

PIONEER, INC., TACOMA—176359

proxy at such meeting or any adjournment thereof; and provided, further, that in the event a quorum of the holders of the Common Stock is present but a quorum of the holders of Preferred Stock is not present, then the election of the directors elected by the holders of the Common Stock shall not become effective and the directors so elected by the holders of Common Stock shall not assume their offices and duties until the holders of the Preferred Stock, with a quorum present, shall have elected the directors they shall be entitled to elect; and provided further, however, that in the absence of a quorum of holders of stock of either class, a majority of the holders of the stock of the class who are present in person or by proxy shall have power to adjourn the election of the directors to be elected by such class from time to time without notice other than announcement at the meeting, until the requisite quorum of holders of such class shall be present in person or by proxy, but such adjournment shall not be made to a date beyond the date for the mailing of the notice of the next annual meeting of the Company or special meeting in lieu thereof.

(k) So long as any shares of the Preferred Stock are outstanding, the Company shall not, without the consent (given by a vote at a meeting called for that purpose) of the holders of at least two-thirds of the total number of shares of the Preferred Stock then outstanding:

(1) create or authorize any new stock ranking prior to the Preferred Stock as to dividends, in liquidation, dissolution, winding up or distribution, or create or authorize any security convertible into shares of any such stock; or

(2) amend, alter, change or repeal any of the express terms of the Preferred Stock then outstanding in a manner substantially prejudicial to the holders thereof;

(l) So long as any shares of the Preferred Stock are outstanding, the Company shall not, without the consent (given by vote at a meeting called for that purpose) of the holders of a majority of the total number of shares of the Preferred Stock then outstanding:

(1) merge or consolidate with or into any other corporation or corporations; provided, that the provisions of this subparagraph (1) shall not apply to a purchase or other acquisition by the Company of franchises or assets of another corporation in any manner which does not involve a merger or consolidation; or

(2) issue any unsecured notes, debentures or other securities representing unsecured indebtedness, or assume any such unsecured indebtedness, for purposes other than (i) the refunding of outstanding unsecured indebtedness theretofore issued or assumed by the Company, (ii) the reacquisition, redemption or other retirement of any indebtedness which reacquisition, redemption or other retirement has been authorized by the Securities and Exchange Commission under the provisions of the Public Utility Holding Company Act of 1935 or by any successor commission or other regulatory authority of the United States of America, or (iii) the reacquisition, redemption or other retirement of all outstanding shares of the Preferred Stock, if immediately after such issue or assumption, the total principal amount of all unsecured notes, debentures or other securities representing unsecured indebtedness issued or assumed by the Company, including unsecured indebtedness then to be issued or assumed (but excluding sixty per centum (60%) of the principal amount then outstanding of the Company's % Serial Notes due 1947 to 1957) would exceed ten per centum (10%) of the aggregate of (a) the total principal amount of all bonds or other securities representing secured indebtedness issued or assumed by the Company and then to be outstanding, and (b) the capital and surplus of the Company as then to be stated on the books of account of the Company;

(3) issue, sell, or otherwise dispose of any shares of the Preferred Stock in addition to the shares of the Preferred Stock which become issuable upon conversion of shares of the preferred stocks of this Company and of Northwestern Electric Company pursuant to the terms of the Agreement and Act of Consolidation and Merger, dated April 17,