid ownership thereof by the Company or the pledge thereof as provided in this Section 5, except such authorization as shall be specified in said Opinion of Counsel, and which shall be evidenced by copies of the orders or certificates so specified, appropriately certified; that the said Railroad Subsidiary Bonds of each such Railroad Subsidiary are valid obligations thereof and are secured by a valid general lien on all or substantially all of the physical property of such subsidiary; and that such Railroad Subsidiary Stocks are fully paid and nonassessable; and

(g) A Certified Resolution to the effect that each Railroad Subsidiary referred to in the Application owns one or more lines of railroad, bridges or railroad terminals directly connected with the lines of railroad owned by the Company and deemed by the Board of Directors to be necessary or useful in connection with the operation of the Company's system.

So long as the First Mortgage shall remain a lien on the mortgaged property, the requirements of this Section 5 with respect to the pledge and deposit with the Corporate Trustee of Railroad Subsidiary Bonds and Railroad Subsidiary Stocks shall be deemed to be satisfied by the pledge and deposit thereof with the corporate trustee under the First Mortgage subject to the terms thereof, instead of with the Corporate Trustee, and the filing with the Corporate Trustee of a state-

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(5) State that the Railroad Subsidiary Bonds and Railroad Subsidiary Stocks made the basis for the authentication of Bonds under the Application have not theretofore been Bonded; and

(6) State that there are no unpaid accumulations of Contingent Interest on any Outstanding Bonds of any series and that there has been paid or set aside for payment, in the manner provided by Section 2 of Article VIII, as interest on all Outstanding Bonds, for each of the two calendar years next preceding the year in which such Application is made, amounts equal to the amounts that would have been payable as interest on all Outstanding Bonds for each of said calendar years respectively if the maximum annual rate or rates of interest expressed therein had been Fixed Interest;

(d) An Independent Engineer's Certificate stating, in the case of Railroad Subsidiary Stocks named in the Application, the Value of the then unretired physical property of such Railroad Subsidiary, and, in the case of Railroad Subsidiary Bonds named in the Application, the Value of the then unretired physical property securing liens prior to or equal to the lien of such Railroad Subsidiary Bonds;

(e) All Railroad Subsidiary Bonds and Railroad Subsidiary Stocks to be pledged and deposited with the Corporate Trustee under the Application; and all such instruments, if any, as in the Opinion of Counsel furnished pursuant to subsection (f) below may be stated to be necessary or advisable to subject such securities to the lien of the Mortgage;

(f) An Opinion of Counsel that all Railroad Subsidiary Bonds and Railroad Subsidiary Stocks of each Railroad Subsidiary required to be pledged and deposited with the Corporate Trustee by subsection (e) above are subject to the lien of the First Mortgage (so long as it shall remain a lien on the mortgaged property) and to

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ment of the corporate trustee under the First Mortgage certifying to such pledge and deposit.

SECTION 6. From time to time and in the manner provided in this Section 6, Bonds of one or more series, other than Series A and series created for the purpose of Section 3 of this Article III, may be executed by the Company and shall be authenticated by the Corporate Trustee and delivered to or upon the written order of the Company, signed by its President or a Vice President, in an aggregate principal amount not exceeding the principal amount of Bonds of any other series (except series created for the purpose of Section 3 of this Article III) or First Mortgage Bonds of any series (except Emergency First Mortgage Bonds and First Mortgage Bonds of any series created pursuant to the provisions of Section 4 of Article III of the First Mortgage) which shall have been cancelled or surrendered to the Corporate Trustee for cancellation, or for the payment or redemption of which cash in the necessary amount shall have been irrevocably deposited in trust with the Corporate Trustee or in trust with any agency satisfactory to the Corporate Trustee; provided, however, that (1) no Bonds shall be authenticated and delivered under this Section 6 on the basis of Bonds of any other series or First Mortgage Bonds theretofore Bonded, or theretofore acquired, retired, cancelled or paid through the operation of any sinking fund or analogous fund established pursuant to the Mortgage or pursuant to the First Mortgage, or cancelled pursuant to the provisions of the Bond Scrip Agreement dated as of January 1, 1948, entered into between the Company and The First National Bank of Chicago as Bond Scrip Agent, or cancelled pursuant to Article XI, and (2) in case of the redemption of Bonds of any other series or First Mortgage Bonds, all action and notice required for such redemption shall have been taken and given, or provision made therefor satisfactory to the Corporate Trustee.

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Bonds shall be authenticated and delivered under this Section 6 upon delivery to the Corporate Trustee in each case of:

(a) An Application for the authentication of Bonds under this Section 6, stating the principal amount of Bonds the authentication of which is applied for;

(b) The documents specified in Section 9 of this Article III;

(c) An Officers' Certificate which shall (i) describe and state the amount of Bonds of other series or First Mortgage Bonds the cancellation or surrender for cancellation or the payment or redemption of which forms the basis of the Application; (ii) state that said Bonds or First Mortgage Bonds have not theretofore been Bonded and have not theretofore been acquired, retired, cancelled or paid through the operation of any sinking fund or analogous fund established pursuant to the Mortgage or pursuant to the First Mortgage or cancelled pursuant to the provisions of the Bond Scrip Agreement dated as of January 1, 1948, entered into between the Company and The First National Bank of Chicago as Bond Scrip Agent; or cancelled pursuant to Article XI; and (iii) state that the cash deposited in trust as required by subsection (d) of this Section 6 is not otherwise required to be deposited with the Corporate Trustee or used under any provision of the Mortgage or of the First Mortgage; and

(d) Either (i) said Bonds of such other series or First Mortgage Bonds, cancelled or for cancellation, which form the basis of the Application, together with all unmatured coupons and all unpaid matured coupons appertaining thereto, funds for the payment of which have not been provided, or (ii) cash in trust in the necessary amount for the payment or redemption thereof, or evidence that such amount of cash has been deposited in trust with an agency satisfactory to the Corporate Trustee, and, in case of such redemption, evidence that due

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been pledged and deposited with the Corporate Trustee uncancelled.

Bonds shall be authenticated and delivered under this Section 7 upon the delivery to the Corporate Trustee in each case of:

(a) An Application for the authentication of Bonds under this Section 7, stating the principal amount of Bonds the authentication of which is applied for;

(b) The documents specified in Section 9 of this Article III;

(c) An Officers' Certificate which shall (i) describe and state the amount of the outstanding Prior Lien Bonds the pledge and deposit of which with the Corporate Trustee forms the basis of the Application, and (ii) state that said Prior Lien Bonds are outstanding Prior Lien Bonds and have not theretofore been Bonded;

(d) Said Prior Lien Bonds uncancelled which form the basis of the Application, together with all unmatured coupons and all unpaid matured coupons appertaining thereto, if any; and

(e) An Opinion of Counsel that all Prior Lien Bonds required to be pledged and deposited with the Trustee by clause (d) above are subject to the lien of the Mortgage or will become subject to such lien upon delivery thereof or delivery of the instruments, if any, specified in said Opinion of Counsel; and that the Company has valid title to such Prior Lien Bonds and the right to own and pledge the same free from any other lien.

Prior Lien Bonds made the basis for the authentication and delivery of Bonds under this Section 7, together with all coupons appertaining thereto, shall be held by the Corporate Trustee uncancelled and without extinguishment or impairment of the Prior Lien securing the same, except as effected as a matter of law by the acquisition thereof by the Company,

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notice of redemption has been given or provided for to the satisfaction of the Corporate Trustee.

So long as the First Mortgage shall remain a lien on the mortgaged property, the requirements of this Section 6 with respect to the delivery of First Mortgage Bonds or moneys for the payment or redemption thereof to the Corporate Trustee shall be deemed to be satisfied by the delivery thereof to the corporate trustee under the First Mortgage subject to the terms thereof, instead of to the Corporate Trustee, and the filing with the Corporate Trustee of a statement of the corporate trustee under the First Mortgage certifying that such delivery has been made to it and that such First Mortgage Bonds as have been delivered to it have been cancelled.

Bonds of any other series or First Mortgage Bonds made the basis for the authentication and delivery of Bonds under this Section 6, together with all coupons appertaining thereto, if not cancelled when delivered to the Corporate Trustee, shall be cancelled by the Corporate Trustee and shall not thereafter be made the basis for the authentication and delivery of any Bonds, the release of any property, the withdrawal, payment or application of any cash held by the Corporate Trustee or otherwise used under any provision of the Mortgage.

SECTION 7. From time to time and in the manner provided in this Section 7, Bonds of one or more series, other than Series A and series created for the purpose of Section 3 of this Article III, may be executed by the Company and shall be authenticated by the Corporate Trustee and delivered to or upon the written order of the Company, signed by its President or a Vice President, in an aggregate principal amount not exceeding the principal amount of any outstanding Prior Lien Bonds not theretofore Bonded which shall have

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and shall not thereafter be made the basis for the authentication and delivery of any Bonds, the release of any property, the withdrawal, payment or application of any cash held by the Corporate Trustee or otherwise used under any provision of the Mortgage; provided, however, that the Corporate Trustee, at the request of the Company, shall deliver any such Prior Lien Bonds to the trustee under the mortgage, deed of trust or other instrument under which the same may have been issued or which may secure the same for the purpose of obtaining the release, satisfaction and discharge of such mortgage, deed of trust or other instrument if it is furnished with an Opinion of Counsel that the property on which such mortgage, deed of trust or other instrument constitutes a lien is owned by the Company and is subject to the lien of the Mortgage, and that there is no other lien on such property, except Permitted Encumbrances and the lien of the First Mortgage, which is prior to the lien of the Mortgage.

So long as the First Mortgage shall remain a lien on the mortgaged property, the requirements of this Section 7 with respect to the pledge and deposit with the Corporate Trustee of Prior Lien Bonds made the basis for the authentication and delivery of Bonds shall be deemed to be satisfied by the pledge and deposit thereof with the corporate trustee under the First Mortgage subject to the terms thereof, instead of with the Corporate Trustee, and the filing with the Corporate Trustee of a statement of the corporate trustee under the First Mortgage certifying to such pledge and deposit.

SECTION 8. From time to time and in the manner provided in this Section 8, Bonds of one or more series, other than Series A and series created for the purpose of Section 3 of this Article III, may be executed by the Company and shall be authenticated by the Corporate Trustee and delivered to or

upon the written order of the Company, signed by its President or a Vice President, upon the deposit by the Company with the Corporate Trustee of a sum in cash equal to the principal amount of the Bonds so to be authenticated and delivered, and upon delivery by the Company to the Corporate Trustee of (a) an Application for the authentication of Bonds under this Section 8, stating the principal amount of Bonds the authentication of which is applied for, (b) the documents specified in Section 9 of this Article III, and (c) an Officers' Certificate which shall certify that any cash so deposited with the Corporate Trustee is not otherwise required to be deposited with the Corporate Trustee or used under any provision of the Mortgage or of the First Mortgage.

All cash so deposited (herein sometimes referred to as "escrowed cash") shall be held by the Corporate Trustee as part of the mortgaged property and may be withdrawn by the Company upon its written order, signed by its President or a Vice President, accompanied by an Application therefor and a Certified Resolution authorizing such Application, in an amount equal to the principal amount of each Bond or fraction of a Bond to the authentication and delivery of which the Company would be entitled under the provisions of Sections 2, 4, 5, 6 or 7 of this Article III. Upon applying for any such withdrawal, the Company shall comply with all applicable provisions of this Article III relating to the authentication and delivery of such Bonds except that the Company shall not be required to comply with any of the provisions of Section 9 of this Article III other than clause (d) (4) (with such changes as shall be appropriate to the withdrawal of escrowed cash) and clause (e) of said Section 9. Any withdrawal of escrowed cash under this Section 8 shall be in lieu of the right of the Company to the authentication and delivery of Bonds to which the Company would

requesting the authentication and delivery thereof and either (i) stating that such Bonds are of a designated series previously authorized, or (ii) authorizing the execution and delivery of the supplemental indenture provided for in subsection (b) of this Section 9;

(b) If such Bonds are to be of a series not previously authorized, a supplemental indenture duly creating the proposed series and specifying as provided in Section 3 of Article II the particular provisions of the Bonds of such series;

(c) A copy authenticated in a manner satisfactory to the Corporate Trustee of any orders or certificates of any commissions or public regulatory bodies or other governmental authorities shown by the Opinion of Counsel referred to in subsection (d) of this Section 9 to be required by law for the issue of such Bonds;

(d) An Opinion of Counsel that

(1) no authorization or approval by any commission or public regulatory body or other governmental authority is required by law for the issue of such Bonds except such authorizations as are specified in such Opinion;

(2) the Company is entitled by law and by the terms of the Mortgage to the authentication and delivery of such Bonds;

(3) the authentication and delivery of such Bonds has been duly authorized by all requisite corporate action on the part of the Company;

(4) the Applications, certificates, orders and other documents delivered to the Corporate Trustee conform to the requirements of the Mortgage and constitute sufficient authority hereunder for the Corporate Trustee to authenticate and deliver such Bonds; and

otherwise be entitled under the provisions of Sections 2, 4, 5, 6 or 7 of this Article III.

The Company shall not be entitled to withdraw any escrowed cash pursuant to the provisions of this Section 8 at any time when an Event of Default shall have occurred and be continuing, or in lieu of the right of the Company to the authentication and delivery of Bonds to which the Company would otherwise be entitled under the provisions of Section 2, 4 or 5 of this Article III, if at the time of the Application for withdrawal there shall be any unpaid accumulations of Contingent Interest on any Outstanding Bonds of any series or if at the time there shall not have been paid or set aside for payment as interest on all Outstanding Bonds, for each of the two calendar years next preceding the year in which such Application is made, amounts equal to the amounts that would have been payable as interest on all Outstanding Bonds for each of said calendar years respectively if the maximum annual rate or rates of interest expressed therein had been Fixed Interest.

Whenever and so long as the amount of escrowed cash at any time held by the Corporate Trustee and not withdrawn by the Company under the provisions of this Section 8 shall exceed \$10,000,000, no Bonds shall be issued by the Company or authenticated by the Corporate Trustee under the provisions of this Section 8.

SECTION 9. Whenever applying for the authentication of any Bonds, other than Bonds of Series A, under the provisions of this Article III, the Company shall cause to be delivered to the Corporate Trustee:

(a) A Certified Resolution authorizing the proposed issue of Bonds in a specified principal amount pursuant to a specified section or sections of this Article III, re-

(5) such Bonds when duly executed, authenticated and delivered and issued for consideration will constitute valid and outstanding obligations of the Company according to their terms and will be secured by the Mortgage in accordance with its terms; and

(e) An Officers' Certificate stating that no Event of Default has occurred and is continuing.

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ARTICLE IV
REDEMPTION OF BONDS

SECTION 1. The Company, at its option, may redeem the Bonds of Series A as a whole, or in part from time to time, on any interest payment date, at a redemption price equal to the principal sum thereof plus (i) all unpaid Fixed Interest and all unpaid accumulations of Contingent Interest thereon for prior years, (ii) interest reserved in accordance with clause (vi) of subsection (d) of Section 2 of Article II, and (iii) interest (to that extent not otherwise payable) from January 1 of the preceding calendar year to the date fixed for redemption calculated at the rate of 4½% per annum. Registered Bonds without coupons may be redeemed in portions amounting to \$1,000 or multiples of \$1,000, with interest as aforesaid on the principal sum to be redeemed.

Upon the creation of any other series of Bonds the Company may reserve the right to redeem on any date prior to maturity all or from time to time any part of the Bonds of such series at such time or times and on such terms as shall be determined by the Board of Directors and specified in the supplemental indenture providing for the creation of such series and as shall be appropriately expressed in the Bonds of such series.

Except as otherwise provided in respect of Bonds of any particular series, the procedure for redemption of Bonds of all series which by their terms are redeemable shall be as hereinafter in this Article IV provided.

SECTION 2. In case the Company shall desire to exercise such right to redeem all or any part of the Bonds of a particular series in accordance with the right reserved so to do, it shall publish a notice of such redemption, once each week

redeemed. In any drawing by lot under this Section 2, each registered Bond without coupons shall be represented by a separate number for each \$1,000 of its principal amount. The Corporate Trustee, after such drawing, shall promptly notify the Company in writing of the serial numbers of the Bonds so drawn, and in the case of any registered Bond without coupons to be redeemed in part only, the portion of the principal amount thereof to be redeemed. The notice of redemption shall specify the numbers of coupon Bonds and registered Bonds without coupons so drawn, and in case of any registered Bond without coupons which is to be redeemed in part only (by reason of the fact that distinguishing numbers representing only part of the principal amount thereof shall have been so drawn), the notice shall specify the serial number of such Bond and the portion of the principal amount thereof to be redeemed and shall state that on and after the date fixed for the redemption, upon surrender of such registered Bond, new Bonds of the same series and maturity in principal amount equal to the unredeemed portion of such registered Bond will be issued without expense to the holder of such registered Bond.

In case less than all of the Bonds of Series A are to be called for redemption, there shall not be included in the drawing provided for in this Section 2 the distinguishing numbers of any Bonds of Series A then held by the Exchange Agent under the Exchange Agency Agreement dated as of January 1, 1948, entered into between the Company and The First National Bank of Chicago, as Exchange Agent under the Plan, or held by the Bond Scrip Agent under the Bond Scrip Agreement dated as of January 1, 1948, entered into between the Company and The First National Bank of Chicago, as Bond Scrip Agent. The Company, at the time it shall give notice to the Corporate Trustee of its election to redeem less than all of

for four successive weeks in a Daily Newspaper in the City of Chicago, State of Illinois, and in a Daily Newspaper in each other city in which the principal of such Bonds is payable, the first publication in each such newspaper to be not less than 60 days and not more than 90 days before the date fixed for redemption. It shall not be necessary for all of such publications in any such city to be made in the same newspaper. Such notice shall specify the series of the Bonds to be redeemed, the date fixed for redemption and the redemption price thereof, and shall state that payment of such redemption price will be made at the office or agency or at the offices or agencies of the Company at which the principal of such Bonds is payable, and that on and after said date interest thereon will cease to accrue. A copy of such notice shall be mailed by the Company at least 60 days prior to the date fixed for redemption to the Corporate Trustee and to the registered owners of registered Bonds without coupons and of coupon Bonds registered as to principal so to be redeemed, at their last addresses as they shall appear upon the bond registry books, but neither failure to give such notice by mail, nor any defect therein, shall affect the validity of the proceedings for the redemption of the Bonds.

If the Company shall elect to redeem less than all of the Bonds of any series then outstanding, it shall give the Corporate Trustee adequate notice in advance of the aggregate principal amount of the Bonds of such series to be redeemed, and thereupon the Corporate Trustee shall draw by lot from the Outstanding Bonds, in such manner as it shall deem appropriate (and for that purpose the Company will, upon request of the Corporate Trustee, close or cause to be closed for a period not exceeding 10 days the bond registry books), the distinguishing numbers of a principal amount of Bonds equal to such aggregate principal amount of Bonds to be

the Outstanding Bonds of any series, to evidence the ownership of Bonds of such series owned by the Company, shall deliver to the Corporate Trustee an Officers' Certificate setting forth the serial numbers of any Bonds of such series owned by the Company, and in case of the redemption of Bonds of Series A shall also deliver to the Corporate Trustee a certificate signed by a Vice President of The First National Bank of Chicago, or its successor as such Exchange Agent, stating the serial numbers of the Bonds of Series A remaining undistributed under the Plan, and a certificate signed by a Vice President of The First National Bank of Chicago, or its successor as such Bond Scrip Agent, stating the serial numbers of the Bonds of Series A then held by it as such Bond Scrip Agent under said Bond Scrip Agreement. If any certificate of such Exchange Agent or Bond Scrip Agent shall show that such Agent no longer holds any Bonds of Series A, a certificate from such Agent under the foregoing provision shall not thereafter be required.

SECTION 3. If publication of notice of redemption shall have been completed as above provided, the Bonds or portions of Bonds specified in such notice shall become due and payable on the date and at the place stated in such notice, at the applicable redemption price, and on and after such date (unless the Company shall fail to deposit with the Corporate Trustee, as hereinafter provided, funds sufficient for the payment of such Bonds at the redemption price) interest on the Bonds or portions of Bonds so called for redemption shall cease to accrue, and the coupons for such interest payable after the date fixed for redemption shall be void. On presentation and surrender of such Bonds on or after such date at any place or places of payment in said notice specified, accompanied by appropriate transfer powers in blank in the

case of coupon Bonds registered as to principal and registered Bonds without coupons, and with all coupons, if any, thereto appertaining and maturing on or after such date, they shall be paid and redeemed by the Company at the applicable redemption price. If the Company, having completed publication of notice of redemption as required, fails so to deposit, or to direct the application from cash so available and held by the Corporate Trustee, of a sum of money equal to such redemption price, the Bonds so called for redemption, nevertheless, shall become due and payable on the date fixed for redemption.

Upon presentation of any registered Bond without coupons which is redeemed in part only, the Company shall execute and the Corporate Trustee shall authenticate and deliver to the registered holder thereof, without expense to such holder, a new registered Bond or Bonds without coupons or new coupon Bonds of the same series and maturity in principal amount equal to the unredeemed portion of the Bond so presented.

SECTION 4. If the Company shall deposit in trust with the Corporate Trustee on, or within 60 days prior to, the date fixed for redemption an amount in cash sufficient to redeem all Bonds, or portions thereof, then called or to be called for redemption, and shall furnish to the Corporate Trustee proof satisfactory to it that notice of redemption of such Bonds has been published as herein provided, or provision satisfactory to the Corporate Trustee shall have been made for giving such notice, then the Bonds or portions of Bonds to be redeemed shall no longer entitle the holders thereof to any right or benefit under the Mortgage, save and except the right to receive the redemption price therefor, and such Bonds shall no longer be considered as outstanding under the Mortgage.

ARTICLE V

AVAILABLE NET INCOME

SECTION 1. The Company covenants that Available Net Income for each calendar year, beginning with the calendar year 1948, and continuing as long as any Bonds are outstanding under the Mortgage, shall be determined and applied as provided in this Section 1, subject to the provisions of Section 7 of this Article V.

The Available Net Income for the calendar year 1948 and for each calendar year thereafter shall be determined not later than March 15 of the following calendar year; and Available Net Income for each year shall be applied, to the extent that the same shall suffice therefor, during the succeeding calendar year for the following purposes and in the following order:

(a) To the payment of the amounts currently to be paid into the Capital Fund out of Available Net Income pursuant to the provisions of subsections (b) and (c) of Section 1 of Article VI;

(b) To the payment of the amount currently required to be paid into the sinking fund established for the retirement of Emergency First Mortgage Bonds pursuant to the requirements of Section 2 of Article VII of the First Mortgage;

(c) To the payment, *first*, of the amount currently required to be paid into the sinking fund established for the retirement of First Mortgage Bonds of Series A pursuant to the requirements of Section 1 of Article VII of the First Mortgage, or into any sinking fund equivalent in dollar amount that may be established for the retirement of First Mortgage Bonds of any series issued for the purpose of refunding the First Mortgage Bonds of Series A, and *next* of any amounts currently required to be paid

All moneys deposited with the Corporate Trustee for the redemption of Bonds shall be held in trust for the benefit of the holders of such Bonds, but subject to the provisions of Section 4 of Article XVIII.

SECTION 5. If the date fixed for redemption be a legal holiday or a day on which banking institutions are authorized by law to be closed, then payment of the redemption price may be made on the next succeeding day that is not a legal holiday or a day on which banking institutions are authorized by law to be closed, with the same force and effect as if made on the nominal date fixed for redemption, and no interest shall accrue for the period after the date fixed for redemption.

into any sinking fund established by any indenture supplemental to the First Mortgage for the retirement of First Mortgage Bonds of any series other than Series A and series created for the purposes of Sections 2 and 4 of Article III of the First Mortgage;

(d) To the payment of the currently payable Contingent Interest on all Outstanding Bonds of Series A or Outstanding Bonds of any series issued for the purpose of refunding Bonds of Series A, and the unpaid accumulations of Contingent Interest thereon, including Bonds of Series A which have been converted but upon which Contingent Interest is payable under Section 4 of Article XI;

(e) To the payment of the currently payable Contingent Interest on all Outstanding Bonds of series other than Series A and other than Bonds of any series issued for the purpose of refunding Bonds of Series A, and the unpaid accumulations of Contingent Interest thereon, with such priority among the Bonds of such other series as shall be provided in the Bonds of such series, subject to the provisions of Section 3 of this Article V;

(f) To the payment of the current annual installment required to be paid into the Series A Sinking Fund pursuant to the requirements of Section 1 of Article VII of the Mortgage, or into any sinking fund equivalent in dollar amount that may be established for the retirement of Bonds of any series issued for the purpose of refunding Bonds of Series A;

(g) To the payment of any amounts currently required to be paid into any sinking fund established by the Mortgage for the retirement of Bonds of any series other than Series A and series created for the purpose of Section 3 of Article III; and

(h) To the payment of any amounts currently required to be paid into the contingent sinking fund established pursuant to the requirements of Section 3 of Article VII of the First Mortgage.

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Subject to the provisions of Section 6 of Article VI, any remaining Available Net Income, after deducting therefrom such amounts as shall have been charged to operating expenses and added to such Available Net Income representing the service value of non-depreciable road property retired and not replaced, may be applied (without restriction as to the year of application) as the Board of Directors may determine to the payment of dividends on the several classes of capital stock of the Company in the order of their preferences, or to any other corporate purposes.

No Contingent Interest shall be required to be paid under any provision of this Section 1 if the amount so to be paid would be less than $\frac{1}{4}$ of 1% on each \$100 of the principal amount of any Contingent Interest bearing obligation, and all payments of Contingent Interest shall be made in multiples of one cent for each \$100 of the principal amount of such obligation. Any excess available for interest not paid because of this provision shall be retained by the Company and added to the amount available for such interest in the succeeding income period or periods.

SECTION 2. If First Mortgage Bonds of any series subsequent to Series A shall be issued and any or all of the interest thereon shall be Contingent Interest, such Contingent Interest and the unpaid accumulations thereof shall have such place in the order of priority in the application of Available Net Income, subsequent to subsection (c) of Section 1 of this Article V, as shall be provided in the supplemental indenture creating such series.

SECTION 3. If Bonds of series subsequent to Series A shall be issued and the Bonds of such subsequent series shall bear interest at different rates but without priority as to payment among such series, and if the amount of Available

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In determining Available Net Income for any year the members of the Board of Directors may rely upon and shall be fully protected in relying upon any statement signed by the Chief Accounting Officer as to any facts set forth therein and upon advice of counsel as to the meaning and application of any provision of the Mortgage.

If the holders of not less than 25% in principal amount of the Outstanding Bonds shall have questioned the correctness of any such report by a notice in writing addressed to the Corporate Trustee and signed by such holders, the Corporate Trustee shall request the Company to have the accounts of the Company for the year in question (and for prior or subsequent years) audited so far as necessary to check the correctness of such report, at the expense of the Company, by a firm of certified public accountants selected by the Board of Directors and approved by the Corporate Trustee, unless an audit shall have theretofore been made or is then being made pursuant to similar provisions in another indenture securing obligations of the Company or pursuant to the voluntary action of the Company. The Company agrees that it will comply with any such request for an audit. Any such audit shall, promptly after its completion, be filed with the Corporate Trustee and shall be open to inspection at all reasonable times by the holders of the Bonds.

SECTION 6. The Company, in the discretion of the Board of Directors, may pay any Contingent Interest which has accumulated on the Bonds or First Mortgage Bonds out of any funds lawfully available therefor although there be no Available Net Income applicable thereto, provided (i) such payments are made in the order of priority provided in this Article V, and (ii) all payments having a priority senior thereto out of Available Net Income for the preceding calendar year have been paid in full.

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Net Income applicable to the payment of the currently payable Contingent Interest on all of the Bonds of such subsequent series is insufficient for the payment thereof in full, including any then unpaid accumulations of interest that shall have accrued thereon, the amount of such Available Net Income applicable to such payment under subsection (e) of Section 1 of this Article V shall be apportioned among the Bonds of such subsequent series in accordance with the supplemental indentures creating such series.

SECTION 4. If the Contingent Interest on the Bonds of any series shall become Fixed Interest or if the obligation of the Company on the First Mortgage Bonds shall cease to be an obligation of the Company, either through payment or satisfaction in full, or if for any other reason the indenture securing or providing for such obligation has been terminated and released, whether by refunding or otherwise, the requirement to apply Available Net Income for such interest or obligation in the order provided in Section 1 of this Article V shall cease and the amount of Available Net Income otherwise required to be applied thereto, after meeting all remaining requirements, if any, of like priority, shall be applied thereafter to the remaining purposes in the order of priority specified.

SECTION 5. On or before March 15 of each year, beginning with the year 1949, the Company shall file with the Corporate Trustee a Certified Resolution determining the Available Net Income for the preceding calendar year, and a report signed by the President or a Vice President, and by the Chief Accounting Officer, of the Company, showing the calculations in reasonable detail of the amount of Available Net Income for the preceding calendar year and the application thereof made or to be made by the Company pursuant to the provisions of Section 1 of this Article V.

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SECTION 7. The provisions of this Article V are hereby made expressly subject to each and all of the remedies of the Trustees or the Bondholders as set forth in Article XVI and the operation of the provisions of this Article V shall be suspended during the continuance of either of the Events of Default specified in clause (f) or clause (g) of Section 2 of Article XVI.

ARTICLE VI
CAPITAL FUND

SECTION 1. The Company covenants that it will create and maintain a fund to be known as the "Capital Fund", that on or before April 1, 1948, it will pay into the Capital Fund the sum of \$3,000,000 in cash and that on or before April 1 in each year, beginning with the year 1949, and continuing as long as any Bonds are outstanding under the Mortgage, but subject to the provisions of Section 8 of this Article VI, it will pay into the Capital Fund in cash:

(a) Such amounts as the Company shall charge to operating expenses in respect of the next preceding calendar year for depreciation and retirement of roadway and structures, which shall be not less than the amounts required therefor by the Interstate Commerce Commission or other public regulatory body having jurisdiction or, if no specific amount or rate of depreciation or retirement is so required, then such reasonable amount therefor as shall be established by the Board of Directors within the maximum amount or rate permitted by such Commission or other public regulatory body;

(b) In any year in which the amounts payable into the Fund under the foregoing subsection (a) shall be less than \$3,000,000, such additional amounts as shall be necessary to increase the amounts payable into the Fund in such year to an amount equal to 2% of the railway operating revenues of the Company for such next preceding calendar year, determined in accordance with the Uniform System of Accounts, or \$3,000,000, whichever is less, but only to the extent that the Available Net Income for such next preceding calendar year applicable therefor in accordance with the provisions of subsection (a) of Section 1 of Article V is adequate for such purpose;

(c) In any year in which the aggregate amounts payable into the Fund under the foregoing subsections (a)

(a) To pay, or to reimburse the treasury of the Company for, all or any part of the Cost payable in cash of such Additions and Betterments as have not been Bonded;

(b) In any calendar year, to pay the principal of Equipment Obligations as they severally mature and the current annual installments required to be paid into any Equipment Sinking Funds and into any sinking funds established for the retirement of First Mortgage Bonds upon the issuance of such bonds on the basis of the acquisition of Equipment pursuant to the provisions of the First Mortgage;

(c) To purchase or redeem, at not exceeding the then current redemption price thereof, any obligations of the Company bearing Fixed Interest, or, if no such obligations are then outstanding, any obligations of the Company bearing Contingent Interest; and

(d) To pay the Fixed Interest, sinking fund obligations of the Company on any of its Fixed Interest obligations, or short term indebtedness of the Company, other than those provided in the foregoing subsection (b) of this Section 2.

Any balance remaining in the Capital Fund on December 31 of any year in excess of \$3,000,000 shall be transferred to the treasury of the Company on or before April 1 of the succeeding year.

SECTION 3. No expenditures shall be made from the Capital Fund for the purpose provided in subsection (a) of Section 2 of this Article VI if the Company shall not have expended all of the funds which it has covenanted to apply only to the Cost of Additions and Betterments under the provisions of Section 24 of Article VIII, or if the Board of Directors shall have adopted a resolution declaring it to be practicable to pay, or reimburse the treasury of the Company for, such Cost of Additions and Betterments out of the proceeds of the issuance and sale of preferred or common stocks of the Company.

and (b) shall be less than \$3,000,000, such additional amounts as the Board of Directors shall determine and authorize in order to increase the aggregate amounts payable into the Fund in such year to \$3,000,000, but only to the extent that the Available Net Income for such next preceding calendar year applicable therefor in accordance with the provisions of subsection (a) of Section 1 of Article V is adequate for such purpose; and

(d) Such additional amounts as the Company shall charge to investment accounts in such next preceding calendar year as the cost of property renewals which should have been charged to railway operating expenses under the Uniform System of Accounts in effect on January 1, 1941;

provided, however, that if the aggregate amounts so payable into the Capital Fund in the year 1949 shall be less than \$3,000,000, the deficit shall accumulate and be payable into the Fund from the same sources in the next succeeding year or years, after having first made provision for the current payments required to be made into the Fund in such succeeding year or years, until such accumulation has been paid into the Fund.

Payments into the Capital Fund pursuant to this Section 1 may be made on a monthly basis or otherwise, provided that all required payments into the Fund relating to any calendar year shall have been completed on or before April 1 of the succeeding calendar year.

SECTION 2. All amounts that are paid into the Capital Fund shall be segregated from the general funds of the Company, shall be held by the Company in a separate bank account or invested in direct or guaranteed obligations of the United States of America, and, subject to the provisions of Sections 3, 4, 5 and 6 of this Article VI, shall be expended:

SECTION 4. No expenditures shall be made from the Capital Fund during any calendar year for the purposes provided in subsection (b) of Section 2 of this Article VI (1) unless the aggregate amount payable during such year on the principal of Equipment Obligations and into the sinking funds specified in said subsection (b) exceeds the aggregate amount charged and estimated to be charged to operating expense and income for depreciation of Equipment during such year, and then only to the extent of such excess, or (2) if the Board of Directors shall have adopted a resolution declaring it to be practicable to pay, or reimburse the treasury of the Company for payments of, the principal of such Equipment Obligations or the amounts required by such sinking funds out of the proceeds of the issuance and sale of preferred or common stocks of the Company.

SECTION 5. No expenditures shall be made from the Capital Fund for the purposes provided in subsection (c) of Section 2 of this Article VI unless expenditures from the Fund for the purposes of subsections (a) and (b) of said Section 2 are prohibited by the provisions of Sections 3 and 4 of this Article VI.

SECTION 6. No expenditures shall be made from the Capital Fund in any calendar year for the purposes provided in subsection (d) of Section 2 of this Article VI unless, in the opinion of the Board of Directors, an emergency exists because the estimated income available for fixed charges of the Company for such year under the Uniform System of Accounts will be insufficient therefor.

In the event that income available for fixed charges of the Company under the Uniform System of Accounts, as finally determined for the year in question, was sufficient to have covered the expenditures, if any, from the Capital Fund, the

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Article VI
Sections 6 and 7

Company covenants to reimburse the Capital Fund immediately to the extent that such income available for fixed charges was sufficient to cover such expenditures.

In the event of any expenditures from the Capital Fund pursuant to subsection (d) of Section 2 of this Article VI, then, after such expenditures, no dividends on any class of capital stock of the Company shall be paid until there has been restored to the Capital Fund by way of reimbursement an amount equal to all expenditures from the Fund made pursuant to said subsection (d).

Prior to making any expenditure from the Capital Fund pursuant to said subsection (d), there shall be filed with the Corporate Trustee (i) a Certified Resolution evidencing the determination of the Board of Directors to use the Capital Fund for the purposes therein specified and stating that in the opinion of the Board of Directors the income available for fixed charges of the Company for such year will be insufficient to cover the expenditures by the amount of the funds to be so used out of the Capital Fund, and (ii) an Officers' Certificate specifying the total estimated amount of Fixed Interest and sinking fund requirements of the Company, and short term indebtedness required to be paid by the Company, during the calendar year then current and the estimated amount of income available for fixed charges for such year.

Within 10 days after reimbursement of the Capital Fund by the restoration thereto of the amount of such expenditures pursuant to said subsection (d), there shall be filed with the Corporate Trustee an Officers' Certificate stating the amount of such reimbursement, and the source from which the funds effecting such reimbursement were derived.

SECTION 7. The Company covenants that on or before April 1 of each year, beginning with the year 1949, it will deliver

Article VI
Sections 7 and 8

to the Corporate Trustee a report signed as in the case of an Officers' Certificate, which report shall state separately with respect to the preceding calendar year (i) the amounts of all payments into the Capital Fund required or permitted under the provisions of Section 1 of this Article VI and a computation showing the determination of such amounts in accordance with the provisions of said Section 1; (ii) the amounts of all expenditures from the Capital Fund made pursuant to the provisions of Sections 2, 3, 4, 5 and 6 of this Article VI, together with a description thereof in reasonable detail; (iii) the amounts of any reimbursements of the Capital Fund pursuant to the provisions of Section 6 of this Article VI; (iv) the amount charged to operating expense and income for depreciation of Equipment during such year; (v) the aggregate amount payable during such year on the principal of Equipment Obligations and into the sinking funds specified in subsection (b) of Section 2 of this Article VI; and (vi) the balance in the Capital Fund at the close of such calendar year; and if any expenditures have been made from the Capital Fund for any of the purposes described in subsection (a) of Section 2 of this Article VI, a statement that the Cost of Additions and Betterments for which such expenditures were made was not theretofore Bonded.

SECTION 8. The provisions of this Article VI are hereby made expressly subject to each and all of the remedies of the Trustees or the Bondholders as set forth in Article XVI and the operation of the provisions of this Article VI shall be suspended during the continuance of either of the Events of Default specified in clause (f) or clause (g) of Section 2 of Article XVI.

Article VII
Section 1

ARTICLE VII
SINKING FUNDS

SECTION 1. As and for a Series A Sinking Fund for the retirement of Bonds of Series A, the Company

(a) has deposited with the Corporate Trustee, concurrently with the execution and delivery of the Mortgage, the sum of \$1,600,000 in cash, in lieu of any amount which it might have been required to deposit with the Corporate Trustee under subsection (b) of this Section 1 out of Available Net Income for the calendar years 1944, 1945, 1946 and 1947 if the Mortgage and the provisions of said subsection (b) had been operative from January 1, 1944; and

(b) covenants that on or before April 1 of each year, beginning with the year 1949, it will deposit with the Corporate Trustee the sum of \$400,000 in cash, or so much thereof as shall be applicable for such purpose out of Available Net Income for the preceding calendar year under subsection (f) of Section 1 of Article V.

In lieu of depositing cash with the Corporate Trustee to be held and applied as part of the Series A Sinking Fund, the Company may reacquire and deliver to the Corporate Trustee Bonds of Series A, bearing all unmatured coupons appertaining thereto, at the lower of the price or prices paid upon reacquisition thereof (exclusive of any interest paid on such reacquisition) or the redemption price thereof (exclusive of interest) in effect on April 1 of the calendar year in which such delivery is made. Any such Bonds of Series A so delivered to the Corporate Trustee shall be accompanied by an Officers' Certificate stating (i) that such Bonds have been duly issued and outstanding and have been reacquired by the Company, (ii) the price or prices (exclusive of accrued interest) at which they were reacquired, (iii) that none of such Bonds has theretofore been Bonded, and (iv) that such Bonds

Article VII
Section 1

are delivered to the Corporate Trustee in lieu of cash required to be deposited in the Series A Sinking Fund.

Cash that is deposited with the Corporate Trustee as and for the Series A Sinking Fund, as required by the provisions of this Section 1, shall be applied by the Corporate Trustee, so long as no Event of Default has occurred and is continuing, to the purchase or redemption of Outstanding Bonds of Series A in accordance with the provisions of this Section 1.

The Corporate Trustee may purchase such Bonds of Series A either at private sale or in the open market at the lowest price or prices at which, in its sole discretion, it shall deem such Bonds reasonably obtainable; or, if the Corporate Trustee, in its sole discretion, shall deem it advisable, it may advertise for proposals to sell such Bonds to it, reserving the right to reject any or all such proposals in whole or in part, and may purchase such Bonds at the lowest price or prices asked in such proposals if it deems such purchases advisable; but no such Bonds shall be purchased at private sale or in the open market or in response to proposals, as aforesaid, at a price, including interest, in excess of the amount, inclusive of interest, which would be payable in case of redemption thereof on the next April 1.

Whenever the balance of cash remaining on deposit in the Series A Sinking Fund on January 1 of any year, beginning with the year 1949, equals or exceeds \$50,000, the Corporate Trustee shall apply such balance to the redemption of Outstanding Bonds of Series A on the next April 1, at the redemption price specified in Section 1 of Article IV. The Corporate Trustee shall give notice of such redemption in the name of the Company in the manner and in accordance with the applicable provisions of Article IV; and the Corporate Trustee is hereby appointed the agent of the Company for such

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Sections 1 and 2

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purpose. The Company covenants that whenever any redemption of Bonds of Series A shall be required under the provisions of this Section 1, it will at the request of the Corporate Trustee take all action necessary, and authorize the Corporate Trustee to take all action necessary, to redeem such Bonds.

The Company covenants that, in connection with any purchase or redemption of Bonds of Series A under this Section 1, it will deposit with the Corporate Trustee, upon request of the Corporate Trustee in the case of purchase, or prior to the date fixed for redemption in the case of redemption, in addition to funds theretofore deposited in the Series A Sinking Fund, an additional sum in cash sufficient to pay, in the case of purchase, the excess, if any, of the purchase price, including interest, over the principal amount thereof, and, in the case of redemption, all interest required to be paid thereon to the date fixed for redemption.

All advertising and publishing costs, commissions, postage and other expenses incurred in the purchase or redemption of such Bonds of Series A shall be paid by the Company, or, if paid by the Corporate Trustee, shall be repaid by the Company to the Corporate Trustee upon demand.

All Bonds of Series A purchased or redeemed out of the Series A Sinking Fund, and all Bonds of Series A delivered by the Company to the Corporate Trustee in lieu of depositing cash in the Series A Sinking Fund, shall be cancelled and shall not be made the basis for the authentication and delivery of any Bonds or the withdrawal, payment or application of any cash under any provision of the Mortgage.

SECTION 2. Whenever the acquisition of Bondable Equipment is made the basis for the authentication and delivery of Bonds of any series created for such purpose, the Company covenants that it will, by supplemental indenture, establish

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Sections 1 and 2

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ARTICLE VIII

GENERAL COVENANTS

The Company covenants as follows:

SECTION 1. The Company will duly and punctually pay or cause to be paid the principal of, premium if any and interest on the Bonds at the times and at the place or places and in the manner and to the extent specified therein and in the coupons.

SECTION 2. The Company will maintain in the City of Chicago, State of Illinois, an office or agency where payment of the principal of, premium if any and interest on Bonds may be made, where notices, presentations and demands to or upon the Company in respect of Bonds or coupons or in respect of the Mortgage may be given or made and where Bonds may be registered, transferred and exchanged. The Company will also maintain a similar office or agency in each other city where the principal of or interest on any of the Bonds is payable, as provided in Article II. The Company will give to the Corporate Trustee notice of the location of all such offices or agencies and of any change of location thereof. In case the Company shall fail to maintain any such office or agency or shall fail to give notice of the location or of any change in the location thereof, notices, presentations and demands may be given or made at the principal office of the Corporate Trustee.

If the Company shall appoint a paying agent other than the Corporate Trustee, it will cause such paying agent to execute and deliver to the Corporate Trustee an instrument in which such agent shall agree with the Corporate Trustee, subject to the provisions of this Section 2:

(a) that it will hold all sums held by it as such agent for the payment of the principal of, premium if any or interest on any of the Bonds (whether such sums have

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Section 2

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an Equipment Sinking Fund for the retirement of all of the Bonds of such series during the term of such Bonds, and will covenant therein to deposit with the Corporate Trustee funds sufficient for that purpose in equal semi-annual installments to and including the latest date of maturity of the Bonds of such series. Such deposits shall be made from funds derived from current charges to operating expenses or income on account of depreciation of such Bondable Equipment to the extent that such source is adequate therefor.

Cash that is deposited with the Corporate Trustee as and for an Equipment Sinking Fund, as required by the provisions of this Section 2, shall be applied by the Corporate Trustee, so long as no Event of Default has occurred and is continuing, to the retirement of Bonds of the series with respect to which such Equipment Sinking Fund was established and in accordance with the supplemental indenture creating such series.

All Bonds retired through the operation of any Equipment Sinking Fund shall be cancelled and shall not be made the basis for the authentication and delivery of any Bonds or the withdrawal, payment or application of any cash under any provision of the Mortgage.

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Sections 2 and 3

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been paid to it by or on behalf of the Company or any other obligor on the Bonds) in trust for the benefit of the holders of such Bonds or the coupons for such interest, as the case may be; and

(b) that it will give to the Corporate Trustee notice of any failure by the Company (or by any other obligor on such Bonds) to make any payment of the principal of, premium if any or interest on such Bonds when the same shall be due and payable which shall come to its notice or knowledge as such paying agent.

If the Company shall act as its own paying agent in respect of the Bonds of any series, it will, on or before each due date of the principal of, premium if any or interest on such Bonds, set aside, segregate and hold in trust for the benefit of the holders of such Bonds or the appurtenant coupons, as the case may be, a sum sufficient to pay such principal, premium and interest so becoming due and will notify the Corporate Trustee of any failure to take such action.

The Company may, at any time, for the purpose of obtaining a release or satisfaction of the Mortgage or for any other reason, pay or cause to be paid to the Corporate Trustee all sums held in trust by it or by any paying agent pursuant to this Section 2, such sums thereafter to be held by the Corporate Trustee upon the same trusts as in this Section 2 provided.

The agreement to hold sums in trust as provided in this Section 2 is subject to the provisions of Section 4 of Article XVIII.

SECTION 3. The Company will execute and deliver, or will cause to be executed and delivered, all such further deeds, mortgages, assignments and transfers as may be required for the better mortgaging, assigning and confirming to the Trustees of the property hereby mortgaged, conveyed or

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Article VIII
Sections 3, 4 and 5

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assigned, or intended so to be, or which the Company may hereafter become bound to convey or assign to the Trustees.

The Company will deliver to the Corporate Trustee on or before April 1 in each year, beginning with the year 1949, an Officers' Certificate setting forth in reasonable detail a description of any substantial items of additional real and personal property, estate, rights and franchises acquired within the previous calendar year and an Opinion of Counsel stating either (a) that no supplemental indenture is necessary to subject to the lien of the Mortgage the items of property set forth in such Officers' Certificate which are intended by the granting clauses or other provisions of the Mortgage to be subjected to the lien hereof, or (b) that a supplemental indenture is necessary for the purpose and that the supplemental indenture delivered to the Corporate Trustee with such Officers' Certificate and Opinion of Counsel is sufficient for that purpose and has been recorded and filed in the proper jurisdictions.

SECTION 4. The Company owns and is lawfully possessed of the lines of railroad, property and franchises referred to 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 XII hereof, to take all steps and do all acts necessary to continue and maintain its corporate existence and authority to operate its lines of railroad.

SECTION 5. The Company, from time to time as they shall become due, will make, or cause to be made, all payments required to be made under and by the terms of any Equipment Obligation, including those described in the granting clauses hereof, and will do or cause to be done all such further

Article VIII
Sections 6 and 7

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be deposited with the Corporate Trustee any and all such cash, securities, obligations or rights remaining at the time of such discharge and cancellation with the trustee or mortgagee of the mortgage or other instrument so discharged and cancelled. The Company hereby authorizes and directs the trustee or mortgagee under each such mortgage or other instrument, upon such discharge and cancellation thereof, to deposit with the Corporate Trustee all such cash, securities, obligations or rights so remaining. The Company covenants to deliver a copy of the Mortgage to the trustee or mortgagee under each such mortgage or other instrument and furnish the Corporate Trustee with evidence of such delivery.

SECTION 7. The Company, from time to time, will pay and discharge, or cause to be paid and discharged, all taxes, assessments and governmental charges (the lien whereof would be prior to the lien of the Mortgage) lawfully imposed upon the mortgaged property or upon any part thereof, or upon the income and profits thereof, and also all taxes, assessments and governmental charges lawfully imposed upon the lien or interest of the Trustees in respect of the mortgaged property or the income thereof, so that the lien and priority of the Mortgage shall be fully preserved at the cost of the Company without expense to the Trustees or the Bondholders, provided, however, that the Company shall not be required to pay any such taxes, assessments or governmental charges (i) so long as in good faith the validity or the amount thereof shall be contested by appropriate legal proceedings, unless thereby, in the judgment of the Corporate Trustee, the security afforded by the Mortgage will be materially impaired or endangered, or (ii) on property it has abandoned pursuant to permission granted by the Interstate Commerce Commission or other public regulatory body having jurisdiction in the premises, or (iii) on property it has abandoned where no public regulatory body has jurisdiction if the property abandoned

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Sections 5 and 6

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acts as may be necessary to assure to the Company the use of the Equipment to which such Equipment Obligation relates and the ultimate acquisition of complete title thereto.

Nothing contained in this Section 5 or in any other provision of the Mortgage, express or implied, is intended or shall be construed to limit the right or power of the Company, which is hereby expressly reserved, to extend, prior to the maturity of any Equipment Obligation, 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 Obligation.

SECTION 6. The Company will well and truly pay and discharge or cause to be paid and discharged upon presentation thereof for payment when due the principal of all obligations having a lien on the mortgaged property or any part thereof prior to the lien of the Mortgage; and until paid or discharged at maturity or otherwise it will pay or cause to be paid the interest payable thereon at the time and at the place or places set forth therein or in the coupons attached thereto; and it will prevent any default or other thing from happening whereby the right might arise to enforce by foreclosure or otherwise any such obligations; provided, however, that the Company may extend or renew any such obligations.

In all cases in which, pursuant to the requirements of any mortgage or other instrument constituting a lien prior to the lien of the Mortgage, cash, securities, obligations or rights which would otherwise be required to be deposited with the Corporate Trustee are deposited with the trustee or mortgagee under such mortgage or other instrument, the Company will forthwith, upon the discharge and cancellation of such mortgage or other instrument (subject to the obligation of the Company, if any, to cause the same to be deposited under any other such mortgage or other instrument), cause to

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Sections 7, 8 and 9

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is no longer necessary for the maintenance or operation of the lines of railroad subject to the lien of the Mortgage.

SECTION 8. The 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 or by virtue of any lease or trackage agreement held by it and subject to the lien of the Mortgage and which is reasonably necessary for the maintenance and operation of the lines of railroad subject to the lien of the 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 X and XII, the interest of the Company in all such leasehold estates or trackage agreements shall be preserved unimpaired as security for the Bonds and coupons hereby secured.

Nothing in this Section 8 contained shall require the Company to make any such payments or to observe any such obligations so long as the 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 Corporate Trustee such action will materially impair or endanger the interests of the Bondholders.

SECTION 9. Subject to the provisions of Articles X and XII, the Company covenants and agrees that the Mortgage is and always will be kept a lien upon all of the mortgaged property, subject only to the liens prior thereto specified or referred to in the granting clauses hereof, and the right, charge, lien or title of Equipment Obligations, Permitted Encumbrances and Prior Liens, and that it will not create, or suffer to be created or to arise, or allow to exist any other lien or charge having priority to, preference over or parity with the lien of the Mortgage upon the mortgaged property, or any part thereof, or upon the income thereof; and that, within six months after the

Article VIII
Sections 9, 10 and 11

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same shall be payable, it will pay or cause to be discharged, or will make adequate provision for the satisfaction or discharge of, all lawful claims and demands of mechanics, laborers and others, which, if unpaid, might by law be given precedence over the Mortgage as a lien or charge upon the mortgaged property or any part thereof, or the income thereof; provided, however, that the Company shall not be required to pay any such debt, lien or charge so long as it shall in good faith, by appropriate legal proceedings, contest the validity thereof or the amount thereof unless thereby, in the opinion of the Corporate Trustee, the interests of the Bondholders will be materially impaired or endangered.

SECTION 10. Subject to the provisions of Articles X and XII, and to the extent needful and proper for the efficient and economic operation of its properties, the Company will at all times diligently maintain, preserve and keep all of the rights and franchises granted to it or conferred upon it, maintain, preserve and keep its railroads, fixtures and appurtenances subject to the lien of the Mortgage in good repair, working order and condition and from time to time make all needful and proper repairs thereto and renewals and replacements thereof, and keep the lines of railroad subject to the Mortgage supplied with Equipment, machinery, tools and other supplies, maintain the same in good order and condition, reasonable wear and tear excepted, and from time to time make all needful and proper repairs thereto and renewals and replacements thereof.

SECTION 11. Subject to the terms and provisions of Articles X and XII, the Company will maintain its property, rights and franchises and continue the full enjoyment thereof so as to maintain the general continuity of its lines of railroad between the principal points served by it as of the date of the execution and delivery of the Mortgage and from time to time thereafter.

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Sections 14, 15, 16 and 17

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a parity with the lien of the Mortgage unless the obligations representing such increase are forthwith deposited and pledged with the corporate trustee of the First Mortgage or with the Corporate Trustee to be held subject to the provisions of Article IX.

SECTION 15. The Company will maintain a record of all Equipment and will furnish to the Corporate Trustee at least once in each period of two years following the date of the execution and delivery of the Mortgage a statement of the number of units by classes of said Equipment, and showing separately the Equipment that is held under or subject to Equipment Obligations, and specifying the amount and maturities of all such Equipment Obligations.

SECTION 16. The Company will cause the Mortgage and every supplemental indenture or instrument purporting to create a lien upon the mortgaged property to secure the Bonds, to be recorded and filed and re-recorded and re-filed to the extent necessary to make effective and maintain the lien intended to be created thereby, and will, on or before April 1 in each year, beginning with the year 1949, furnish to the Corporate Trustee an Opinion of Counsel stating either that in the opinion of such counsel the Mortgage and all supplemental indentures or other instruments supplemental thereto have been properly recorded and filed and re-recorded and re-filed, as the case may be, so as to make effective and maintain the lien intended to be created thereby, or that in the opinion of such counsel no such action is necessary to make such lien effective and to maintain the same.

SECTION 17. The Company will cause all of the property at any time subject to the lien of the Mortgage, which is of a character usually insured by railroad companies, to be kept insured in such manner and to such extent as is cus-

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Sections 12, 13 and 14

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SECTION 12. The Company will forthwith upon acquisition deposit and pledge with the Corporate Trustee, as further security for the Bonds, all Securities hereafter acquired by it except Special Securities and except Securities deposited with the trustee or mortgagee of any Prior Lien or required to be so deposited by the terms of such Prior Lien; and that upon cancellation or release of any Prior Lien, all such Securities then held by the trustee or mortgagee thereunder will be forthwith deposited and pledged with the Corporate Trustee unless then required to be deposited or pledged or held under another lien prior to the lien of the Mortgage.

So long as the First Mortgage shall remain a lien on the mortgaged property, the deposit and pledge by the Company of such Securities with the corporate trustee of the First Mortgage pursuant to the provisions of Section 12 of Article VIII of the First Mortgage, as evidenced by a statement of the corporate trustee of the First Mortgage certifying to such pledge and deposit filed with the Corporate Trustee, shall constitute a compliance by the Company with the provisions of this Section 12.

SECTION 13. The Company will not procure the authentication and delivery of any Bonds hereunder, the release of any property herefrom, or the withdrawal, payment or application of any cash held by the Corporate Trustee under any provision of the Mortgage, except upon compliance by the Company with the applicable provisions of the Mortgage.

SECTION 14. The Company will not increase or permit to be increased in principal amount any of its obligations (other than Bonds, First Mortgage Bonds, Equipment Obligations and Permitted Encumbrances) which are at the time of the making or assuming of such obligations secured by a lien on the mortgaged property, or any part thereof, prior to or on

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Section 17

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tomary and usual in the operation of railroad companies in the territory served by the Company. On or before April 1, 1948, and on or before April 1 in each year thereafter, and at any other time upon the request of the Corporate Trustee, the Company will furnish to the Corporate Trustee an Officers' Certificate stating in general the character and extent of the insurance then maintained by the Company and stating that the same complies in all respects with the requirements of this Section 17.

If the proceeds from any insurance on the mortgaged property shall exceed the sum of \$50,000 in respect of any one loss, such proceeds shall, subject to the requirements of the First Mortgage or of any Prior Lien, Permitted Encumbrance or Equipment Obligation on such property, be paid by the Company to the Corporate Trustee, accompanied by an Officers' Certificate as required by Section 21 of this Article VIII, and shall be set apart and held in trust by the Corporate Trustee and applied, pursuant to the written request of the Company (if an Event of Default shall not have occurred and be continuing), to the repair, restoration or replacement of the property damaged or destroyed. The written request of the Company, signed as in the case of an Officers' Certificate, shall set forth the nature of such repairs, restorations or replacements and the cost thereof, and shall be accompanied by an Opinion of Counsel that the same are or will become subject to the lien of the Mortgage as hereinafter in this Section 17 provided. Such request and Opinion of Counsel shall constitute a sufficient warrant and direction to the Corporate Trustee for the expenditure of said proceeds in accordance with such request.

Any proceeds from insurance paid over to the Corporate Trustee, pursuant to this Section 17, which have not been applied to the repair, restoration or replacement of the prop-

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Sections 17, 18 and 19

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erty damaged or destroyed within two years after such payment, shall thereafter be held and disposed of by the Corporate Trustee as in the case of moneys deposited upon the release of mortgaged property as provided in Section 7 of Article X.

If the proceeds from any insurance on the mortgaged property shall be \$50,000 or less in respect of any one loss, such proceeds shall be applied by the Company to the repair, restoration or replacement of the property damaged or destroyed or to the acquisition or construction of Additions and Betterments. Any property acquired by the Company out of the proceeds of insurance as aforesaid and any and all repairs, restorations, replacements, Additions and Betterments acquired or constructed out of such proceeds, subject to the requirements of the First Mortgage or of any Prior Lien, Permitted Encumbrance or Equipment Obligation on the property with respect to which such insurance was collected, shall become and be subject to the 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 damaged or destroyed with respect to which such insurance was collected.

SECTION 18. The Company will permit the Corporate Trustee, through its agents, to inspect the mortgaged property or any portion thereof at any time and from time to time, and will comply with all reasonable requests of the Corporate Trustee to furnish such information as the Company may have with respect to the mortgaged property.

SECTION 19. Except as provided in Section 13 of Article X, as and when there shall be delivered to the corporate trustee under the First Mortgage pursuant to any provision thereof, any report, statement, certificate, opinion, copy

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Sections 23, 24 and 25

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SECTION 23. The Company will not pay any dividend on the shares of any class of its capital stock, or purchase or otherwise acquire any of such shares, except out of the funds legally available therefor on January 1, 1948, under the laws of the State of Delaware and out of Available Net Income applicable to such purposes under the provisions of Section 1 of Article V accumulated from and after January 1, 1948, or contrary to the provisions of Section 6 of Article VI.

SECTION 24. The Company covenants that all funds made available to it after January 1, 1948, from all or any of the following sources shall, unless deposited with the Corporate Trustee or with the corporate trustee under the First Mortgage or with the trustee or mortgagee under a Prior Lien, Equipment Obligation or Permitted Encumbrance, be applied only to provide for the Cost of Additions and Betterments not theretofore Bonded: (i) proceeds of insurance on the mortgaged property not used for restoration or repairs, (ii) proceeds from salvage recovered from mortgaged property retired, (iii) proceeds from sales of mortgaged property sold in accordance with the provisions of Article X, and (iv) funds made available by charges to operating expenses representing the service value of any non-depreciable road property retired and not replaced, to the extent that such funds have been deducted from the remaining Available Net Income, if any, in accordance with Section 1 of Article V.

SECTION 25. So long as interest on the Bonds of Series A remains Contingent Interest the Company will, on or before March 15 of each year, beginning with the year 1949, publish a notice stating the amount of interest payable on the Bonds of Series A or that no interest is payable on the Bonds of Series A on the next succeeding interest payment date, once in a Daily Newspaper in the City of Chicago, State of Illinois, and once in a Daily Newspaper in the Borough of Manhattan,

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Sections 19, 20, 21 and 22

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of resolution, deed, conveyance, assignment or other document or proof, the Company will deliver a counterpart thereof to the Corporate Trustee, unless the same document or proof has been delivered to the Corporate Trustee pursuant to the provisions of the Mortgage.

SECTION 20. The Company will not pledge or hypothecate any Bonds to secure any indebtedness created, assumed or guaranteed, directly or indirectly, by the Company if in consequence thereof the excess of the aggregate principal amount of all Bonds pledged or hypothecated by the Company over the aggregate principal amount of all indebtedness secured thereby would exceed 10% of the aggregate principal amount of all such Bonds then outstanding and pledged or hypothecated by the Company.

The Company will not pledge or hypothecate any Bonds, First Mortgage Bonds (exclusive of Emergency First Mortgage Bonds) or other obligations of the Company if in consequence thereof the aggregate amount of all such bonds and obligations of the Company pledged or hypothecated by it would exceed 200% of the aggregate principal amount of all indebtedness secured by such pledges or hypothecations.

SECTION 21. Whenever the Company shall deposit with the Corporate Trustee the proceeds of any insurance as provided in Section 17 of this Article VIII, such deposit shall be accompanied by an Officers' Certificate, dated not more than 30 days prior to the delivery thereof to the Corporate Trustee, stating the circumstances of such deposit and the source of the moneys then being deposited.

SECTION 22. The Company will deliver to the Corporate Trustee at the time of the distribution thereof a copy of each annual report and financial statement distributed by the Company to its shareholders, beginning with the annual report for the year 1948.

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City and State of New York. A copy of such notice shall be mailed by or on behalf of the Company to all registered holders of coupon Bonds registered as to principal and of registered Bonds without coupons, at their last addresses as they shall appear upon the bond registry books.

SECTION 26. The Company will surrender to the Corporate Trustee forthwith upon receipt by the Company all Bonds of Series A held by The First National Bank of Chicago, as Bond Scrip Agent, at the close of business on January 2, 1949, and cancelled by the Bond Scrip Agent pursuant to the provisions of the Bond Scrip Agreement dated as of January 1, 1948, entered into between the Company and said Bond Scrip Agent.

SECTION 27. The Company will deposit and pledge with the Corporate Trustee, within 10 days after receipt thereof by the Company, all cash, Securities or interests therein which may be received by the Company at any time hereafter in payment or satisfaction of or in exchange or substitution for the judgment described in granting clause SEVENTEENTH of the Mortgage. All moneys so received by the Corporate Trustee shall be held and disposed of by it as in the case of cash deposited upon the release of property subject to the lien of the Mortgage as provided in Article X; and all Securities and interests therein so received by the Corporate Trustee shall be deemed to be Bonded.

So long as the First Mortgage remains a lien on the mortgaged property, the requirements of this Section 27 shall be deemed to require the pledge and deposit of such cash, Securities and interests therein with the corporate trustee under the First Mortgage subject to the terms thereof, instead of with the Corporate Trustee, and the filing with the Corporate Trustee of a statement of the corporate trustee under the First Mortgage certifying to such pledge and deposit.

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ARTICLE IX
PLEGDED SECURITIES

SECTION 1. Securities deposited and pledged under the Mortgage, if not already in bearer form, or issued in the name of the Corporate Trustee, shall be duly endorsed in blank for transfer or accompanied by appropriate instruments of assignment and transfer in blank. Any Securities deposited and pledged under the Mortgage may if the Corporate Trustee so determines, and shall if the Company so requests, be registered in the name of the Corporate Trustee or its nominee or be stamped by the Corporate Trustee with an appropriate legend to the effect that the same are held in trust for the purposes declared in the Mortgage. The Corporate Trustee shall not be obligated to examine or pass upon the validity or genuineness of any Securities and their accompanying assignments tendered for deposit and pledge with it, including any mentioned and described in the granting clauses hereof, and the Corporate Trustee shall be entitled to rely upon Opinions of Counsel that any Securities so deposited and pledged are genuine and valid and what they purport to be and that any endorsements or assignments thereof are effective, genuine and valid.

All Debt Securities deposited and pledged under the Mortgage may be in temporary or definitive form, and shall be accompanied by all appropriate coupons appertaining thereto, if any, and, if susceptible of registration as to principal or interest, may if the Corporate Trustee so determines, and shall if the Company so requests, be registered, or exchanged for Debt Securities issued, in the name of the Corporate Trustee or its nominee.

SECTION 2. Unless and until an Event of Default shall have occurred and be continuing, and except as in the Mortgage otherwise expressly provided:

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and pledged hereunder, (i) the principal, in whole or in part, of any Debt Security; (ii) any interest on any Debt Security which shall have been paid out of the proceeds of any sale or condemnation of, or the proceeds of insurance on, the property covered by a mortgage or other lien securing such Debt Security, or out of the proceeds of sale of any property of the corporation liable upon such Debt Security in case of the dissolution, liquidation or winding up of such corporation, or out of any other proceeds of capital assets, it being the intent of the Mortgage that the Company shall be entitled to receive only interest paid out of revenues, rents, earnings, profits, or income; (iii) any amounts paid on redemption of any Security, other than on account of accrued interest or dividends payable to the Company under the provisions of the Mortgage; (iv) any liquidation dividends consequent upon the dissolution, or total or partial liquidation or winding up, or reduction of Stock, of any corporation; and (v) any other dividends, whether payable in Stock, cash or property, except only earned cash dividends;

(2) The Company shall not collect any such dividends, coupons or interest by legal proceedings or by the enforcement of any security therefor, except upon at least 30 days' prior written notice to the Corporate Trustee;

(3) Until actually paid, cancelled or discharged, each coupon or right to interest or dividends shall remain subject to the lien of the Mortgage, and the Company shall not sell, assign or transfer any such coupon or right to interest or dividends;

(4) The Company may release and discharge, in whole or in part, any and all claims for interest on any Railroad Subsidiary Bonds deposited and pledged hereunder, when and as such interest becomes due; and

(5) The Corporate Trustee shall be entitled to assume that all such interest has been or will be paid out of revenues, rents, earnings, profits, or income and that all dividends paid in cash are or will be earned cash divi-

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(a) The Company shall be entitled to collect and retain for its own use all earned cash dividends which may be declared on any Stock deposited and pledged hereunder and all sums which may become due and payable for interest upon Debt Securities so deposited and pledged; and the Corporate Trustee, upon the written request of the Company, shall deliver to the Company necessary and suitable assignments and orders for the payment to it or upon its order of all such earned cash dividends and shall deliver to it all coupons pertaining to any such Debt Securities, or suitable assignments and orders for the payment to it or upon its order of all such interest, as and when such coupons or interest shall become due and payable or at any time within 30 days prior thereto; the Corporate Trustee, upon the written request of the Company, shall pay over to the Company all sums which may be received by the Corporate Trustee representing interest and earned cash dividends; and the Corporate Trustee, upon written notice from the Company that any installment of interest has been paid on any Debt Security payable to bearer but without interest coupons, shall note or permit to be noted thereon the fact of such payment;

(b) The Corporate Trustee (except with consent of the Company or as otherwise expressly authorized by the Mortgage) shall not be entitled to enforce payment of the interest on any Debt Security deposited and pledged hereunder, or to enforce any provision of or exercise any right under any mortgage or other instrument pursuant to which such Debt Security was issued or by which the same is secured;

provided, however, and it is hereby declared and agreed that, except as in the Mortgage otherwise expressly provided:

(1) The Company shall not be entitled to collect and the Corporate Trustee shall not pay over to the Company, and if collected by the Company it shall forthwith pay over to the Corporate Trustee, with respect to any Securities deposited and pledged or required to be deposited

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Sections 2 and 3

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dends, unless and until the Corporate Trustee is notified in writing to the contrary by the payor, its agent, the Company or one or more Bondholders.

SECTION 3. Unless and until an Event of Default shall have occurred and be continuing, the Company shall have the right to vote and give consents in respect of all Securities deposited and pledged hereunder for all purposes not contrary to the provisions of the Mortgage or inconsistent therewith, and to consent to, ratify or waive notice of any and all meetings, with the same force and effect as though such Securities were not subject to the lien hereof; and the Corporate Trustee, in respect of Securities issued in its name or in the name of its nominee or nominees, shall upon the written request of the Company give suitable waivers of notice and consents and deliver to the Company, or to its nominee or nominees, suitable powers of attorney or proxies with or without power of substitution and either generally or for such one or more objects as such proxy shall specify. The Company covenants that it will not vote or permit to be voted or give or permit to be given any consent in respect of any such Securities for any purpose contrary to the provisions of the Mortgage or of the First Mortgage or inconsistent therewith.

The Corporate Trustee, with the written consent of the Company delivered to the Corporate Trustee, accompanied by a Certified Resolution authorizing the same, and without such consent if an Event of Default shall have occurred and be continuing,

(a) may vote or give consents in respect of any Securities deposited and pledged hereunder and authorize such Securities to be voted and such consents to be given and may take such other action as to the Corporate Trustee, in its discretion, shall seem advisable to protect the interests of the Corporate Trustee and of the Bond-

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holders in respect of any Securities subject to the lien hereof; and

(b) may in respect of any such Securities join in or become party to any plan of reorganization or readjustment (whether voluntary or involuntary) of the corporation issuing such Securities and deposit such Securities under such plan, and may make any exchange, substitution, cancellation or surrender of Securities required by any such plan and take such action with respect to Securities subject to the lien hereof as may be required by such plan for the accomplishment thereof. All new Securities issued and cash paid under any such plan in exchange for Securities previously deposited and pledged hereunder shall be deposited with the Corporate Trustee and held by it under and for the purposes expressed in the Mortgage.

SECTION 4. In case at any time

(a) default shall be made in the payment of the principal of or interest on any Debt Security deposited and pledged hereunder, or

(b) default shall be made in any of the covenants, terms or conditions contained in any such Debt Security or the mortgage or other instrument securing the same or pursuant to which the same shall have been issued, or

(c) the right shall arise to enforce, by foreclosure or otherwise, any such mortgage or other instrument,

then, and in any such case, upon the written request of the Company delivered to the Corporate Trustee, accompanied by a Certified Resolution authorizing the same, and without such request if an Event of Default shall have occurred and be continuing, the Corporate Trustee, as the holder of such Debt Security, may in its discretion exercise all rights of the holder thereof and all rights under the mortgage or other instrument securing the same, or pursuant to which it was issued, and cause such proceedings as may be approved by

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manner as the Securities renewed or extended or for which they are substituted.

(3) No such substitution shall be made if it will so reduce the percentage of the number of shares of voting Stock of any Railroad Subsidiary owned by the Company and other railroad corporations that such Railroad Subsidiary would no longer be qualified as such.

(4) No such substitution shall be made if the substituted Securities are of an issue junior to the Securities to be retired.

(5) In each such case the Corporate Trustee shall be furnished with the following:

(A) An Officers' Certificate stating in substance as follows: (i) the Securities (briefly described) to be renewed, extended or retired and the terms of such renewal, extension or retirement; (ii) the Securities (briefly described), if any, to be issued in substitution; (iii) that the renewal, extension or substitution will be to the benefit and advantage of the Company and will not be detrimental to the interest or security of the Bondholders; (iv) whether the Securities to be renewed or extended or for which new Securities are to be substituted are Securities of a Railroad Subsidiary; (v) that if such new Securities are to be substituted for Securities of a Railroad Subsidiary such substitution will not so reduce the number of shares of voting Stock of such Railroad Subsidiary then owned by the Company and other railroad corporations that such Railroad Subsidiary would no longer be qualified as such; (vi) that the Securities, if any, to be issued in substitution will not be junior to the Securities to be retired; and (vii) that no Event of Default has occurred and is continuing; and

(B) An Opinion of Counsel that such renewal, extension or substitution is in accordance with the provisions of the Mortgage and that any Securities so to be renewed or extended will, upon such renewal or ex-

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counsel to be instituted and prosecuted in a court of competent jurisdiction to enforce the payment of the principal and interest on such Debt Security and the performance of the covenants, terms or conditions therein and in such mortgage or other instrument contained and the foreclosure or other enforcement of such mortgage or other instrument, or otherwise.

SECTION 5. Unless an Event of Default shall have occurred and be continuing, the following transactions may be carried out and consummated:

(a) The renewal or extension of any Debt Security deposited and pledged hereunder at the same or a lower or higher rate of interest;

(b) The renewal or extension of any mortgage or other lien or instrument securing any Debt Securities deposited and pledged hereunder; and

(c) The issue in substitution for any Securities of a Railroad Subsidiary deposited and pledged hereunder of other Securities issued by the same Railroad Subsidiary which, except in the case of common Stock, shall be of the same or a greater aggregate principal amount or liquidation value, shall be secured by the same or an equivalent or prior lien or entitle the holder to an equivalent or superior liquidation and dividend preference, and shall bear the same or a higher or lower rate of interest or preferred dividend;

subject, however, to the following terms and conditions:

(1) All Securities so renewed or extended (if replaced by new Securities) and all Securities for which new Securities are substituted shall be delivered by the Corporate Trustee to the corporation issuing the same solely for retirement.

(2) All Securities so issued in renewal, extension or substitution shall forthwith upon the issue thereof be deposited and pledged hereunder to the same extent and in the same

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tension, and any new Securities to be issued will, upon the issue and delivery thereof to the Company, be validly issued and outstanding and what they purport to be and validly owned by the Company; that whatever consent, authorization or approval on the part of any governmental authority is requisite for such ownership and pledge has been obtained; that all shares of Stock, if any, included in such Securities are fully paid and non-assessable; and that upon the deposit and pledge of said Securities hereunder the Mortgage will constitute a valid, enforceable and direct lien thereon, free and clear of liens prior thereto.

Upon receipt of the instruments specified in clauses (A) and (B), and a Certified Resolution requesting any such extension, renewal or substitution, the Corporate Trustee shall permit the same and take any other action necessary to effect any such extension, renewal or substitution.

SECTION 6. The Corporate Trustee may sell, assign, transfer and deliver so many shares of the Stock of any corporation whose Stock is deposited and pledged under the Mortgage as may be necessary to qualify persons to act as directors of, or in any other official relation to, such corporation. In every such case the Company shall make such arrangements with the Corporate Trustee as shall be deemed necessary by the Corporate Trustee for the protection of the trusts hereunder.

SECTION 7. In case a corporation any of the Securities of which shall be deposited and pledged under the Mortgage shall be consolidated with or merged into, or shall convey all or substantially all of its properties to, the Company, the Securities of such corporation that are deposited and pledged under the Mortgage shall be surrendered to the consolidated corporation or to the Company, as the case may be, but only if, as evidenced by an Opinion of Counsel furnished to the Corporate Trustee, (i) by virtue of such consolidation or

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merger and the application of the provisions of Article XII the lien of the Mortgage has extended to the property of such corporation the Securities of which are so surrendered, and (ii) in the case of any Debt Securities so surrendered which are secured by a lien on the property of such corporation, the lien of the Mortgage resulting from such consolidation or merger is substantially equivalent to the lien securing such Debt Securities.

SECTION 8. In case at any time

(a) any corporation, the Securities of which shall be deposited and pledged hereunder, shall be dissolved or liquidated, or

(b) all or any of the property of any such corporation shall be sold at any judicial sale, or

(c) any of the property covered by any mortgage securing any Debt Security deposited and pledged under the Mortgage shall be sold in foreclosure proceedings or other proceedings for the enforcement of such mortgage or the Debt Security thereby secured,

then, and in any such case, if the property of such dissolved or liquidating corporation or the property sold can be acquired by crediting on the Securities so pledged under the Mortgage any sum accruing or to be received thereon out of the proceeds of such property, and by paying not more than 10% of the price of such property in cash (or more than 10% if the Company or the holders of 25% in principal amount of the Outstanding Bonds shall so request), the Corporate Trustee in its discretion may, and if requested in writing by the Company or the holders of 25% in principal amount of the Outstanding Bonds and upon being provided with the amount of cash necessary therefor (whether such amount be more or less than 10% of the price of such property) and security or indemnity satisfactory to it against any expense or liability

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obligations secured by a pledge of the Securities to be sold) and a statement that the amount of such consideration is not less than the fair value to the Company of the Securities to be sold and represents an adequate consideration therefor. None of such purchase money obligations shall mature more than five years from the date of issue, and the aggregate principal amount thereof shall not exceed 60% of the total amount of such consideration.

(3) If the Securities to be disposed of are Securities of a Railroad Subsidiary, a statement that such sale is subject to the provisions of Part B of Section 1 of Article X, accompanied by showings in compliance therewith, or a statement that the provisions of said Part B are not applicable to such sale.

(4) That no Event of Default has occurred and is continuing.

(c) The consideration stated in the Officers' Certificate provided for in subsection (b) of this Section 9 to be received by the Company shall be deposited and pledged with the Corporate Trustee.

(d) The Corporate Trustee shall be furnished with an Opinion of Counsel stating that (i) such sale is in accordance with the provisions of the Mortgage, (ii) the Corporate Trustee is authorized under the terms of the Mortgage to comply with the request of the Company in consummation of the sale, (iii) any purchase money obligations mentioned in the Officers' Certificate provided for in subsection (b) of this Section 9 are valid obligations, secured by a valid and enforceable pledge of the Securities to be sold, free and clear of prior liens, (iv) such pledge contains appropriate provision for the security and protection of the Bonds, and (v) all necessary consent or approval of all governmental authorities for the sale and acquisition of such Securities has been obtained or that no such consent or approval is necessary; and said opinion shall be accompanied by a certified

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on its part shall, purchase or cause to be purchased such property, either in the name or on behalf of the Corporate Trustee or of the Company or of purchasing trustees, as the Corporate Trustee may determine, and the Corporate Trustee shall use, or permit the Company to use, such Securities so far as may be permissible to make payment for such property. In the event of any such purchase, the Corporate Trustee shall take such steps as it may deem proper to cause such property either to be vested in the Company and subjected to the direct lien of the Mortgage or in some other corporation with power to acquire and operate such property. The Company covenants that, if such property is vested in some other corporation with power to acquire and operate such property, all Securities of such other corporation acquired directly or indirectly through such use of the pledged Securities will be deposited and pledged under the Mortgage.

SECTION 9. The Company may, unless an Event of Default shall have occurred and be continuing, sell the Securities of any corporation which are deposited and pledged under the Mortgage, except Prior Lien Bonds, but only upon and subject to the following conditions:

(a) All Securities of such corporation pledged hereunder shall be sold simultaneously.

(b) The Corporate Trustee shall be furnished with an Officers' Certificate setting forth:

(1) A description of the Securities to be disposed of by the Company, a statement that the Securities so described include all Securities of such corporation pledged hereunder and a statement as to whether or not such corporation is a Railroad Subsidiary.

(2) A brief statement of the price or consideration to be received by the Company (which consideration may be cash, or cash and purchase money

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copy of any such consent or approval specified in said opinion to be necessary.

(e) The Corporate Trustee shall be furnished with a Certified Resolution authorizing the sale of the Securities mentioned in the Officers' Certificate provided for in subsection (b) of this Section 9, and requesting the release thereof from the lien of the Mortgage.

Upon receipt by the Corporate Trustee of the instruments mentioned in subsections (b), (d) and (e) of this Section 9, and the consideration to be received by the Company as therein stated, the Corporate Trustee shall release from the lien of the Mortgage, and deliver to or upon the written order of the Company, all Securities so to be sold at the time held by the Corporate Trustee.

SECTION 10. In case an Event of Default shall have occurred and be continuing, the Company shall no longer be entitled to receive the payments and exercise the rights theretofore permitted it pursuant to the provisions of this Article IX, but nevertheless, may do any of the things authorized to be done by it in Sections 2, 3, 5, 7, 8 and 9 of this Article IX upon compliance by it with the respective provisions of said sections, if the Corporate Trustee, in the exercise of its discretion, in writing expressly authorizes or assents to such action. The Corporate Trustee shall so authorize or assent to such action if requested by the holders of a majority in principal amount of the Outstanding Bonds.

SECTION 11. All moneys received by the Corporate Trustee in respect of any Securities deposited and pledged hereunder, unless the Company shall be entitled to receive the same under the provisions of Section 2 of this Article IX, shall be held, paid out or applied by it as in the case of money deposited

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upon the release of mortgaged property, in the manner provided in Section 7 of Article X.

SECTION 12. The Company covenants and agrees that forthwith on demand of the Corporate Trustee it will pay, or will provide for in a manner satisfactory to the Corporate Trustee, all expenditures incurred by the Corporate Trustee under any of the provisions of this Article IX, including all sums required to obtain and perfect the ownership and title to any property which the Corporate Trustee shall cause or authorize to be purchased pursuant to any provision of this Article IX; and the Corporate Trustee in its discretion, without impairment of or prejudice to any of its rights under the Mortgage by reason of any default of the Company, may but shall not be obligated to advance any or all such expenses and such other moneys as may be required, or may procure such advances to be made by others, and for such advances made by the Corporate Trustee or by others at its request, with interest thereon at the rate of 4% per annum, the Corporate Trustee shall have a lien upon the mortgaged property in priority to the lien of the Bonds, except as to funds held in trust for the benefit of the holders of particular Bonds or coupons.

SECTION 13. The Company may at any time sell, and the Corporate Trustee shall release from the lien of the Mortgage, any or all Securities pledged and deposited with the corporate trustee of the First Mortgage upon delivery to the Corporate Trustee of a Certified Resolution requesting such release accompanied by a statement in writing of the corporate trustee of the First Mortgage certifying that such Securities have been released from the lien of the First Mortgage in accordance with the applicable terms and provisions thereof as they existed on the date of the execution and delivery of the Mortgage.

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ARTICLE X

POSSESSION, USE AND RELEASE OF PROPERTY

SECTION 1. While the Company shall remain in possession of the mortgaged property, it shall be entitled to manage, operate, use and enjoy all and singular the property subject to the Mortgage (except any cash or Securities deposited or pledged or required to be deposited or pledged with the Corporate Trustee under the terms of the Mortgage or with the corporate trustee under the terms of the First Mortgage) and to receive, take and use the rents, incomes and profits thereof subject to the terms of the Mortgage. The subsequent provisions of this Section 1 are for the purpose of permitting the advantageous use of the property subject to the Mortgage in the operation and management of the business so as most judiciously to maintain the value of such property of the Company and the value of the security for the Bonds.

PART A. While remaining in possession of the mortgaged property, the Company shall be entitled in the usual and ordinary conduct of its business:

(a) to alter, repair, dismantle when no longer useful, replace, change and add to its buildings, roadways, trackage, Equipment, materials, supplies and any other physical property;

(b) to make any change in the location of its lines, tracks, station houses, buildings or other structures situated upon or comprising any part of the property subject to the Mortgage to other premises, if said lines, tracks, station houses, buildings, structures and the premises whereon they are relocated shall be or concurrently become subject to the lien of the Mortgage to the same extent and with the same priority of lien as before such relocation; and

(c) to modify the rights under, or to abandon or terminate, any trackage, terminal, operating or other con-

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SECTION 14. Subject to the provisions of Section 13 of this Article IX, the Company shall have and may exercise from time to time without notice to or consent of the Trustees all rights of ownership of all securities which are subject to the lien of the Mortgage but not at the time deposited or required to be deposited hereunder, provided always that no action shall be taken by the Company which is inconsistent with the provisions of the Mortgage or of the First Mortgage or any Prior Lien under which such securities are pledged or deposited or which is prejudicial to the security or interests of the Bondholders.

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tract, agreement or lease, easement, franchise, license, authority or permit under which the Company may now or hereafter conduct its railroad operations; provided, in the case of any modification, that the same does not substantially impair the rights of the Company in its railroad operations or in the judgment of the Company impair the security or interests of the Bondholders, and in the case of any abandonment or termination, that such rights are no longer required for the railroad operations of the Company, and that rights of operation, substantially equivalent as to scope and term, are otherwise owned or are concurrently to be acquired and subjected to the lien of the Mortgage to the same extent and with the same priority of lien as existed prior to the modification, abandonment or termination.

PART B. To increase operating efficiency and effect economies by elimination of unnecessary trackage or unnecessary duplication of trackage within its own transportation system which is subject to the lien of the Mortgage, and by facilitating the coordination of operations of such transportation system with operations of the transportation systems of other railroads the Company, while remaining in possession of the mortgaged property, may, under the conditions and upon compliance with the provisions of Sections 2 and 3 of this Article X to the extent applicable:

(a) Sell, exchange for other property, abandon, lease or otherwise dispose of any part, substantially less than all, of its lines of railroad (including any leasehold, easement, trackage right or other interest therein) which are subject to the lien of the Mortgage, but only if, at or prior to such sale, exchange, abandonment, lease or other disposition,

(1) there shall be filed with the Corporate Trustee a Certified Resolution determining and expressing the judgment of the Board of Directors that

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- (i) such sale, exchange, abandonment, lease or other disposition will increase operating efficiency and effect economies by elimination of unnecessary trackage or unnecessary duplication of trackage within the Company's own transportation system then subject to the lien of the Mortgage, or by facilitating the coordination of operations of such transportation system with operations of the transportation systems of other railroads, and will not substantially impair the ability of the Company to handle the traffic of its transportation system, and
 - (ii) that the property so to be sold, exchanged, abandoned, leased or otherwise disposed of is no longer deemed necessary or expedient in the operation of its transportation system and that the security or interests of the Bondholders will not be impaired thereby; and
- (2) there shall also be filed with the Corporate Trustee, as to any part of such lines of railroad (including any leasehold, trackage right or other interest therein) desired to be sold, exchanged, abandoned, leased or otherwise disposed of, an Officers' Certificate stating the facts relied upon to show that
- (i) such part of said lines of railroad is a branch or spur line, or is otherwise so separable from any main line serving principal points, that such sale, exchange, abandonment, lease or other disposition will not break the continuity of such main line between the principal points served thereby, or
 - (ii) after said sale, exchange, abandonment, lease or other disposition there will remain at least one other route subject to the lien of the Mortgage between the principal points

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during the continuance thereof, and also by the purchaser of the property so leased upon any sale thereof, whether such sale be made under the power of sale hereby conferred or under judicial proceedings.

Notwithstanding the foregoing provisions of this Part B, any line or portion of a line of railroad (including any leasehold, easement, trackage right or other interest therein) subject to the lien of the Mortgage may be sold, exchanged, abandoned, leased or otherwise disposed of upon compliance solely with the provisions of clause (1) of this subdivision (a), if such sale, exchange, abandonment, lease or other disposition is with the approval or direction of the holders of a majority of all Outstanding Bonds, such approval or direction being made and evidenced pursuant to the provisions of Article XIII and filed with the Corporate Trustee.

(b) Sell, exchange or otherwise dispose of an undivided interest in any part of any line of railroad, or in any bridge or terminal, which is subject to the lien of the Mortgage, or grant an easement over, or enter into a trackage agreement providing for the use by another railroad of, any such line of railroad, or bridge or terminal, with or without use of appurtenant shop or other operating and service facilities; and any such easement or trackage right may, but need not, extend for a longer period than the latest maturity of any of the Bonds then outstanding, and may, but need not, be subject to termination by the Trustees upon the occurrence or during the continuance of any Event of Default, or by the purchaser of any property to which the same relates upon any sale thereof by virtue of the power of sale hereby conferred or under judicial proceedings; but in the case of each such sale, exchange or other disposition of an undivided interest or in case any such easement or trackage right shall extend for a longer period, as aforesaid, or is not subject to termination, as aforesaid, then at or prior thereto

(1) there shall be furnished to the Corporate Trustee an Opinion of Counsel that there has been ade-

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served by the part of such line to be sold, exchanged, abandoned, leased or otherwise disposed of, over which the traffic of its transportation system between such principal points may be handled with substantially equal facility, or

- (iii) the Company has acquired, or upon such sale, exchange, abandonment, lease or other disposition will acquire, rights over lines of another railroad company through joint ownership, lease or trackage agreement whereby facilities will be available for general continuity of operation of its transportation system which are substantially equivalent to the facilities therefor of the lines of railroad to be sold, exchanged, abandoned, leased or otherwise disposed of, and that any such lease or trackage agreement, as evidenced by an Opinion of Counsel furnished to the Corporate Trustee, will extend at least beyond the latest date of maturity of any of the Bonds then outstanding and will not be subject to termination prior to its expiration date on account of any lien on the property covered thereby; and

(3) there shall be pledged with the Corporate Trustee or otherwise subjected to the lien of the Mortgage, subject only to the First Mortgage and Permitted Encumbrances, in such manner as shall be deemed sufficient in an Opinion of Counsel furnished to the Corporate Trustee, any and all rights of joint ownership, leases, and trackage agreements acquired by the Company and referred to in such Officers' Certificate pursuant to the preceding clause (2) (iii).

Any lease of property of the Company made pursuant to this subdivision (a) shall be made expressly subject to immediate termination by the Trustees at any time upon the occurrence of an Event of Default and at any time

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quately preserved to the Company the equal or prior right to the use of any such line of railroad, bridge, or terminal in which an undivided interest has been disposed of or as to which an easement or trackage right has been so granted, and to appurtenant facilities, if any, as to which a right of use has been so granted, and

(2) there shall be filed with the Corporate Trustee a Certified Resolution determining and expressing the judgment of the Board of Directors, in the case of any such sale, exchange or other disposition, that the same is advantageous to the economical and efficient operation of the business of the Company, or, in the case of any such easement or trackage right agreement, that the terms thereof are reasonable and advantageous to the economical and efficient operation of the business of the Company and, in either case, that such transaction will not substantially impair the ability of the Company to handle the traffic of its transportation system subject only to the liens of the Mortgage, First Mortgage and Permitted Encumbrances at or between the principal points served thereby nor impair the security or interests of the Bondholders.

In case an easement over, or a trackage agreement providing for the use by another railroad of, any part of any line of railroad or in any bridge or terminal shall be granted by the Company for a longer period than the latest maturity of any of the Bonds then outstanding or not be subject to termination by the Trustees upon the occurrence or during the continuance of any Event of Default or by the purchaser of any property to which the same relates upon any sale thereof by virtue of the power of sale hereby conferred or under judicial proceedings, the Trustees shall, at the request of the Company and upon receiving the Opinion of Counsel and Certified Resolution with respect thereto as provided in this subdivision (b), execute and deliver a certificate or consent to the granting of such easement or trackage agreement.

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Section 1

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Any principal point which is the terminus of any line of railroad of the Company subject to the lien of the Mortgage shall cease to be a principal point if, for any period of five successive years after the date of the Mortgage, traffic over the line, or a portion thereof serving such point designated as provided in the following sentence, has been such that the operation by the Company of such line or such designated portion, as the case may be, has been without profit during the whole of such period. Upon filing with the Corporate Trustee an Officers' Certificate designating any such principal point and the line serving such point, or a specified portion thereof, and showing facts with respect to traffic and operation of such line or such specified portion thereof, as the case may be, fulfilling to the satisfaction of the Corporate Trustee the requirements of this paragraph, together with a Certified Resolution expressing the judgment of the Board of Directors that the principal point described in said Certificate is in fact no longer a principal point in the operation of such lines of railroad, then said principal point shall no longer be deemed or treated as a principal point on such line for any purpose under the provisions of this Part B.

The provisions and limitations of this Part B shall govern any sale by the Company, pursuant to the provisions of Article IX, of the securities of any Railroad Subsidiary owning a connecting line of railroad or bridge which forms a part of the transportation system of the Company.

PART C. In case any line of railroad (including any leasehold, easement, trackage right or other interest therein) subject to the lien of the Mortgage is desired to be abandoned, prior to any such abandonment there shall be furnished to the Corporate Trustee, in addition to all other requirements of this Section 1, an Opinion of Counsel stating that any requisite approval of the Interstate Commerce Commission or other governmental authority having jurisdiction in the premises has been obtained for such abandonment and said

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Section 2

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Corporate Trustee, or with the corporate trustee of the First Mortgage, or with the trustee or mortgagee of any Prior Lien or Permitted Encumbrance as permitted by the provisions of Section 4 of this Article X, an amount in cash equal to the cash so received and the fair value to the Company, in the opinion of the Engineer, of such other consideration; and

(c) Make any lease of any of the mortgaged property, other than its lines of railroad (including any leasehold, trackage right or other interest therein), bridges or terminals, or grant any easement, license or other right with respect to any of the mortgaged property which does not interfere with the use and operation of its lines of railroad, bridges and terminals, provided such lease, easement, license or other right is subject to the continuing lien of the Mortgage.

On or before April 1, 1949, and on or before April 1 of each succeeding year, the Company shall file with the Corporate Trustee a report for the preceding calendar year signed as in the case of an Officers' Certificate and setting forth in reasonable detail a description of the property sold, exchanged or otherwise disposed of during the preceding calendar year under subsection (b) of this Section 2, the cash or other consideration received by the Company in connection with each such sale, exchange or other disposition (showing separately, in the case of such other consideration, that which shall have become, and that which shall not have become, subject to the lien of the Mortgage), the total amount of consideration received during the preceding calendar year for property so sold, exchanged or otherwise disposed of, and the total amount thereof deposited with the corporate trustee of the First Mortgage or with the trustee or mortgagee of any Prior Lien or Permitted Encumbrance as permitted by the provisions of Section 4 of this Article X.

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Sections 1 and 2

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Opinion of Counsel shall be accompanied by a certified copy of the order, if any, expressed to be so required.

SECTION 2. Except as hereinafter specifically provided in this Section 2, the Company while remaining in possession of the mortgaged property may, without obtaining a release from, action by or giving notice to the Trustees and without other action or proceeding on the part of the Company hereunder:

(a) In the ordinary conduct of its business, sell, exchange or otherwise dispose of, free from the lien of the Mortgage, any office equipment, machinery, tools, furniture, materials and supplies and other chattels (except Equipment) which may have become obsolete, worn out, unserviceable or no longer required in the conduct of its business; provided the Company shall, within a reasonable time, replace the same with other property which shall become subject to the lien of the Mortgage and be of a value to the Company at least equal to the value of the property so disposed of;

(b) In the ordinary course of its business, sell, exchange or otherwise dispose of, free from the lien of the Mortgage, any Equipment which is no longer useful, any buildings, bridges, structures, industrial tracks, side tracks or yard tracks which it has been desirable in the conduct of its business to retire from use, and any land constituting abandoned right of way or station grounds, or industrial sites or other land (with or without improvements thereon) which is no longer useful to the Company, if the consideration received on any such sale or other disposition does not exceed \$10,000; provided that if the Company shall receive any cash or other consideration (other than property, which may but need not have a similar substitutional use, and which shall become subject to the lien of the Mortgage) on any such sale or other disposition, it shall from time to time, but at intervals of not more than 90 days, deposit with the

Article X
Sections 2 and 3

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Such report shall be accompanied by an Engineer's Certificate stating that the respective considerations received in all cases of sales, exchanges or other dispositions made under subsection (b) of this Section 2 represented the fair value to the Company of the property sold or otherwise disposed of and that in no case was the consideration received in any one sale or other disposition in excess of \$10,000 and stating the fair value to the Company of all such consideration other than cash.

In order to evidence the termination of the lien of the Mortgage on any property sold, exchanged or otherwise disposed of in accordance with this Section 2 the Corporate Trustee, or in case such property is located in the State of Missouri, the Trustees shall execute and deliver confirmatory releases or certificates that such property is free from the lien of the Mortgage from time to time at the request of the Company upon receiving an Officers' Certificate describing in reasonable detail the property to be released, and stating that it has been sold, exchanged or otherwise disposed of under the provisions of this Section 2 and in full compliance with the terms and conditions prescribed herein, and an Engineer's Certificate stating the fair value to the Company of the property to be released and the fair value to the Company of all consideration, other than cash to be received by the Company therefor, and stating that the consideration, including cash, received or to be received by the Company for such property represented the fair value of such property to the Company and does not exceed \$10,000.

SECTION 3. PART A. From time to time unless and until an Event of Default shall have occurred and be continuing, the Company may sell or dispose of, and in connection therewith obtain the release of, any part of the property subject to the lien of the Mortgage, other than cash or purchase money

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Section 3

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obligations held by the Corporate Trustee or Securities deposited and pledged with the Corporate Trustee, provided that the applicable provisions, if any, of Part B of Section 1 of this Article X are complied with; and the Corporate Trustee, or in the case of property located in the State of Missouri, the Trustees, shall release from the lien of the Mortgage any such property if the fair value (as determined by the Engineer in accordance with the provisions of clause (g) of Part B of this Section 3) of the part of the property to be released shall not exceed the aggregate of:

(a) The cash, then being deposited with the Corporate Trustee or with the corporate trustee of the First Mortgage or with the trustee or mortgagee of any Prior Lien or Permitted Encumbrance as permitted by the provisions of Section 4 of this Article X, which shall have been or is to be concurrently received by the Company as consideration or part consideration for the disposition of the property to be released;

(b) The principal amount of any purchase money obligations, then being deposited and pledged with the Corporate Trustee or with the corporate trustee of the First Mortgage or with the trustee or mortgagee of any Prior Lien or Permitted Encumbrance as permitted by the provisions of Section 4 of this Article X, which shall have been received by the Company as consideration or part consideration for the disposition of the part of the property to be released and which shall be secured by a purchase money mortgage thereon; provided that

(1) such purchase money obligations shall mature within five years of the date thereof and shall be included only to the extent that the principal amount thereof does not in the aggregate exceed 60% of the fair value, determined as aforesaid, of the property to be released; and

(2) the aggregate principal amount of such purchase money obligations and all other purchase

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(2) a statement of the amount of cash, if any, being deposited pursuant to clause (a) of Part A of this Section 3;

(3) a description in reasonable detail of the purchase money obligations, if any, being pledged pursuant to clause (b) of Part A of this Section 3, a statement that such purchase money obligations have been received as consideration or part consideration for the disposition of the property to be released, a statement that such purchase money obligations do not exceed the limitations of clause (b) (1) of Part A of this Section 3, and a computation showing that the principal amount of all such purchase money obligations does not exceed the limitations of clause (b) (2) of said Part A;

(4) a statement of the Cost of Additions and Betterments which have been or are to be concurrently acquired as consideration or part consideration for the property to be released, and a description in reasonable detail of such Additions and Betterments;

(5) a statement that no Event of Default has occurred and is continuing;

(6) a statement accompanied by a showing of compliance with Part B of Section 1 of this Article X with respect to the property the release of which is applied for, or a statement that such property does not constitute any part of the lines of railroad or any bridge or terminal subject to the lien of the Mortgage or any leasehold, easement, trackage right or other interest therein; and

(7) a statement as to whether the property, the release of which is applied for, is subject to any Prior Lien or Permitted Encumbrance of the nature referred to in Section 4 of this Article X, and identifying any such liens;

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money obligations pledged with the Corporate Trustee pursuant to the provisions of this Section 3, and then held subject to the lien of the Mortgage (or pledged with the corporate trustee of the First Mortgage or with the trustee or mortgagee of any Prior Lien or Permitted Encumbrance, as permitted by the provisions of Section 4 of this Article X, and then held by such trustee or mortgagee) shall not exceed 10% of the aggregate principal amount of Bonds outstanding at the date of the Application for release filed with the Corporate Trustee pursuant to the provisions of clause (b) of Part B of this Section 3;

(c) The Cost of Additions and Betterments not theretofore Bonded then certified to the Corporate Trustee in the Officers' Certificate filed with the Corporate Trustee, pursuant to the provisions of clause (c) of Part B of this Section 3, with respect to Additions and Betterments which have been or are to be concurrently acquired by the Company as consideration or part consideration for the disposition of the property to be released and which shall not at the time of acquisition be subject to any lien, other than the First Mortgage and liens in the nature of Permitted Encumbrances, prior to the lien of the Mortgage.

PART B. Prior to the release of any part of the property from the lien of the Mortgage under this Section 3 there shall in each case have been delivered to the Corporate Trustee:

(a) A Certified Resolution authorizing or approving the request for release and stating that in the judgment of the Board of Directors such release is desirable in the conduct of the business of the Company;

(b) An Application for such release;

(c) An Officers' Certificate which shall contain:

(1) a description in reasonable detail of the property a release of which is requested, and the fair value thereof as stated in the Engineer's Certificate required by clause (g) of this Part B;

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(d) Any cash then being deposited with the Corporate Trustee pursuant to clause (a) of Part A of this Section 3, or, if any cash is being deposited with the corporate trustee of the First Mortgage or with the trustee or mortgagee of any Prior Lien or Permitted Encumbrance as permitted by the provisions of Section 4 of this Article X, in connection with the release of the property to be released, a written statement of such trustee or mortgagee, as the case may be, certifying that such cash has been deposited with it;

(e) Any purchase money obligations then being deposited and pledged with the Corporate Trustee pursuant to clause (b) of Part A of this Section 3, or, if any purchase money obligations are then being pledged with the corporate trustee of the First Mortgage or with the trustee or mortgagee of any Prior Lien or Permitted Encumbrance as permitted by the provisions of Section 4 of this Article X, in connection with the release of the property to be released, a written statement of such trustee or mortgagee, as the case may be, certifying that such purchase money obligations have been pledged with it, together, in either event, with any and all assignments thereof, supplemental indentures or other instruments which, as set forth in the Opinion of Counsel furnished pursuant to clause (h) of this Part B, are stated to be necessary or advisable to duly assign to the Trustees subject to such lien, or otherwise to render subject to the lien of the Mortgage, such purchase money obligations;

(f) All such deeds, supplemental indentures, or instruments of further assurance, which, as set forth in the Opinion of Counsel furnished pursuant to clause (h) of this Part B, are stated to be necessary or advisable to subject to the lien of the Mortgage any property constituting Additions and Betterments included in the Officers' Certificate filed with the Corporate Trustee pursuant to clause (c) of this Part B;

(g) An Engineer's Certificate stating the fair value to the Company of the property a release of which is requested;

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Sections 3 and 4

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(h) An Opinion of Counsel to the effect that:

(1) any purchase money obligations pledged with the Corporate Trustee, or with the corporate trustee of the First Mortgage, or with the trustee or mortgagee of any Prior Lien or Permitted Encumbrance as permitted by Section 4 of this Article X, have been validly issued; that the assignments, supplemental indentures or other instruments delivered to the Corporate Trustee pursuant to clause (e) of this Part B duly assign to the Trustees subject to such lien, or otherwise render subject to the lien of the Mortgage, such purchase money obligations, or that no such instruments are required for such purpose; and that such purchase money obligations are secured by a valid lien upon the property released subject to no liens prior or equal to the lien thereof, except any liens which were Permitted Encumbrances on the property released and except any Prior Lien to which the property released was subject; and

(2) the property constituting Additions and Betterments specified in the Officers' Certificate filed with the Corporate Trustee pursuant to clause (c) of this Part B is subject to the lien of the First Mortgage (so long as it remains a lien on the mortgaged property) and to the lien of the Mortgage or will become subject to such lien upon the delivery and recording or filing of the deeds, supplemental indentures, or instruments of further assurance, if any, specified in said Opinion of Counsel, subject to no defect in title and subject to no lien thereon prior or equal to the lien of the Mortgage, except the First Mortgage and Permitted Encumbrances, if any; provided that such Opinion of Counsel may recite that it is based upon certificates or opinions of officers or engineers of the Company as to any matters of fact not of public record.

SECTION 4. If, under the provisions of the First Mortgage or of any Prior Lien or Permitted Encumbrance on any

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Sections 6 and 7

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Prior to any such confirmation of subordination or release there shall be delivered to the Corporate Trustee a Certified Resolution requesting such action by the Trustees and an Officers' Certificate which shall describe the Equipment as to which a confirmation of subordination or a release is requested, shall describe the Equipment Obligation to be secured by a prior right, charge, lien or title thereon, shall state that such Equipment was acquired or constructed for the use of the Company within two years preceding the date of such Certificate, and shall state that none of said Equipment has theretofore been Bonded.

There shall also be furnished to the Corporate Trustee an Opinion of Counsel and the instrument or instruments to be executed and delivered by the Trustees in order to effect the requested confirmation of subordination or release. Such Opinion of Counsel shall approve the form of the instrument or instruments furnished therewith and shall express the opinion that, after the execution and delivery by the Trustees of such confirmation of subordination or release, the lien of the Mortgage will continue to attach to all right, title or interest of the Company then or thereafter existing with respect to the Equipment described in the Certificate, subject only to the prior right, charge, lien or title of the Equipment Obligations therein described and to the First Mortgage; but such expression of opinion may be predicated upon the execution and delivery of other instruments in addition to those specified above, or the taking of other action, in which case the Company shall cause such other instruments to be executed and delivered or such other action to be taken.

SECTION 7. Unless an Event of Default shall have occurred and be continuing, all moneys held by the Corporate Trustee under this Article X, at the option of the Company:

(a) May be withdrawn by the Company upon its written Application, accompanied by a Certified Resolution

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Sections 4, 5 and 6

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part of property to be released from the Mortgage, there is required to be made with or to the trustee or mortgagee under such lien a deposit of cash or pledge of purchase money obligations in order to obtain a release therefrom of such part of the property subject to the Mortgage, the Company shall not be required to deposit or pledge with the Corporate Trustee such cash or purchase money obligations to the extent that the Company shall deposit such cash and pledge such purchase money obligations with the trustee or mortgagee of such lien.

SECTION 5. Should any part of the property subject to the lien of the Mortgage be taken by the exercise of the power of eminent domain or should any governmental body at any time exercise any right which it may have to require the sale to it or to a purchaser designated by it of any part of the property subject to the lien of the Mortgage, the Trustees, upon request of the Company, shall release the property so taken or sold upon the Corporate Trustee's being furnished with an Opinion of Counsel to the effect that such part of the property subject to the lien of the Mortgage has been lawfully taken or sold as aforesaid. The aforesaid Opinion of Counsel shall state the amount of proceeds received or to be received for the property so taken or sold. Subject to the provisions of Section 4 of this Article X, the proceeds of all property so taken or sold shall be deposited with the Corporate Trustee.

SECTION 6. In order to confirm, secure or clear (of record or otherwise) the prior right, charge, lien or title with respect to Equipment securing any Equipment Obligation hereafter created under reservation of right set forth in connection with the granting clauses of the Mortgage, the Trustees shall, upon compliance with the subsequent provisions of this Section 6, either confirm as to such Equipment the subordination of the lien of the Mortgage to such prior right, charge, lien or title, or release such Equipment from the lien of the Mortgage.

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Section 7

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authorizing such Application, in an amount equal to the Cost of Additions and Betterments acquired or constructed after the date of the deposit of the moneys desired to be withdrawn, provided such Cost has not been Bonded; but only upon delivery to the Corporate Trustee of an Officers' Certificate, dated not more than 30 days prior to the delivery thereof, containing a description in reasonable detail of the property constituting the Additions and Betterments represented by such Cost and a statement of the amount of such Cost, that no part of such Cost has theretofore been Bonded, and that no Event of Default has occurred and is continuing. There shall be delivered to the Corporate Trustee, accompanying said Application, deeds and instruments of transfer and an Opinion of Counsel of the character required in clauses (f) and (h) (2) of Part B of Section 3 of this Article X.

(b) May be withdrawn by the Company upon its written Application, accompanied by a Certified Resolution authorizing such Application, in an amount equal to 133 $\frac{1}{3}$ % of the principal amount of Bonds to the authentication and delivery of which the Company would then be entitled on account of the Net Cost of Additions and Betterments under the provisions of Section 2 of Article III. On any such Application the Company shall comply with all applicable provisions of Section 2 of Article III relating to the authentication and delivery of Bonds and the provisions of Section 9 of Article III, except that it shall not be required to comply with any of the provisions of subsection (g) of Section 2 of Article III or Section 9 of Article III other than subsections (d) (4) and (e) of said Section 9. Any withdrawal of cash under this paragraph shall be in lieu of the right of the Company to the authentication and delivery of Bonds on account of such Net Cost of Additions and Betterments.

(c) May be withdrawn by the Company upon its written Application in an amount not exceeding the principal amount or the cost (exclusive of interest) to the

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Section 7

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Company, whichever is less, of any Bonds (not theretofore Bonded, or acquired, retired, cancelled or paid through the operation of any sinking fund or analogous fund established pursuant to the Mortgage or pursuant to the First Mortgage) theretofore authenticated and delivered under the Mortgage, which shall have been cancelled or surrendered to the Corporate Trustee for cancellation, but only upon delivery to the Corporate Trustee of

(1) an Officers' Certificate describing the Bonds the cancellation or surrender for cancellation of which forms the basis for the proposed withdrawal of cash, stating the cost thereof (exclusive of interest) to the Company, and stating that said Bonds have theretofore been duly issued and outstanding and reacquired by the Company, that none of said Bonds has theretofore been Bonded, or acquired, retired, cancelled or paid through the operation of any sinking fund or analogous fund established pursuant to the Mortgage or pursuant to the First Mortgage, and that no Event of Default has occurred and is continuing; and

(2) the particular Bonds together with all appropriate coupons, if any, appertaining thereto.

(d) May be applied, upon the written request of the Company, signed by its President or a Vice President, accompanied by a Certified Resolution authorizing such request, to the payment at maturity or to the redemption of Bonds then outstanding of any series determined by said Resolution. Any such request of the Company for the application of moneys pursuant to this subsection (d) shall also be accompanied by an Officers' Certificate stating that no Event of Default has occurred and is continuing.

The Company covenants that whenever any redemption of Bonds shall be applied for under the provisions of subsec-

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Sections 7 and 8

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expense paid or incurred in connection with the acquisition and liquidation of such investment and not replaced, paid or reimbursed by the Company as above provided, and shall pay over any balance of such interest payments to the Company.

SECTION 8. Nothing contained in the Mortgage shall prevent the Company from conveying all or any part of the mortgaged property, except Equipment and Securities, that shall at the time of conveyance be located in the State of Texas, to a corporation organized by the Company under the laws of the State of Texas for the purpose of acquiring, owning and operating the property so conveyed, if it shall become necessary, in the judgment of the Board of Directors, that the Company divest itself of such property in order to assure the continued operation of its lines of railroad located in said State; provided that all Securities issued by such corporation shall be acquired by the Company and pledged and deposited with the Corporate Trustee:

The Corporate Trustee shall release from the lien of the Mortgage any such property so conveyed, upon the delivery to the Corporate Trustee of the following:

(a) An application for such release;

(b) A Certified Resolution authorizing or approving the request for release and stating that in the judgment of the Board of Directors it has become necessary that the Company divest itself of title to the property to be released in order to assure the continued operation of the lines of railroad of the Company located in the State of Texas;

(c) An Officers' Certificate which shall:

1. Describe in reasonable detail the property a release of which is requested;
2. Name the corporation to which said property has been conveyed by the Company; state that said corporation is organized under the laws of the

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Section 7

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tion (d) of this Section 7, it will take all action necessary, or authorize the Corporate Trustee to take all action necessary, to redeem such Bonds at the earliest applicable redemption date, and will deposit with the Corporate Trustee on or before the date fixed for redemption additional moneys sufficient to pay the premium and all accrued and unpaid interest on the Bonds so to be redeemed to the date so fixed for redemption.

If and when the Company shall so request by Certified Resolution filed with the Corporate Trustee, provided no Event of Default shall have occurred and then be continuing, any moneys at the time held under this Article X by the Corporate Trustee shall be invested by it in such direct obligations of the United States of America maturing within two years as shall be specified in such Resolution. Such obligations shall be held by the Corporate Trustee in lieu of the moneys invested therein subject to its absolute right to liquidate such investment in such manner and at such time or times as, in the exercise of its discretion, it deems to be advisable. The Company covenants that upon demand by the Corporate Trustee it will replace all moneys lost through any investment made and liquidated as by this Section 7 contemplated, and will pay or reimburse the Corporate Trustee for all accrued interest, commissions and expense paid or incurred in connection with the acquisition and liquidation of such investment. The Corporate Trustee shall have the right and duty to receive all amounts paid on account of any investment made by it as hereby contemplated, including all interest payments, shall retain such interest payments pending liquidation of such investment, and after such liquidation shall retain so much of such interest payments as may be necessary to replace any loss of moneys suffered or to pay or reimburse itself for any accrued interest, commissions or

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Section 8

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State of Texas; describe and state the amount of all outstanding Securities of such corporation; and state that such corporation is a Railroad Subsidiary;

(d) All Securities described in the Officers' Certificate required by subsection (c) above; and all such instruments, if any, as in the Opinion of Counsel furnished pursuant to subsection (e) below may be stated to be necessary or advisable to subject such Securities to the lien of the Mortgage; and

(e) An opinion of Counsel that all Securities of such Railroad Subsidiary required to be pledged and deposited with the Corporate Trustee by subsection (d) above are subject to the lien of the First Mortgage (so long as it shall remain a lien on the mortgaged property) and to the lien of the Mortgage or will become subject to such liens upon delivery thereof or delivery of the instruments, if any, specified in said Opinion of Counsel; that the Company has valid title to such Securities and the right to own and pledge the same, free from any other lien; that such Securities have been duly authorized by all corporate authority required under the laws of the State of Texas, the charter (or other document of organization) and the by-laws of such Railroad Subsidiary; that no authorization by any commission or governmental authority is required by law for the issue of such Securities or for the valid ownership thereof by the Company or the pledge thereof as provided in this Section 8, except such authorization as shall be specified in said Opinion of Counsel, and which shall be evidenced by copies of the orders or certificates so specified, appropriately certified; that all bonds, if any, of such Railroad Subsidiary included in such Securities are valid obligations thereof and are secured by a valid general lien on all or substantially all of the physical property of such Railroad Subsidiary; that all Stocks included in such Securities are fully paid and non-assessable; and that the Company's title to the property a release of which is requested has been conveyed to and is then vested in the Railroad Subsidiary referred to in said Officers' Certificate.

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Sections 8 and 9

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All Securities described and specified in the Officers' Certificate required by subsection (c) above shall be deemed to be Bonded.

The Company covenants that it will acquire upon issuance and forthwith upon acquisition will deposit and pledge with the Corporate Trustee all Securities thereafter issued by such Railroad Subsidiary, without prejudice to the Company's right to the authentication and delivery of Bonds for the purpose of acquiring such of said Securities as shall be Railroad Subsidiary Bonds, to the extent and upon the conditions provided in Section 5 of Article III, provided that the unretired physical property of such Railroad Subsidiary used as a basis for determining the amount of Bonds issuable under said Section 5 shall not include any property so conveyed by the Company to such Railroad Subsidiary.

So long as the First Mortgage shall remain a lien on the mortgaged property the deposit and pledge by the Company of the Securities of such Railroad Subsidiary, either upon an Application for release as aforesaid of thereafter, with the corporate trustee of the First Mortgage pursuant to the provisions of Section 8 of Article X of the First Mortgage, as evidenced by a statement of the corporate trustee of the First Mortgage certifying to such deposit and pledge filed with the Corporate Trustee, shall constitute a compliance by the Company with the provisions of this Section 8 respecting the deposit and pledge of such Securities.

SECTION 9. The Trustees shall not be required under any of the provisions of this Article X to release any part of the property subject to the lien of the Mortgage from the lien hereof at any time when an Event of Default shall have occurred and be continuing; but, notwithstanding any such Event of Default, the Trustees may do so upon compliance

Article X
Sections 11, 12 and 13

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Outstanding Bonds were represented, requested the release of the property in question and selected and designated the independent railroad expert referred to in subsection (c) below; and

(c) in either case, a report of the independent railroad expert selected and designated pursuant to either subsection (a) or subsection (b) above, to the effect that such property is no longer of value to the holders of Outstanding Bonds and that, in his opinion, a proper allocation of revenues and expenses thereto then shows, and in the future may reasonably be expected to show, a loss.

SECTION 12. Notwithstanding any of the provisions of the Mortgage, until the First Mortgage shall be satisfied or released, no release of property from the lien of the Mortgage, other than releases of property pursuant to Section 11 of this Article X, shall be effective unless such property shall have been, or shall at the same time be, released from the lien of the First Mortgage.

SECTION 13. Whenever there shall be delivered to the Corporate Trustee hereunder a copy of an instrument of release certified by the corporate trustee under the First Mortgage to be a true copy of an instrument of release executed and delivered by it and an Opinion of Counsel stating that the property described in said instrument of release was, at the time of such release subject to the lien of the First Mortgage and that said instrument of release has been executed and delivered in conformity with the provisions of the First Mortgage, the Corporate Trustee shall, on the written request of the Company, thereupon release from the Mortgage the property described in said instrument of release without compliance with the requirements of Section 2 or Section 3 of this Article X.

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Sections 9, 10 and 11

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by the Company with the provisions of Section 3 of this Article X except clause (c) (5) of Part B of said Section 3, if the Trustees in their discretion shall deem that such release will not adversely affect the interests of the Bondholders, or if the holders of a majority in principal amount of the Outstanding Bonds shall request the Trustees so to do.

SECTION 10. In no event shall any purchaser or purchasers of any part of the mortgaged property sold or disposed of under any provisions of this Article X be required to ascertain the authority of the Corporate Trustee or the Trustees, as the case may be, to execute any release, to see to the application of the purchase money or to inquire as to any facts required by the provisions hereof for the exercise of such authority.

SECTION 11. Notwithstanding any of the provisions of the Mortgage, the Trustees shall release, either before or after an Event of Default shall have occurred, the lien of the Mortgage as to any property or properties or part or parts thereof at any time subject thereto, and cause such property or properties to revert to the Company free and clear of such lien; provided, however, that, prior to the release of any such property under this Section 11, there shall have been delivered to the Corporate Trustee in each case:

(a) a request (evidenced as provided in Section 1 of Article XIII) of the holders of not less than 75% in aggregate principal amount of all Outstanding Bonds, to release the property in question and the selection and designation by such holders of the independent railroad expert referred to in subsection (c) below; or

(b) the record showing that the holders of not less than 85% in aggregate principal amount of all Outstanding Bonds represented at a Bondholders' Meeting, called and conducted pursuant to Article XIV hereof, at which not less than 50% in aggregate principal amount of all

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Sections 1 and 2

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ARTICLE XI

CONVERSION OF BONDS OF SERIES A

SECTION 1. The holder of any Outstanding Bond or Bonds of Series A in principal sums aggregating \$100 or multiples thereof may, at his election and subject to the provisions of this Article XI, at any time prior to the maturity thereof (except as provided in Section 5 of this Article XI with respect to any Bond called for redemption) convert such Bond or Bonds, but not a part thereof, into stock of the Company upon the basis (except as otherwise provided in Sections 7 and 8 of this Article XI) of one fully paid and nonassessable share of preferred stock of Series B or one fully paid and nonassessable share of common stock for each \$100 principal amount of such Bond or Bonds.

Each such Bond so to be converted, accompanied by all unmatured interest coupons appertaining thereto, shall be surrendered for that purpose to the Company at its office or agency in the City of Chicago, State of Illinois, or in the Borough of Manhattan, City and State of New York, accompanied by written notice by the holder thereof of his election to convert the same into shares of a particular class of stock, in form satisfactory to the Company, duly executed by the holder thereof or his duly authorized attorney.

The Company shall cancel and deliver to the Corporate Trustee all Bonds so surrendered, and such Bonds shall not be made the basis for the authentication and delivery of any Bonds or the withdrawal, payment or application of any cash under any provision of the Mortgage.

SECTION 2. As soon as practicable after such surrender of any Outstanding Bond of Series A for conversion, the Company shall issue and deliver to or upon the order of the holder of such Bond a certificate for the number of whole shares,

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and scrip for the fraction of a share, if any, of the class of stock issuable upon such conversion. The certificate for whole shares shall be issued in the name of such holder or in such name or names as may be directed by him as of the date of such surrender unless such surrender is made while the books for the transfer of any stock issuable upon such conversion are closed for any purpose, in which event the issuance and delivery of certificates for such stock shall be postponed until the opening of such books. The Company shall pay any tax with respect to the issuance or delivery of certificates and scrip as aforesaid except that it shall not be required to pay any tax with respect to any transfer involved in the issue and delivery of certificates in a name or names other than that of the holder of the Bond upon the surrender of which such certificates shall have been issued, and no such issue or delivery shall be made unless and until the person requesting such issue has paid to the Company the amount of any tax payable upon any such transfer, or has established to the satisfaction of the Company that such tax has been paid.

SECTION 3. In lieu of the issuance of fractions of shares resulting from any conversion pursuant to this Article XI, and the issuance and delivery of stock certificates with respect thereto, the Company may deliver scrip certificates for such fractions, exchangeable in lots aggregating one or more full shares for stock certificates for the number and class of full shares represented thereby, and the provisions of such scrip certificates may, among other things, authorize the sale of the fractions represented thereby for the account of the holders thereof, and suspend or negative voting and dividend rights with respect to such fractions while such scrip certificates remain outstanding.

SECTION 4. In case any Bond of Series A be surrendered for conversion during the first three months of a calendar

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convertible into a number of shares of such class of stock of the Company determined by dividing the principal amount of such Bond by the amount of such average consideration per share; provided, that in determining such average consideration per share (a) each share issued pursuant to the Plan or pursuant to any conversion of Bonds of Series A or pursuant to any conversion of preferred stock into common stock shall, solely for the purposes of this Article XI, be deemed to have been issued for \$100 per share or such lesser price per share as shall equal the then average consideration per share determined as above provided; (b) each share issued for property or services rendered shall be deemed to have been issued at a price equal to the amount credited to capital stock account of the Company on account of the issuance thereof; and (c) each share issued as a stock dividend or as a split up of outstanding shares shall be deemed to have been issued for zero dollars. Each Bond of Series A presented to the Company for conversion at any time after the Company shall have changed its preferred stock of Series B or its common stock, or both, into a different number of shares with or without par value, or into the same or a different number of shares of stock of any other class or classes, shall be convertible into shares of stock of the Company, of the class or classes into which such stock shall have been changed, and in a number of shares equitably determined according to the basis upon which such change was effected, all to the end that after any such change or changes any holder of a Bond of Series A shall be entitled to receive upon conversion thereof the equivalent of the number and class of stock of the Company he would then have been entitled to receive had such change or changes not taken place.

The Company covenants that, so long as any Bonds of Series A shall be outstanding, no change in the number or

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year, any interest which shall become due and payable on Bonds of Series A on April 1 of such calendar year (other than interest which shall have become payable only by virtue of the call of such Bond for redemption on such April 1) shall be payable on such April 1 with respect to such Bond notwithstanding surrender thereof, and on such April 1 the Company shall pay such interest to or upon the order of the holder of such Bond who surrendered the same for conversion. Except as payment of interest is specifically provided for in the preceding sentence, all rights with respect to any Bond of Series A surrendered for conversion and to all coupons accompanying the same shall cease and determine upon surrender thereof for such purpose.

SECTION 5. Bonds of Series A called for redemption shall be convertible under this Article XI at any time on or before the date fixed for such redemption, or in case said date shall be a legal holiday, then on or before the first business day thereafter.

SECTION 6. The Company covenants that at all times there shall be authorized but unissued, but reserved solely for the purposes of this Article XI, a number of shares of its stock of each such class or classes as shall be sufficient to enable it to comply with the provisions of this Article XI if all Bonds of Series A then outstanding hereunder should be presented for conversion as herein provided.

SECTION 7. If at the time of the proposed conversion of any Bond of Series A, the average consideration per share (in terms of United States dollars) for which the Company shall have issued its then outstanding shares of the class of stock elected by the holder of such Bond, whether issued for cash, property or services rendered, or as a stock dividend, shall be less than \$100 per share, each such Bond shall be

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class of shares issuable upon the conversion of such Bonds, and no change in the par value of any such shares, will be made if the result of such change would be to render illegal the issuance, upon the conversion of such Bonds, of shares of stock of the Company of the class or classes and in the amount hereinbefore provided for.

SECTION 8. In case the Company shall consolidate with or be merged into any other corporation or corporations or shall convey substantially all of its property and assets to any other corporation while any of the Bonds of Series A shall be outstanding, and in connection with such consolidation, merger or conveyance, shares, securities or other property shall be issuable or deliverable for its stock at the time issuable upon conversion of Bonds of Series A, then as a part of such consolidation, merger or conveyance, lawful provision shall be made so that the holders of Bonds of Series A shall thereafter be entitled to receive upon conversion of the same, in lieu of each share of such stock of the Company which would have been deliverable upon conversion of Bonds of Series A on the conversion basis in effect immediately prior to such consolidation, merger or conveyance, the same kind and amount of shares, securities or other property as may be issuable, distributable, deliverable or payable upon such consolidation, merger or conveyance with respect to each share of such stock of the Company outstanding at the date of such consolidation, merger or conveyance; and after such consolidation, merger or conveyance, the right of conversion of holders of the Bonds of Series A shall be to receive such shares, securities or other properties in lieu of such stock of the Company.

SECTION 9. In case the Company shall take any action which under the provisions of this Article XI shall result in a change in the number or class of shares or character of

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stock deliverable upon conversion of the Bonds of Series A, it shall, as soon as may be, and in any event within one month after the date of such action, file with the Corporate Trustee a statement signed by its President or one of its Vice Presidents and by its Treasurer or one of its Assistant Treasurers, showing in detail, (a) in the case of a change in the number or classes or the character of stock of the Company issuable upon such conversion, the new conversion basis, or (b) in case of any consolidation or merger or sale of assets, the shares, securities or other property thereafter deliverable upon the conversion of any Bonds of Series A.

SECTION 10. The Corporate Trustee shall be under no duty to examine into the truth and accuracy or in any way to verify the facts or conclusions stated in any statement filed with it by the Company pursuant to the provisions of Section 9 of this Article XI, and the Corporate Trustee may rely upon each and every such statement. In case the holders of 10% in principal amount of the Bonds of Series A then outstanding shall give written notice to the Corporate Trustee that they question the correctness of any such statement so filed, or of any fact or conclusion therein stated, the Corporate Trustee shall cause an investigation thereof to be made, in such manner as in its sole discretion it may deem advisable, and if as a result of such investigation the Corporate Trustee shall determine that any correction should be made in any such statement, then the Corporate Trustee shall notify the Company in writing of any such correction and thereafter the rights of the holders of Series A Bonds to convert the same as in this Article XI provided shall be deemed to be as set forth in such statement as so corrected. The cost of making any such investigation shall be repaid to the Corporate Trustee by the Company.

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expressly grant and convey to the Trustees, as further security for all Bonds issued hereunder, and shall subject to the lien of the Mortgage, all of its property and franchises then owned and which it may thereafter acquire of the character and kind which, under the terms of the Mortgage, are required to be subjected to the lien thereof, all as fully as though such consolidation, merger or sale had not taken place and such property and franchises had been acquired by the Company.

Compliance with the foregoing requirements of this Section 1 shall be evidenced by a supplemental indenture.

For the purposes of this Article XII, the term "conveyance" shall mean any sale, conveyance or transfer, the term "successor corporation" shall mean any corporation resulting from any such consolidation or merger or any corporation to which such conveyance shall be made, and the term "lessee corporation" shall mean any corporation to which any such lease shall be made.

The conditions contained in this Section 1 shall not be construed as requiring that in the event of any such consolidation, merger, conveyance or lease a separate income account shall thereafter be maintained in respect of the operation of the properties subject to the lien of the Mortgage, but in lieu thereof provisions may be made which shall be equitable and practical with respect to the apportionment of the revenues and expenses of any such successor or lessee corporation to establish a basis for the determination and application of Available Net Income as required under Article V or for the purpose of determining and applying funds to the payment of interest on any contingent interest bonds of the Company or for the purpose of determining the amount of payments required to be made into or out of the Capital Fund or for any other purpose fulfilling the provisions and conditions of the Mortgage; provided that any such pro-

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ARTICLE XII

CONSOLIDATION, MERGER, CONVEYANCE AND LEASE

SECTION 1. Nothing in the Mortgage or in any Bond shall prevent the consolidation or merger of the Company with or into any other corporation lawfully entitled to acquire and operate the same or successive consolidations or mergers to which the Company or its successor or successors shall be a party or parties, or shall prevent any conveyance or lease, subject to the continuing lien of the Mortgage, of all or substantially all of the mortgaged property to any such other corporation; provided, however, that:

(a) Every such consolidation, merger, conveyance or lease shall be on such terms as shall fully preserve the lien and security of the Mortgage and the rights and powers of the Trustees and of the Bondholders hereunder;

(b) Any such lease shall be made expressly subject to immediate termination by the Trustees at any time upon the occurrence of an Event of Default and during the continuance thereof, and also by the purchaser of the property so leased upon any sale thereof whether such sale be made under the power of sale hereby conferred or under judicial proceedings;

(c) Upon any such consolidation, merger, conveyance or lease, the successor corporation or the lessee corporation, as the case may be, shall expressly assume the due and punctual payment of the principal of and interest on all of the Bonds according to their tenor and purport, and the due and punctual performance of all of the terms, covenants and conditions of the Mortgage required to be kept, preserved and performed by the Company; and

(d) In the event of any such consolidation, merger or conveyance, the successor corporation, subject to the exceptions provided in Section 2 of this Article XII, shall

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visions shall be approved by the Interstate Commerce Commission or other governmental body having jurisdiction of the consolidation, merger, conveyance or lease, and, unless such Commission or other governmental body shall find that no material alteration of the rights of the Bondholders is thereby effected and shall so determine, they shall also be consented to or approved by the holders of two-thirds in principal amount of the Outstanding Bonds, in the manner provided in Article XIII.

SECTION 2. In the event that under the provisions of Section 1 of this Article XII there shall be a consolidation or merger of the Company with or into, or a conveyance by the Company of all or substantially all of the mortgaged property to, a successor corporation, then the successor corporation shall if it shall have been a Railroad Subsidiary immediately prior thereto, and may but need not if it shall not have been a Railroad Subsidiary immediately prior thereto, make an express grant to the Trustees of its property and franchises as required by subsection (d) of Section 1 of this Article XII, and in the absence of such express grant by any such successor corporation (except a Railroad Subsidiary), the Mortgage shall not by reason of such consolidation, merger or conveyance constitute and become a lien upon, and the term "mortgaged property" as herein used shall not include or comprise:

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

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(ii) Any property or franchise which may be purchased, constructed or otherwise acquired by any successor corporation after the date of any such consolidation, merger or conveyance, excepting only the property, rights and franchises referred to in subsections (a) and (b) of this Section 2, which, as and when purchased, constructed, or otherwise acquired by such successor corporation, shall be and become subject to the lien of the Mortgage.

Any supplemental indenture provided for in Section 1 of this Article XII which, by reason of the provisions of this Section 2, is not required to contain an express grant by the successor corporation of all of its property and franchises pursuant to subsection (d) of said Section 1, shall contain:

(a) A grant by such successor corporation confirming the lien of the Mortgage upon the mortgaged property and subjecting to the lien and operation hereof, as fully as though such consolidation, merger or conveyance had not taken place and the same had been acquired or made by the Company:

(1) all property, rights and franchises thereafter constructed or acquired which shall be appurtenant or incident to any property that is subject to the lien of the Mortgage at the time of such consolidation, merger or conveyance;

(2) all property, rights and franchises thereafter constructed or acquired in whole or in part by the issuance of Bonds, First Mortgage Bonds or Prior Lien Bonds;

(3) all property, rights and franchises thereafter constructed or acquired with cash then or at any time thereafter held by the Corporate Trustee or by the corporate trustee under the First Mortgage or under any mortgage securing Prior Lien Bonds or in exchange for property released from the lien thereof, or the acquisition or construction of which has been or shall be made the basis for the withdrawal of cash or the issuance of Bonds or First Mortgage Bonds;

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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 lien of the Mortgage; and

(c) A covenant by such successor corporation to keep the mortgaged property, so far as practicable, readily identifiable, and a stipulation that the Trustees, by accepting or joining in such supplemental indenture, shall not be deemed impliedly to have waived any rights they would otherwise have had.

SECTION 3. Nothing contained in the Mortgage or in any Bond shall prevent the Company from merging into itself or acquiring by conveyance all or any part of the property of any other corporation; and the properties so acquired by the Company shall become subject to the lien of the Mortgage to the extent provided in the granting clauses of the Mortgage, subject only to the First Mortgage and to such encumbrances and purchase money liens as shall exist or be created at the time of such merger or acquisition.

SECTION 4. In case the Company shall be consolidated with or merged into or shall make a conveyance to any other corporation as permitted and upon the terms provided in Section 1 of this Article XII, the successor corporation, upon executing and delivering to the Trustees, and causing to be recorded, the supplemental indenture provided for in Section 1 of this Article XII, shall succeed to and be substituted for the Company with the same force and effect as if it had been named in and had executed the Mortgage as the party of the first part hereto, and shall have and possess and may exercise, subject to the terms and conditions of the Mortgage, each and every power, authority and right herein reserved to or conferred upon the Company; and thereupon such successor corporation may cause to be signed and may issue, either in its

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(4) all betterments, extensions, improvements and additions of, to, upon and for the property, rights and franchises subject to the lien of the Mortgage;

(5) all repairs, renewals, replacements, substitutions and alterations of, to, upon or for such property, rights and franchises;

(6) all property, rights and franchises thereafter 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

(7) all other property of every kind and description, whether real, personal or mixed, whether tangible or intangible, and whether consisting of present or future interests, thereafter constructed or acquired by such successor corporation which is appurtenant to or used in connection with any property acquired by the issuance of Bonds, First Mortgage Bonds or Prior Lien Bonds or acquired with cash then or at any time thereafter held by the Corporate Trustee or by the corporate trustee under the First Mortgage or under any mortgage securing Prior Lien Bonds or acquired in exchange for property released from the lien of the Mortgage, the First Mortgage or any Prior Lien;

(b) A covenant 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 deposit of securities, to the maintenance and upkeep of the mortgaged property, to the supply of adequate and efficient equipment to the lines of railroad included therein, to the making of all needful and proper repairs, 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, or of any

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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 have been signed theretofore by the party of the first part and delivered to the Corporate Trustee; and the Corporate Trustee, upon the order of such successor corporation, and subject to all the terms, conditions and limitations prescribed in the Mortgage, shall authenticate any and all Bonds which previously shall have been signed by the party of the first part and delivered to the Corporate Trustee for authentication, and any Bonds which such successor corporation shall thereafter cause to be signed and delivered to the Corporate Trustee for such purposes, and deliver the same to such successor corporation or upon its order.

SECTION 5. All Bonds issued by any successor corporation shall have the same legal rank and security in all respects as the Bonds theretofore issued by the Company in accordance with the terms of the Mortgage. 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 6. For every purpose of the Mortgage, any act or proceeding by any provision of the Mortgage authorized, required or permitted to be done or performed by the stockholders or by any board or officer of the 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 4 of this Article XII.

SECTION 7. The Company covenants and agrees that no consolidation or merger and no conveyance or lease of the

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mortgaged property as a whole or substantially as a whole, to which the Company or any successor corporation shall be a party, shall be made or effected unless the terms, covenants and conditions contained in Article XI and this Article XII shall have been complied with and observed by the Company or the successor corporation, as the case may be.

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ARTICLE XIII

CONCERNING THE BONDHOLDERS

SECTION 1. Whenever any action is taken by the Bondholders in the exercise of any or all of the following powers:

(a) To terminate, either before or after an Event of Default shall have occurred, the lien of the Mortgage as to any property or properties or part or parts thereof at any time subject thereto and cause the same to revert to the Company free and clear of such lien upon such conditions as such holders may direct pursuant to the provisions of Section 11 of Article X;

(b) To remove either Trustee and appoint a successor trustee pursuant to the provisions of Article XV;

(c) To give any notice to the Company or to the Trustees, or to give any directions to the Trustees, or to consent to the waiving of any default hereunder and its consequences, or to take any other action authorized to be taken by Bondholders pursuant to any of the provisions of Article XVI;

(d) To consent to an extension to any fixed or determinable date of the time or times of payment of the principal of, or the time or times of payment of any Fixed Interest or any unpaid accumulations of Contingent Interest on, all of the Bonds of any or all series which at the time shall be outstanding, subject, however, to the provisions of Section 3 of Article XIX;

(e) To consent to the execution of an indenture or indentures supplemental hereto pursuant to the provisions of Section 2 of Article XIX; or

(f) To take any other action or give any other consent authorized to be taken or given by or on behalf of the holders of any specified percentage or portion of the aggregate principal amount of the Bonds under any other provision of the Mortgage or under applicable law or, if no percentage is specified, by the holders of not less than a majority in principal amount of all Outstanding Bonds;

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the fact that at the time of taking any such action the holders of a specified percentage in aggregate principal amount of Bonds have joined therein may be evidenced (i) by an instrument or any number of instruments of similar tenor executed by such holders in person or by agent or proxy appointed in writing, or (ii) by the record of the holders of Bonds voting in favor thereof in person or by agent or proxy appointed in writing at any meeting of Bondholders duly called and held in accordance with the provisions of Article XIV hereof, or (iii) by a combination of such instrument or instruments and any such record of such a meeting of Bondholders.

SECTION 2. Proof of the execution of any instrument by the holder of any Bond or his agent or proxy, and proof of the holding by any person of any Bond, shall be sufficient if made in the following manner:

(a) The fact and date of the execution by any such person of any instrument may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds in the jurisdiction in which he purports to act that the person executing such instrument 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;

(b) The fact of the holding by any person of coupon Bonds transferable by delivery, and the amounts and distinctive numbers of such Bonds and the date of his holding the same, may be proved by the production of the Bonds or by a certificate executed by any trust company, bank or banker satisfactory to the Corporate Trustee wherever situated, if such certificate shall be deemed by the Corporate Trustee to be satisfactory. Each such certificate shall be dated and shall state that on the date thereof a Bond bearing a specified serial number was deposited with or exhibited to such trust company, bank or banker by the person named in such certificate who claimed to be the owner of such Bond. Any such certifi-

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cate may be issued in respect of one or more Bonds specified therein. The holding by the person named in any such certificate of any Bond specified therein shall be presumed to continue after the date thereof set forth in such certificate until and unless (i) there shall be produced another certificate issued in respect of the same Bond showing the holding thereof by another person at a later date, or (ii) the Bond specified in such certificate (or coupon Bond or Bonds in exchange for which such Bond shall have been surrendered) shall be produced by another person, or (iii) the Bond specified in such certificate shall then be registered as to principal in the name of another person or shall have been surrendered in exchange for a registered Bond without coupons issued in the name of another person; and

(c) The ownership of coupon Bonds registered as to principal or of registered Bonds without coupons shall be proved by the registers of such Bonds, or by a certificate of the registrar thereof.

The Corporate Trustee may require such additional proof of any matter referred to in this Section 2 as it shall deem necessary.

The record of any meeting of Bondholders shall be proved in the manner provided in Section 6 of Article XIV.

SECTION 3. The Company, the Corporate Trustee, any paying agent and any bond registrar 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 (whether fixed or contingent) on any Bond whether such Bond shall be registered as to principal or not, as the absolute owner of such Bond or coupon, as the case may be (whether or not such Bond or coupon shall have become due and payable), for the purpose of receiving payment thereof and for all other purposes; and neither the Company nor the Corporate Trustee nor any paying agent nor any bond registrar shall be bound by any notice to the contrary.

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The Company, the Corporate Trustee, any paying agent and any bond registrar may deem and treat the person in whose name any registered Bond without coupons shall be registered at any given time upon the books of the Company as the absolute owner of such Bond at that time (whether or not the same shall have become due and payable) for the purpose of receiving any payment then being made of or on account of the principal, premium if any, or interest on such Bond and for all other purposes; and may deem and treat the person in whose name any coupon Bond shall be registered as to principal at any given time as the absolute owner thereof at that time (whether or not the same shall have become due and payable) for the purpose of receiving payment of or on account of the principal of, or premium if any, on such Bond, and for all other purposes except to receive payment of any interest represented by outstanding coupons; and neither the Company nor the Corporate Trustee nor any paying agent nor any bond registrar shall be bound by any notice to the contrary. All such payments so made to any such registered holder for the time being, or upon his order, shall be valid, and, to the extent of the sum or sums so paid, effectual to satisfy and discharge the liability for moneys payable upon any such Bond.

SECTION 4. In determining whether the holders of the requisite aggregate principal amount of Bonds have concurred in any demand, request, notice, consent or other action under the Mortgage, Bonds which are owned by the Company or any other obligor on the Bonds or by any person, firm or corporation directly or indirectly controlling or controlled by or under direct or indirect common control with the Company or any other such obligor, shall be disregarded and deemed not to be outstanding for the purpose of any such determination, provided that the Trustee shall be protected in relying on any such demand, request, notice, consent or

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ARTICLE XIV

BONDHOLDERS' MEETINGS

SECTION 1. The Corporate Trustee may at any time call a meeting of Bondholders to take any action specified in Section 1 of Article XIII, to be held at such time and at such place as the Corporate Trustee shall determine. Notice of every meeting of Bondholders, setting forth the time and place of such meeting and the action proposed to be taken at such meeting, shall be published at least once each week, for four successive weeks, in a Daily Newspaper in the City of Chicago, State of Illinois, and in a Daily Newspaper in the Borough of Manhattan, City and State of New York, the first publication in any such newspaper to be not less than 30 days nor more than 60 days prior to the date fixed for the meeting. A copy of such notice shall be mailed at least 30 days prior to the date fixed for the meeting to the registered holders of registered Bonds without coupons and of coupon Bonds registered as to principal at their last addresses as they shall appear upon the bond registry books, but neither failure to give such notice by mail nor any defect therein shall affect the validity of such meeting.

SECTION 2. In case at any time the Company pursuant to a resolution of its Board of Directors, or the holders of at least 10% in aggregate principal amount of the Outstanding Bonds, shall have requested the Corporate Trustee to call a meeting of Bondholders, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Corporate Trustee shall not have made the first publication of the notice of such meeting within 20 days after receipt of such request, then the Company or the holders of Outstanding Bonds in the amount above specified may determine the time and place for such meeting and may

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other action except as to Bonds which the Trustees know to be so owned. Bonds so owned which have been pledged in good faith may be regarded as outstanding for the purpose of such determination if the pledgee shall establish to the satisfaction of the Corporate Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person, firm, or corporation directly or indirectly controlling or controlled by or under direct or indirect common control with the Company or any other obligor on the Bonds. In case of a dispute as to such right, any decision by the Corporate Trustee taken on the advice of counsel shall be full protection to the Trustees.

For the purpose of this Section 4, the terms "control," "controlling" and "controlled" shall mean the right to vote a majority of the outstanding shares of capital stock having the right to elect a majority of the board of directors.

SECTION 5. At any time prior to (but not after) the taking of any action by the holders of a specified percentage in aggregate principal amount of the Bonds specified in the Mortgage in connection with such action, any holder of a Bond the serial number of which is shown to be included in the Bonds the holders of which have consented to join in such action, by filing written notice with the Corporate Trustee at its principal office and upon proof of holding as provided in Section 2 of this Article XIII, may revoke such consent so far as concerns such Bond. Except as aforesaid any such action taken by the holder of any Bond shall be conclusive and binding upon such holder and upon all future holders of such Bond, irrespective of whether or not any notation of such consent is made upon such Bond, and in any event any action taken pursuant to the Mortgage by the holders of the percentage in aggregate principal amount of the Bonds specified in the Mortgage in connection with such action shall be conclusively binding upon the Company, the Trustees and the holders of all Bonds.

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call such meeting to take any action authorized in Section 1 of Article XIII, by publishing and mailing notice thereof as provided in Section 1 of this Article XIV.

SECTION 3. To be entitled to vote at any meeting of Bondholders a person shall be (a) a holder of coupon Bonds transferable by delivery, or (b) a registered holder of Bonds (whether the same be fully registered or registered only as to principal), or (c) a person appointed by an instrument in writing as proxy for a holder of coupon Bonds transferable by delivery or for a registered holder of Bonds (whether the same be fully registered or registered only as to principal). The only persons who shall be entitled to speak at any meeting of Bondholders shall be the persons entitled to vote at such meeting and their counsel and any representatives of the Trustees and their counsel and any representatives of the Company and its counsel.

SECTION 4. Notwithstanding any other provisions of the Mortgage, the Corporate Trustee may make such reasonable regulations as it may deem advisable for any meeting of Bondholders, in regard to proof of the appointment of proxies, and in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidences of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem advisable. Except as otherwise permitted or required by any such regulations, the appointment of any proxy shall be proved in the manner specified in Section 2 of Article XIII.

The Corporate Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by the Company or by Bondholders as provided in Section 2 of this Article XIV, in which case the Company or the Bondholders calling the meeting,

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as the case may be, shall in like manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting shall be elected by vote of the holders of a majority in principal amount of Bonds the holders of which shall be present or represented and entitled to vote at the meeting.

Subject to the provisions of Section 4 of Article XIII, at any meeting each Bondholder or proxy shall be entitled to one vote for each and every unit of the lowest principal amount of any of the Bonds then outstanding, in respect of which he is entitled to vote at the meeting; provided, however, that no vote shall be cast or counted at any meeting in respect of any Bond challenged as not outstanding and ruled by the chairman of the meeting to be not an Outstanding Bond. The chairman of the meeting shall have no right to vote other than by virtue of Outstanding Bonds held by him or instruments in writing as aforesaid duly designating him as the person to vote on behalf of other Bondholders.

SECTION 5. Any meeting of the Bondholders may be adjourned from time to time as and when, and to such time and place, as may be approved by a majority of the votes which the holders of Bonds at the time present or represented may be entitled to cast, irrespective of the aggregate principal amount of Bonds held by such holders; and the meeting may be held as so adjourned without further notice.

SECTION 6. The vote upon any proposal submitted at a meeting of Bondholders shall be by written ballots on which shall be subscribed the signatures of the holders of Bonds or their representatives by proxy and the serial number or numbers of the Bonds held or represented by them. The chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any proposal and who shall make and file with the secretary of

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the meeting their verified written reports in duplicate of all votes cast at the meeting. A record in duplicate of the proceedings of each meeting of Bondholders 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 cast on any vote by ballot taken thereat and affidavits by 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 1 of this Article XIV. The record shall show the serial numbers of the Bonds voted for or against any proposal submitted at the meeting. The record shall be signed and verified by the permanent chairman and secretary of the meeting and one of the duplicates shall be delivered to the Company and the other to the Corporate Trustee to be preserved by the Corporate Trustee. Any record so signed and verified shall be conclusive evidence of the matters therein stated.

SECTION 7. Nothing in this Article XIV contained shall be deemed or construed to authorize or permit, by reason of any call of a meeting of Bondholders or any rights expressly or impliedly conferred hereunder to make such call, any hindrance or delay in the exercise of any right or rights conferred upon or reserved to the Trustees or to the Bondholders under any of the provisions of the Mortgage or of the Bonds.

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ARTICLE XV

CONCERNING THE TRUSTEES

SECTION 1. The Trustees accept the trusts hereby created upon the terms and conditions in this Article XV specified, to all of which the Company and the holders of the Bonds and coupons at any time outstanding, by their acceptance thereof, agree.

Whenever and so long as an Event of Default has occurred and is continuing, the Trustees shall exercise such of the powers vested in them by the Mortgage, or take such other action with respect to such default, as in their judgment is necessary or desirable for the protection of the interests of the holders of Bonds issued hereunder.

No provision of the Mortgage shall be construed to relieve the Trustees from liability for their own negligent action, their own negligent failure to act, or their own willful misconduct, except that:

(a) Prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred,

(1) the duties and obligations of the Trustees shall be determined solely by the express provisions of the Mortgage, and the Trustees shall not be liable except for the performance of such duties and obligations as are specifically set forth in the Mortgage, and no implied covenants or obligations shall be read into the Mortgage against the Trustees; and

(2) in the absence of bad faith on the part of the Trustees, the Trustees may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates, statements, reports or opinions furnished to the Corporate Trustee; but in the case of any such certifi-

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cates, statements, reports or opinions which by any provision hereof are specifically required to be furnished to the Corporate Trustee, the Corporate Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of the Mortgage.

(b) The Trustees shall not be liable for any error of judgment made in good faith by a responsible officer of the Corporate Trustee, if such officer shall have been selected and continued in office in the exercise of due care, unless it shall be proved that the Trustees were negligent in ascertaining the pertinent facts.

(c) The Trustees shall not be liable with respect to any action taken or omitted to be taken by them in good faith, in accordance with the direction of the holders of not less than a majority in principal amount (or such other percentage of the principal amount specifically prescribed by the Mortgage for a particular action) of the Outstanding Bonds relating to the time, method and place of conducting any proceeding for any remedy available to the Trustees, or exercising any trust or power conferred upon the Trustees under the Mortgage.

(d) In the case of any action to be taken or suffered by the Trustees, wherein the Mortgage specifically authorizes such action notwithstanding the continuance of an Event of Default, the Trustees may rely on certificates and opinions furnished to the Corporate Trustee, but shall be under the same duty to examine the same to determine whether or not they conform to the requirements of the Mortgage as though an Event of Default had not occurred and been continuing.

The Trustees may rely and shall be protected in acting upon any Certified Resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, direction, bond, coupon or other paper or document delivered to the Corporate Trustee pursuant to any provision of the Mortgage and

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believed by it to be genuine and to have been signed or presented by the proper party or parties.

Any request, direction, order or demand of the Company mentioned herein shall be sufficiently evidenced by an instrument signed in the name of the Company by the President or a Vice President and the Secretary or an Assistant Secretary, unless other evidence in respect thereof be herein specifically prescribed.

The Trustees may consult with counsel and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by them, or either of them, hereunder in good faith and in accordance with the opinion of such counsel.

The Trustees shall be under no obligation to exercise any of the trusts or powers hereof at the request, order or direction of any of the Bondholders, pursuant to the provisions of the Mortgage, unless such Bondholders shall have offered to the Trustees reasonable security or indemnity against the costs, expenses and liabilities which may be incurred therein or thereby.

The Trustees shall not be personally liable in case of entry by them upon the mortgaged property for debts contracted or liability or damages incurred in the management or operation of said property.

The Trustees shall not be liable for any action taken by them in good faith and believed by them, in the exercise of due care, to be authorized or within the discretion or power conferred upon them by the Mortgage.

The Corporate Trustee shall be under no duty or responsibility with respect to any property or cash pledged and deposited with, or delivered or paid to, the corporate trustee of the First Mortgage pursuant to any provision of the Mort-

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Sections 3, 4 and 5

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other governmental charges, until paid, shall constitute a lien upon the mortgaged property prior to any claim of the holders of Bonds, except as to funds held in trust for the benefit of the holders of particular Bonds or coupons.

SECTION 4. Except as herein otherwise provided, any notice or demand which by any provision of the Mortgage is required or permitted to be given or served by the Trustees or any other person on the 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 letter box or mail chute, addressed (until another address is filed by the Company with the Corporate Trustee and thereafter if addressed to such new address) as follows: Chicago, Rock Island and Pacific Railroad Company, Chicago, Illinois. Any notice, request or demand by any Bondholder to or upon the Trustees, or either of them, shall be deemed to have been sufficiently given or made, for all purposes, if given or made at the principal office of the Corporate Trustee.

SECTION 5. The Trustees 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 Corporate Trustee for inspection if required, and the title thereto established to the satisfaction of the Corporate Trustee.

Except as provided in Section 7 of Article X, the Corporate 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 the 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 Corporate Trustee may agree with the Company to pay.

Any action at any time taken by the Trustees, or either of them, pursuant to or with respect to the Mortgage at the

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gage; and during such period of time as the Mortgage shall contemplate that the corporate trustee of the First Mortgage shall hold, apply or otherwise deal with any such cash or property, or exercise authority or discretion with respect thereto, pursuant to the First Mortgage, the Corporate Trustee shall have no responsibility for any act or thing done or omitted, or any authority or discretion exercised, with respect to any such property or cash by the corporate trustee under the First Mortgage; and the Corporate Trustee shall be entitled to give full credit to, and rely on, a statement of the corporate trustee of the First Mortgage certifying to any of the foregoing matters.

SECTION 2. None of the provisions contained in the Mortgage shall require the Trustees to expend or risk their own funds or otherwise incur personal financial liability in the performance of any of their duties or in the exercise of any of their rights or powers; but the Corporate Trustee, in its sole discretion and in order to preserve the mortgaged property, may advance moneys for the purpose of paying taxes, rentals or otherwise, and for such advances, together with interest thereon at the rate of 4% per annum, the Corporate Trustee shall have a lien on the mortgaged property prior to any claim of the Bondholders, except as to funds held in trust for the benefit of the holders of particular Bonds or coupons.

SECTION 3. Should any taxes or other governmental charges be imposed upon the Trustees, or either of them, in their capacity as Trustees hereunder, which they 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 Trustees shall be reimbursed and indemnified therefor by the Company, and any liability incurred or amounts paid by the Trustees in respect of any such taxes or

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Sections 5, 6, 7 and 8

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request or with the consent or approval (express 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.

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

SECTION 6. The recitals contained herein and in the Bonds (except as contained in the Corporate Trustee's certificate of authentication endorsed on the Bonds), shall be taken as the statements of the Company, and the Trustees assume no responsibility for the correctness of the same. The Trustees make no representations as to the value of the mortgaged property, or as to the title of the Company thereto, or as to the validity or sufficiency of the Mortgage or of the Bonds or coupons. The Trustees shall not be accountable for the use or application by the Company of any of the Bonds or of the proceeds of such Bonds.

SECTION 7. Either of the Trustees or any paying agent or bond registrar, in his or its individual or any other capacity, may become the owner or pledgee of Bonds or coupons with the same rights as if he or it were not such Trustee, paying agent or bond registrar.

SECTION 8. Subject to the provisions of Section 4 of Article XVIII, all cash received by the Corporate Trustee hereunder, until used or applied as herein provided, and all cash received by the Corporate Trustee as paying agent in respect of the Bonds of any series, shall be held in trust for the purposes for which it was received, but need not be segregated from other funds except to the extent required by law. So long as no Event of Default shall have occurred and be continuing,

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Sections 8, 9 and 10

any interest allowed on any such cash shall be paid from time to time to or upon the written order of the Company, signed by its President or any Vice President.

SECTION 9. The Company covenants and agrees to pay to the Trustees from time to time, and the Trustees shall be entitled to receive, reasonable compensation (which shall not be limited by the statutes of any state relating to the compensation of a trustee of an express trust), and the Company will pay or reimburse the Trustees upon their request for all reasonable expenses, disbursements and advances incurred or made by them in accordance with any of the provisions of the Mortgage (including the reasonable compensation and the expenses and disbursements of their counsel and of all persons not regularly in their employ) except any such expense, disbursement and advance as may arise from negligence or bad faith of the Trustees, or either of them. The Company also covenants to indemnify the Trustees for, and to hold them harmless against, any loss, liability or expense incurred without negligence or bad faith on the part of the Trustees, arising out of or in connection with the acceptance or administration of the trusts created by the Mortgage, including the costs and expenses of defending themselves against any claim of liability in the premises. The obligations of the Company under this Section 9 to compensate and indemnify the Trustees and to pay or reimburse them for expenses, disbursements and advances shall constitute additional indebtedness hereunder and shall be secured by the lien hereof prior to the claims of the holders of Bonds upon the mortgaged property, except as to funds held in trust for the benefit of the holders of particular Bonds or coupons.

SECTION 10. Whenever in the administration of the trusts created by the Mortgage the Trustees shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless

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Sections 11 and 12

of The Northern Trust Company shall extend only to its successor by merger, conversion or consolidation.

SECTION 12. Either of the Trustees or any successor trustee may at any time resign and be discharged from the trusts hereby created by giving to the Company written notice of such resignation and specifying a date upon which such resignation shall take effect. Notice of such resignation shall be published once each week for two successive weeks in a Daily Newspaper in the City of Chicago, State of Illinois, and in a Daily Newspaper in the Borough of Manhattan, City and State of New York, the first publication in each such newspaper to be not less than 60 days and not more than 90 days before the date specified in said notice for the resignation to take effect. Such resignation shall take effect on the date specified in said notice or on the date of the appointment of a successor trustee as hereinafter provided, whichever shall be earlier.

Either of the Trustees or any successor trustee may be removed with or without cause at any time by the holders of a majority in principal amount of the Outstanding Bonds by the delivery to such Trustee or successor trustee, as the case may be, of an instrument or concurrent instruments signed by such holders or their attorneys-in-fact duly authorized. Any trustee who shall resign or be so removed shall be entitled to its reasonable compensation then accrued and unpaid and to reimbursement for proper expenses theretofore incurred and not previously reimbursed.

The Corporate Trustee shall have the power at any time, by instrument in writing duly executed by its President or Vice President under its corporate seal, to remove the Individual Trustee from his position as one of the Trustees hereunder.

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other evidence in respect thereof be herein specifically prescribed) may, in the absence of bad faith on the part of the Trustees, be deemed to be conclusively proved and established by an Officers' Certificate delivered to the Corporate Trustee, and such Certificate shall be full warrant to the Trustees for any action taken, suffered or omitted by them under the provisions of the Mortgage upon the faith thereof.

SECTION 11. Any company into which the Corporate Trustee or any successor to it in the trusts created by the Mortgage may be merged, or with which it or any such successor may be consolidated, or any company resulting from any merger, conversion, or consolidation to which the Corporate 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 of any State, and shall have an office in the City of Chicago, State of Illinois, or in the Borough of Manhattan, City and State of New York, and shall have a capital and surplus aggregating at least \$5,000,000, shall be the successor trustee under the Mortgage without the execution or filing of any paper or the performance of any further act on the part of the parties hereto. In case any of the Bonds shall have been authenticated but not delivered, any such successor trustee may adopt the certificate of authentication of The Northern Trust Company, or of any successor to it, as Corporate Trustee hereunder, and deliver the same so authenticated; and in case any of the Bonds shall not have been authenticated, any such successor trustee may authenticate such Bonds either in the name of any predecessor trustee or in its own name as such successor trustee, and in all such cases such certificate shall have the same full force which it is anywhere in the Bonds or the Mortgage provided that the certificate of the Corporate Trustee shall have; provided, however, that the right to authenticate Bonds in the name

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Section 13

SECTION 13. In case at any time either 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 Corporate 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 Corporate Trustee or any successor, or its property or affairs, or if a vacancy shall arise in the trusteeship under the Mortgage from any cause, a successor trustee or successor trustees may be appointed by the holders of a majority in principal amount of the Outstanding Bonds, by an instrument or concurrent instruments in writing signed and acknowledged by such holders or their attorneys-in-fact duly authorized and delivered to such new trustee hereunder, notification being given to the Company and the predecessor trustee; provided, however, (i) that until a new Corporate Trustee shall be appointed by the holders of Outstanding Bonds as aforesaid and shall accept such appointment, the Company, by an instrument duly executed and acknowledged by its proper officers, by authority of its Board of Directors, shall appoint a Corporate Trustee to fill the vacancy until the appointment of a new Corporate Trustee by such holders as herein authorized, and (ii) until a new Individual Trustee shall be appointed by the holders of Outstanding Bonds as aforesaid and shall accept such appointment, the Corporate Trustee, by an instrument duly executed and acknowledged by its President or Vice President under its corporate seal, shall appoint an Individual Trustee to fill the vacancy until the appointment of a new Individual Trustee by such holders as herein authorized. The Company shall publish notice of any such appointment made by it or by the Corporate Trustee or by the holders of Outstanding Bonds as aforesaid once each week for two successive weeks in a Daily Newspaper in the City of Chicago, State of Illinois, and in a Daily Newspaper

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in the Borough of Manhattan, City and State of New York, the first publication in each such Daily Newspaper to be within 10 days after such appointment has been made. Any new trustee appointed by the Company or by the Corporate Trustee shall, immediately and without further act, be superseded by a trustee appointed by the holders of Outstanding Bonds in the manner above provided if the appointment by such holders be made within one year after the first publication of the notice of the appointment of the new trustee by the Company.

Every Corporate Trustee appointed under any of the provisions of this Section 13 shall be a trust company or a banking corporation in good standing organized under the laws of the United States or of any State, having an office in the City of Chicago, State of Illinois, or in the Borough of Manhattan, City and State of New York, and having a capital and surplus aggregating at least \$5,000,000, and every Individual Trustee appointed under any provision of this Section 13 shall be a citizen of the State of Missouri.

If in a proper case no appointment of a successor trustee shall be made by the holders of Outstanding Bonds pursuant to the foregoing provisions of this Section 13 within six months after the happening of any of the events set forth in the first paragraph of this Section 13, 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 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 18 months after the first publication of the

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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, duties and obligations, provided, however, that such successor trustee shall not authenticate Bonds in the name of such predecessor trustee.

SECTION 14. No right, title or interest in or to any part of the mortgaged property shall vest in the Individual Trustee by virtue of the Mortgage, except that all right, title and interest of the Trustees in and to that part of the mortgaged property located in the State of Missouri shall, to the extent required by the laws of Missouri, vest in Gale F. Johnston and his successor or successors as Individual Trustee. The Individual Trustee has been joined as Trustee solely to comply with existing statutory requirements respecting trustees under deeds of trust in said State, and shall, as such Trustee, have all such powers, but only such powers, as may be necessary to comply with such requirements, and in all action hereunder shall comply with such requests as may be made from time to time in writing by the Corporate Trustee. Any such request in writing by the Corporate Trustee to the Individual Trustee shall be sufficient warrant for the Individual Trustee to take any action so requested and full protection for any action taken in accordance with such request.

Except as provided in the preceding paragraph of this Section 14, the Corporate Trustee shall solely and exclusively have and exercise all the powers, and be charged with the performance of all duties, herein declared to be had and exercised or performed on the part of the Trustees. The Individual Trustee may delegate to the Corporate Trustee the exercise of any power, discretionary or otherwise, conferred by any of the provisions of the Mortgage, except in so far as the Corporate Trustee may not lawfully have and exercise any

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notice of the appointment of the new trustee by the Company. If application shall be made to any such court within such 18 months' period in this paragraph provided, the holders of Outstanding Bonds shall have no power to appoint a trustee as in this Section 13 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 Company.

Any successor trustee appointed hereunder shall execute, acknowledge and deliver to the predecessor trustee hereunder and to the 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 Company or of the successor trustee, and upon payment 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 reasonably may 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 mortgaged property 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 the 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 Company shall execute, acknowledge and

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Sections 14 and 15

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particular power under the laws of Missouri. In case the Individual Trustee shall die, become incapable of acting, resign or be removed, all of the estates, properties, rights, powers, trusts, duties and obligations of the Individual Trustee hereunder shall, so far as permitted by law, vest in and be exercised by the Corporate Trustee unless and until there shall be appointed a successor to the Individual Trustee.

SECTION 15. If at any time or times it shall be necessary or prudent in order to conform to any legal requirement, or the Corporate Trustee shall be advised by counsel satisfactory to it that it is so necessary or prudent in the interest of the Bondholders, or if the holders of a majority in principal amount of the Bonds shall in writing so request the Corporate Trustee or the Company, the Trustees and the Company shall execute and deliver all instruments and agreements necessary or proper to appoint another bank or trust company or one or more persons approved by the Corporate Trustee and the Company, either to act hereunder as co-trustee or co-trustees with respect to all or any of the property subject to the lien of the Mortgage, jointly with the Trustees, or to act hereunder as separate trustee or trustees with respect to any such property, with such power and authority and for such term as may be necessary or prudent for such purpose and as shall be specified in the instrument of appointment. In the event the Company shall not have joined in the execution of such instruments and agreements within 30 days after the receipt of a written request from the Corporate Trustee so to do, or in case an Event of Default shall have occurred and be continuing, the Trustees may act under the foregoing provision of this Section 15 without the concurrence of the Company; and the Company hereby fully empowers the Trustees so to act and appoints the Trustees, its agents and attorneys to act for it under the foregoing provision of this Section 15 in either of such contingencies.

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Section 16

SECTION 16. The Corporate Trustee is hereby appointed (and the successive holders of the Bonds, by taking and holding the same, shall conclusively be deemed to have so appointed the Corporate Trustee) the true and lawful attorney-in-fact of the respective holders of the Bonds, 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 Corporate Trustee in order to have the claims of the holders of the Bonds and coupons against the 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 Company or the mortgaged property 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 proceedings is hereby authorized by each of the Bondholders to make such payments to the Corporate Trustee. The appointment made and authority granted by this Section 16 may be revoked by any holder of Bonds or coupons with respect to Bonds or coupons held by him at any time after institution of any such proceeding, by delivering notice of such revocation to the Corporate Trustee and filing a copy thereof in such proceeding. Nothing herein contained shall give the Corporate Trustee authority to assent to or reject on behalf of any holder of Bonds and coupons any plan of reorganization, plan of adjustment, or similar plan, proposed or approved in any such proceeding.

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Section 2

- (a) Default shall be made in the payment of any installment of Fixed Interest on any of the Outstanding Bonds when and as such interest shall become due and such default shall continue for 90 days; or
- (b) Default shall be made in the payment of any installment of Contingent Interest on any of the Outstanding Bonds when and as such interest shall become due and payable as therein and in the Mortgage expressed and such default shall continue for 30 days; or
- (c) Default shall be made in the payment of the principal of any of the Outstanding Bonds, or the premium thereon payable on redemption thereof, when the same shall become due and payable either by the terms thereof or otherwise as herein provided; or
- (d) Default shall be made in the payment of any installment of any sinking fund with respect to any Outstanding Bonds when and as the same shall become due and payable as therein and in the Mortgage expressed, and such default shall continue for 90 days; or
- (e) Default shall be made in the observance or performance of any other of the covenants, conditions or agreements on the part of the Company, its successors or assigns, contained in the Bonds or in the Mortgage, and such default shall continue for 60 days (or in case of any default under a supplemental indenture for such other time, if any, as may be specified therein) after written notice specifying such default and requiring the same to be remedied shall have been given to the Company by the Corporate Trustee, which notice may be given by the Corporate Trustee in its discretion, and shall be given on the written request of the holders of 25% in principal amount of the then Outstanding Bonds; or
- (f) A decree or order by a court having jurisdiction in the premises shall have been entered adjudging the Company a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization of the Company under the Bankruptcy Act or any other state or fed-

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Sections 1 and 2

ARTICLE XVI

REMEDIES OF TRUSTEES AND BONDHOLDERS

SECTION 1. Except as provided in Section 3 of Article XIX, the 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, 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 interest or in any other manner; and if the time for payment of any such coupon or claim for interest shall be so extended with the consent of the Company, such coupon or claim for interest shall not be entitled, in case of default hereunder, to the benefit of the security of the Mortgage, except subject to the prior payment in full of the principal of all Outstanding Bonds and all coupons and claims for interest thereon the payment of which shall not have been so extended; provided, that the foregoing provisions of this Section 1 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 Company to all holders of any one or more series of Bonds. If, at or after the maturity of Bonds, any coupons or claims for interest in respect of such Bonds shall be owned by the Company, or shall be purchased by it or on its behalf, then such matured coupons or claims for interest shall not be entitled to the benefit or security of the Mortgage, and the Company covenants that all such matured coupons and claims for interest shall be cancelled promptly upon such maturity if then owned by the Company or upon their purchase if purchased by or on behalf of the Company at or after such maturity.

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

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Section 2

eral law, and such decree or order shall have continued undischarged or unstayed for 60 days; or a decree or order of a court having jurisdiction in the premises for the appointment of a receiver or liquidator or trustee in bankruptcy or insolvency of the Company or of its property, or any substantial portion of its property, or for the winding up or liquidation of its affairs, shall have been entered, and such decree or order shall have remained in force undischarged and unstayed for 60 days; or

(g) The Company shall institute proceedings to be adjudged a voluntary bankrupt, or shall consent to the filing of a bankruptcy proceeding against it, or shall file a petition or answer or consent seeking reorganization or readjustment under the Bankruptcy Act or any other state or federal law, or otherwise invoke any law for the aid of debtors, or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver or liquidator or trustee in bankruptcy or insolvency of it or of its property or any substantial portion of its property, or shall make an assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due, or corporate action shall be taken by the Company in furtherance of any of the aforesaid purposes; or

(h) An Event of Default as defined in the First Mortgage shall occur and be continuing;

then, and in each and every such case, the Trustees personally or by their agents or attorneys, to the extent permitted by law, may, but shall not be obligated to, enter into and upon all or any part of the mortgaged property, and each and every part thereof, and may exclude the Company, its agents and servants wholly therefrom; and having and holding the same may use, operate, manage and control the mortgaged property or any part thereof, and conduct the business of the Company, either personally or by the Company's superintendents, managers, agents, servants, attorneys, receivers

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or trustees, in such manner as the Trustees may deem to be to the best advantage of the Bondholders. Upon every such entry the Trustees, at the expense of the mortgaged property, 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 the railways and other premises whereof they 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 mortgaged property, may make all necessary or proper repairs, renewals and replacements and useful alterations, additions, betterments and improvements to and on the mortgaged property, and purchase or otherwise secure the use of additional rolling stock, tools, machinery and other property for use thereon, as to them may seem judicious. The Trustees shall further have the right to manage the mortgaged property and to carry on the business and exercise all rights and powers of the Company with respect thereto, either in the name of the Company or otherwise, as the Trustees 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 the Mortgage. 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 mortgaged property, or any part thereof, as well as just and reasonable

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Trustee (to the extent permitted by law) shall be entitled to exercise, while such default shall continue, all right and power to vote and consent with respect to all shares of stock, bonds and other obligations subject to the lien of the Mortgage, and, for the benefit of the Bondholders, 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 the Mortgage and shall apply, as hereinbefore in Section 2 of this Article XVI 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 3.

SECTION 4. In case one or more Events of Default shall have occurred and be continuing, then, in each and every such case, unless the principal of all the Outstanding Bonds already shall have become due and payable, the Trustees may, and upon the written request of the holders of 25% in principal amount of the Outstanding Bonds shall, by notice in writing mailed to the Company, declare the principal of all Bonds to be forthwith due and payable, and upon any such declaration the same shall become and be forthwith due and payable, together with all accumulations of unpaid interest, if any, notwithstanding the date of maturity thereof, as stated in such Bonds or in the coupons, if any, pertaining thereto, or in the Mortgage. 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 judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided or any sale of the mortgaged property

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compensation for their own services and for the services of all attorneys, counsel, agents, clerks, servants and other employees by them properly engaged and employed, the Trustees shall apply the balance of the moneys derived from the operation and management of the mortgaged property and business as follows:

(i) If the principal of none of the Outstanding Bonds shall have become due and be unpaid, to the payment of the interest on the Outstanding Bonds, in the order of the maturity of the installments of such interest, such payments to be made proportionately to the persons entitled thereto without discrimination or preference.

(ii) If the principal of all or any part of the Bonds shall have become due, by declaration or otherwise, and shall be unpaid, *first* to the payment of interest accrued on the Outstanding Bonds prior to the date upon which the principal of said Bonds became due and payable, in the order of the maturity of the installments of such interest, and *second* to the payment of interest on the overdue principal of said Bonds at the highest rate of interest borne by any of the Outstanding Bonds, and *third* (subject to the provisions of Section 4 of this Article XVI) to the payment of the principal of all of said Bonds, whether due or not; in every instance such payments to be made proportionately to the persons entitled thereto 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 XVI but are subject thereto.

SECTION 3. If the Trustees, under the powers in the 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 mortgaged property, or a part thereof, or one or more Events of Default shall have occurred and be continuing, the Corporate

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or any part thereof shall have been made, all unpaid interest upon all Outstanding Bonds, and the principal (and premium, if any) of any Outstanding Bonds which shall have become due otherwise than by acceleration under this Section 4, and the reasonable charges and expenses of the Trustees, their agents and attorneys, shall either be paid by the Company or be collected out of the income of the mortgaged property, or be provided for by the deposit with the Corporate Trustee of a sum sufficient to pay the same, and all other defaults made good to the satisfaction of the Trustees, then and in every such case the holders of two-thirds in principal amount of the Outstanding Bonds, by written notice to the Company and to the Trustees, may waive such default or defaults and its or their consequences and annul such declaration of the maturity of the Bonds, but no such waiver or annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

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

SECTION 5. In case one or more Events of Default shall have occurred and be continuing, the Trustees, with or without entry, personally or by attorney, in their discretion:

(a) If and to the extent permitted by law, may but shall not be obligated to sell, subject to any prior liens

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thereon, to the highest bidder, all and singular the mortgaged property, and all right, title and interest, claim and demand therein, free from any right of redemption thereof, in one parcel and as an entirety, except as in Section 6 of this Article XVI 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 Trustees may fix and briefly specify in the notice of sale to be given as hereinafter in Section 7 of this Article XVI provided; or

(b) May proceed to protect and to enforce their rights and the rights of holders of the Outstanding Bonds 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 power herein granted, or for the foreclosure of the Mortgage, or for the enforcement of any other appropriate legal or equitable remedy, as the Trustees, being advised by counsel, shall deem most effectual to protect and enforce any of their rights or duties and the rights of holders of the Outstanding Bonds.

Upon the written request of the holders of not less than 25% in principal amount of the then Outstanding Bonds, in case any Event of Default shall have occurred and be continuing as aforesaid, it shall be the duty of the Trustees, upon being indemnified as hereinafter provided, to exercise such one or more of the remedies available for the protection and enforcement of their rights and the rights of the Bondholders (including the exercise of the powers of entry or sale herein conferred, or the taking of appropriate judicial proceedings by action, suit or otherwise) as the Trustees, being advised by counsel, shall deem most expedient in the interest of the Bondholders.

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SECTION 8. The Trustees may adjourn from time to time any sale to be made by them under the provisions of the 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 (unless otherwise required by law) such sale may be made at any time or place to which the same shall be so adjourned.

SECTION 9. Upon the completion of any sale or sales under the Mortgage, the Trustees or the court officer conducting the sale 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 Trustees and their successors are hereby irrevocably appointed the true and lawful attorneys of the 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 may substitute one or more persons with like power, the Company hereby ratifying and confirming all that its said attorney or attorneys, or such substitute or substitutes, shall lawfully do by virtue hereof. Nevertheless, the Company, if so requested by the Trustees, shall ratify such sale by executing and delivering such deeds of conveyance, bills of sale or other instruments of assignment and transfer, as in the judgment of the Trustees may be advisable.

Any such sale or sales made under or by virtue of the 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 Company, of, in and to the premises and property sold, and shall be a perpetual bar, both at law and in equity, against the Company, its successors and assigns, and against any and all per-

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Sections 6 and 7

SECTION 6. 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 mortgaged property shall be sold in one parcel and as an entirety, unless such sale as an entirety is impracticable in the opinion of the Trustees by reason of some statute or other circumstance, or unless the holders of a majority in principal amount of the Outstanding Bonds shall in writing request the Trustees 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.

The 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 the Mortgage, hereby expressly waives and releases all right to have the mortgaged property marshalled upon any foreclosure or other enforcement hereof, and the Trustees or any court in which the foreclosure of the 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 the mortgaged property, as a whole in a single lot or parcel.

SECTION 7. Notice of any sale pursuant to any provision of the 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 a Daily Newspaper in the City of Chicago, State of Illinois, and in a Daily Newspaper in the Borough of Manhattan, City and State of New York, and in such other manner as may be required by law.

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sons claiming the premises and property sold, or any part thereof, from, through or under the Company, its successors or assigns.

The personal property and chattels conveyed, or intended to be conveyed, by or pursuant to the Mortgage, other than stocks and bonds and other obligations or securities or claims, shall be real property for all the purposes of the Mortgage, and shall be held and taken to be fixtures and appurtenances of the Company's lines of railroad and a part thereof, and are to be used and sold therewith and not separate therefrom, except as herein otherwise provided.

The receipt of the Trustees for the purchase money paid at any such sale, or the receipt of any other person authorized to receive the same, 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 the 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 10. In case of a sale of the mortgaged property substantially as a whole under any of the foregoing provisions of this Article XVI, whether made under the power of sale hereby granted or pursuant to judicial proceedings, the principal of all Bonds then outstanding, if not previously due, immediately thereupon shall become due and payable, notwithstanding the date of maturity thereof as stated in such Bonds or in the Mortgage.

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SECTION 11. 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 Trustees under any of the provisions of the Mortgage as part of the mortgaged property or of the proceeds thereof, except sums held in trust for the benefit of the holders of particular Bonds or coupons, shall be applied as follows:

First. To the payment of the costs and expenses of such sale, the reasonable compensation to the Trustees, their agents, attorneys and counsel, all expenses, liabilities and advances made or incurred by the Trustees, except such as may have arisen by their negligence or bad faith, and the payment of all taxes, assessments or liens prior to the lien of the 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 Outstanding Bonds for principal and interest, with interest on the overdue principal at the highest rate of interest borne by any of the Outstanding Bonds, and in case such moneys shall be insufficient to pay in full the whole amount so due and unpaid upon the Outstanding Bonds, then to the payment of such principal and interest proportionately, according to the aggregate of such principal and accrued and unpaid interest, without preference or priority of any Outstanding Bond over any other Outstanding 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 XVI.

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

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due and payable, whether at the maturity of such Bonds, upon redemption, by declaration or by a sale of the mortgaged property, or otherwise, then, upon demand of the Trustees, the Company will pay to the Trustees for the benefit of the holders of such Bonds and coupons the whole amount then due and payable on such Bonds and coupons, for principal (and premium if any) or interest, or both, as the case may be, with interest on the overdue principal at the highest rate of interest borne by any of the Outstanding Bonds; and in case the Company shall fail to pay the same forthwith upon such demand, the Trustees in their own name and as Trustees of an express trust, shall be entitled to recover judgment for the whole amount so due and unpaid.

The Trustees shall be entitled to institute and prosecute any action and enforce any judgment or final decree as aforesaid, either before or after or during the pendency of any proceedings for the enforcement of the lien of the Mortgage, and the right of the Trustees to such judgment or final decree 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 the Mortgage or the foreclosure of the lien hereof; and in case of a sale of the mortgaged property or any part thereof, the Trustees, in their own names and as trustees 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, for the benefit of the holders thereof, and shall be entitled to institute and prosecute any action and enforce any judgment or final decree as aforesaid for any portion of the said debt remaining unpaid, with interest. No judgment or decree obtained by the Trustees, and no levy of any execution upon the mortgaged property, or upon any other property, shall in any manner, or to any extent, affect the lien of the Mortgage upon the mortgaged property, or any part thereof, or any lien, rights,

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SECTION 12. In case of any sale under the foregoing provisions of this Article XVI, 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 XVI, by presenting 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 proportionate 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 13. The Company covenants that (a) if default shall be made in the payment of any installments of Fixed Interest on any of the Outstanding Bonds when and as such interest shall become due and payable as therein and in the Mortgage expressed, and such default shall continue for 90 days, or in the payment of any installment of Contingent Interest on any of the Outstanding Bonds when and as such interest shall become due and payable as therein and in the Mortgage expressed, and such default shall continue for 30 days, or (b) if default shall be made in the payment of the principal of any Outstanding Bonds, or the premium thereon payable on redemption thereof, when the same shall become

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powers or remedies of the Trustees hereunder, or any lien, rights, powers or remedies of the Bondholders, but such lien, rights, powers and remedies shall continue unimpaired as before, except as otherwise provided by law.

Any moneys collected by the Trustees under this Section 13 shall be applied by the Trustees,

First, to the payment of the costs and expenses of the proceedings resulting in the collection of such moneys, and of the compensation of and the expenses, liabilities and advances made or incurred by the Trustees hereunder, except such as may have arisen by their negligence or bad faith; and

Second, to the payment of the amounts then due and unpaid upon the Outstanding Bonds and coupons in respect of which such moneys shall have been collected, without any preference or priority of any kind, but subject to the provisions of Section 1 of this Article XVI, proportionately according to the amounts due and payable upon such Outstanding Bonds and coupons, respectively, at the date fixed by the Trustees for distribution of such moneys, upon presentation of the several Outstanding Bonds and coupons and their surrender if fully paid, or for proper stamping if only partially paid.

SECTION 14. The Company will not at any time insist upon or plead, or claim to take advantage of any statute or rule of law, now or hereafter in force, wherever enacted or established, in aid of debtors or permitting or providing for (a) the staying of actions in respect of mortgages or mortgage indebtedness, or for extending the time for payment of such indebtedness, (b) the valuation or appraisal of the property held under any mortgage or pledge to secure indebtedness prior to any sale or sales thereof pursuant to the terms of such mortgage or pledge or to the decree, judgment or order of any court, or (c) the redemption of any property so sold; and the Company hereby expressly waives all bene-

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fit and advantage of any such statute or rule of law, and covenants that it will not hinder, delay or impede the execution of any power herein granted or delegated to the Trustees, but that it will suffer and permit the execution of every such power as though no such statute or rule of law had been enacted or established.

SECTION 15. In case (1) an Event of Default shall occur and at any time during the continuance of such Event of Default there shall be any unsatisfied final judgment against the Company or, in any judicial proceeding by any party other than the Trustees, a receiver shall be appointed of the Company or of its property or any part thereof, or a judgment or order be entered for the sequestration of its property or any part thereof, or (2) the Company shall make default in the payment of interest specified in clauses (a) or (b) of Section 2 of this Article XVI, and shall by resolution of its Board of Directors admit to the Trustees its inability to make good such default, then the Trustees, in either such case, shall thereupon be entitled, in the discretion of the Trustees, 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 Trustees upon the occurrence and continuance of an Event of Default as hereinbefore provided; and the Trustees shall thereupon be entitled as a matter of right (i) to the appointment of a receiver of the mortgaged property and of the earnings, rents, issues, profits, tolls, revenues and income thereof, with such powers as the court making such appointment shall confer, and (ii) 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 mortgaged property be segregated, sequestered and impounded for the benefit of the Trustees and the Bondholders from and after the date of the institution of any judicial proceedings of the nature referred to in this Section 15 or in clauses (f) and (g) of Section 2 of this Article XVI.

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or at law for the foreclosure of the Mortgage, or for the execution of any trust hereunder, including the appointment of a receiver, or for any other remedy hereunder, unless (a) such holder previously shall have delivered to the Trustees written notice that one or more Events of Default, which default or defaults shall be specified in such notice, has occurred and is continuing, and (b) the holders of not less than 25% in principal amount of the then Outstanding Bonds shall have requested the Trustees in writing and shall have afforded to them reasonable opportunity either to proceed to exercise the powers hereinbefore granted, or to institute such action, suit or proceeding in their own names, and (c) one or more holders of Bonds shall have offered to the Trustees adequate security and indemnity, satisfactory to them, against the costs, expenses and liabilities to be incurred therein or thereby, nor unless the Trustees shall have refused or neglected to act on such notification, request and offer of indemnity for at least 30 days; and such notification, request and offer of indemnity are hereby declared, in every such case, at the option of the Trustees, to be conditions precedent to the exercise of the powers and trusts of the 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 holder of any Bond or coupon shall have any right in any manner whatsoever by his action to affect, disturb or prejudice the lien of the 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 17 or elsewhere in the Mortgage or in the Bonds or in the coupons shall affect or impair the obligation of the Company to pay the principal of, premium if any, and interest on the Bonds to the respective holders of the Bonds and to the respective holders of the

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Notwithstanding the appointment of any such receiver, the Corporate 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 Company hereby irrevocably consents to the appointment of such receiver and to the entry of such order.

SECTION 16. Upon application of the Trustees to any court of competent jurisdiction, and with the consent of the Company if none of the Events of Default shall have occurred and be continuing, and without such consent if one or more of the Events of Default shall have occurred and be continuing, a receiver may be appointed to take possession of, and to operate, maintain and manage the mortgaged property or any part thereof, and any other property of the Company used for, in or about, or the use or possession whereof shall be essential to, the operation of the mortgaged railroads or any thereof, and the Company shall transfer and deliver to such receiver all such property, wheresoever the same may be situated; and in every case when a receiver of the whole or of any part of said property shall be appointed under this Section 16, or otherwise, the net income and profits of the mortgaged property shall be paid over to, and shall be received by, the Trustees for the benefit of the holders of the Outstanding Bonds and coupons to be applied as provided in Section 2 of this Article XVI; provided, however, that, notwithstanding the appointment of any such receiver, the Corporate Trustee shall be entitled to retain 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 17. No holder of any Bond or coupon shall have any right to institute any suit, action or proceeding in equity

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coupons, as provided in such Bonds, nor affect or impair the right of action at law, which is also absolute and unconditional, of such holders to collect such payment.

SECTION 18. Except as herein expressly provided to the contrary, no remedy herein conferred upon or reserved to the Trustees 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.

SECTION 19. No delay of the Trustees 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 XVI to the Trustees, or to any Bondholder, may be exercised from time to time, and as often as may be deemed expedient, by the Trustees or by such Bondholder, respectively.

SECTION 20. The Trustees shall have power, but shall be under no duty, 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 they may be advised and believe is 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 Trustees, impair the security hereunder or be prejudicial to the Trustees or to the Bondholders.

SECTION 21. The holders of a majority in aggregate principal amount of the Outstanding Bonds shall have the right to direct the time, method, and place of conducting any proceeding for any remedy available to the Trustees, or the exer-

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cise or non-exercise of any trust or power conferred on the Trustees. Except as provided in Section 4 of this Article XVI, the holders of a majority in aggregate principal amount of the Outstanding Bonds may on behalf of the holders of all the Bonds waive any past default hereunder and its consequences other than an Event of Default specified in clauses (a), (b), (c) or (d) of Section 2 of this Article XVI. In the case of any such waiver, the Company, the Trustees and the Bondholders shall be restored to their former positions and rights hereunder, respectively; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SECTION 22. All parties to the Mortgage agree, and each holder of any Bond by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Mortgage, or in any suit against the Trustees for any action taken or omitted by them as Trustees, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section 22 shall not apply to any suit instituted by the Trustees, to any suit instituted by any Bondholder or group of Bondholders holding more than 10% in aggregate principal amount of the Outstanding Bonds, or to any suit instituted by any Bondholder for the enforcement of the payment of the principal of or interest on any Bond, on or after the due date expressed in such Bond.

SECTION 23. To the extent that any provision of this Article XVI may be invalid or unenforceable under any applicable law with respect to any of the mortgaged property, such provision shall be deemed inoperative and inapplicable.

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ARTICLE XVIII

DEFEASANCE

SECTION 1. If (a) the Company shall deliver to the Corporate Trustee for cancellation all Bonds and appurtenant coupons not theretofore cancelled and delivered to the Corporate Trustee, or (b) all Bonds not theretofore delivered to the Corporate Trustee cancelled or for cancellation shall have become due and payable, or are by their terms to become due and payable within 90 days or are to be redeemed within 90 days under arrangements satisfactory to the Corporate Trustee for the giving of notice of redemption, and the Company shall deposit with the Corporate Trustee as trust funds an amount sufficient to pay at maturity or upon redemption all of the Bonds not theretofore delivered to the Corporate Trustee cancelled or for cancellation, including the principal thereof, premium if any, and the full amount of unpaid interest which has or will become due to such date of maturity or redemption, as the case may be, and if in either case the Company shall also pay or cause to be paid all other sums payable hereunder by the Company, then the Mortgage shall cease to be of further effect. In such event the Trustees, on demand of the Company and at its cost and expense, shall execute and deliver to the Company such instrument or instruments as may be appropriate to acknowledge satisfaction of the Mortgage, and as will enable the Company to have the Mortgage discharged of record, and shall release and assign, or cause to be released and assigned, to the Company all of their interest in the mortgaged property, and shall deliver to the Company or upon its order all securities and moneys then held by the Corporate Trustee under the provisions hereof other than the money deposited as above provided in this Article XVIII.

The Company, notwithstanding the satisfaction of the Mortgage as above provided, will indemnify the Trustees and hold them harmless against any and all expense or liability, incurred without negligence or bad faith, ascertained or

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ARTICLE XVII

IMMUNITY OF INCORPORATORS, STOCKHOLDERS, DIRECTORS
AND OFFICERS

The Mortgage and the Bonds and coupons are solely corporate obligations. No recourse shall be had for the payment of the principal of, premium if any, or interest on any Bond, or for any claim based thereon or on any coupon appurtenant thereto, or because of the creation of the indebtedness represented thereby, or otherwise in respect thereof, or based on or in respect of the Mortgage, against any past, present or future incorporator, stockholder, officer or director of the Company, as such, 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, by the acceptance of such Bond and as part of the consideration for the issuance thereof, being expressly waived and released.

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incurred by the Trustees after the satisfaction thereof arising out of or based upon any matter connected with the trust created by the Mortgage.

SECTION 2. All moneys deposited with the Corporate Trustee pursuant to Section 1 of this Article XVIII shall be held in trust and applied by it, subject to the provisions of Section 4 of this Article XVIII, to the payment to the holders of the Bonds and coupons of all sums due and to become due thereon for principal and interest and premium, if any.

SECTION 3. Upon the satisfaction and discharge of the Mortgage, all moneys then held by any paying agent under any provision of the Mortgage shall be paid to the Corporate Trustee, and thereupon such paying agent shall be released from all further liability with respect to such moneys.

SECTION 4. Any moneys deposited by the Company with the Corporate Trustee or with any paying agent for the payment of the principal of, or the premium or interest on, any Bond which shall remain unclaimed by the holder of the Bond or coupon entitled to receive the same for 10 years after the date upon which the principal of such Bond shall have become due and payable (upon redemption or otherwise) shall be repaid to the Company on demand; and the holder of any Bond or coupon entitled to receive such payment shall thereafter look only to the Company for the payment thereof; provided, however, that (a) before any such repayment may be made, the Trustees, at the expense of the Company, shall cause to be published once a week for two successive calendar weeks (in each case on any day of the week) in a Daily Newspaper in the City of Chicago, State of Illinois, and in a Daily Newspaper in the Borough of Manhattan, City and State of New York, a notice that said moneys have not been claimed and that after a date named therein any balance of said moneys then remaining will be returned to the Company, and (b) the amount of such repayment shall be limited to the balance of such moneys unclaimed at the close of business on such date.

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ARTICLE XIX

SUPPLEMENTAL INDENTURES

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

(a) To convey, transfer and assign to the Trustees and subject to the lien of the Mortgage, with the same force and effect as though included in the granting clauses hereof, additional property then owned by the Company, acquired through consolidation, merger, purchase or otherwise;

(b) To evidence the succession of another corporation to the Company, or successive successions, and the assumption by the successor corporation of the covenants, agreements and obligations of the Company pursuant to Article XII;

(c) To set forth the terms and provisions of any series of Bonds to be issued hereunder and the form of the Bonds and coupons of such series;

(d) To add to the covenants of the Company such further covenants for the protection of the mortgaged property and the Bondholders as the Board of Directors and the Corporate Trustee shall consider to be for the protection of the Bondholders, and to make the occurrence and continuance of a default under any of such additional covenants a default permitting the enforcement of all or any of the several remedies provided in the Mortgage; provided, however, that in respect of any such additional covenant, such supplemental indenture may provide for a particular period of grace after default (which period may be shorter or longer than that allowed in the case of other defaults) or may provide for an immediate enforcement of said remedy or remedies upon such default or may limit the remedies available to the

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Sections 2 and 3

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Trustees, at any time and from time to time, by entering into an indenture or indentures supplemental hereto, may modify or alter in any manner any of the provisions of the Mortgage or the rights of the holders of the Bonds and coupons to be directly affected thereby or the rights and obligations of the Company, except as provided in Section 3 of this Article XIX; provided, however, that no such modification or alteration shall:

(i) alter or impair the obligation of the Company to pay the principal amount or the interest specified in any Bonds at the places and in the manner specified therein or in any interest coupon appertaining thereto without in each case the consent of the holders of all Bonds affected thereby; or

(ii) permit the creation by the Company of any mortgage or other lien in the nature of a mortgage ranking prior to or on a parity with the lien of the Mortgage with respect to any property covered thereby except as in the Mortgage otherwise expressly provided, without in each case the consent of the holders of all Outstanding Bonds; or

(iii) effect a reduction of the percentage required for any action authorized to be taken by the holders of the Bonds, without in each case the consent of the holders of all Outstanding Bonds:

and provided, further, that no such modification or alteration shall affect the rights, duties or immunities of the Trustees without the written consent of the Trustees.

It shall not be necessary for the consent of the Bondholders under this Section 2 to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such consent shall approve the substance thereof.

SECTION 3. Subject to the provisions of Section 4 of Article XIII, with the consent (evidenced as provided in Section

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Sections 1 and 2

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Trustees upon such default or may authorize the holders of not less than a majority in aggregate principal amount of the Outstanding Bonds to waive such default and prescribe limitations on such rights of waiver; and

(e) To cure any ambiguity or to correct or supplement any provision contained in the Mortgage which may be defective or inconsistent with any other provision contained herein or in any supplemental indenture, or to make such other provisions in regard to matters or questions arising under the Mortgage as shall not be inconsistent with the provisions of the Mortgage and shall not adversely affect the interest of the Bondholders.

The Trustees are hereby authorized to join with the Company in the execution of any such supplemental indenture, to make any further appropriate agreements and stipulations which may be therein contained and to accept the conveyance, transfer and assignment of any property thereunder, but the Trustees shall not be obligated to enter into any such supplemental indenture which, in their opinion, affects the Trustees' own rights, duties or immunities under the Mortgage or otherwise.

Any supplemental indenture authorized by the provisions of this Section 1 may be executed by the Company and the Trustees without the consent of the holders of any of the then Outstanding Bonds, notwithstanding any of the provisions of Section 2 of this Article XIX.

SECTION 2. Subject to the provisions of Section 4 of Article XIII, with the consent (evidenced as provided in Section 1 of Article XIII) of the holders of not less than 66% in aggregate principal amount of the then Outstanding Bonds to be directly affected thereby, and with the approval of the Interstate Commerce Commission or other public regulatory body having jurisdiction in the premises, the Company, when authorized by a resolution of its Board of Directors, and the

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1 of Article XIII) of the holders of not less than 75% in aggregate principal amount of all of the then Outstanding Bonds, and with the approval of the Interstate Commerce Commission or other public regulatory body having jurisdiction in the premises, the Company, when authorized by a resolution of its Board of Directors, and the Trustees at any time and from time to time by entering into an indenture or indentures supplemental hereto, may extend to any fixed or determinable date the time or times of payment of the principal of or the time or times of payment of any Fixed Interest or any unpaid accumulations of Contingent Interest on all of the Bonds of any or all series at the time outstanding for a period of not exceeding 25 years beyond the original date of maturity of the principal of such Bonds.

SECTION 4. Upon the request of the Company, accompanied by a Certified Resolution authorizing the execution of any supplemental indenture pursuant to Sections 2 or 3 of this Article XIX, and upon the filing with the Corporate Trustee of evidence of the consent of Bondholders as aforesaid, the Trustees shall join with the Company in the execution of such supplemental indenture.

SECTION 5. Upon the execution of any supplemental indenture pursuant to the provisions of this Article XIX, the Mortgage shall be and be deemed to be modified and amended in accordance therewith and the respective rights, duties and obligations under the Mortgage of the Company, the Trustees and the holders of Bonds of all series outstanding thereunder shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms and conditions of any such supplemental indenture shall be and be deemed to be part of the terms and conditions of the Mortgage for any and all purposes

MATT PARROTT & SONS CO., WATERLOO, IOWA F12002

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Section 6

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SECTION 6. Bonds authenticated and delivered after the execution of any supplemental indenture pursuant to the provisions of this Article XIX may bear a notation in form approved by the Corporate Trustee as to any matter provided for in such supplemental indenture. If the Company or the Corporate Trustee shall so determine, new Bonds so modified as to conform, in the opinion of the Corporate Trustee and the Board of Directors, to any modification of the Mortgage contained in any such supplemental indenture may be prepared by the Company, authenticated by the Corporate Trustee and delivered without expense to the holders of Bonds of the same series then outstanding, upon surrender of such Bonds accompanied, in the case of coupon Bonds, by all unmatured coupons and all unpaid matured coupons which shall be appurtenant thereto, the new Bonds so issued to be of the same series and of an aggregate principal amount equal to the aggregate principal amount of those so surrendered.

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ARTICLE XX
MISCELLANEOUS

SECTION 1. The same officer or officers of the Company, or the same engineer, accountant or counsel or other person, as the case may be, need not certify to all the matters required to be certified under the provisions of any Article or Section of the Mortgage, but different officers, engineers, accountants, counsel or other persons may certify to different matters respectively.

SECTION 2. Each Officers' Certificate or Opinion of Counsel required to be given responsive to a specified condition or covenant provided for in the Mortgage shall include: (i) a statement that the person making such certificate or giving such opinion has read such covenant or condition; (ii) a statement that, in the opinion of such person, he has made such examination or investigation as is necessary to enable him to express an informed opinion as to whether or not such covenant or condition has been complied with; and (iii) a statement as to whether or not, in the opinion of such person, such condition or covenant has been complied with.

SECTION 3. Except as otherwise expressly provided herein, nothing in the Mortgage or in any of the Bonds or coupons, express or implied, is intended or shall be construed to confer upon or give to any person, firm or corporation other than the parties hereto and the holders from time to time of the Bonds or coupons issued under the Mortgage any security, right, remedy or claim, legal or equitable, under or by reason of the Mortgage, or under or by reason of any covenant, condition or stipulation herein contained; and the Mortgage and all covenants, conditions and provisions herein contained are and shall be held to be for the sole and exclusive

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Sections 3, 4, 5 and 6

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benefit of the parties hereto and the holders from time to time of the Bonds and coupons issued hereunder.

SECTION 4. The Company shall be entitled to obtain from the Corporate Trustee from time to time such certificates and statements of the latter as to matters related to the Mortgage which are within its knowledge as the Company shall find it necessary or advisable to file with the corporate trustee of the First Mortgage for any of the purposes thereof.

SECTION 5. The Mortgage may be executed in any number of counterparts, each of which shall be an original; but such counterparts shall together constitute but one and the same instrument.

SECTION 6. The Mortgage shall be effective by order of the Court in the reorganization proceedings hereinbefore mentioned as of 12:01 A. M., Central Standard Time, on January 1, 1948, although executed and delivered on the date of the acknowledgment hereof by the Corporate Trustee.

IN WITNESS WHEREOF, CHICAGO, ROCK ISLAND AND PACIFIC RAILROAD COMPANY, the party of the first part, has caused the Mortgage to be signed and acknowledged by its President or one of its Vice Presidents, and its corporate seal to be affixed hereto, and the same to be attested by its Secretary or its Assistant Secretary; THE NORTHERN TRUST COMPANY, one of the parties of the second part, to evidence its acceptance of the trust hereby created, has caused the Mortgage to be signed and acknowledged by one of its Vice Presidents and its corporate seal to be affixed hereto and the same to be attested by one of its Assistant Secretaries, and GALE F. JOHNSTON, one of the parties of the second part, to evidence his acceptance of the trust hereby created, has hereto set his hand and seal.

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Executed and delivered in the City of Chicago, State of Illinois, as of the first day of January, 1948.

CHICAGO, ROCK ISLAND AND PACIFIC
RAILROAD COMPANY

(CORPORATE SEAL)

By J D Farrington
President

Attest:

W Vanderpool
Secretary

In the presence of

A W Owen
M. Z. Greenley

THE NORTHERN TRUST COMPANY

(CORPORATE SEAL)

By S A Weaver
Vice President

Attest:

R A Brown
Assistant Secretary

In the presence of

J C Williams
N D McClure Jr

Gale F Johnston (L.S.)

In the presence of

J C Williams
N D McClure Jr.

MATT PARROTT & SONS CO., WATERLOO, IOWA

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STATE OF ILLINOIS }
COUNTY OF COOK }ss.

BE IT REMEMBERED and I do hereby certify that on this 8TH day of January, in the year 1948, before me, W. J. GEDL, the undersigned officer, a Notary Public in and for the State and County aforesaid, personally appeared J. D. FARRINGTON and W. VANDERPOOL, to me personally known and known to me to be the President and Secretary, respectively, of Chicago, Rock Island and Pacific Railroad Company, the corporation described in and which executed the foregoing instrument, and personally known to me to be the identical persons whose names are subscribed to and who executed the foregoing instrument on behalf of said corporation, who, being by me duly sworn according to law, on their oaths did severally depose, say and acknowledge to me that they are President and Secretary, respectively, of said Chicago, Rock Island and Pacific Railroad Company, that they well know the seal of said corporation, that the seal affixed to the foregoing instrument is the corporate seal of said corporation and was affixed thereto by authority of its Board of Directors and that said instrument was signed, sealed and executed by them in the name and on behalf of said corporation by like authority; and said J. D. FARRINGTON and W. VANDERPOOL severally acknowledged to me that they, being thereunto duly authorized so to do, signed, sealed with the corporate seal, executed and delivered said instrument in the name and on behalf of said corporation as their free and voluntary act and deed as such President and Secretary, respectively, and by authority of the Board of Directors of said corporation, and that said instrument was voluntarily executed by said corporation as its free and voluntary act and deed, for the uses, purposes and consideration therein set forth.

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STATE OF ILLINOIS }
COUNTY OF COOK }ss.

BE IT REMEMBERED and I do hereby certify that on this 8TH day of January, in the year 1948, before me, ARTHUR A. JOHNSON, the undersigned officer, a Notary Public in and for the State and County aforesaid, personally appeared S. A. WEAVER and R. A. BROWN, to me personally known and known to me to be a Vice President and an Assistant Secretary, respectively, of The Northern Trust Company, the corporation described in and which executed the foregoing instrument, and personally known to me to be the identical persons whose names are subscribed to and who executed the foregoing instrument on behalf of said corporation, who, being by me duly sworn according to law, on their oaths did severally depose, say and acknowledge to me that they are a Vice President and an Assistant Secretary, respectively, of said The Northern Trust Company, that they well know the seal of said corporation, that the seal affixed to the foregoing instrument is the seal of said corporation and was affixed thereto by authority of its Board of Directors and that said instrument was signed, sealed and executed by them in the name and on behalf of said corporation by like authority; and said S. A. WEAVER and R. A. BROWN severally acknowledged to me that they, being thereunto duly authorized so to do, signed, sealed with corporate seal, executed and delivered said instrument in the name and on behalf of said corporation as their free and voluntary act and deed as such Vice President and Assistant Secretary, respectively, and by authority of the Board of Directors of said corporation, and that said instrument was voluntarily executed by said corporation as its free and voluntary act and deed, for the uses, purposes and consideration therein set forth.

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IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal at my office in said County and State this 8TH day of January, A. D. 1948.

W J Gedl
Notary Public in and for
said State and County.

My commission expires NOV 14 1949

(Notarial Seal)

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IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal at my office in said County and State this 8TH day of January, A. D. 1948.

Arthur A Johnson
Notary Public in and for said
State and County.

My commission expires MAY 9 - 1949

(Notarial Seal)

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STATE OF ILLINOIS }
COUNTY OF COOK }ss.

BE IT REMEMBERED and I do hereby certify that on this 8TH day of January, in the year 1948, before me, ARTHUR A. JOHNSON, the undersigned officer, a Notary Public in and for the State and County aforesaid, personally appeared Gale F. Johnston, to me personally known and known to me to be the identical person named and described in and whose name is subscribed to and who executed the within and foregoing instrument, who being by me duly sworn, did say and acknowledge that he executed the foregoing instrument; and said Gale F. Johnston acknowledged to me that he signed, sealed, executed and delivered said instrument as his free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal this 8TH day of January, A. D. 1948.

Arthur A Johnson
Notary Public in and for
said State and County.

My commission expires MAY 9 - 1949

