

Article I

66

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, bridge 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 of Stocks or both.

"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

Article I

67

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 unexpired 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

68

ARTICLE II

DISBURSMENT OF BONDS

Section 1. The Bonds shall be designated generally as the Company's "First 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 \$3,000,000, and the Bonds of Series "A" to be issued pursuant to Section 1 of Article III shall:

(a) be designated "First Mortgage 4% Bonds, Series A, due January 1, 1944";

(b) be dated as of January 1, 1948, except that all registered Bonds without coupons issued during the first six months of the year 1948 shall be dated as of January 1, 1948, and all such Bonds issued thereafter shall be dated as of the first day following the close of the latest period for which interest on Bonds of Series A shall have been paid or made available for payment;

(c) mature January 1, 1964, unless previously re-deemed pursuant to Article IV or declared due and payable pursuant to Article XV;

(d) bear interest payable semi-annually on the first days of January and July of each calendar year at a rate of 4% per annum from January 1, 1948 (except that registered Bonds of Series A without coupons shall bear interest from and including the date of issue), until the principal sum thereof becomes due and payable as herein

Article II
Section 2

69

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 (in the case of coupon Bonds) as to interest due on or before the date said principal sum becomes due and payable only upon presentation and surrender of the respective coupons thereto appertaining as they shall severally mature;

(e) 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;

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

(g) 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 may from time to time any particular Bond be evidenced conclusively by the execution thereof by the officers on behalf of the Company in denominations in excess of \$10,000, the Bond so executed to be exchangeable for Bonds of other form in authorized denominations (except that, unless otherwise ordered by the Company for the purpose of effecting distribution of Bonds as Securities, pursuant to the Plan, Bonds of \$1,000, \$5,000 and \$10,000 shall be exchangeable only for Bonds of the same denomination of \$1,000 and Bonds of the denominations of \$1,000, \$5,000 and \$10,000 shall not be exchangeable for Bonds of the denominations of \$50, \$100 or \$500) and shall be transferable, and the coupon Bond shall be registrable as principal.