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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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acquired in substitution thereof, 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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"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 thereof, 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 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