

## Article I

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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 of such Subsidiary as determined by an Independent Engineer.

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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 ½ 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 appertaining.

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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 IV 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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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