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SUBJECT: Advises of proposed business transaction between IE Industries,Inc & Iowa Southern,Inc.Agreement plan of merger, dtd 910227 encl.

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March 6, 1991

Dr. Thomas E. Murley, Director
Office of Nuclear Reactor Regulation
U.S. Nuclear Regulatory Commission
One White Flint North
11555 Rockville Pike
Rockville, Maryland 20852

Re: Iowa Electric Light & Power Co. (Duane Arnold Nuclear Energy Center), NRC License No. DPR-49

Dear Dr. Murley:

This letter is to formally advise the Nuclear Regulatory Commission ("NRC") of the proposed business transaction contemplated by the Agreement and Plan of Merger, dated as of February 27, 1991 (the "Agreement"), between IE Industries, Inc. ("IE Industries"), an Iowa corporation, and Iowa Southern, Inc. ("Iowa Southern"), another Iowa corporation. The effectuation and timing of the merger will depend upon the receipt of the necessary shareholder approvals and regulatory authorizations. The shareholders meetings are scheduled for May 21, 1991. Assuming shareholder approval, the merger will be effected on that date or as soon thereafter as all the required regulatory authorizations are obtained.

IE Industries is the parent holding company and owner of all of the outstanding shares of common stock of Iowa Electric Light and Power Company ("IE"), an Iowa corporation and public utility providing electric and natural gas service to portions of central, eastern and northwestern Iowa. IE holds an NRC license (License No. DPR-49), issued pursuant to Section 104b (42 U.S.C.

A002
1/1

§ 2134(b)) of the Atomic Energy Act of 1954, as amended ("the Act;" 42 U.S.C. § 2011, et seq.), authorizing it to own a 70% interest in and to operate the Duane Arnold Nuclear Energy Center ("DAEC"). 1/ Iowa Southern is the parent holding company of Iowa Southern Utilities Company ("IS"), which is also an Iowa corporation and a public utility providing electric and gas service in southeastern Iowa.

Under the terms of the Agreement, all of the outstanding shares of common stock of Iowa Southern will be exchanged for newly issued IE Industries common stock and Iowa Southern will be merged with and into IE Industries, with IE Industries remaining as the surviving corporation. Iowa Electric Light and Power Company will remain a wholly-owned utility subsidiary of IE Industries, and IS will become an additional, separately managed, wholly-owned utility subsidiary of IE Industries. For a five year period following the merger, Iowa Electric Light and Power Company and IS will be required to continue their separate corporate and operational existence and maintain their headquarters in their present locations at Cedar Rapids, Iowa, and Centerville, Iowa, respectively.

A number of changes will be made in the Articles of Incorporation and Bylaws of IE Industries in connection with the merger, including: (1) a change in the name of IE Industries, Inc. to IES Industries, Inc. ("IES Industries"); (2) an increase in the authorized capital stock of IES Industries to allow for the conversion of Iowa Southern common stock into IES Industries common stock and to enable IES Industries to issue additional shares in the future; and (3) an increase in the authorized number of members of the Board of Directors of IES Industries to sixteen, comprised of ten members designated by IE Industries and six members designated by Iowa Southern. The current President of IE Industries will continue as Chairman of the Executive Committee, President and Chief Executive Officer of IES Industries, as well as Chairman of the Board and Chief Executive Officer of IE, and the current Chief Executive Officer of Iowa Southern will become the Chairman of the Board of Directors of IES Industries.

It should also be noted that (1) neither Iowa Southern nor IS owns or operates any facilities, possesses any materials, or engages in any other activities subject to the licensing requirements of the Act; (2) IE will continue to hold License No.

1/ Central Iowa Power Cooperative owns 20% and Corn Belt Power Cooperative owns 10%.

DPR-49, own its interest in and operate the DAEC; (3) no change in the management of IE or the DAEC is contemplated in connection with the merger; (4) IE will continue to be subject to regulation by the Iowa Utilities Board and the Federal Energy Regulatory Commission ("FERC") after the merger; (5) all of the individuals to be elected to the Board of Directors of IES Industries are citizens of the United States of America; (6) the common stock of Iowa Southern is widely held and no single person or entity currently owns 5% or more of the outstanding shares of such common stock, so that upon consummation of the merger no former shareholder of Iowa Southern is expected to acguire more than 2% of the outstanding shares of common stock of IES Industries; and (7) the merger will be subject to the approval of the Iowa Utilities Board and the U.S. Securities and Exchange Commission under the Public Utility Holding Company Act of 1985.

In our view, the transaction does not reguire any action on the NRC's part. Under Section 184 of the Act, 42 U.S.C. § 2234, and the NRC regulations implementing the section, 10 C.F.R. § 50.80, no license for a production or utilization facility, such as IE's License No. DPR-49 for the DAEC, may be transferred "either voluntarily or involuntarily, directly or indirectly, through transfer of control of the license to any person . . ." unless the NRC has consented to such a transfer.

No direct or indirect transfer of control of License No. DPR-49 will occur as a result of the proposed merger of IE Industries and Iowa Southern. There will obviously be no "direct" transfer of control of an NRC license from one legal entity to another since IE will continue to hold License No. DPR-49 and continue to own its interest in and operate the DAEC after the merger. There will also be no "indirect" transfer of control of the license since IE will remain a wholly-owned subsidiary of IE Industries, IE Industries will continue to be the "indirect" owner of the license by virtue of its ownership and control of IE, and there will be no direct or indirect transfer of control of IE. 2/

2/ In the past, the NRC has apparently taken the position that a corporate restructuring involving the establishment of a new holding company parent of a utility possessing an NRC license constitutes an indirect transfer of control of a license under Section 184, since the new parent company becomes an indirect owner of the license. See Wisconsin Public Service Co., 53 Fed. Reg. 1692 (Jan. 21, 1988); Consumers Power Co., 52 Fed. Reg. 18,300 (May 14, 1987);

(continued...)

This result is consistent with (a) the position apparently taken by the NRC in the past with respect to other licensees whose holding company parent acquired an additional utility subsidiary 3/, and (b) the position recently taken by FERC with respect to a merger transaction at the holding company level which did not involve any utility subsidiaries subject to regulation under the Federal Power Act. 4/

2/(...continued)
Southern California Edison Co., 52 Fed. Reg. 46,694 (Dec. 9, 1987); Iowa Electric Light & Power Co., 51 Fed. Reg. 23,010 (June 24, 1986); Wisconsin Electric Power Co., 51 Fed. Reg. 35,312 (Oct. 2, 1986). In all of those cases, the consent of the Commission was granted. See, e.g., letter of June 30, 1986, in NRC Docket No. 50-331 from Robert M. Bernero, Director, Division of BWR Licensing, Office of Nuclear Reactor Regulation, to Mr. Lee Liu, Chairman of the Board and Chief Executive Officer, IE. In the instant case, no new corporate entity is being established. IE Industries is, and will remain, the parent of IE and indirect owner of License No. DPR-49 under its new name, IES Industries.

3/ For example, in 1988, the Southern Company, a public utility holding company with several utility subsidiaries holding NRC licenses (i.e. Alabama Power Company, Georgia Power), issued additional shares of common stock and acquired Savannah Electric & Power Company as part of a merger transaction. See Southern Company, Holding Company Act Release No. 24579, 40 SEC Docket No. 6 (CCH) 350 (Feb. 12, 1988). No NRC consent was apparently obtained or required in connection with this transaction.

4/ Under Section 203 of the Federal Power Act, no public utility may transfer its jurisdictional facilities, directly or indirectly merge or consolidate such facilities with those of any other person, or acquire the securities of another public utility without prior FERC approval. 16 U.S.C. § 824(b). Like the NRC, FERC has held that prior FERC approval is required in connection with a corporate restructuring involving the establishment of a new holding company parent by an existing utility since a transfer of control over jurisdictional facilities occurs as a result. See e.g. Central Illinois Public Service Co., 42 F.E.R.C. (CCH) ¶ 61,073 (1988); Central Vermont Public Service Corp.,
(continued...)

Finally, since the DAEC license was issued under Section 104b of the Act, review of the transaction pursuant to Section 105(c)(1) and (5) of the Act (42 U.S.C. § 2135(c)(1) and (5)) would not be authorized. As specified in Section 105c(2) of the Act (42 U.S.C. § 2135(c)(2)), those provisions apply only to licenses issued under Section 103 (42 U.S.C. § 2133). See, Ft. Pierce Utils. Auth. v. United States, 606 F.2d 986, 1000 (D.C. Cir.), cert. denied, 444 U.S. 842 (1979).

A copy of the Agreement is forwarded herewith. If we can provide you with any additional information concerning the Agreement, please advise us. As pointed out above, it is contemplated that the merger may be effected as early as May 21, 1991. In the event the NRC has any questions or concerns about the proposed transaction, we would like to have the opportunity to answer any such questions or satisfy any such concerns prior to that date and will be pleased to cooperate fully in providing any additional information that the agency may desire.

Sincerely,

Jack R. Newman
Newman & Holtzinger, P.C.

Attorneys for
IE Industries, Inc.

enc.

4/(...continued)
39 F.E.R.C. (CCH) ¶ 61,295 (1987). However, in Missouri Basin Municipal Power Agency v. Midwest Energy, No. EL 90-31-000, slip. op. (F.E.R.C. Dec. 13, 1990), FERC recently disclaimed jurisdiction under Section 203 over the merger of two existing holding companies, Iowa Resources and Midwest Energy, into a new holding company called Midwest Resources since the merging companies did not own or operate any jurisdictional facilities and no transfer of control over jurisdictional facilities would occur as a result of the merger. While the respective utility subsidiaries of the merger participants (i.e. Iowa Power Company and Iowa Public Service Company) did own and operate jurisdictional facilities, they were not participating in the merger transaction and they were going to continue to own and operate these facilities after the merger. Similarly here, IE itself is not a participant in the merger transaction and will continue to own and operate DAEC after the merger.

cc (w/enc.): U.S. Nuclear Regulatory Commission
Attn: Document Control Desk
Washington, D.C. 20555

Edwin J. Reis, Esq.
Deputy Assistant General Counsel
for Reactor Licensing

Joseph Rutberg, Esq.
Deputy Assistant General Counsel for
Materials, Antitrust and Special Proceedings

50-331 DUANE ARNOLD IEL&P

PROPOSED BUSINESS TRANSACTION BETWEEN IE INDUSTRIES, INC. & IOWA SOUTHERN, INC.

REC'D W/LTR DTD 03/06/91....9103110384

[Conformed Copy]

AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER, dated as of February 27, 1991 (the "Agreement"), by and between IE Industries Inc., an Iowa corporation ("IE Industries"), and Iowa Southern Inc., an Iowa corporation (the "Company").

WHEREAS, the Boards of Directors of IE Industries and the Company have approved the merger of the Company with and into IE Industries (the "Merger") pursuant to the terms and conditions set forth in this Agreement; and

WHEREAS, for federal income tax purposes, it is intended that IE Industries and the Company and their respective shareholders will recognize no gain or loss for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations thereunder as a result of the consummation of the Merger except with respect to dissenters' rights, fractional shares and the redemption of the Rights (as defined in Section 5.18);

NOW, THEREFORE, in consideration of the premises and the representations, warranties, covenants and agreements contained herein, the parties hereto, intending to be legally bound hereby, agree as follows:

ARTICLE I

THE MERGER

Section 1.1 The Merger. Upon the terms and subject to the conditions of this Agreement, at the Effective Time (as defined in Section 1.2 hereof) in accordance with the Iowa Business Corporation Act (the "IBCA") the Company shall be merged with and into IE Industries in accordance with this Agreement and the form of articles of merger attached hereto as Exhibit I (the "Articles of Merger") and the separate existence of the Company shall thereupon cease. IE Industries shall be the surviving corporation in the Merger (hereinafter sometimes referred to as the "Surviving Corporation").

Section 1.2 Effective Time of the Merger. The Merger shall become effective at such time (the "Effective Time") as a copy of the duly completed Articles of Merger (the "Merger Filing") is delivered to the Secretary of State of the State of Iowa for filing and is filed by the

Secretary of State of the State of Iowa or at such later time as the parties may agree to specify in the Articles of Merger.

Section 1.3 Effects of the Merger. The Merger shall have the effects set forth in Section 490.1106 of the IBCA.

ARTICLE II

THE SURVIVING CORPORATION

Section 2.1 Articles of Incorporation; Amendment. The Articles of Incorporation of IE Industries as in effect immediately prior to the Effective Time shall be the Articles of Incorporation of the Surviving Corporation after the Effective Time until amended in accordance with the provisions of the IBCA, except that Articles FIRST, FOURTH FIFTH and NINTH shall be amended as of and from the Effective Time as set forth in Exhibit II hereto.

Section 2.2 By-Laws. The By-laws of IE Industries shall be amended as of the Effective Time to read in their entirety as set forth in Exhibit III and shall be the by-laws of the Surviving Corporation after the Effective Time, and thereafter may be amended in accordance with their terms and as provided by the Articles of Incorporation of the Surviving Corporation and the IBCA.

Section 2.3 Directors and Officers. (a) At the Effective Time, the Board of Directors of the Surviving Corporation shall be comprised of (i) ten of the members of IE Industries's Board of Directors immediately prior to the Effective Time as designated by the Board of Directors of IE Industries prior to the Effective Time and (ii) six additional members appointed from the Board of Directors of the Company (one of whom shall be C.R.S. Anderson) as designated by the Board of Directors of the Company prior to the Effective Time. Subject to the fiduciary obligations of the Board of Directors of the Surviving Corporation under applicable law, for a period of at least five years following the Effective Time (the "Five Year Period") IE Industries agrees to renominate and recommend to shareholders the reelection of the six directors appointed pursuant to clause (ii) and their successors, if any (the "Company Directors") without qualification and to otherwise use its best legal efforts to cause the Company Directors to serve as directors of the Surviving Corporation. At all times during the Five Year Period at least one of the Company Directors shall serve on the Executive Committee and

the Nominating Committee. Should any of the Company Directors be disqualified, removed, resign or otherwise cease to serve, then the vacancy resulting therefrom shall be filled as provided by the Surviving Corporation's By-laws.

(b) At the Effective Time C.R.S. Anderson shall be Chairman of the Board of IE Industries and Chairman of the Board of Directors and Chief Executive Officer of the Company's present electric and gas utility subsidiary, Iowa Southern Utilities Company, an Iowa corporation ("IS Utilities"). At the Effective Time Lee Liu shall continue to serve as Chairman of the Executive Committee of the Board of Directors and President and Chief Executive Officer of IE Industries and Chairman of the Board and Chief Executive Officer of IE Industries's electric and gas utility Subsidiary, Iowa Electric Light and Power Company, an Iowa corporation ("Iowa Electric").

ARTICLE III

CONVERSION OF SHARES

Section 3.1 Conversion of Company Shares in the Merger. At the Effective Time, by virtue of the Merger and without any action on the part of any holder of any capital stock of the Company:

(a) all shares of Common Stock, $5.00 par value per share, of the Company ("Company Common Stock"), which are held in the treasury of the Company, and all shares of Company Common Stock owned by IE Industries or any subsidiary of IE Industries or the Company ("Company Treasury Stock") shall be canceled and shall cease to exist from and after the Effective Time; and

(b) each remaining issued and outstanding share of Company Common Stock, other than Company Dissenting Shares (as defined in Section 3.6), shall be converted into, and become exchangeable for, 1.60 shares of validly issued, fully paid and nonassessable common stock, no par value, of IE Industries ("IE Industries Common Stock").

Section 3.2 IE Industries Common Stock in the Merger. At the Effective Time, by virtue of the Merger and without any action on the part of any holder of any capital stock of IE Industries, each issued and outstanding share of IE Industries Common Stock, other than IE Industries Dissenting Shares (as defined in Section 3.6), shall

continue unchanged and remain outstanding as a share of Common Stock of the Surviving Corporation.

Section 3.3 Exchange of Company Common Stock Certificates. (a) From and after the Effective Time, each holder of an outstanding certificate which immediately prior to the Effective Time represented shares of Company Common Stock (each a "Company Certificate" and together the "Company Certificates"), other than Company Treasury Stock and Company Dissenting Shares (as defined in Section 3.6), shall be entitled to receive in exchange therefor, upon surrender thereof to an exchange agent selected by IE Industries and reasonably acceptable to the Company (the "Exchange Agent"), a certificate or certificates representing the number of whole shares of IE Industries Common Stock into which such holder's shares of Company Common Stock were converted pursuant to Section 3.1. From and after the Effective Time, IE Industries shall be entitled to treat the Company Certificates which have not yet been surrendered for exchange as evidencing the ownership of the number of full shares of IE Industries Common Stock into which the shares of Company Common Stock represented by such Company Certificates shall have been converted pursuant to Section 3.1, notwithstanding the failure to surrender such Company Certificates. However, notwithstanding any other provision of this Agreement, until holders or transferees of Company Certificates have surrendered them for exchange as provided herein, (i) no dividends shall be paid with respect to any shares represented by such Company Certificates and no payment for fractional shares shall be made, and (ii) without regard to when such Company Certificates are surrendered for exchange as provided herein, no interest shall be paid on any dividends or any payment for fractional shares. Upon surrender of a Company Certificate, there shall be paid to the holder of such Company Certificate the amount of any dividends which theretofore became payable, but which were not paid by reason of the foregoing, with respect to the number of whole shares of IE Industries Common Stock represented by the certificate or certificates issued upon such surrender. If any certificate for shares of IE Industries Common Stock is to be issued in a name other than that in which the Company Certificate surrendered in exchange therefor is registered, it shall be a condition of such exchange that the person requesting such exchange shall pay any transfer or other taxes required by reason of the issuance of certificates for such shares of IE Industries Common Stock in a name other than that of the registered holder of the Company Certificate surrendered, or shall establish to the satisfaction of IE Industries that such tax has been paid or is not applicable.

(b) As soon as practicable after the Effective Time, IE Industries shall make available to the Exchange Agent the certificates representing shares of IE Industries Common Stock required to effect the exchange referred to in Section 3.3(a) above. Shares of IE Industries Common Stock into which shares of Company Common Stock shall be converted in the Merger shall be deemed to have been issued at the Effective Time.

(c) As soon as practicable after the Effective Time, the Exchange Agent shall mail to each holder of record of Company Certificates (i) a form letter of transmittal (which shall specify that delivery shall be effected, and risk of loss and title to the Company Certificates shall pass, only upon actual delivery of the Company Certificates to the Exchange Agent) and (ii) instructions for use in effecting the surrender of the Company Certificates in exchange for certificates representing shares of IE Industries Common Stock. Upon surrender of Company Certificates for cancellation to the Exchange Agent, together with a duly executed letter of transmittal and such other documents as the Exchange Agent shall require, the holder of such Company Certificates shall be entitled to receive in exchange therefor a certificate representing that number of whole shares of IE Industries Common Stock into which the shares of Company Common Stock theretofore represented by the Company Certificates so surrendered shall have been converted pursuant to the provisions of Section 3.1 plus cash in lieu of fractional shares of IE Industries Common Stock as provided in Section 3.4, and the Company Certificates so surrendered shall forthwith be canceled. Notwithstanding the foregoing, neither the Exchange Agent nor any party hereto shall be liable to a holder of shares of Company Common Stock for any shares of IE Industries Common Stock or dividends or distributions thereon delivered to a public official pursuant to applicable escheat laws. IE Industries shall not require an indemnity bond from the holders of lost or misplaced Company Certificates.

Section 3.4 No Fractional Securities. Notwithstanding any other provision of this Agreement, no certificates or scrip for fractional shares of IE Industries Common Stock shall be issued in the Merger and no IE Industries Common Stock dividend, stock split or interest shall relate to any fractional security, and such fractional interests shall not entitle the owner thereof to vote or to any other rights of a security holder. In lieu of any such fractional shares, each holder of Company Common Stock who would otherwise have been entitled to a fraction of a share of IE Industries Common Stock upon surrender of certificates for exchange will be entitled to receive a cash payment in

lieu of such fractional share in an amount equal to such fraction multiplied by the product of 1.60 and the average of the last reported sales price, regular way, per share of IE Industries Common Stock on the New York Stock Exchange Composite Tape for the ten business days prior to and including the last business day on which Company Common Stock is traded on the NASDAQ National Market System.

Section 3.5 Closing of Transfer Books. From and after the Effective Time, the stock transfer books of the Company shall be closed and no transfer of shares of Company Common Stock shall thereafter be made. If, after the Effective Time, certificates for such stock are presented to IE Industries, they shall be canceled and exchanged for certificates representing IE Industries Common Stock pursuant to Section 3.1 of the Agreement.

Section 3.6 Dissenting Shares. (a) Notwithstanding anything to the contrary contained in this Agreement, shares of Company Common Stock with respect to which dissenters' rights, if any, are granted by reason of the Merger and the IBCA and who do not vote in favor of the Merger and otherwise comply with the provisions of Part B of Division XIII of the IBCA ("Company Dissenting Shares") shall not be entitled to shares of IE Industries Common Stock pursuant to Section 3.1 hereof, unless and until the holder thereof shall have failed to perfect or shall have effectively withdrawn or lost such holder's right to dissent from the Merger under the IBCA, and shall be entitled to receive only the payment to the extent provided for by Division XIII of the IBCA with respect to such Company Dissenting Shares. If any such holder shall have failed to perfect or shall have effectively withdrawn or lost such holder's dissenters' rights under the IBCA, such holder's Company Dissenting Shares shall thereupon be deemed to be converted into shares of IE Industries Common Stock pursuant to Section 3.1.

(b) Notwithstanding anything to the contrary in this Agreement, shares of IE Industries Common Stock with respect to which dissenters' rights, if any, are granted by reason of the Merger and the IBCA and who do not vote in favor of the Merger and otherwise comply with the provision of Part B of Division XIII of the IBCA ("IE Industries Dissenting Shares") shall have only the right to receive the payment to the extent provided for by Division XIII of the IBCA with respect to such IE Industries Dissenting Shares. If any such holder shall have failed to perfect or shall have effectively withdrawn or lost such holder's right to dissent under the IBCA, such holder's IE Industries

Dissenting Shares shall thereupon be deemed to remain outstanding as shares of IE Industries Common Stock.

Section 3.7 Closing. The closing (the "Closing") of the transactions contemplated by this Agreement shall take place at the offices of Chapman and Cutler, 111 West Monroe Street, Chicago, Illinois, at 9:00 A.M., Chicago time, on the second business day immediately following the date on which the last of the conditions set forth in Article VIII hereof is fulfilled or waived, or at such other time and place as IE Industries and the Company shall agree.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF IE INDUSTRIES

IE Industries represents and warrants to the Company as follows:

Section 4.1 Organization and Qualification. IE Industries is a corporation duly organized, validly existing and in good standing under the laws of the State of Iowa and has the requisite corporate power and authority to own, lease and operate its assets and properties and to carry on its businesses as they are now being conducted. IE Industries is qualified to do business and is in good standing in each jurisdiction in which the properties owned, leased or operated by it or the nature of the businesses conducted by it makes such qualification necessary, except where the failure to be so qualified and in good standing will not, when taken together with all other such failures, have a material adverse effect on the business, operations, properties, assets, condition (financial or other), results of operations or prospects of IE Industries and its subsidiaries, taken as a whole (an "IE Industries Material Adverse Effect"). True, accurate and complete copies of IE Industries's Articles of Incorporation and By-laws, as in effect on the date hereof, including all amendments thereto, have heretofore been delivered to the Company.

Section 4.2 Capitalization. The authorized capital stock of IE Industries consists of 24,000,000 shares of IE Industries Common Stock and 5,000,000 shares of Cumulative Preferred Stock, no par value. As of December 31, 1990, 14,721,631 shares of IE Industries Common Stock and no shares of such Cumulative Preferred Stock were issued and outstanding. All of the issued and outstanding shares of IE Industries Common Stock are validly issued and are fully paid, nonassessable and free of preemptive rights. No subsidiary of IE Industries holds any shares of capital stock of IE Industries and no shares of capital stock of IE

Industries are held in the IE Industries treasury. Except as set forth in Schedule 4.2 hereof, as of the date hereof, there are no outstanding subscriptions, options, calls, contracts, commitments, understandings, restrictions, arrangements, rights or warrants, including any right of conversion or exchange under any outstanding security, instrument or other agreement obligating IE Industries or any subsidiary of IE Industries to issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of the capital stock of IE Industries or obligating IE Industries or any subsidiary of IE Industries to grant, extend or enter into any such agreement or commitment, except for IE Industries's Dividend Reinvestment and Stock Purchase Plan (the "IE Industries DRP"), Employee Stock Purchase Plan (the "ESPP") and Long-Term Incentive Plan of 1987 (the "IE Industries Incentive Plan") and except pursuant to this Agreement. As of December 31, 1990, there were an aggregate of 749,094 shares reserved for issuance pursuant to the IE Industries DRP, ESPP and IE Industries Incentive Plan and an additional 1,000,000 shares were reserved for issuance pursuant to the IE Industries DRP on February 5, 1991. After December 31, 1990 to the date hereof no shares of IE Industries Common Stock have been issued except issuances of shares reserved for issuance and issued in the ordinary course and no shares of Cumulative Preferred Stock, no par value, have been issued. There are no voting trusts, proxies or other agreements or understandings to which IE Industries or any subsidiary of IE Industries is a party or is bound with respect to the voting of any shares of capital stock of IE Industries. The shares of IE Industries Common Stock issued to shareholders of the Company in the Merger will be at the Effective Time duly authorized, validly issued, fully paid, nonassessable and free of preemptive rights.

Section 4.3 Subsidiaries. Each direct and indirect subsidiary of IE Industries is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation and has the requisite power and authority to own, lease and operate its assets and properties and to carry on its business as it is now being conducted. Each of such subsidiaries is qualified to do business, and is in good standing, in each jurisdiction in which the properties owned, leased or operated by it or the nature of the business conducted by it makes such qualification necessary, except where the failure to be so qualified and in good standing will not, when taken together with all such other failures, have an IE Industries Material Adverse Effect. Except as set forth in Schedule 4.3 hereof, all of the outstanding shares of capital stock of each subsidiary are validly issued, fully

paid, nonassessable and free of preemptive rights, and those owned directly or indirectly by IE Industries are owned free and clear of any liens, claims, encumbrances, security interests, equities, charges and options of any nature whatsoever. Except as set forth in Schedule 4.3 hereof and in IE Industries's Annual Report on Form 10-K for the year ended December 31, 1989 and the exhibits and schedules thereto (the "IE Industries 10-K" and, together with any reports filed with the Securities and Exchange Commission (the "SEC") after the IE Industries 10-K and prior to the date of this Agreement, the "IE Industries 1990 Reports"), IE Industries owns directly or indirectly all of the issued and outstanding shares of the capital stock of each of its subsidiaries. Except as set forth in Schedule 4.3 hereof and in the IE Industries 1990 Reports, there are no subscriptions, options, warrants, rights, calls, contracts, voting trusts, proxies or other commitments, understandings, restrictions or arrangements relating to the issuance, sale, voting, transfer, ownership or other rights affecting any shares of capital stock of any subsidiary of IE Industries, including any right of conversion or exchange under any outstanding security, instrument or agreement. Prior to the date hereof, IE Industries has delivered to the Company a list of all material corporations, partnerships, joint ventures and other business entities in which IE Industries or any of its subsidiaries directly or indirectly owns an interest and IE Industries's and such subsidiaries' direct and indirect share, partnership or other ownership interest of each such entity. None of such entities (other than Iowa Electric and whether or not a material entity) is a "public-utility company", and none of such entities (whether or not a material entity) is a "holding company", a "subsidiary company" or an "affiliate" of any public-utility company (other than Iowa Electric) within the meaning of Sections 2(a)(5), 2(a)(7), 2(a)(8) or 2(a)(11) of the Public Utility Holding Company Act of 1935, as amended (the "Holding Company Act").

Section 4.4 Authority; Non-Contravention; Approvals. (a) IE Industries has full corporate power and authority to enter into this Agreement and, subject to the IE Industries Shareholders' Approval (as hereinafter defined) and the IE Industries Required Statutory Approvals (as hereinafter defined), to consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement and the consummation by IE Industries of the transactions contemplated hereby have been duly authorized by IE Industries's Board of Directors, and no other corporate proceedings on the part of IE Industries are necessary to authorize the execution and delivery of this Agreement and the consummation by IE Industries of the

transactions contemplated hereby, except for the IE Industries Shareholders' Approval and the obtaining of the IE Industries Required Statutory Approvals. This Agreement has been duly and validly executed and delivered by IE Industries, and, assuming the due authorization, execution and delivery hereof by the Company, constitutes a valid and legally binding agreement of IE Industries enforceable against it in accordance with its terms.

(b) Except as set forth in Schedule 4.4(b) hereof, the execution and delivery of this Agreement by IE Industries does not, and the consummation by IE Industries of the transactions contemplated hereby will not, violate, conflict with or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration under, or result in the creation of any lien, security interest, charge or encumbrance upon any of the properties or assets of IE Industries or any of its subsidiaries under any of the terms, conditions or provisions of (i) the respective charters or by-laws of IE Industries or any of its subsidiaries, (ii) subject to obtaining the IE Industries Required Statutory Approvals and the receipt of the IE Industries Shareholders' Approval, any statute, law, ordinance, rule, regulation, judgment, decree, order, injunction, writ, permit or license of any court or governmental authority applicable to IE Industries or any of its subsidiaries or any of their respective properties or assets, or (iii) except for the Medium Term Credit Facility with The First National Bank of Chicago, any note, bond, mortgage, indenture, deed of trust, license, franchise, permit, concession, contract, lease or other instrument, obligation or agreement of any kind to which IE Industries or any of its subsidiaries is now a party or by which IE Industries or any of its subsidiaries or any of their respective properties or assets may be bound or affected, excluding from the foregoing clauses (ii) and (iii) such violations, conflicts, breaches, defaults, terminations, accelerations or creations of liens, security interests, charges or encumbrances that would not, in the aggregate, have an IE Industries Material Adverse Effect.

(c) Except for (i) the filings by IE Industries and the Company required by Title II of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), (ii) the filing of the Joint Proxy Statement/ Prospectus (as hereinafter defined) with the SEC pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Securities Act of 1933, as amended

(the "Securities Act"), and the declaration of the effectiveness thereof by the SEC and filings with various blue sky authorities, (iii) any required approvals or filings under the Federal Power Act of 1935, as amended (the "Federal Power Act"), (iv) the approval of the Iowa Utilities Board (the "IUB") pursuant to applicable Iowa state laws and regulations, (v) the approval, if required, of the Nuclear Regulatory Commission (the "NRC") pursuant to the Atomic Energy Act of 1954, as amended (the "Atomic Energy Act"), (vi) the approval of and filing with the SEC pursuant to the Holding Company Act, (vii) the making of the Merger Filing with the Secretary of State of the State of Iowa in connection with the Merger and (viii) the listing with the New York Stock Exchange, Inc. ("NYSE"), subject to official notice of issuance, of the IE Industries Common Stock to be issued in the Merger (the filings and approvals referred to in clauses (i) through (viii) are collectively referred to as the "IE Industries Required Statutory Approvals"), no declaration, filing or registration with, or notice to, or authorization, consent or approval of, any governmental or regulatory body or authority is necessary for the execution and delivery of this Agreement by IE Industries or the consummation by IE Industries of the transactions contemplated hereby, other than such filings, registrations, authorizations, consents or approvals the failure of which to make or obtain, as the case may be, will not, in the aggregate, have an IE Industries Material Adverse Effect.

Section 4.5 Reports and Financial Statements. Since December 31, 1986, IE Industries and each of its subsidiaries required to make filings under the Securities Act, the Exchange Act, applicable Iowa state laws and regulations, the Atomic Energy Act, the Federal Power Act or the Holding Company Act have filed with the SEC, the IUB, the NRC or the Federal Energy Regulatory Commission ("FERC"), as the case may be, all forms, statements, reports and documents (including all exhibits, amendments and supplements thereto) required to be filed by them under each of the Securities Act, the Exchange Act, applicable Iowa state laws and regulations, the Atomic Energy Act, the Federal Power Act and the Holding Company Act and the respective rules and regulations thereunder, all of which complied in all material respects with all applicable requirements of the appropriate act and the rules and regulations thereunder. IE Industries has previously delivered to the Company true and complete copies of its (a) Annual Reports on Form 10-K for the four fiscal years ended December 31, 1989, as filed with the SEC, (b) proxy and information statements relating to all meetings of its shareholders (whether annual or special) and actions by written consent in lieu of a shareholders' meeting from

December 31, 1986 until the date hereof, (c) all other reports or registration statements filed by IE Industries with the SEC since December 31, 1986 (collectively, the "IE Industries SEC Reports") and (d) the audited consolidated financial statements of IE Industries for the fiscal year ended December 31, 1990 (the "1990 IE Industries Financial Statements"). As of their respective dates, the IE Industries SEC Reports did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. The audited consolidated financial statements and unaudited interim financial statements of IE Industries included in the IE Industries SEC Reports and the 1990 IE Industries Financial Statements (collectively, the "IE Industries Financial Statements") have been prepared in accordance with generally accepted accounting principles applied on a consistent basis (except as may be indicated therein or in the notes thereto) and fairly present the financial position of IE Industries and its subsidiaries as of the dates thereof and the results of their operations and changes in financial position for the periods then ended, subject, in the case of the unaudited interim financial statements, to normal year-end and audit adjustments and any other adjustments described therein.

Section 4.6 Absence of Undisclosed Liabilities. Except as set forth in Schedule 4.6 hereof, neither IE Industries nor any of its subsidiaries had at December 31, 1990, or has incurred since that date, any liabilities or obligations (whether absolute, accrued, contingent or otherwise) of any nature, except liabilities, obligations or contingencies (a) which are accrued or reserved against in the 1990 IE Industries Financial Statements or reflected in the notes thereto or (b) which were incurred after December 31, 1990 and were incurred in the ordinary course of business and consistent with past practices and, in either case, except for any such liabilities, obligations or contingencies which (i) would not, in the aggregate, have an IE Industries Material Adverse Effect or (ii) have been discharged or paid in full prior to the date hereof.

Section 4.7 Absence of Certain Changes or Events. Except as set forth in Schedule 4.7 hereof, from December 31, 1990, there has not been any material adverse change in the business, operations, properties, assets, liabilities, condition (financial or other), results of operations or prospects of IE Industries and its subsidiaries, taken as a whole and IE Industries and its subsidiaries have in all material respects conducted their

respective businesses in the ordinary course consistent with past practice.

Section 4.8 Litigation. Except as disclosed in the IE Industries 1990 Reports or the 1990 IE Industries Financial Statements and except as set forth in Schedule 4.8 hereof, there are no claims, suits, actions or proceedings pending or, to the knowledge of IE Industries, threatened, nor to the knowledge of IE Industries are there any investigations or reviews pending or threatened, against, relating to or affecting IE Industries or any of its subsidiaries, which, if adversely determined, would have an IE Industries Material Adverse Effect. Except as set forth in Schedule 4.8 hereof or in the IE Industries 1990 Reports or the 1990 IE Industries Financial Statements, there have not been any developments since the date of the IE Industries 10-K with respect to such claims, suits, actions, proceedings, investigations or reviews which, individually or in the aggregate, may have an IE Industries Material Adverse Effect. Except as set forth in the IE Industries 1990 Reports or contemplated by the IE Industries Required Statutory Approvals, neither IE Industries nor any of its subsidiaries is subject to any judgment, decree, injunction, rule or order of any court, governmental department, commission, agency, instrumentality or authority or any arbitrator which prohibits or restricts the consummation of the transactions contemplated hereby or may have an IE Industries Material Adverse Effect.

Section 4.9 Registration Statement and Proxy Statement. None of the information to be supplied by IE Industries or its subsidiaries, auditors, attorneys, financial advisors or other consultants or advisors for inclusion in (a) the Registration Statement on Form S-4 to be filed under the Securities Act with the SEC by IE Industries in connection with the Merger for the purpose of registering the shares of IE Industries Common Stock to be issued in the Merger (the "Registration Statement") or (b) the proxy statement to be distributed in connection with the Company's and IE Industries's meetings of their respective shareholders to vote upon this Agreement and the transactions contemplated hereby (the "Proxy Statement" and together with the prospectus included in the Registration Statement, the "Joint Proxy Statement/ Prospectus") will, in the case of the Proxy Statement or any amendments thereof or supplements thereto, at the time of the mailing of the Proxy Statement and any amendment or supplement thereto, and at the time of the meetings of shareholders of the Company and IE Industries to vote upon this Agreement and the transactions contemplated hereby, or, in the case of the Registration Statement, as amended or supplemented, at the

time it becomes effective and at the Effective Time, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading or necessary to correct any statement in any earlier filing with the SEC of such Joint Proxy Statement/Prospectus or any amendment or supplement thereto or any earlier communication (including the Joint Proxy Statement/Prospectus) to shareholders of the Company and IE Industries with respect to the transactions contemplated by this Agreement. The Joint Proxy Statement/Prospectus will comply as to form in all material respects with all applicable laws, including the provisions of the Securities Act and the Exchange Act and the rules and regulations promulgated thereunder, except that no representation is made by IE Industries with respect to information supplied by the Company specifically for inclusion therein.

Section 4.10 No Violation of Law. Except as set forth in Schedule 4.10 hereof, neither IE Industries nor any of its subsidiaries is in violation of, or, to the knowledge of IE Industries, is under investigation with respect to or has been given notice or been charged with any violation of, any law, statute, order, rule, regulation, ordinance, or judgment (including, without limitation, any applicable environmental law, ordinance or regulation) of any governmental or regulatory body or authority, except for violations which in the aggregate, do not have an IE Industries Material Adverse Effect. IE Industries and its subsidiaries have all material permits, licenses, franchises and other governmental authorizations, consents and approvals necessary to conduct their businesses as presently conducted.

Section 4.11 Compliance with Agreements. Except as disclosed in the IE Industries 1990 Reports or the IE Industries 1990 Financial Statements and except as set forth in Schedule 4.11 hereof, IE Industries and each of its subsidiaries are not in breach or violation of or in default in the performance or observance of any term or provision of, and no event has occurred which, with lapse of time or action by a third party, could result in a default under, (i) the respective charters or by-laws of IE Industries or any of its subsidiaries or (ii) except for the Medium Term Credit Facility with The First National Bank of Chicago, any contract, commitment, agreement, indenture, mortgage, loan agreement, note, lease, bond, license, approval or other instrument to which IE Industries or any of its subsidiaries is a party or by which any of them is bound or to which any of their property is subject, which breaches, violations and

defaults, in the case of clause (ii) of this Section 4.11 would have, in the aggregate, an IE Industries Material Adverse Effect.

Section 4.12 Taxes. (a) IE Industries and its subsidiaries have (i) duly filed with the appropriate governmental authorities all Tax Returns (as hereinafter defined) required to be filed by them on or prior to the Effective Time, other than those Tax Returns the failure of which to file would not have an IE Industries Material Adverse Effect, and such Tax Returns are true, correct and complete in all material respects, and (ii) duly paid in full or made adequate provision for the payment of all Taxes (as defined below) for all periods ending at or prior to the Effective Time. The liabilities and reserves for Taxes reflected in the IE Industries balance sheet as of December 31, 1990 contained in the 1990 IE Industries Financial Statements are adequate to cover all Taxes for any period ending on or prior to December 31, 1990 and, except as set forth in Schedule 4.12 hereof, there are no material liens for Taxes upon any property or asset of IE Industries or any subsidiary thereof, except for liens for Taxes not yet due and any such liens for Taxes shown on such Schedule 4.12 hereof are being contested in good faith through appropriate proceedings. Except as set forth in Schedule 4.12 hereof, IE Industries has not made any change in accounting method, received a ruling from any taxing authority or signed an agreement with any taxing authority which will materially and adversely affect IE Industries in future periods. Except as set forth in Schedule 4.12 hereof, during the past 10 years neither IE Industries nor any of its subsidiaries has received any notice of deficiency, proposed deficiency or assessment from any governmental taxing authority with respect to Taxes of IE Industries or any of its subsidiaries and, any such deficiency or assessment shown on such Schedule 4.12 hereof has been paid or is being contested in good faith through appropriate proceedings. Except as set forth in Schedule 4.12 hereof, the federal income Tax Returns for IE Industries and its subsidiaries are not currently the subject of any audit by the Internal Revenue Service (the "IRS"), and such federal income Tax Returns have been examined by the IRS (or the applicable statutes of limitation for the assessment of federal Taxes for such periods have expired) for all periods through and including December 31, 1981, and no material deficiencies were asserted as a result of such examinations which have not been resolved and fully paid and similar adjustments cannot reasonably be expected to be made for subsequent periods. Except as set forth in Schedule 4.12 hereof, there are no outstanding requests, agreements, consents or waivers to

extend the statutory period of limitations applicable to the assessment of any Taxes or deficiencies against IE Industries or any of its subsidiaries, and no power of attorney granted by either IE Industries or any of its subsidiaries with respect to any Taxes is currently in force. Except as set forth in Schedule 4.12 hereof, neither IE Industries nor any of its subsidiaries is a party to any agreement providing for the allocation or sharing of Taxes. Neither IE Industries nor any of its subsidiaries has, with regard to any assets or property held, acquired or to be acquired by any of them, filed a consent to the application of Section 341(f) of the Code. IE Industries will not have any carryovers subject to limitation under section 382 or section 383 of the Code immediately after the Merger.

(b) For purposes of this Agreement, the term "Taxes" shall mean all taxes, charges, fees, levies or other assessments, including, without limitation, income, gross receipts, excise, property, sales, withholding, social security, occupation, use, service, service use, license, payroll, franchise, transfer and recording taxes, fees and charges, imposed by the United States, or any state, local or foreign government or subdivision or agency thereof whether computed on a separate, consolidated, unitary, combined or any other basis; and such term shall include any interest, fines, penalties or additional amounts attributable or imposed or with respect to any such taxes, charges, fees, levies or other assessments.

(c) For purposes of this Agreement, the term "Tax Return" shall mean any return, report or other document or information required to be supplied to a taxing authority in connection with Taxes.

Section 4.13 Employee Benefit Plans; ERISA.

(a) The IE Industries 10-K and the Proxy Statement for the 1990 Annual Meeting of Shareholders of IE Industries accurately describe all material employee benefit plans, employment contracts or other arrangements for the provision of benefits for employees or former employees of IE Industries and its subsidiaries, and, except as set forth in Schedule 4.13(a), neither IE Industries nor its subsidiaries have any commitment to create any additional such plan, contract or arrangement or to amend any such plan, contract or arrangement so as to increase benefits thereunder, except as required under existing collective bargaining agreements. Schedule 4.13(a) identifies all "employee benefit plans" within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), other than "multiemployer plans" within

the meaning of Section 3(37) of ERISA, covering current or former employees of IE Industries and its subsidiaries (the "IE Industries Plans"), other than IE Industries Plans which are described in IE Industries 1990 Reports or the Proxy Statement for the 1990 Annual Meeting of Shareholders of IE Industries. A true and correct copy of each of the employee benefit plans, employment contracts and other arrangements for the provision of benefits for employees and former employees of IE Industries and its subsidiaries described in the IE Industries SEC Reports, the IE Industries Plans listed on Schedule 4.13(a), except for any multiemployer plans, and all contracts relating thereto, or to the funding thereof (including, without limitation, all trust agreements, insurance contracts, investment management agreements, subscription and participation agreements and recordkeeping agreements), each as will be in effect at the Effective Time, has been made available to the Company. In the case of any employee benefit plan, employment contract or other benefit arrangement which is not in written form, an accurate description of such plan, contract or arrangement as will be in effect at the Effective Time has been made available to the Company. A true and correct copy of the most recent annual report, actuarial report, summary plan description, and Internal Revenue Service determination letter with respect to each such IE Industries plan, to the extent applicable, and a current schedule of assets (and the fair market value thereof assuming liquidation of any asset which is not readily tradeable) held with respect to any funded plan, IE Industries Plan, or benefit arrangement has been made available to the Company by IE Industries, and there have been no material changes in the financial condition in the respective plans, IE Industries Plans or benefit arrangements from that stated in such annual report and actuarial reports.

(b) Except as disclosed in the IE Industries 1990 Reports or as set forth in Schedule 4.13(b) hereof, (i) there have been no prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code with respect to any of the IE Industries Plans which, assuming that the taxable period of such transaction expired as of the date hereof, could subject IE Industries or its subsidiaries to a material tax or penalty under Section 502(i) of ERISA or Section 4975 of the Code; (ii) no liability (except for premiums due) has been or is expected to be incurred by IE Industries or any of its subsidiaries under Title IV of ERISA with respect to any of the IE Industries Plans or with respect to any ongoing, frozen or terminated "single-employer plan" within the meaning of Section 4001(a)(15) of ERISA currently or formerly maintained by any of them, or by any entity which is

considered a single employer with IE Industries under Section 4001 of ERISA or Section 414 of the Code (a "IE Industries ERISA Affiliate"); (iii) all amounts which IE Industries or its subsidiaries are required to pay as contributions to the IE Industries Plans have been timely made or have been reflected in the IE Industries Financial Statements; (iv) none of the IE Industries Plans has incurred any "accumulated funding deficiency" (as defined in Section 302 of ERISA and Section 412 of the Code), whether or not waived; (v) the current value of all "benefit liabilities" within the meaning of Section 4001(a)(16) of ERISA (as determined on the basis of the actuarial assumptions used in the Plan's most recent actuarial valuation) under each of the IE Industries Plans which is subject to Title IV of ERISA did not exceed the then current value of the assets of such plan allocable to such benefit liabilities by more than the amount disclosed in the IE Industries 10-K as of December 31, 1989; (vi) each of the IE Industries Plans has been operated and administered in all material respects in accordance with applicable laws; (vii) each of the IE Industries Plans which is intended to be "qualified" within the meaning of Section 401(a) of the Code has been determined by the IRS to be so qualified and IE Industries is not aware of any circumstances likely to result in revocation of any such determination; (viii) to the best knowledge of IE Industries and its subsidiaries, there are no material pending, threatened or anticipated claims involving any of the IE Industries Plans other than claims for benefits in the ordinary course; (ix) IE Industries and its subsidiaries have not incurred and do not expect to incur any withdrawal liability with respect to a multiemployer plan under Subtitle E of Title IV of ERISA (regardless of whether based on contributions of an IE Industries ERISA Affiliate); (x) no notice of a "reportable event" within the meaning of Section 4043 of ERISA for which the 30-day reporting requirement has not been waived has been required to be filed for any of the IE Industries Plans; (xi) neither IE Industries nor any of its subsidiaries is a party to, nor paticipates or has any liability or contingent liability with respect to, any multiemployer plan; and (xii) neither IE Industries nor its subsidiaries has any liability or contingent liability for retiree life and health benefits under any of the IE Industries Plans other than statutory liability for providing group health plan continuation coverage under Part 6 of Subtitle B of Title I of ERISA and Section 4980B of the Code, except as set forth on Schedule 4.13(b) hereof.

(c) Except as set forth in Schedule 4.13(c) hereof, neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby

will accelerate benefits or any payments under any IE Industries employee agreement, plan or arrangement.

(d) As a result of this Agreement or the Merger, neither IE Industries nor any of its subsidiaries will be obligated to make a payment to an individual that would be a "parachute payment" to a "disqualified individual" as those terms are defined in Section 280G of the Code without regard to whether such payment is reasonable compensation for personal services performed or to be performed in the future.

Section 4.14 Labor Controversies. Except as set forth on Schedule 4.14 hereof, there are no significant controversies pending or, to the knowledge of IE Industries, threatened between Iowa Electric and any representatives of its employees, and, to the knowledge of IE Industries, there are no material organizational efforts presently being made involving any of the presently unorganized employees of Iowa Electric. Iowa Electric has, to the knowledge of IE Industries, complied in all material respects with all laws relating to the employment of labor, including, without limitation, any provisions thereof relating to wages, hours, collective bargaining, and the payment of social security and similar taxes, and no person has, to the knowledge of IE Industries, asserted that Iowa Electric is liable in any material amount for any arrears of wages or any taxes or penalties for failure to comply with any of the foregoing.

Section 4.15 Environmental Matters. Except as set forth in the IE Industries 1990 Reports and in Schedule 4.15 hereto, to the knowledge of IE Industries, (i) IE Industries and its subsidiaries have, and at all times have had, all material permits, licenses and other authorizations required under applicable laws and regulations relating to pollution control and protection of the environment ("Environmental Laws") necessary for the conduct of their respective businesses, other than those the failure to have, individually or in the aggregate, would not have an IE Industries Material Adverse Effect; (ii) the businesses of IE Industries and its subsidiaries are being and have been conducted in compliance with Environmental Laws, except where the failure to so comply, individually or in the aggregate, would not have an IE Industries Material Adverse Effect; (iii) the properties of IE Industries and its subsidiaries do not contain any underground storage tanks, PCB's, asbestos or asbestos containing material and are free from any contamination by hazardous substances that would be required to be remediated under Environmental Laws, except as would not have an IE Industries Material Adverse Effect; (iv) neither IE Industries nor any of its subsidiaries is a

potentially responsible party in connection with any site; and (v) IE Industries has no notice of any pending or threatened action, claim or proceeding, under Environmental Laws arising out of the condition of any properties or conditions in the work place used in the business of IE Industries or any of its subsidiaries which action, claim or proceeding would have an IE Industries Material Adverse Effect. All sites which are or have been used since January 1, 1982 by IE Industries or any of its subsidiaries for disposal of hazardous substances are listed on Schedule 4.15 hereto. IE Industries has provided the Company with true and complete copies of all reports, studies and analyses known to it, whether prepared internally or by third parties, relating in any way to the effect any amendment to the Clean Air Act might have on generating facilities in which IE Industries has an ownership interest, including, without limitation, any reports, studies and analyses relating to the costs associated with any such amendment and the methods of complying with any such amendment.

Section 4.16 Regulation as a Utility. Iowa Electric operates and is regulated as a public utility only in the State of Iowa. Except as set forth in Schedule 4.16 hereof, neither IE Industries nor any of its subsidiaries is subject to regulation as a public utility or public service company (or similar designation) by any other state in the United States or any foreign country. IE Industries is an exempt holding company under Section 3(a)(1) of the Holding Company Act.

Section 4.17 IE Industries Shareholders' Approval. IE Industries shareholder approval of this Agreement and the transactions contemplated hereby, including the Merger, requires only the affirmative vote of a majority of the outstanding shares of IE Industries Common Stock, and IE Industries has taken all necessary action so that no greater vote is required by any provision of IE Industries's Articles of Incorporation or By-laws or the IBCA.

Section 4.18 Leases. Except as set forth in Schedule 4.18, neither IE Industries nor any of its affiliates is a lessor or lessee of a lease pursuant to Section 168(f)(8) of the Internal Revenue Code of 1954 as in effect in 1981 or 1982.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to IE Industries as follows:

Section 5.1 Organization and Qualification. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Iowa and has the requisite corporate power and authority to own, lease and operate its assets and properties and to carry on its businesses as they are now being conducted. The Company is qualified to do business and is in good standing in each jurisdiction in which the properties owned, leased or operated by it or the nature of the businesses conducted by it makes such qualification necessary, except where the failure to be so qualified and in good standing will not, when taken together with all other such failures, have a material adverse effect on the business, operations, properties, assets, condition (financial or other), results of operations or prospects of the Company and its subsidiaries, taken as a whole (a "Company Material Adverse Effect"). True, accurate and complete copies of the Company's Articles of Incorporation and By-laws as in effect on the date hereof, including all amendments thereto, have heretofore been delivered to IE Industries.

Section 5.2 Capitalization. The authorized capital stock of the Company consists of 15,000,000 shares of Company Common Stock; 1,000,000 shares of Preferred Stock, $1.00 par value per share ("Company Preferred Stock"), and 1,000,000 shares of Preference Stock, $1.00 par value per share ("Company Preference Stock"). As of December 31, 1990, 5,783,407 shares of Company Common Stock, no shares of Company Preferred Stock, and no shares of Company Preference Stock were issued and outstanding. All of the issued and outstanding shares of Company Common Stock are validly issued and are fully paid, nonassessable and free of preemptive rights. No subsidiary of the Company holds any shares of capital stock of the Company and no shares of capital stock of the Company are held in the Company treasury. Except as set forth in Schedule 5.2 hereof, as of the date hereof, there are no outstanding subscriptions, options, calls, contracts, commitments, understandings, restrictions, arrangements, rights or warrants, including any right of conversion or exchange under any outstanding security, instrument or other agreement obligating the Company or any subsidiary of the Company to issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of the capital stock of

the Company or obligating the Company or any subsidiary of the Company to grant, extend or enter into any such agreement or commitment, except for the Company's Employee Stock Purchase Plan (the "Company ESPP"). As of December 31, 1990, there were an aggregate of 218,906 shares reserved for issuance pursuant to the Company ESPP. After December 31, 1990 to the date hereof no shares of Company Common Stock have been issued except issuances of shares reserved for issuance and issued pursuant to the Company ESPP in the ordinary course and no shares of Company Preferred Stock or Company Preference Stock have been issued. There are no voting trusts, proxies or other agreements or understandings to which the Company or any subsidiary of the Company is a party or is bound with respect to the voting of any shares of capital stock of the Company.

Section 5.3 Subsidiaries. Each direct and indirect subsidiary of the Company is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation and has the requisite power and authority to own, lease and operate its assets and properties and to carry on its business as it is now being conducted. Each of such subsidiaries is qualified to do business, and is in good standing, in each jurisdiction in which the properties owned, leased or operated by it or the nature of the business conducted by it makes such qualification necessary, except where the failure to be so qualified and in good standing will not, when taken together with all such other failures, have a Company Material Adverse Effect. Except as set forth in the Company's Annual Report on Form 10-K for the year ended December 31, 1989 and the exhibits and schedules thereto (the "Company 10-K" and, together with any reports filed with the SEC after the Company 10-K and prior to the date of this Agreement, the "Company 1990 Reports") and except as set forth in Schedule 5.3 hereof, all of the outstanding shares of capital stock of each subsidiary are validly issued, fully paid, nonassessable and free of preemptive rights, and those owned directly or indirectly by the Company are owned free and clear of any liens, claims, encumbrances, security interest, equities, charges and options of any nature whatsoever. Except as set forth in the Company 1990 Reports and in Schedule 5.3 hereof, the Company owns directly or indirectly all of the issued and outstanding shares of the capital stock of each of its subsidiaries. Except as set forth in Schedule 5.3 hereof and in the Company 1990 Reports, there are no subscriptions, options, warrants, rights, calls, contracts, voting trusts, proxies or other commitments, understandings, restrictions or arrangements relating to the issuance, sale, voting, transfer, ownership or other rights

affecting any shares of capital stock of any subsidiary of the Company, including any right of conversion or exchange under any outstanding security, instrument or agreement. Prior to the date hereof, the Company has delivered to IE Industries a list of all material corporations, partnerships, joint ventures and other business entities in which the Company or any of its subsidiaries directly or indirectly owns an interest and the Company's and such subsidiaries' direct and indirect share, partnership or other ownership interest of each such entity. None of such entities (other than IS Utilities and Terra Comfort Corporation and whether or not a material entity) is a "public-utility company", and none of such entities (whether or not a material entity) is a "holding company", a "subsidiary company" or an "affiliate" of any public-utility company (other than IS Utilities and Terra Comfort Corporation) within the meaning of Sections 2(a)(5), 2(a)(7), 2(a)(8) or 2(a)(11) of the Holding Company Act.

Section 5.4 Authority; Non-Contravention; Approvals. (a) The Company has full corporate power and authority to enter into this Agreement and, subject to the Company Shareholders' Approval (as hereinafter defined) and the Company Required Statutory Approvals (as hereinafter defined), to consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement and the consummation by the Company of the transactions contemplated hereby have been duly authorized by the Company's Board of Directors, and no other corporate proceedings on the part of the Company are necessary to authorize the execution and delivery of this Agreement and the consummation by the Company of the transactions contemplated hereby, except for the Company Shareholders' Approval and the obtaining of the Company Required Statutory Approvals. This Agreement has been duly and validly executed and delivered by the Company, and, assuming the due authorization, execution and delivery hereof by IE Industries, constitutes a valid and legally binding agreement of the Company, enforceable against the Company in accordance with its terms.

(b) Except as set forth in Schedule 5.4(b) hereof, the execution and delivery of this Agreement by the Company does not, and the consummation by the Company of the transactions contemplated hereby will not, violate, conflict with or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration under, or result in the creation of any lien,

security interest, charge or encumbrance upon any of the properties or assets of the Company or any of its subsidiaries under any of the terms, conditions or provisions of (i) the respective charters or by-laws of the Company or any of its subsidiaries, (ii) subject to obtaining the Company Required Statutory Approvals and the receipt of the Company Shareholders' Approval, any statute, law, ordinance, rule, regulation, judgment, decree, order, injunction, writ, permit or license of any court or governmental authority applicable to the Company or any of its subsidiaries, or (iii) any note, bond, mortgage, indenture, deed of trust, license, franchise, permit, concession, contract, lease or other instrument, obligation or agreement of any kind to which the Company or any of its subsidiaries is now a party or by which the Company or any of its subsidiaries or any of their respective properties or assets may be bound or affected, excluding from the foregoing clauses (ii) and (iii) such violations, conflicts, breaches, defaults, terminations, accelerations or creations of liens, security interests, charges or encumbrances that would not, in the aggregate, have a Company Material Adverse Effect.

(c) Except for (i) the filings by IE Industries and the Company required by Title II of the HSR Act; (ii) the filing of the Joint Proxy Statement/Prospectus with the SEC pursuant to the Exchange Act and the Securities Act and the declaration of the effectiveness thereof by the SEC and filings with various blue sky authorities; (iii) any required approvals or filings under the Federal Power Act; (iv) the approval of the IUB pursuant to applicable Iowa state laws and regulations; and (v) the making of the Merger Filing with the Secretary of State of the State of Iowa in connection with the Merger (the filings and approvals referred to in clauses (i) through (v) are collectively referred to as the "Company Required Statutory Approvals"), no declaration, filing or registration with, or notice to, or authorization, consent or approval of, any governmental or regulatory body or authority is necessary for the execution and delivery of this Agreement by the Company or the consummation by the Company of the transactions contemplated hereby, other than such filings, registrations, authorizations, consents or approvals the failure of which to make or obtain, as the case may be, will not, in the aggregate, have a Company Material Adverse Effect.

Section 5.5 Reports and Financial Statements. Since December 31, 1986, the Company and each of its subsidiaries required to make filings under the Securities Act, the Exchange Act, applicable Iowa state laws and regulations, the Federal Power Act or the Holding Company Act have filed with the SEC, the IUB or the FERC, as the

case may be, all forms, statements, reports and documents (including all exhibits, amendments and supplements thereto) required to be filed by them under each of the Securities Act, the Exchange Act, applicable Iowa state laws and regulations, the Federal Power Act and the Holding Company Act and the respective rules and regulations thereunder, all of which complied in all material respects with all applicable requirements of the appropriate act and the rules and regulations thereunder. The Company has previously delivered to IE Industries true and complete copies of its (a) Annual Reports on Form 10-K for the four fiscal years ended December 31, 1989, as filed with the SEC, (b) proxy and information statements relating to all meetings of its shareholders (whether annual or special) and actions by written consent in lieu of a shareholders' meeting from December 31, 1986 until the date hereof, (c) all other reports or registration statements filed by the Company with the SEC since December 31, 1986 (collectively, the "Company SEC Reports") and (d) the audited consolidated financial statements of the Company for the fiscal year ended December 31, 1990 (the "1990 Company Financial Statements"). As of their respective dates, the Company SEC Reports did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. The audited consolidated financial statements and unaudited interim financial statements of the Company included in the Company SEC Reports and the 1990 Company Financial Statements (collectively, the "Company Financial Statements") have been prepared in accordance with generally accepted accounting principles applied on a consistent basis (except as may be indicated therein or in the notes thereto) and fairly present the financial position of the Company and its subsidiaries as of the dates thereof and the results of their operations and changes in financial position for the periods then ended, subject, in the case of the unaudited interim financial statements, to normal year-end and audit adjustments and any other adjustments described therein.

Section 5.6 Absence of Undisclosed Liabilities. Except as set forth in Schedule 5.6 hereof, neither the Company nor any of its subsidiaries had at December 31, 1990, or has incurred since that date, any liabilities or obligations (whether absolute, accrued, contingent or otherwise) of any nature, except liabilities, obligations or contingencies (a) which are accrued or reserved against in the 1990 Company Financial Statements or reflected in the notes thereto or (b) which were incurred after December 31, 1990 and were incurred in the ordinary course of business and consistent with past practices and, in either case,

except for any such liabilities, obligations or contingencies which (i) would not, in the aggregate, have a Company Material Adverse Effect or (ii) have been discharged or paid in full prior to the date hereof.

Section 5.7 Absence of Certain Changes or Events. Except as set forth on Schedule 5.7 hereof, from December 31, 1990, there has not been any material adverse change in the business, operations, properties, assets, liabilities, condition (financial or other), results of operations or prospects of the Company and its subsidiaries, taken as a whole and the Company and its subsidiaries have in all material respects conducted their respective businesses in the ordinary course consistent with past practice.

Section 5.8 Litigation. Except as disclosed in the Company 1990 Reports or the 1990 Company Financial Statements and except as set forth in Schedule 5.8 hereof, there are no claims, suits, actions or proceedings pending or, to the knowledge of the Company, threatened, nor to the knowledge of the Company are there any investigations or reviews pending or threatened, against, relating to or affecting the Company or any of its subsidiaries, which, if adversely determined, would have a Company Material Adverse Effect. Except as set forth in Schedule 5.8 hereof and in the Company 1990 Reports or the 1990 Company Financial Statements, there have not been any developments since the date of the Company 10-K with respect to such claims, suits, actions, proceedings, investigations or reviews which, individually or in the aggregate, may have a Company Material Adverse Effect. Except as set forth in the Company 1990 Reports or contemplated by the Company Required Statutory Approvals, neither the Company nor any of its subsidiaries is subject to any judgment, decree, injunction, rule or order of any court, governmental department, commission, agency, instrumentality or authority or any arbitrator which prohibits or restricts the consummation of the transactions contemplated hereby or may have a Company Material Adverse Effect.

Section 5.9 Registration Statement and Proxy Statement. None of the information to be supplied by the Company or its subsidiaries, auditors, attorneys, financial advisors or other consultants or advisors for inclusion in (a) the Registration Statement or (b) the Proxy Statement will, in the case of the Proxy Statement or any amendments thereof or supplements thereto, at the time of the mailing of the Proxy Statement and any amendment or supplement thereto, and at the time of the meetings of shareholders of the Company and IE Industries to vote upon this Agreement

and the transactions contemplated hereby, or, in the case of the Registration Statement, as amended or supplemented, at the time it becomes effective and at the Effective Time, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading or necessary to correct any statement in any earlier filing with the SEC of such Joint Proxy Statement/Prospectus or any amendment or supplement thereto or any earlier communication (including the Joint Proxy Statement/Prospectus) to shareholders of the Company and IE Industries with respect to the transactions contemplated by this Agreement. The Joint Proxy Statement/Prospectus will comply as to form in all material respects with all applicable laws, including the provisions of the Securities Act and the Exchange Act and the rules and regulations promulgated thereunder, except that no representation is made by Company with respect to information supplied by IE Industries specifically for inclusion therein.

Section 5.10 No Violation of Law. Except as set forth in Schedule 5.10 hereof, neither the Company nor any of its subsidiaries is in violation of, or, to the knowledge of the Company, is under investigation with respect to or has been given notice or been charged with any violation of, any law, statute, order, rule, regulation, ordinance or judgment (including, without limitation, any applicable environmental law, ordinance or regulation) of any governmental or regulatory body or authority, except for violations which, in the aggregate, do not have a Company Material Adverse Effect. The Company and its subsidiaries have all material permits, licenses, franchises and other governmental authorizations, consents and approvals necessary to conduct their businesses as presently conducted.

Section 5.11 Compliance with Agreements. Except as disclosed in the Company 1990 Reports or the Company 1990 Financial Statements and except as set forth in Schedule 5.11 hereof, the Company and each of its subsidiaries are not in breach or violation of or in default in the performance or observance of any term or provision of, and no event has occurred which, with lapse of time or action by a third party, could result in a default under, (i) the respective charters or by-laws of the Company or any of its subsidiaries or (ii) any contract, commitment, agreement, indenture, mortgage, loan agreement, note, lease, bond, license, approval or other instrument to which the Company or any of its subsidiaries is a party or by which any of them is bound or to which any of their property is subject, which breaches, violations and defaults, in the case of

clause (ii) of this Section 5.11, would have, in the aggregate, a Company Material Adverse Effect.

Section 5.12 Taxes. The Company and its subsidiaries have (i) duly filed with the appropriate governmental authorities all Tax Returns required to be filed by them on or prior to the Effective Time, other than those Tax Returns the failure of which to file would not have a Company Material Adverse Effect, and such Tax Returns are true, correct and complete in all material respects, and (ii) duly paid in full or made adequate provision for the payment of all Taxes for all periods ending at or prior to the Effective Time. The liabilities and reserves for Taxes reflected in the Company balance sheet as of December 31, 1990 contained in the 1990 Company Financial Statements are adequate to cover all Taxes for any period ending on or prior to December 31, 1990 and, except as set forth in Schedule 5.12 hereof, there are no material liens for Taxes upon any property or asset of the Company or any subsidiary thereof, except for liens for Taxes not yet due and any such liens for Taxes shown on such Schedule 5.12 hereof are being contested in good faith through appropriate proceedings. Except as set forth in Schedule 5.12 hereof, the Company has not made any change in accounting method, received a ruling from any taxing authority or signed an agreement with any taxing authority which will materially and adversely affect the Company's future periods. Except as set forth in Schedule 5.12 hereof, during the past 10 years neither the Company nor any of its subsidiaries has received any notice of deficiency, proposed deficiency or assessment from any governmental taxing authority with respect to Taxes of the Company or any of its subsidiaries, and any such deficiency or assessment shown on such Schedule 5.12 hereof has been paid or is being contested in good faith through appropriate proceedings. Except as set forth in Schedule 5.12 hereof, the federal income Tax Returns for the Company and its subsidiaries are not currently the subject of any audit by the IRS, and such federal income Tax Returns have been examined by the IRS (or the applicable statutes of limitation for the assessment of federal Taxes for such periods have expired) for all periods through and including December 31, 1987, and no material deficiencies were asserted as a result of such examinations which have not been resolved and fully paid and similar adjustments cannot be reasonably expected to be made for subsequent periods. Except as set forth in Schedule 5.12 hereof, there are no outstanding requests, agreements, consents or waivers to extend the statutory period of limitations applicable to the assessment of any Taxes or deficiencies against the Company or any of its subsidiaries, and no power of attorney granted by either the Company or any of its subsidiaries with

respect to any Taxes is currently in force. Except as set forth in Schedule 5.12 hereof, neither the Company nor any of its subsidiaries is a party to any agreement providing for the allocation or sharing of Taxes. Neither the Company nor any of its subsidiaries has, with regard to any assets or property held, acquired or to be acquired by any of them, filed a consent to the application of Section 341(f) of the Code. The Company will not have any carryovers subject to limitation under section 382 or section 383 of the Code immediately after the Merger.

Section 5.13 Employee Benefit Plans; ERISA. (a) The Company 10-K and the Proxy Statement for the 1990 Annual Meeting of Shareholders of the Company and Schedule 5.13(a) accurately describe all material employee benefit plans, employment contracts or other arrangements for the provision of benefits for employees or former employees of the Company and its subsidiaries, and neither the Company nor its subsidiaries have any commitment to create any additional such plan, contract or arrangement or to amend any such plan, contract or arrangement so as to increase benefits thereunder, except as required under existing collective bargaining agreements. Schedule 5.13(a) identifies all "employee benefit plans" within the meaning of Section 3(3) of ERISA, other than "multiemployer plans" within the meaning of Section 3(37) of ERISA, covering current or former employees of the Company and its subsidiaries (the "Company Plans"), other than Company Plans which are described in the Company 1990 Reports or the Proxy Statement for the 1990 Annual Meeting of Shareholders of the Company. A true and correct copy of each of the employee benefit plans, employment contracts and other arrangements for the provision of benefits for employees and former employees of the Company and its subsidiaries described in the Company SEC Reports, the Company Plans listed on Schedule 5.13(a), except for any multiemployer plans, and all contracts relating thereto, or to the funding thereof (including, without limitation, all trust agreements, insurance contracts, investment management agreements, subscription and participation agreements and recordkeeping agreements), each as will be in effect at the Effective Time, has been made available to IE Industries. In the case of any employee benefit plan, employment contract or other benefit arrangement which is not in written form, an accurate description of such plan, contract or arrangement as will be in effect at the Effective Time has been made available to IE Industries. A true and correct copy of the most recent annual report, actuarial report, summary plan description, and Internal Revenue Service determination letter with respect to each such Company plan, to the extent applicable, and a current schedule of assets (and the fair

market value thereof assuming liquidation of any asset which is not readily tradeable) held with respect to any funded plan, Company Plan, or benefit arrangement has been made avaliable to IE Industries by the Company, and there have been no material changes in the financial condition in the respective plans, Company Plans or benefit arrangements from that stated in such annual report and actuarial reports.

(b) Except as disclosed in the Company 1990 Reports or set forth in Schedule 5.13(b) hereof, (i) there have been no prohibited transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code with respect to any of the Company Plans which, assuming that the taxable period of such transaction expired as of the date hereof, could subject the Company or its subsidiaries to a material tax or penalty under Section 502(i) of ERISA or Section 4975 of the Code; (ii) no liability (except for premiums due) has been or is expected to be incurred by the Company or any of its subsidiaries under Title IV of ERISA with respect to any of the Company Plans or with respect to any ongoing, frozen or terminated "single-employer plan" within the meaning of Section 4001(a)(15) of ERISA currently or formerly maintained by any of them, or by any entity which is considered a single employer with the Company under Section 4001 of ERISA or Section 414 of the Code (a "Company ERISA Affiliate"); (iii) all amounts which the Company or its subsidiaries are required to pay as contributions to the Company Plans have been timely made or have been reflected in the Company Financial Statements; (iv) none of the Company Plans has incurred any "accumulated funding deficiency" (as defined in Section 302 of ERISA and Section 412 of the Code), whether or not waived; (v) the current value of all "benefit liabilities" within the meaning of Section 4001(a)(16) of ERISA (as determined on the basis of the actuarial assumptions used in the plan's most recent actuarial valuation) under each of the Company Plans which is subject to Title IV of ERISA did not exceed the then current value of the assets of such plan allocable to such benefit liabilities by more than the amount disclosed in the Company 10-K as of December 31, 1989; (vi) each of the Company Plans has been operated and administered in all material respects in accordance with applicable laws; (vii) each of the Company Plans which is intended to be "qualified" within the meaning of Section 401(a) of the Code has been determined by the IRS to be so qualified and the Company is not aware of any circumstances likely to result in revocation of any such determination; (viii) to the best knowledge of the Company and its subsidiaries, there are no material pending, threatened or anticipated claims involving any of the Company Plans other than for claims for benefits in the

ordinary course; and (ix) the Company and its subsidiaries have not incurred and do not expect to incur any withdrawal liability with respect to a multiemployer plan under Subtitle E of Title IV of ERISA (regardless of whether based on contributions of a Company ERISA Affiliate); (x) no notice of a "reportable event" within the meaning of Section 4043 of ERISA for which the 30-day reporting requirement has not been waived has been required to be filed for any of the Company Plans; (xi) neither the Company nor any of its subsidiaries is a party to, nor participates in, or has any liability or contingent liability with respect to any multiemployer plan; and (xii) neither the Company nor its subsidiaries has any liability or contingent liability for retiree life and health benefits under any of the Company Plans other than statutory liability for providing group health plan continuation coverage under Part 6 of Subtitle B of Title I of ERISA and Section 4980B of the Code and except as set forth on Schedule 5.13(b) hereof.

(c) Except as set forth in Schedule 5.13(c) hereof, neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will accelerate benefits or any payments under any Company employee agreement, plan or arrangement.

(d) As a result of this Agreement or the Merger, neither the Company nor any of its subsidiaries will be obligated to make a payment to an individual that would be a "parachute payment" to a "disqualified individual" as those terms are defined in Section 280G of the Code without regard to whether such payment is reasonable compensation for personal services performed or to be performed in the future except as set forth on Schedule 5.13(d).

Section 5.14 Labor Controversies. Except as set forth in Schedule 5.14 hereof, there are no significant controversies pending or, to the knowledge of the Company, threatened between IS Utilities and any representatives of its employees, and, to the knowledge of the Company, there are no material organizational efforts presently being made involving any of the presently unorganized employees of IS Utilities. IS Utilities has, to the knowledge of the Company, complied in all material respects with all laws relating to the employment of labor, including, without limitation, any provisions thereof relating to wages, hours, collective bargaining, and the payment of social security and similar taxes, and no person has, to the knowledge of the Company, asserted that IS Utilities is liable in any material amount for any arrears of wages or any taxes or penalties for failure to comply with any of the foregoing.

Section 5.15 Environmental Matters. Except as set forth in the Company 1990 Reports and in Schedule 5.15 hereto, to the knowledge of the Company, (i) the Company and its subsidiaries have, and at all times have had, all material permits, licenses and other authorizations required under Environmental Laws necessary for the conduct of their respective businesses, other than those the failure to have, individually or in the aggregate, would not have a Company Material Adverse Effect; (ii) the businesses of the Company and its subsidiaries are being and have been conducted in compliance with Environmental Laws, except where the failure to so comply, individually or in the aggregate, would not have a Company Material Adverse Effect; (iii) the properties of the Company and its subsidiaries do not contain any underground storage tanks, PCB's, asbestos or asbestos containing material and are free from any contamination by hazardous substances that would be required to be remediated under Environmental Laws, except as would not have a Company Material Adverse Effect; (iv) neither the Company nor any of its subsidiaries is a potentially responsible party in connection with any site; and (v) the Company has no notice of any pending or threatened action, claim or proceeding, under Environmental Laws arising out of the condition of any properties or conditions in the work place used in the business of the Company or any of its subsidiaries which action, claim or proceeding would have a Company Material Adverse Effect. All sites which are or have been used since January 1, 1982 by the Company or any of its subsidiaries for disposal of hazardous substances are listed on Schedule 5.15 hereto. The Company has provided IE Industries with true and complete copies of all reports, studies and analyses known to it, whether prepared internally or by third parties, relating in any way to the effect any amendment to the Clean Air Act might have on generating facilities in which the Company has an ownership interest, including, without limitation, any reports, studies and analyses relating to the costs associated with any such amendment and the methods of complying with any such amendment.

Section 5.16 Regulation as a Utility. IS Utilities operates and is regulated as a public utility only in the State of Iowa. Except as set forth in Schedule 5.16 hereof, neither the Company nor any of its subsidiaries is subject to regulation as a public utility or public service company (or similar designation) by any other state in the United States or any foreign country. The Company is an exempt holding company under Section 3(a)(1) of the Holding Company Act.

Section 5.17 Company Shareholders' Approval. Company shareholder approval of this Agreement and the transactions contemplated hereby, including the Merger, requires only the affirmative vote of a majority of the outstanding shares of Company Common Stock, and the Company has taken all necessary action so that no greater vote is required by any provision of the Company's Articles of Incorporation or By-laws or by the IBCA.

Section 5.18 Company Rights Agreement. The Company has taken all necessary action with respect to all of the outstanding preference stock purchase rights of the Company (the "Rights") issued pursuant to the Rights Agreement, dated as of December 31, 1989 (the "Rights Agreement"), between the Company and Illinois Stock Transfer Company, as Rights Agent, so that the Company, as of the time immediately prior to the Effective Time, will have no obligations under the Rights or the Rights Agreement, and the holders thereof will have no rights under the Rights or the Rights Agreement, in each case other than to receive the redemption payment of $.01 (one cent) per Right in cash as provided in the Rights Agreement.

Section 5.19 Leases. Except as set forth in Schedule 5.19, neither the Company nor any of its affiliates is a lessor or lessee of a lease pursuant to Section 168(f)(8) of the Internal Revenue Code of 1954 as in effect in 1981 or 1982.

Section 5.20 Shareholder Continuity. Management of the Company is not aware of any plan or intention by any shareholder of the Company that owns five percent or more of the Company Common Stock or by the remaining shareholders of the Company to sell, exchange, or otherwise dispose of a number of shares of IE Industries Common Stock received in the Merger that would reduce the Company's shareholders' ownership of IE Industries Common Stock to a number of shares having a value, as of the date of the Merger, of less than 50 percent of the value of the formerly outstanding Company Common Stock as of the same date. For purposes of this representation, shares of Company Common Stock surrendered by dissenters or exchanged for cash in lieu of fractional shares of IE Industries Common Stock will be treated as outstanding Company Common Stock on the date of the Merger. Moreover, shares of Company Common Stock and shares of IE Industries Common Stock held by Company Common Stockholders and otherwise sold, redeemed, or disposed of prior or subsequent to the Merger will be considered in making this representation.

ARTICLE VI

CONDUCT OF BUSINESS PENDING THE MERGER

Section 6.1 Conduct of Business by the Company Pending the Merger. Except as set forth in Schedule 6.1 hereof or as otherwise contemplated hereby, after the date hereof and prior to the Effective Time or earlier termination of this Agreement, unless IE Industries shall otherwise agree in writing or as otherwise expressly contemplated by this Agreement (it being agreed, however, that the Company shall be solely responsible for its operations and those of its subsidiaries in accordance with the provisions of this Agreement), the Company shall, and shall cause each of its subsidiaries, to:

(a) conduct their respective businesses in the ordinary and usual course of business and consistent with past practice;

(b) not (i) amend or propose to amend their respective charters or by-laws; or (ii) split, combine or reclassify their outstanding capital stock or declare, set aside or pay any dividend or distribution payable in cash, stock, property or otherwise, except for (A) regular quarterly cash dividends on Company Common Stock of no more than $0.60 per share plus a dividend increase of no more than six percent beginning with the March 1, 1992 dividend payment, (B) regular quarterly cash dividends on IS Utilities Preferred Stock in accordance with the terms thereof and (C) the payment of dividends or distributions by IS Utilities or another wholly owned subsidiary of the Company to the Company or to IS Utilities or another wholly owned subsidiary of the Company;

(c) not (i) authorize the issuance of, or issue, sell, pledge or dispose of, or agree to issue, sell, pledge or dispose of, any additional shares of, or any options, warrants or rights of any kind to acquire any shares of, their capital stock of any class or any debt or equity securities convertible into or exchangeable for such capital stock, except issuances of up to 25,000 shares of Company Common Stock pursuant to the Company ESPP; (ii) except for the sale of Southern Iowa Manufacturing Co., sell (including, without limitation, by sale-leaseback), pledge, dispose of or encumber any material utility assets or interests therein, other than in the ordinary course of business and consistent with past practice; (iii) redeem, purchase, acquire or offer to purchase or acquire any (x) shares of its

capital stock, other than (A) in the ordinary course of business or in accordance with the governing terms of such securities, or (B) to redeem the Rights, or (y) long-term debt, other than as required by the governing instruments relating thereto; (iv) commence construction of any additional generating capacity, except for projects ongoing or already committed for as reflected in the Company's Five Year Projection 1991-1995 or as set forth on Schedule 6.1(c); (v) obligate itself to purchase or otherwise acquire, or to sell or otherwise dispose of, or to share, any additional capacity or energy other than in the ordinary course of business and consistent with past practice; (vi) obligate itself to transmit any electrical power or energy over another party's lines or become obligated to allow or permit another party to transmit any power or energy over the Company's or any of its subsidiaries' lines other than in the ordinary course of business and consistent with past practice; (vii) take any action which would jeopardize the treatment of the Merger as a "pooling" for accounting purposes; (viii) take or fail to take any action which action or failure to take action would (A) cause IE Industries, the Company or their respective shareholders (except to the extent that any shareholders perfect dissenters' rights under Iowa law, or receive cash in lieu of fractional shares or with respect to the redemption of the Rights) to recognize gain or loss for federal income tax purposes as a result of the consummation of the Merger or (B) jeopardize the qualification of the outstanding revenue bonds issued for the benefit of IS Utilities which qualify on the date hereof under Section 142(a) of the Code as "exempt facility bonds" or as tax-exempt industrial development bonds under Section 103(b)(4) of the Internal Revenue Code of 1954, as amended prior to the Tax Reform Act of 1986; or (ix) enter into any contract, agreement, commitment or arrangement with respect to any of the foregoing; provided that the Company or any of its subsidiaries, after consulting with IE Industries, may take any of the actions otherwise prohibited by this Section 6.1(c) (other than those actions set forth in subsections (i), (vii), (viii) and (ix) to the extent (ix) is applicable to actions of the type specified in subsections (i), (vii) and (viii) of this Section 6.1(c) which may not be taken under any circumstances except after receipt of the written consent of the Chief Executive Officer of IE Industries) if counsel to the Company advises the Board of Directors of the Company or any of its subsidiaries that the failure to take any of such

actions might subject the Company's or any of its subsidiaries' directors to liability for breach of their fiduciary duties;

(d) use their best efforts to preserve intact their respective business organizations and goodwill, keep available the services of their respective present officers and key employees, and preserve the goodwill and business relationships with suppliers, distributors, customers, and others having business relationships with them;

(e) confer on a regular and frequent basis with one or more representatives of IE Industries to discuss operational matters of materiality and the general status of ongoing operations;

(f) promptly notify IE Industries of any significant changes in the business, properties, assets, condition (financial or other), results of operations or prospects of the Company or its subsidiaries;

(g) not acquire, or publicly propose to acquire, all or any substantial part of the business and properties or capital stock of any person not a party to this Agreement, whether by merger, purchase of assets, tender offer or otherwise, unless the total of (i) the fair value of the consideration for such acquisition, and (ii) the fair value of the consideration for any other acquisitions consummated after the date hereof and prior to the Effective Time is $5,000,000 or less;

(h) not initiate, solicit, or encourage, and use their respective best efforts to cause any officer, director or employee of, or any investment banker, attorney, accountant or other agent retained by the Company or any of its subsidiaries not to initiate, solicit or encourage, any proposal or offer to acquire all or any substantial part of the business and properties or capital stock of the Company or any of its subsidiaries, whether by merger, purchase of assets, tender offer or otherwise; provided, however, that the Company and its subsidiaries may furnish information concerning its business, properties or assets to a corporation, partnership, person or other entity or group which has made a bona fide offer to the Company to acquire the Company and, following receipt of such an offer, may negotiate and take any of the actions otherwise prohibited by this Section 6.1(h)

with respect to such entity or group if outside counsel to the Company advises the Board of Directors of the Company in writing that the failure to furnish such information or negotiate with such entity or group might subject the Company's directors to liability for breach of their fiduciary duties; in the event the Company shall receive an offer of the type referred to in this subsection (h) it shall promptly inform IE Industries as to any such offer;

(i) not enter into or amend any employment, severance, special pay arrangement with respect to termination of employment or other similar arrangements or agreements with any directors, officers or key employees, except as set forth in Schedule 6.1(i);

(j) not adopt, enter into or amend any bonus, profit sharing, compensation, stock option, pension, retirement, deferred compensation, health care, employment or other employee benefit plan, agreement, trust, fund or arrangement for the benefit or welfare of any employee or retiree, except (i) as required to comply with changes in applicable law occurring after the date hereof, (ii) with respect to all plans other than bonus plans, in the ordinary course of business and consistent with past practice, and (iii) to increase the aggregate level of base compensation of the officers of the Company and its Subsidiaries by not more than 11% in the calendar year 1991;

(k) not own or operate any facilities for the generation, transmission or distribution of electric energy for sale, or own or operate facilities used for the distribution at retail of natural or manufactured gas for heat, light or power, or engage in any other activities, which would cause any of the subsidiaries of the Company (other than IS Utilities or Terra Comfort Corporation) to be deemed a "public-utility company" or the Company or any of its subsidiaries to be deemed to be a "holding company", a "subsidiary company" or an "affiliate" of any public-utility company (other than IS Utilities or Terra Comfort Corporation) within the meaning of Sections 2(a)(5), 2(a)(7), 2(a)(8) or 2(a)(11) of the Holding Company Act;

(l) maintain with Associated Electric & Gas Insurance Services Limited ("AEGIS") or with financially responsible insurance companies, insurance on its tangible assets and its businesses in such amounts and against such risks and losses as are

consistent with past practice and customary for companies engaged in the electric and gas utility industry and employing methods of generating electric power and fuel sources similar to those methods employed and fuels used by IS Utilities;

(m) maintain its current practice with respect to the timing of payment of the Company's regular quarterly cash dividend on Company Common Stock on March 1, June 1, September 1 and December 1 and the setting of a record date no more than 15 days prior to each such payment date; and

(n) not agree in writing, or otherwise, to take any of the foregoing actions or any other action which would make any representation or warranty contained in Article V untrue or incorrect in any material respect as of the time of the Closing.

Section 6.2 Conduct of Business by IE Industries Pending the Merger. Except as set forth in Schedule 6.2 or as otherwise contemplated hereby, after the date hereof and prior to the Effective Time or earlier termination of this Agreement, unless the Company shall otherwise agree in writing or as otherwise expressly contemplated by this Agreement (it being agreed, however, that IE Industries shall be solely responsible for its operations and those of its subsidiaries in accordance with the provisions of this Agreement), IE Industries shall, and shall cause each of its subsidiaries, to:

(a) conduct their respective businesses in the ordinary and usual course of business and consistent with past practice;

(b) not (i) amend or propose to amend their respective charters or by-laws; or (ii) split, combine or reclassify their outstanding capital stock or declare, set aside or pay any dividend or distribution payable in cash, stock, property or otherwise, except for (A) regular quarterly cash dividends on IE Industries Common Stock of no more than $0.525 per share plus a dividend increase of no more than six percent, beginning with the January 1, 1992 dividend payment, (B) regular quarterly cash dividends on any preferred or preference stock of Iowa Electric in accordance with the terms thereof and (C) payment of dividends or distributions by Iowa Electric or another wholly owned subsidiary of IE Industries to IE

Industries or to Iowa Electric or another wholly owned subsidiary of IE Industries;

(c) not (i) authorize the issuance of, or issue, sell, pledge or dispose of, or agree to issue, sell, pledge or dispose of, any additional shares of, or any options, warrants or rights of any kind to acquire any shares of, their capital stock of any class or any debt or equity securities convertible into or exchangeable for such capital stock, except issuances of up to 1,885,118 shares of IE Industries Common Stock (or options with respect thereto) pursuant to the IE Industries DRP, ESPP and IE Industries Incentive Plan as in effect on the date hereof and except for the issuance of presently authorized preferred or preference stock of Iowa Electric; (ii) sell (including, without limitation, by sale-leaseback), pledge, dispose or encumber any material utility assets or interests therein, other than the ordinary course of business and consistent with past practice; (iii) commence construction of any additional generating capacity, except for projects ongoing or already committed for as reflected in IE Industries's Five Year Plan or as set forth on Schedule 6.2(c); (iv) obligate itself to purchase or otherwise acquire, or to sell or otherwise dispose of, or to share, any additional capacity or energy other than in the ordinary course of business and consistent with past practice; (v) obligate itself to transmit any electrical power or energy over another party's lines or become obligated to allow or permit another party to transmit any power or energy over IE Industries's or any of its subsidiaries' lines other than in the ordinary course of business and consistent with past practice; (vi) take any action which would jeopardize the treatment of the Merger as a "pooling" for accounting purposes; (vii) take or fail to take any action which action or failure to act would cause IE Industries, the Company or their respective shareholders (except to the extent that any shareholders perfect dissenters' rights under Iowa law or receive cash in lieu of fractional shares or with respect to redemption of the Rights) to recognize gain or loss for federal income tax purposes as a result of the consummation of the Merger; or (viii) enter into any contract, agreement, commitment or arrangement with respect to any of the foregoing provided that IE Industries or any of its subsidiaries, after consulting with the Company, may take any of the actions otherwise prohibited by this Section 6.2(c) (other than those actions set forth in subsections (i), (vi), (vii) and

(viii) to the extent (viii) is applicable to actions of the type specified in subsections (i), (vi) and (vii) of this Section 6.2(c) which may not be taken under any circumstances except after receipt of the written consent of the Chief Executive Officer of the Company) if counsel to IE Industries advises the Board of Directors of IE Industries or any of its subsidiaries that the failure to take any of such actions might subject IE Industries's or any of its subsidiaries' directors to liability for breach of their fiduciary duties;

(d) use their best efforts to preserve intact their respective business organizations and goodwill, keep available the services of their respective present officers and key employees, and preserve the goodwill and business relationships with suppliers, distributors, customers and others having business relationships with them;

(e) confer on a regular and frequent basis with one or more representatives of the Company to discuss operational matters of materiality and the general status of ongoing operations;

(f) promptly notify the Company of any significant changes in the business, properties, assets, condition (financial or other), results of operations or prospects of IE Industries or its subsidiaries;

(g) not acquire, or publicly propose to acquire, all or any substantial part of the business and properties or capital stock of any person not a party to this Agreement, whether by merger, purchase of assets, tender offer or otherwise unless the total of (i) the fair value of the consideration for such acquisition, and (ii) the fair value of the consideration for any other acquisitions consummated after the date hereof and prior to the Effective Time is $12,000,000 or less;

(h) not initiate, solicit, or encourage, and use their respective best efforts to cause any officer, director or employee of, or any investment banker, attorney, accountant or other agent retained by IE Industries or any of its subsidiaries not to initiate, solicit or encourage, any proposal or offer to acquire all or any substantial part of the business and properties or capital stock of IE Industries or any of its subsidiaries, whether by merger, purchase of assets, tender offer or otherwise; provided, however,

that IE Industries and its subsidiaries may furnish information concerning its business, properties or assets to a corporation, partnership, person or other entity or group which has made a bona fide offer to IE Industries to acquire IE Industries and, following receipt of such offer, may negotiate and take any of the actions otherwise prohibited by this Section 6.2(h) with respect to such entity or group if outside counsel to IE Industries advises the Board of Directors of IE Industries in writing that the failure to furnish such information or negotiate with such entity or group might subject IE Industries's directors to liability for breach of their fiduciary duties; in the event IE Industries shall receive an offer of the type referred to in this subsection (h) it shall promptly inform the Company as to any such offer;

(i) not enter or amend any employment, severance, special pay arrangement with respect to termination of employment or other similar arrangements or agreements with any directors, officers or key employees, except as set forth in Schedule 6.2(i) or as otherwise in the ordinary course of business;

(j) not own or operate any facilities for the generation, transmission or distribution of electric energy for sale, or own or operate facilities used for the distribution at retail of natural or manufactured gas for heat, light or power, or engage in any other activities which would cause any of IE Industries's subsidiaries (other than Iowa Electric) to be deemed a "public-utility company" or IE Industries or any of its subsidiaries to be deemed a "holding company", a "subsidiary company" or an "affiliate" of any public-utility company (other than Iowa Electric) within the meaning of Section 2(a)(5), 2(a)(7), 2(a)(8) or 2(a)(11) of the Holding Company Act;

(k) maintain with AEGIS or with financially responsible insurance companies, insurance on its tangible assets and its businesses in such amounts and against such risks and losses as are consistent with past practice and customary for companies engaged in the electric and gas utility industry and employing methods of generating electric power and fuel sources similar to those methods employed and fuels used by Iowa Electric;

(l) maintain its current practice with respect to payment of IE Industries's regular quarterly cash dividend on IE Industries Common Stock on January 1,

April 1, July 1 and October 1 and setting of a record date as of the close of business on the Friday preceding the sixteenth day of the calendar month immediately prior to each such payment date;

(m) obtain a consent to the Merger under the Medium Term Credit Facility from The First National Bank of Chicago, amend the Medium Term Credit Facility to permit the Merger or retire all outstanding indebtedness under the Medium Term Credit Facility at or prior to the Effective Time; and

(n) not agree in writing, or otherwise, to take any of the foregoing actions or any other action which would make any representation or warranty contained in Article IV untrue or incorrect in any material respect as of the Closing Time.

ARTICLE VII

ADDITIONAL AGREEMENTS

Section 7.1 Access to Information. (a) The Company and its subsidiaries shall afford to IE Industries and its accountants, counsel, and other representatives full access during normal business hours throughout the period prior to the Effective Time to all of their respective properties, books, contracts, commitments and records (including, but not limited to, tax returns) and, during such period, shall furnish promptly to IE Industries (i) a copy of each report, schedule and other document filed with or received from any of them pursuant to the requirements of federal or state securities laws or the HSR Act or filed with or received from any of them with the SEC, Federal Trade Commission ("FTC"), Department of Justice ("DOJ"), IUB or FERC and (ii) all other information concerning their respective businesses, properties and personnel as IE Industries may reasonably request; provided that no investigation pursuant to this Section 7.1(a) shall affect any representations or warranties made herein or the conditions to the obligations of the respective parties to consummate the Merger. The Company and its subsidiaries shall promptly advise IE Industries in writing of any change or occurrence of any event after the date of this Agreement having, or which, insofar as can reasonably be foreseen, in the future may have, a Company Material Adverse Effect.

(b) IE Industries and its subsidiaries shall afford to the Company and its accountants, counsel and other representatives full access during normal business hours throughout the period prior to the Effective Time to all of

their respective properties, books, contracts, commitments and records (including, but not limited to, tax returns) and, during such period, shall furnish promptly to the Company (i) a copy of each report, schedule and other document filed with or received from any of them pursuant to the requirements of federal or state securities laws or the HSR Act or filed with or received from any of them with the SEC, FTC, DOJ, IUB, NRC or FERC, and (ii) all other information concerning their respective businesses, properties and personnel as the Company may reasonably request; provided that no investigation pursuant to this Section 7.1(b) shall affect any representations or warranties made herein or in the Merger Agreement or the conditions to the obligations of the respective parties to consummate the Merger. IE Industries and its subsidiaries shall promptly advise the Company in writing of any change or occurrence of any event after the date of this Agreement having, or which, insofar as can reasonably be foreseen, in the future may have, an IE Industries Material Adverse Effect.

(c) Any information received pursuant to Sections 7.1(a) and 7.1(b) above shall be considered Evaluation Material (as defined in the letter agreement, dated June 11, 1990 (the "Letter Agreement"), between IE Industries and the Company, and excluding the information described in the fifth sentence thereof) and such information shall be held in confidence by IE Industries and the Company in accordance with the terms of the Letter Agreement. In the event the Agreement is terminated, the provisions of the second paragraph on page three of the Letter Agreement shall be observed by the parties.

Section 7.2 Registration Statement and Proxy Statement. IE Industries and the Company shall prepare and file with the SEC as soon as reasonably practicable after the date hereof the Joint Proxy Statement/Prospectus and shall use all reasonable efforts to have the Registration Statement declared effective by the SEC as promptly as practicable. IE Industries shall also take any action required to be taken under applicable state blue sky or securities laws in connection with the issuance of IE Industries Common Stock in the Merger; provided, however, that with respect to such blue sky qualifications neither IE Industries nor the Company shall be required to register or qualify as a foreign corporation or to take any action which would subject it to service of process in any jurisdiction (other than Iowa) where any such entity is not now so subject, except as to matters and transactions relating to or arising solely from the offer and sale of IE Industries Common Stock. IE Industries and the Company shall promptly

furnish to each other all information, and take such other actions, as may reasonably be requested in connection with any action by any of them in connection with the preceding sentence. The information provided and to be provided by IE Industries and the Company, respectively, for use in the Joint Proxy Statement/ Prospectus shall be true and correct in all material respects without omission of any material fact which is required to make such information not false or misleading.

Section 7.3 Shareholders' Approval. (a) The Company shall promptly submit this Agreement and the transactions contemplated hereby for the approval of its shareholders at a meeting of shareholders to be held as soon as practicable after the Registration Statement is declared effective by the SEC and, subject to the fiduciary duties of the Board of Directors of the Company under applicable law, shall use its best efforts to obtain shareholder approval (the "Company Shareholders' Approval") of this Agreement and the transactions contemplated hereby. Subject to the fiduciary duties of the Board of Directors of the Company under applicable law, the Company shall, through its Board of Directors, recommend to its shareholders approval of this Agreement and the transactions contemplated by this Agreement.

(b) IE Industries shall promptly submit this Agreement and the transactions contemplated hereby for the approval of its shareholders at a meeting of shareholders to be held as soon as practicable after the Registration Statement is declared effective by the SEC and, subject to the fiduciary duties of the Board of Directors of IE Industries under applicable law, shall use its best efforts to obtain shareholder approval (the "IE Industries Shareholders' Approval") of this Agreement and the transactions contemplated hereby. Subject to the fiduciary duties of the Board of Directors of IE Industries under applicable law, IE Industries shall, through its Board of Directors, recommend to its shareholders approval of this Agreement and the transactions contemplated by this Agreement.

Section 7.4 Compliance with the Securities Act. IE Industries and the Company shall each use its best efforts to cause each principal executive officer, each director and each other person who is an "affiliate", as that term is used in paragraphs (c) and (d) of Rule 145 under the Securities Act (an "Affiliate"), of IE Industries or the Company, as the case may be, to deliver to IE Industries and the Company on or prior to the Effective Time a written agreement (an "Affiliate Agreement") to the effect

that such person will not offer to sell, sell or otherwise dispose of any shares of IE Industries Common Stock issued in the Merger, except, in each case, pursuant to an effective registration statement or in compliance with Rule 145, as amended from time to time, or in a transaction which, in the opinion of legal counsel reasonably satisfactory to IE Industries, is exempt from the registration requirements of the Securities Act and, in any case, until after the results covering 30 days of post-merger combined operations of IE Industries and the Company have been filed with the SEC, sent to shareholders of IE Industries or otherwise publicly issued.

Section 7.5 Exchange Listing. IE Industries shall use its best efforts to effect, at or before the Effective Time, authorization for listing on the NYSE, upon official notice of issuance, of the additional shares of IE Industries Common Stock to be issued pursuant to the Merger.

Section 7.6 Expenses. All costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such expenses, except that (a) those expenses incurred in connection with printing the Joint Proxy Statement/Prospectus, as well as the filing fee relating thereto, shall be shared two-thirds by IE Industries and one-third by the Company, and (b) the costs and expenses incurred by a party may be recoverable as provided in Article IX.

Section 7.7 Agreement to Cooperate. Subject to the terms and conditions herein provided, each of the parties hereto shall use all reasonable efforts to take, or cause to be taken, all action to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective the transactions contemplated by this Agreement, including using its reasonable efforts to obtain all necessary or appropriate waivers, consents and approvals and SEC "no-action" letters (including, but not limited to, required approvals under applicable Iowa state laws and regulations, the Holding Company Act, the Atomic Energy Act and the Federal Power Act), to effect all necessary registrations and filings (including, but not limited to, filings under the HSR Act) and to lift any injunction or other legal bar to the Merger (and, in such case, to proceed with the Merger as expeditiously as possible), subject, however, to the requisite votes of the shareholders of the Company and IE Industries. Each party hereto agrees to allow the other to review each regulatory filing made by such party prior to the filing thereof during the term of this Agreement.

Section 7.8 Public Statements. The parties shall consult with each other prior to issuing any public announcement or statement with respect to this Agreement or the transactions contemplated hereby and shall not issue any such public announcement or statement prior to such consultation, except as may be required by law or any listing agreement with a national securities exchange.

Section 7.9 Employee Benefits. The Surviving Corporation shall for at least three years following the Effective Time afford or cause to be afforded (a) health, life, disability and severance pay benefits to the active and former employees of the Company and its subsidiaries which, in the aggregate, are no less favorable to such employees than the benefits presently in effect with respect to similarly situated employees; and (b) the accrual of deferred compensation benefits under "employee pension benefit plans" within the meaning of Section 3(2) of ERISA, to active employees of the Company and its subsidiaries which, in the aggregate, are no less favorable to such employees then the accruals presently in effect with respect to similarly situated employees, provided that an employee's rights with respect to such accruals (including the right to segregate funds) shall not be less favorable to the employee than the rights presently in effect for similarly situated employees.

Section 7.10 Post-Merger Operations. Following the Effective Time, the Surviving Corporation shall conduct its operations in accordance with the following:

(a) during the Five Year Period, the Surviving Corporation shall maintain its headquarters in its present location of Cedar Rapids, Iowa;

(b) during the Five Year Period, IS Utilities and Iowa Electric shall continue their separate corporate and operational existences, and maintain their headquarters in their present locations of Centerville, Iowa and Cedar Rapids, Iowa, respectively;

(c) during the Five Year Period, the Surviving Corporation shall continue the college scholarship program of IS Utilities as in effect on the date hereof and shall generally make contributions to worthy causes in the service territory of IS Utilities on at least substantially the same basis or level as has been the Company's policy; and

(d) during the Five Year Period, the overall employment levels at IS Utilities' general offices in

Centerville, Iowa will not fall below 95% of such level as of the date hereof (excluding ordinary attrition) and any reductions in IS Utilities' or Iowa Electric's workforce will be made on a fair and equitable basis, in light of the circumstances and the objectives to be achieved, giving weight to work history, salary levels and costs and job qualifications and without regard to whether prior employment was at Iowa Electric or IS Utilities.

Section 7.11 Directors' and Officers' Indemnification. (a) To the extent, if any, not provided by an existing right of indemnification or other agreement or policy, from and after the Effective Time, IE Industries shall, to the fullest extent permitted under applicable law, indemnify, defend and hold harmless the present and former officers and directors of the Company and its subsidiaries (the "Indemnified Parties") against all losses, expenses (including reasonable attorney's fees), claims, damages or liabilities or, subject to the proviso of the next succeeding sentence, amounts paid in settlement arising out of actions or omissions occurring at or prior to the Effective Time that are in whole or in part based on, or arising out of the fact that such person is or was a director or officer of the Company or a subsidiary of the Company or arising out of or pertaining to the transactions contemplated by this Agreement. In the event of any such loss, expense, claim, damage or liability (whether arising before or after the Effective Time), (i) IE Industries shall pay the reasonable fees and expenses of counsel selected by the Indemnified Parties, which counsel shall be reasonably satisfactory to IE Industries, promptly after statements therefor are received, and (ii) IE Industries will cooperate in the defense of any such matter; provided, however, that IE Industries shall not be liable for any settlement effected without its written consent (which consent shall not be unreasonably withheld). The Indemnified Parties as a group may retain only one law firm with respect to each related matter except to the extent there is, in the sole opinion of counsel to an Indemnified Party, under applicable standards of professional conduct, a conflict on any significant issue between positions of any two or more Indemnified Parties.

(b) For six years after the Effective Time, the Surviving Corporation shall cause to be maintained in effect the current policies of directors' and officers' liability insurance maintained by the Company (provided that the Surviving Corporation may substitute therefor policies of at least the same coverage containing terms that are no less advantageous) with respect to matters occurring prior to the

Effective Time to the extent such liability insurance can be maintained annually at a cost for the Company and IE Industries directors not greater than 150 percent of IE Industries's and the Company's current combined annual premium for their directors' and officers' liability insurance.

(c) In the event the Surviving Corporation or any of its successors or assigns (i) consolidates with or merges into any other person and shall not be the continuing or surviving corporation or entity of such consolidation or merger, or (ii) transfers all or substantially all of its properties and assets to any person, then and in each such case, proper provisions shall be made so that the successors and assigns of the Surviving Corporation shall assume the obligations set forth in Sections 7.9, 7.10 and 7.11.

Section 7.12 Employment Agreements. IE Industries agrees to keep any employment agreements, consulting agreements, severance agreements and severance policies of IS Utilities as in effect or delivered on the date hereof or as permitted to be adopted or entered into by the Company in accordance with Section 6.1 hereof in effect in accordance with their terms and, in the case of severance policies, for at least three years after the Effective Time.

Section 7.13 Accountants' Letters. Each of IE Industries and the Company agrees to use its best efforts to cause to be delivered to the other letters of Arthur Andersen & Co., independent auditors for each of IE Industries and the Company, dated the date of the Joint Proxy Statement/Prospectus, the effective date of the Registration Statement and the Effective Time (or such other dates reasonably acceptable to the parties) with respect to certain financial statements and other financial information included in the Registration Statement, which letters shall be in form and substance reasonably satisfactory to the addressee.

ARTICLE VIII

CONDITIONS

Section 8.1 Conditions to Each Party's Obligation to Effect the Merger. The respective obligations of each party to effect the Merger shall be subject to the fulfillment at or prior to the Effective Time of the following conditions:

(a) This Agreement and the transactions contemplated hereby shall have been approved and adopted by the requisite vote of the shareholders of the Company and IE Industries under applicable law and applicable listing requirements;

(b) IE Industries Common Stock issuable in the Merger shall have been authorized for listing on the NYSE upon official notice of issuance;

(c) The waiting period applicable to the consummation of the Merger under the HSR Act shall have expired or been terminated;

(d) The Registration Statement shall have become effective in accordance with the provisions of the Securities Act, and no stop order suspending such effectiveness shall have been issued and remain in effect;

(e) No preliminary or permanent injunction or other order or decree by any federal or state court which prevents the consummation of the Merger shall have been issued and remain in effect (each party agreeing to use all reasonable efforts to have any such injunction, order or decree lifted);

(f) No action shall have been taken, and no statute, rule or regulation shall have been enacted, by any state or federal government or governmental agency in the United States which would prevent the consummation of the Merger or that would have a material adverse effect on the prospects of the Surviving Corporation;

(g) All governmental consents and approvals legally required for the consummation of the Merger and the transactions contemplated hereby, including, without limitation, approval (if required) by the IUB, NRC, FERC and the SEC, shall have been obtained and be

in effect at the Effective Time on terms and conditions that would not have a material adverse effect on the prospects of the Surviving Corporation; and

(h) The holders of less than (i) 7.5% of the outstanding shares of IE Industries Common Stock and (ii) 7.5% of the outstanding shares of Company Common Stock shall have properly asserted dissenters' rights, if any, under the IBCA.

Section 8.2 Conditions to Obligation of the Company to Effect the Merger. The obligation of the Company to effect the Merger shall be subject to the fulfillment at or prior to the Effective Time of the following additional conditions:

(a) IE Industries shall have performed in all material respects its agreements contained in this Agreement required to be performed on or prior to the Effective Time and the representations and warranties of IE Industries contained in this Agreement shall be true and correct in all material respects on and as of the date of this Agreement and on and as of the Effective Time as if made on and as of such date, except as contemplated or permitted by this Agreement, and the Company shall have received a certificate of the Chairman of the Board, President and Chief Executive Officer or a Vice President of IE Industries to that effect;

(b) The Company shall have received opinions addressed to the Company from special counsel to IE Industries, or other counsel reasonably acceptable to the Company, dated the Effective Time, substantially in the forms set forth in Exhibits IV-A, IV-B, IV-C and IV-D hereto;

(c) The Company shall have received a letter of Arthur Andersen & Co., certified public accountants for the Company, dated the Effective Time, addressed to the Company, in form and substance satisfactory to the Company, stating that the Merger will qualify as a "pooling of interests" transaction under generally accepted accounting principles;

(d) The Company shall have received the letters of Arthur Andersen & Co. contemplated by Section 7.13 hereof;

(e) Since the date hereof, no IE Industries Material Adverse Effect shall have occurred; and

(f) The Company shall have received an opinion of its special tax counsel, Mayer, Brown & Platt, in form and substance satisfactory to the Company, dated the Effective Time, or a ruling from the IRS, in form and substance satisfactory to the Company, to the effect that IE Industries and the Company and their respective shareholders (except to the extent any shareholders have perfected dissenters' rights under Iowa law or Company shareholders have received cash in lieu of fractional shares or upon redemption of the Rights) will recognize no gain or loss for federal income tax purposes as a result of consummation of the Merger.

Section 8.3 Conditions to Obligation of IE Industries to Effect the Merger. The obligation of IE Industries to effect the Merger shall be subject to the fulfillment at or prior to the Effective Time of the additional following conditions:

(a) The Company shall have performed in all material respects its agreements contained in this Agreement required to be performed on or prior to the Effective Time and the representations and warranties of the Company contained in this Agreement shall be true and correct in all material respects on and as of the date of this Agreement and on and as of the Effective Time as if made on and as of such date, except as contemplated or permitted by this Agreement, and IE Industries shall have received a Certificate of the President and Chief Executive Officer or of a Vice President of the Company to that effect;

(b) IE Industries shall have received an opinion from Mayer, Brown & Platt, special counsel to the Company, or other counsel reasonably acceptable to IE Industries, dated the Effective Time, substantially in the form set forth in Exhibit VI hereto;

(c) IE Industries shall have received a letter of Arthur Andersen & Co., certified public accountants for IE Industries, dated the Effective Time, addressed to IE Industries, in form and substance satisfactory to IE Industries, stating that the Merger will qualify as a "pooling of interests" transaction under generally accepted accounting principles;

(d) The Affiliate Agreements required to be delivered to IE Industries pursuant to Section 7.4 hereof shall have been furnished as required by Section 7.4;

(e) IE Industries shall have received the letters of Arthur Andersen & Co. contemplated by Section 7.13 hereof;

(f) Since the date hereof, no Company Material Effect shall have occurred; and

(g) IE Industries shall have received an opinion of its special tax counsel, Sullivan & Cromwell, in form and substance satisfactory to IE Industries, dated the Effective Time, or a ruling from the IRS, in form and substance satisfactory to IE Industries, to the effect that IE Industries and the Company and their respective shareholders (except to the extent any shareholders have perfected dissenters' rights under Iowa law or Company shareholders have received cash in lieu of fractional shares or upon redemption of the Rights) will recognize no gain or loss for federal income tax purposes as a result of consummation of the Merger.

ARTICLE IX

TERMINATION, AMENDMENT AND WAIVER

Section 9.1 Termination. This Agreement may be terminated at any time prior to the Effective Time, whether before or after approval by the shareholders of the Company or IE Industries:

(a) by mutual consent of IE Industries and the Company; or

(b) by either IE Industries or the Company if (i) the Merger shall not have been consummated on or before April 15, 1992 (the "Termination Date"), (ii) the requisite vote of the shareholders of IE Industries or the Company to approve this Agreement and the transactions contemplated hereby shall not be obtained at the meetings, or any adjournments thereof, called therefor, (iii) any governmental or regulatory body, the consent of which is a condition to the obligations of IE Industries and the Company to consummate the transactions contemplated hereby, shall have determined not to grant its consent and any appeals of such determination shall have been taken and have been unsuccessful or such body shall have imposed conditions or limitations on its consent that would have a material adverse effect on the prospects of the Surviving Corporation and any appeals from such imposition shall have been taken and have been

unsuccessful, or (iv) any court of competent jurisdiction in the United States or any State shall have issued an order, judgment or decree (other than a temporary restraining order) restraining, enjoining or otherwise prohibiting the Merger and such order, judgment or decree shall have become final and nonappealable; provided that the right to terminate this Agreement under this Section 9.1(b) shall not be available to any party whose failure to fulfill any obligation under this Agreement has been the cause of, or resulted in, the failure of the Effective Time to occur on or before such date; or

(c) by IE Industries (i) if the Board of Directors of the Company shall have withdrawn or modified in a manner adverse to IE Industries its approval or recommendation of the Merger, this Agreement or the transactions contemplated hereby or shall fail to reaffirm such approval or recommendation upon IE Industries's request, or shall have resolved to do any of the foregoing, (ii) if the Company or any of the other persons or entities described in Section 6.1(h) shall take any of the actions that would be proscribed by Section 6.1(h) but for the proviso therein allowing certain actions to be taken if required by fiduciary duty upon advice of outside counsel, (iii) if there has been (x) a material breach of any covenant or agreement herein on the part of the Company which has not been cured or adequate assurance of cure given, in either case within 15 business days following receipt of notice of such breach, or (y) a material breach of a representation or warranty of the Company herein which by its nature cannot be cured prior to the Termination Date or (iv) if (x) the Company enters into an agreement with any corporation, partnership, person, other entity or group (as defined in Section 13(d)(3) of the Exchange Act) other than IE Industries whereby such entity or group would directly or indirectly acquire all or any substantial part of the assets or capital stock of the Company or IS Utilities (or any successor to either of them), whether by merger, share exchange, purchase of assets, consolidation, tender offer or otherwise or (y) any third party commences a tender or exchange offer for 25% or more of the Company Common Stock and the Company's Board of Directors does not recommend, or ceases to recommend, to Company shareholders that they reject such offer; or

(d) by the Company if (i) the Board of Directors of IE Industries shall have withdrawn or modified in a

manner adverse to the Company its approval or recommendation of the Merger, this Agreement or the transactions contemplated hereby or shall fail to reaffirm such approval or recommendation upon the Company's request, or shall have resolved to do any of the foregoing, (ii) if IE Industries or any of the other persons or entities described in Section 6.2(h) shall take any of the actions that would be proscribed by Section 6.2(h) but for the proviso therein allowing certain actions to be taken if required by fiduciary duty upon advice of outside counsel, (iii) if there has been (x) a material breach of any covenant or agreement herein on the part of IE Industries which has not been cured or adequate assurance of cure given, in either case within 15 business days following receipt of notice of such breach or (y) a material breach of a representation or warranty of IE Industries herein which by its nature cannot be cured prior to the Termination Date or (iv) if (x) IE Industries enters into an agreement with any corporation, partnership, person, other entity or group (as defined in Section 13(d)(3) of the Exchange Act) other than the Company whereby such entity or group would directly or indirectly acquire all or any substantial part of the assets or capital stock of IE Industries or Iowa Electric (or any successor to either of them), whether by merger, share exchange, purchase of assets, consolidation, tender offer or otherwise or (y) any third party commences a tender or exchange offer for 25% or more of the IE Industries Common Stock and IE Industries's Board of Directors does not recommend, or ceases to recommend, to IE Industries shareholders that they reject such offer.

Section 9.2 Effect of Termination. (a) In the event of termination of this Agreement by either IE Industries or the Company, as provided in Section 9.1, this Agreement shall forthwith become void and there shall be no liability on the part of either the Company or IE Industries or their respective officers or directors (except as set forth in this Section 9.2 and in Sections 7.1 and 7.6 which shall survive the termination). Nothing in this Section 9.2 shall relieve any party from liability for any breach of this Agreement.

(b) If this Agreement is terminated by (i) IE Industries or the Company because the requisite vote of shareholders of the Company to approve this Agreement and the transactions contemplated hereby shall not be obtained at the meeting, or any adjournments thereof, called therefor, or (ii) by IE Industries pursuant to Section

9.1(c) (other than a termination pursuant to 9.1(c)(iii)(y) caused by a breach that is not willful), then the Company, promptly upon request of IE Industries, and in no event later than two business days after such request, shall pay IE Industries a fee of $6 million plus up to $1 million for fees and expenses incurred in connection with this Agreement and the transaction contemplated hereby, provided that no fee or expenses shall be payable to IE Industries pursuant to this Section 9.2(b) if IE Industries shall be in material breach of its obligations under the Agreement. If this Agreement is terminated (i) by the Company or IE Industries because the requisite vote of shareholders of IE Industries to approve the Merger, this Agreement and the transactions contemplated hereby shall not be obtained at the meeting, or any adjournments, called therefor or (ii) by the Company pursuant to Section 9.1(d) (other than a termination pursuant to 9.1(d)(iii)(y) caused by a breach that is not willful), then IE Industries, promptly upon request of the Company, and in no event later than two business days after such request, shall pay the Company a fee of $6 million plus up to $1 million for fees and expenses incurred in connection with this Agreement and the transaction contemplated hereby, provided that no fee or expenses shall be payable to the Company pursuant to this Section 9.2(b) if the Company shall be in material breach of its obligations under the Agreement.

(c) If IE Industries terminates the Agreement pursuant to Section 9.1(c) and the Company takes or agrees to take any of the actions specified in Section 9.1(c)(iv) within 12 months after such termination, and thereafter either the agreement contemplated by Section 9.1(c)(iv)(x) or the tender or exchange offer contemplated by Section 9.1(c)(iv)(y) is consummated, then the Company, promptly upon request of IE Industries, and in no event later than two business days after such request, shall pay IE Industries a fee of $12 million (against which any amounts paid by the Company pursuant to Section 9.2(b) above shall be credited) plus up to an additional $3 million for fees and expenses incurred by IE Industries in connection with this Agreement and the transactions contemplated herein. If the Company terminates the Agreement pursuant to Section 9.1(d) and IE Industries takes or agrees to take any of the actions specified in Section 9.1(d)(iv) within 12 months after such termination, and thereafter either the agreement contemplated by Section 9.1(d)(iv)(x) or the tender or exchange offer contemplated by Section 9.1(d)(iv)(y) is consummated, then IE Industries, promptly upon request of the Company, and in no event later than two business days after such request, shall pay the Company a fee of $12 million (against which any amounts paid by IE Industries

pursuant to Section 9.2(b) above shall be credited) plus up to an additional $3 million for fees and expenses incurred by the Company in connection with this Agreement and the transactions contemplated herein.

(d) The parties agree that the agreements contained in this Section 9.2 are an integral part of the transactions contemplated by this Agreement and constitute liquidated damages and not a penalty. If one party fails to promptly pay to the other any fee due hereunder, the defaulting party shall pay the costs and expenses (including legal fees and expenses) in connection with any action, including the filing of any lawsuit or other legal action, taken to collect payment, together with interest on the amount of any unpaid fee at the prime rate on the date such fee was required to be paid then in effect at the First National Bank of Chicago plus 2%.

Section 9.3 Amendment. This Agreement may be amended by the parties hereto, at any time before or after approval hereof by the shareholders of the Company or IE Industries, but, after any such approval, no amendment shall be made which (a) changes the ratio at which Company Common Stock is to be converted into IE Industries Common Stock pursuant to Section 3.1, or (b) changes any of the principal terms of this Agreement, in each case, without the further approval of such shareholders. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto.

Section 9.4 Waiver. At any time prior to the Effective Time, the parties hereto may (a) extend the time for the performance of any of the obligations or other acts of the other parties hereto, (b) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto and (c) waive compliance with any of the agreements or conditions contained herein; provided, however, that waiver of compliance with any agreements or conditions herein shall not limit the parties' obligations to comply with all other agreements or conditions herein. Any agreement on the part of a party hereto to any such extension or waiver shall be valid if set forth in an instrument in writing signed on behalf of such party.

ARTICLE X

GENERAL PROVISIONS

Section 10.1 Non-Survival of Representations, Warranties and Agreements. All representations, warranties and agreements in this Agreement shall not survive the Merger, except for the agreements contained in this Section 10.1 and in Sections 2.3, 7.9, 7.10, 7.11 and 7.12.

Section 10.2 Brokers. The Company represents and warrants that, except for its investment banking firm, The First Boston Corporation, whose fees have been disclosed to IE Industries prior to the date hereof, no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the Merger or the transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Company. IE Industries represents and warrants that, except for its investment banking firm, Goldman, Sachs & Co., whose fees have been disclosed to the Company prior to the date hereof, no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the Merger or the transactions contemplated by this Agreement based upon arrangements made by or on behalf of IE Industries.

Section 10.3 Notices. All notices and other communications hereunder shall be in writing and shall be deemed given if delivered personally or mailed by registered or certified mail (return receipt requested) to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

(a) If to IE Industries, to:

IE Industries
ie: Tower
200 First Street, S.E.
Cedar Rapids, Iowa 52401

Attention: Chief Executive Officer

with copies to:

Sullivan & Cromwell
125 Broad Street
New York, New York 10004

Attention: Benjamin F. Stapleton, Esq.

and

Chapman and Cutler
111 West Monroe Street
Chicago, Illinois 60603

Attention: John M. Dixon, Esq.

(b) If to the Company, to:

Iowa Southern Inc.
300 Sheridan Avenue
Centerville, Iowa 52544

Attention: Chief Executive Officer

with a copy to:

Mayer, Brown & Platt
190 South LaSalle Street
Chicago, Illinois 60603

Attention: Harold E. McKee, Esq.

Section 10.4 Interpretation. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

Section 10.5 Miscellaneous. This Agreement (including the documents and instruments referred to herein) (a) together with the Letter Agreement, constitutes the entire agreement and supersedes all other prior agreements and understandings, both written and oral, among the parties, or any of them, with respect to the subject matter hereof; (b) is not intended to confer upon any other person any rights or remedies hereunder, except for rights of Indemnified Parties under Section 7.12; (c) shall not be assigned by operation of law or otherwise; and (d) shall be governed in all respects; including validity, interpretation and effect, by the laws of the State of Iowa (without giving effect to the provisions thereof relating to conflicts of law). The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

Section 10.6 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be

deemed to be an original, but all of which shall constitute one and the same agreement.

Section 10.7 Parties in Interest. This Agreement shall be binding upon and inure solely to the benefit of each party hereto and nothing in this Agreement, express or implied, is intended to confer upon any other person any rights or remedies of any nature whatsoever under this Agreement. Notwithstanding the foregoing and any other provision of this Agreement, any three of the Company Directors serving on the Board of Directors of IE Industries shall be entitled during the Five Year Period to enforce the provisions of Sections 7.9, 7.10, 7.11 and 7.12 hereof and the agreements referred to in Schedules 5.13 and 6.1(i) on behalf of the persons to which such Sections and agreements relate and the parties hereto acknowledge and agree that the covenants and obligations contained in such Sections and agreements relate to special, unique and extraordinary matters and that a violation of any of the terms thereof will cause the persons to which such Sections and agreements relate irreparable injury for which adequate remedy at law is not available. Therefore, the parties agree that during the Five Year Period any three of the Company Directors serving on the Board of Directors of IE Industries shall be entitled to an injunction, restraining the breaching party from committing any violation of the covenants and obligations set forth therein. Such rights and remedies under the preceding sentence are cumulative and are in addition to any other rights and remedies a party may have at law or in equity. IE Industries shall pay, at the time they are incurred, all reasonable costs, fees and expenses of one firm of counsel of such directors incurred in connection with the assertion of any rights on behalf of the persons set forth above pursuant to this Section 10.7. Nothing herein, express or implied, shall require any director to take any action pursuant to this Section 10.7 nor confer any rights or remedies on any person who is not a Company Director serving on the Board of Directors of IE Industries.

IN WITNESS WHEREOF, IE Industries and the Company have caused this Agreement to be signed by their respective officers thereunto duly authorized as of the date first written above.

IE INDUSTRIES INC.

By: /s/ Lee Liu
Chairman of the Board
and President

IOWA SOUTHERN INC.

By: /s/ C.R.S. Anderson
Chairman of the Board
and President

Exhibit I

FORM OF
ARTICLES OF MERGER
OF
IOWA SOUTHERN INC.
INTO
IE INDUSTRIES INC.

Pursuant to the provisions of Section 490.1105 of the Iowa Business Corporation Act, the undersigned corporations adopt the following articles of merger:

1. The agreement and plan of merger (the "Plan") of Iowa Southern Inc. into IE Industries Inc., with IE Industries Inc. as the surviving corporation, is set forth as Exhibit I hereto.

2. The Plan was approved by the shareholders of each corporation and:

(i) the designation, number of outstanding shares, and number of votes entitled to be cast by each voting group entitled to vote separately on the Plan as to each corporation was:

Name of Corporation	Designation	Number of Outstanding Shares	Number of Votes Entitled to Be Cast
IE Industries Inc.	Common Stock	_____	_____
Iowa Southern Inc.	Common Stock	_____	_____

(ii) the total number of votes cast for an against the plan by each voting group entitled to vote separately on the Plan was:

Name of Corporation	Voting Group	Total Number of Votes Cast For the Plan	Total Number of Votes Cast Against the Plan
IE Industries Inc.	Common Stock	_____	_____
Iowa Southern Inc.	Common Stock	_____	_____

and the number cast for the Plan by each voting group was sufficient for approval of the Plan by that voting group.

Dated [Closing Time], 1991 IE INDUSTRIES INC.

_____
Authorized Signature

_____
Name
Title:

Dated [Closing Time], 1991 IOWA SOUTHERN INC.

_____
Authorized Signature

_____
Name
Title:

Article FIRST shall be amended as of and from the Effective Time to read in its entirety as follows: "FIRST: The name of this corporation shall be: IES Industries Inc."

The first paragraph of Article FOURTH shall be amended to read in its entirety as follows: "FOURTH: The aggregate number of shares that the Corporation shall have authority to issue is 53,000,000 consisting of 48,000,000 shares of Common Stock, no par value, and 5,000,000 shares of Cumulative Preferred Stock, no par value, cumulative as to dividends, to be issued in series. Each issued and outstanding share of Common Stock will entitle the holder to one vote unless otherwise provided by statute."

Article FIFTH shall be amended as of and from the Effective Time to read in its entirety as follows:

"FIFTH: The Board of Directors shall consist of not less than five (5) directors who need not be shareholders, and the number of directors shall be determined as stated in the Bylaws. Directors may be removed only for cause. At the regular annual meeting, the shareholders shall elect the directors to serve for the next year and until their successors are elected and qualified, unless removed in accordance with the laws of the State of Iowa."

Article NINTH shall be amended as of and from the Effective Time to change the reference in Section 1 thereof from "Section 496A.44" to "Section 490.833."

BYLAWS AS AMENDED
of
IES INDUSTRIES INC.

ARTICLE I

OFFICES

SECTION 1.1. PRINCIPAL OFFICE. - The principal office shall be established and maintained in the ie: Tower, 200 First Street, S.E., in the City of Cedar Rapids, in the County of Linn, in the State of Iowa.

SECTION 1.2. OTHER OFFICES. - The Corporation may have other offices, either within or without the State of Iowa, at such place or places as the Board of Directors may from time to time appoint or the business of the Corporation may require. The registered office of the Corporation required by the Iowa Business Corporation Act to be maintained in the State of Iowa may be, but need not be identical with the principal office in the State of Iowa, and the address of the registered office may be changed from time to time by the Board of Directors.

ARTICLE II

SHAREHOLDERS

SECTION 2.1. ANNUAL MEETING. - The annual meeting of shareholders for the election of directors and the transaction of other business shall be held, in each year, on the third Tuesday in May at two o'clock in the afternoon unless such day is a holiday, in which event the annual meeting will be held at such time on the next succeeding business day.

SECTION 2.2. PLACE OF SHAREHOLDERS' MEETING. - The annual meeting or any special meeting of shareholders shall be held at the principal office of the Corporation or any place, within the Sate of Iowa, as shall be designated by the Board of Directors and stated in the notice of the meeting.

SECTION 2.3. SPECIAL MEETINGS. - Special meetings of the shareholders may be called by the Chairman of the Board, the President, the Board of Directors, or the holders of not less than one-fourth of all the shares entitled to vote at the meeting.

SECTION 2.4. NOTICE OF MEETINGS. - WAIVER. - Written or printed notice, stating the place, day and hour of the meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten nor more than sixty days before the date of the meeting, either personally or by mail, by or at the direction of the Board of Directors, to each shareholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the shareholder at the address appearing on the stock transfer books of the Corporation, with postage thereon prepaid.

SECTION 2.5. CLOSING OF TRANSFER BOOKS: FIXING OF RECORD DATE. - For the purpose of determining shareholders entitled to notice of, or to vote at, any special meeting of shareholders, or any adjournment thereof, or shareholders entitled to receive payment of any dividend, or in order to make a determination of shareholders for any other proper purpose, the Board of Directors of the Corporation may provide that the stock transfer books shall be closed for a stated period but not to exceed, in any case, 60 days. If the stock transfer books shall be closed for the purpose of determining shareholders entitled to notice of or to vote at a meeting of shareholders, such books shall be closed for at least 10 days immediately preceding such meeting. In lieu of closing the stock transfer books, the Board of Directors may fix in advance a date as the record date for any such determination of shareholders, such date in any case to be not more than 60 days, and in case of a meeting of shareholders not less than 10 days, prior to the date on which the particular action, requiring such determination of shareholders, is to be taken. If the stock transfer books are not closed and no record date is fixed for the determination of shareholders, or shareholders entitled to receive payment of a dividend, the date on which notice of the meeting is mailed or the date on which the resolution of the Board of Directors declaring such dividend is adopted, as the case may be, shall be the record date for such determination of shareholders. When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided in this section, such determination shall apply to any adjournment thereof.

SECTION 2.6. VOTING RECORD. - The officer or agent having charge of the stock transfer books for shares of the Corporation shall make, at least 10 days prior to each meeting of shareholders, a complete record of the shareholders

entitled to vote at such meeting, or any adjournment thereof, arranged in alphabetical order with the address of and the number of shares held by each, which record shall be kept on file at the registered office of the Corporation and shall be subject to inspection by any shareholder at any time during usual business hours for a period of 10 days prior to such meeting. Such record shall also be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any shareholder during the whole time of the meeting. The original stock transfer book shall be prima facie evidence of the identity of the shareholders entitled to examine such record or transfer books or to vote at any meeting of shareholders.

SECTION 2.7. QUORUM. - A majority of the outstanding shares of the Corporation entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of shareholders. If less than a majority of the outstanding shares are represented at a meeting, a majority of the shares so represented may adjourn the meeting from time to time without further notice. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified. The shareholders present at a duly organized meeting may continue to transact business until adjournment only if a quorum is represented throughout.

SECTION 2.8. CONDUCT OF MEETING. - Meetings of the shareholders shall be presided over by one of the following officers in the order of seniority if present and acting - the Chairman of the Board, the President, the Secretary, or if none of the foregoing is in office and present and acting, by a chairperson to be chosen by the shareholders. The Secretary of the Corporation, or if absent, an Assistant Secretary, shall act as secretary of the meeting, but if neither the Secretary nor an Assistant Secretary is present, or if the Secretary is presiding over the meeting and the Assistant Secretary is not present, the Chairman of the meeting shall appoint a secretary of the meeting.

SECTION 2.9. PROXIES. - At all meetings of shareholders, a shareholder may vote by proxy executed in writing by the shareholder or by a duly authorized attorney-in-fact. Such proxy shall be filed with the Secretary of the Corporation before or at the time of the meeting. No proxy shall be valid after eleven months from the date of its execution, unless otherwise provided in the proxy.

SECTION 2.10. VOTING OF SHARES. - Each outstanding share entitled to vote shall be entitled to one vote upon each matter submitted to a vote at a meeting of shareholders.

SECTION 2.11. VOTING OF SHARES BY CERTAIN HOLDERS. - Shares standing in the name of another corporation may be voted by such officer, agent or proxy as the Bylaws of such corporation may prescribe, or, in the absence of such provision, as the Board of Directors of such corporation may determine.

Shares held by an administrator, executor, guardian or conservator may be voted by such person, either in person or by proxy, without a transfer of such shares into that person's name. Shares standing in the name of a trustee may be voted by such trustee, either in person or by proxy, but no trustee shall be entitled to vote such shares without a transfer of the shares into the trustee's name.

Shares standing in the name of a receiver may be voted by such receiver, and shares held by or under the control of a receiver may be voted by such receiver without the transfer of the shares into such person's name if authority so to do be contained in an appropriate order of the court by which such receiver was appointed.

A shareholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares so transferred.

Neither treasury shares nor shares held by another corporation, if a majority of the shares entitled to vote for the election of Directors of such other corporation is held by the Corporation, shall be voted at any meeting or counted in determining the total number of outstanding shares at any given time.

ARTICLE III

BOARD OF DIRECTORS

SECTION 3.1. GENERAL POWERS. - The business and affairs of the Corporation shall be managed by its Board of Directors.

SECTION 3.2. NUMBER, TENURE, QUALIFICATIONS AND REMOVAL. - During the Five Year Period (as such term is

defined in the Agreement and Plan of Merger between Hawkeye and Belle dated February 27, 1991), the number of Directors of the Corporation shall be not less than ten nor more than a number equal to (x) sixteen minus (y) the number of vacancies, if any, of Company Directors (as such term is defined in the Agreement and Plan of Merger between Hawkeye and Belle dated February 27, 1991) that are not filled pursuant to Section 3.10 of these Bylaws, and thereafter shall be as fixed from time to time by the Board of Directors. Each Director shall hold office until the next annual meeting of shareholders and until the Director's successor shall have been elected and qualified, unless removed at a meeting called expressly for that purpose by a vote of the holders of a majority of the shares then entitled to vote at an election of Directors. A Director may only be removed upon a showing of cause. Directors need not be residents of the State of Iowa or shareholders of the Corporation. Not more than five Directors shall be officers or employees of the Corporation or its subsidiaries. Except for any Company Director who is aged 72 or more as of January 1, 1991, no person who has reached the age of 72 years shall be eligible to be elected and, except for any such Company Director, shall be ineligible for re-election.

SECTION 3.3. REGULAR MEETINGS. - An annual meeting of the Board of Directors shall be held without other notice than this Bylaw immediately after, and at the same place as, the annual meeting of shareholders. Unless otherwise provided by resolution of the Board of Directors, regular meetings of the Board of Directors, additional to the annual meeting, shall be held on the first Tuesday of February, May, August, and on the first Wednesday of November of each year, at the principal office or any place within or without the State of Iowa as shall be designated by the Board of Directors without notice other than such resolution.

SECTION 3.4. SPECIAL MEETINGS. - Special meetings of the Board of Directors may be called by or at the request of the Chairman of the Board, President or any two Directors. The person or persons authorized to call special meetings of the Board of Directors may fix any place either within or without the State of Iowa, whether in person or by telecommunications, as the place for holding any special meeting of the Board of Directors called by them.

SECTION 3.5. NOTICE. - Notice of any special meeting shall be given at least three days prior to the meeting by

written notice delivered personally or mailed to each Director at the Director's business address, by telegram, or orally by telephone. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, so addressed, with postage prepaid. If notice be given by telegram, such notice shall be deemed to be delivered when the telegram is delivered to the telegraph company. Any director may waive notice of any meeting. The attendance of a Director at a meeting shall constitute a waiver of notice of such meeting, except where a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular of special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

SECTION 3.6. QUORUM. - A majority of the number of Directors fixed by Section 3.2 of this Article III shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, but if less than such majority is present at a meeting, a majority of the Directors present may adjourn the meeting from time to time without further notice.

SECTION 3.7. MANNER OF ACTING. - The act of the majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors. A Director shall be considered present at a meeting of the Board of Directors or of a committee designated by the Board if the Director participates in such meeting by conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other.

SECTION 3.8. INFORMAL ACTION. - Any action required or permitted to be taken at any meeting of the Directors of the Corporation or of any committee of the Board may be taken without a meeting if a consent in writing setting forth the action so taken shall be signed by all of the Directors or all of the members of the committee of Directors, as the case may be. Such consent shall have the same force and effect as a unanimous vote at a meeting and shall be filed with the Secretary of the Corporation to be included in the official records of the Corporation.

SECTION 3.9. PRESUMPTION OF ASSENT. - A Director of the Corporation who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof or shall forward such dissent by registered or certified mail to the Secretary of the Corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a Director who voted in favor of such action.

SECTION 3.10. VACANCIES. - Any vacancy occurring in the Board of Directors and any directorship to be filled by reason of an increase in the number of Directors may be filled by the affirmative vote of a majority of the Directors then in office, even if less than a quorum of the Board of Directors. Notwithstanding the foregoing, during the Five Year Period, if any of the Company Directors are removed, resign or cease to serve, unless a majority of the remaining Company Directors elects not to fill such vacancy or vacancies, then the vacancy or vacancies resulting therefrom will be filled by a person selected by the Board of Directors; provided that such person is acceptable to at least three of the remaining Company Directors as evidenced by such Company Directors' votes or written consents therefor. A Director so elected shall be elected for the unexpired term of the vacant directorship or the full term of such new directorship. Failure to attend three consecutive regular meetings of the Board of Directors shall disqualify a Director from further service as a Director during the year in which the third delinquency occurs and shall make such Director ineligible for re-election, unless such failure to attend be determined by the affirmative vote of two-thirds of the remaining Directors holding office to be due to circumstances beyond the control of such Director. A resignation may be tendered by any Director at any meeting of the shareholders or of the Board of Directors, who shall at such meeting accept the same.

SECTION 3.11. COMPENSATION. - The Directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or may receive a stated salary as Director. No such payment shall preclude any Director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or

standing committees may be allowed like compensation for attending committee meetings.

SECTION 3.12. EXECUTIVE COMMITTEE. - The Board of Directors shall, at each annual meeting thereof, appoint from its number an Executive Committee of not less than three (3) nor more than five (5) members, including the Chairman of the Board and the President of the Corporation, to serve, subject to the pleasure of the Board, for the year next ensuing and until their successors are appointed by the Board. The Board of Directors at such time shall also fix the compensation to be paid to the members of the Executive Committee. No member of the Executive Committee shall continue to be a member after ceasing to be a Director of the Corporation. The Board of Directors shall have the power at any time to increase or decrease the number of members of the Executive Committee, to fill vacancies, to change any member, and to change the functions or terminate the Committee's existence.

SECTION 3.13. POWERS OF EXECUTIVE COMMITTEE. - The Executive Committee appointed by the Board of Directors as above provided shall possess all the power and authority of the Board of Directors when said Board is not in session, but the Executive Committee shall not have the power to: (1) declare dividends or distributions, (2) approve or recommend directly to the shareholders actions required by law to be approved by shareholders, (3) fill vacancies on the Board of Directors or designate directors for purposes of proxy solicitation, (4) amend the Bylaws, (5) approve a plan or merger not requiring shareholders approval, (6) reduce surplus, (7) authorize reacquisition of shares unless pursuant to a method specified by the Board, or (8) authorize the sale or issuance of shares or designate the terms of a series of a class of shares, except pursuant to a method specified by the Board, to the extent permitted by law.

SECTION 3.14. PROCEDURE: MEETINGS: QUORUM. - Regular meetings of the Executive Committee may be held at least once in each month on such day as the Committee shall elect and special meetings may be held at such other times as the Chairman of the Board, the President, or any two members of the Executive Committee may designate. Notice of special meetings of the Executive Committee shall be given by letter, telegram, or cable delivered for transmission not later than during the second day immediately preceding the day for such meeting or by word of mouth or telephone not later than the day immediately preceding the date for such meeting. No such

notice need state the business to be transacted at the meeting. No notice need be given of an adjourned meeting. The Executive Committee may fix its own rules of procedure. It shall keep a record of its proceedings and shall report these proceedings to the Board of Directors at the regular meeting thereof held next after the meeting of the Executive Committee. Attendance at any meeting of the Executive Committee at a special meeting shall constitute a waiver of notice of such special meeting.

At its last meeting preceding the annual meeting of the Board of Directors, the Executive Committee shall make to the Board its recommendation of officers of the Corporation to be elected by the Board for the ensuing year.

The President shall act as Chairman at all meetings of the Executive Committee, and if the President is absent, the Chairman of the Board shall act as such Chairman. The Secretary of the Corporation shall act as Secretary of the meeting. In case of the absence from any meeting of the Executive Committee of the Secretary of the Corporation, the Executive Committee shall appoint a secretary of the meeting. The Executive Committee may hold its meetings within or without the State of Iowa, as it may from time to time by resolution determine. A majority of the Executive Committee shall be necessary to constitute a quorum for the transaction of any business, and the act of a majority of the members present at a meeting at which a quorum is present shall be the act of the Executive Committee. The members of the Executive Committee shall act only as a committee, and the individual members shall have no power as such.

SECTION 3.15. OTHER COMMITTEES. - The Board of Directors may appoint by resolution adopted by a majority of the full Board of Directors from among its members, other committees, temporary or permanent, and, to the extent permitted by law and these Bylaws, may designate the duties, powers, and authorities of such committees subject to the same restriction of powers as provided in Section 3.13.

ARTICLE IV

OFFICERS

SECTION 4.1. OFFICERS. - The officers of the Corporation shall be a Chairman of the Board, a President, a Secretary, a Treasurer, Assistant Secretaries and Assistant

Treasurers, and may include a General Counsel, each of whom shall be elected by the Board of Directors. Such other officers, including vice-presidents, and assistant officers as may be deemed necessary may be elected or appointed by the Board of Directors. Any two or more offices, other than those of Chairman of the Board and Secretary and those of President and Secretary, may be held by the same person.

SECTION 4.2. ELECTION AND TERM OF OFFICE. - The officers of the Corporation to be elected by the Board of Directors shall be elected annually by the Board at its annual meeting held after each annual meeting of the shareholders. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as may be convenient. A vacancy in any office for any reason may be filled by the Board of Directors for the unexpired portion of the term.

SECTION 4.3. REMOVAL OF OFFICERS. - Any officer may be removed by the Board of Directors whenever in its judgment the best interests of the Corporation will be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an officer shall not of itself create contract rights.

SECTION 4.4. CHAIRMAN OF THE BOARD. - The Chairman of the Board shall preside at all meetings of the Board of Directors, shall be a member of the Executive Committee and shall have and perform such other duties as from time to time may be assigned to him by the Board of Directors.

SECTION 4.5. PRESIDENT. - The President shall be the Chief Executive Officer of the Corporation and shall have general supervision of and be accountable for the control of the Corporation's business affairs, properties and management and otherwise shall have the general powers and duties usually vested with the office of President of a Corporation, subject, however, to the control of the Board of Directors and the Executive Committee. The President shall see that all resolutions and orders of the Board of Directors or the Executive Committee are carried into effect and shall exercise such other powers and perform such other duties as may be designated by the Board of Directors and the Executive Committee. The President shall present to the shareholders at their annual meeting an annual statement of the business of the Corporation and the report of its financial condition. In

the absence or inability to act of the Chairman of the Board, the President shall preside at all meetings of the Board of Directors.

SECTION 4.6. VICE PRESIDENT. - A Vice President (if one or more be elected or appointed) shall have such powers and perform such duties as the Board of Directors may from time to time prescribe or as the President may from time to time delegate.

SECTION 4.7. TREASURER. - The Treasurer shall have the custody of the funds and securities of the Corporation. Whenever necessary or proper, the Treasurer shall (1) endorse, on behalf of the Corporation, checks, notes or other obligations and deposit the same to the credit of the Corporation in such bank or banks or depositories as the Board of Directors may designate; (2) sign receipts or vouchers for payments made to the Corporation which shall also be signed by such other officer as may be designated by the Board of Directors; (3) disburse the funds of the Corporation as may be ordered by the Board, taking proper vouchers for such disbursements; and (4) render to the Board of Directors, the Executive Committee, the Chairman of the Board and the President at the regular meetings of the Board or Executive Committee, or whenever any of them may require it, an account of the financial condition of the Corporation. If required by the Board of Directors, the Treasurer shall give the Corporation a bond with one or more sureties satisfactory to the Board, for the faithful performance of the duties of this office, and for the restoration to the Corporation, in case of death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in possession or under control of the Treasurer.

SECTION 4.8. SECRETARY. - The Secretary shall record the votes and proceedings of the shareholders, the Board of Directors and the Executive Committee in a book or books kept for that purpose, and shall serve notices of and attend all meetings of the Directors, the Executive Committee and shareholders. In the absence of the Secretary or an Assistant Secretary from any meeting of the Board of Directors, the proceedings of such meeting shall be recorded by such other person as may be appointed for that purpose.

The Secretary shall keep in safe custody the seal of the Corporation, and duplicates, if any, and when requested by the Board of Directors, or when any instrument shall have been

first signed by the Chairman of the Board, the President or a Vice President duly authorized to sign the same, or when necessary to attest any proceedings of the shareholders or directors, shall affix it to any instrument requiring the same, and shall attest the same. The Secretary shall, with the Chairman of the Board or the President, sign certificates of stock of the Corporation and affix a seal of the Corporation or cause such seal to be imprinted or engraved thereon, subject, however, to the provisions providing for the use of facsimile signatures on stock certificates under certain conditions. The Secretary shall have charge of such books and papers as properly belong to such office, or as may be committed to the Secretary's care by the Board of Directors or by the Executive Committee, and shall perform such other duties as pertain to such office, or as may be required by the Board of Directors, the Executive Committee or the President.

SECTION 4.9. ASSISTANT TREASURERS. - Each Assistant Treasurer (if one or more Assistant Treasurers be elected or appointed) shall assist the Treasurer and shall perform such other duties as the Board of Directors may from time to time prescribe or the Chairman of the Board or the President may from time to time delegate. At the request of the Treasurer, any Assistant Treasurer may perform temporarily the duties of Treasurer in the case of the Treasurer's absence or inability to act. In the case of the death of the Treasurer, or in the case of absence or inability to act without having designated an Assistant Treasurer to perform temporarily the duties of Treasurer, an Assistant Treasurer shall be designated by the Chairman of the Board or the President to perform the duties of the Treasurer. Each Assistant Treasurer shall, if required by the Board of Directors, give the Corporation a bond with such surety or sureties as may be ordered by the Board of Directors, for the faithful performance of the duties of such office and for the restoration to the Corporation, in case of death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind belonging to the Corporation in the possession or under control of such Assistant Treasurer.

SECTION 4.10. ASSISTANT SECRETARIES. - Each Assistant Secretary (if one or more Assistant Secretaries be elected or appointed) shall assist the Secretary and shall perform such other duties as the Board of Directors may from time to time prescribe or the Chairman of the Board or the President may from time to time delegate. At the request of the Secretary, any Assistant Secretary may perform temporarily the duties of

Secretary in the case of the Secretary's absence or inability to act. In the case of the death of the Secretary, or in the case of absence or inability to act without having designated an Assistant Secretary to perform temporarily the duties of Secretary, the Assistant Secretary to perform the duties of the Secretary shall be designated by the Chairman of the Board or the President.

SECTION 4.11. GENERAL COUNSEL. - If elected, the General Counsel shall be responsible for the management of the Legal Department in its support of all other Company operations including management guidance to assure responsible decisions, information for all employees concerning the legal and judicial environment and he shall recommend changes of law as deemed advisable. In addition, he shall be responsible for the coordination of outside counsel activities in all instances as well as the prosecution of charges against the Company or other judicial or regulatory activities. This shall include full information for the management and employees of judicial, regulatory or other administrative body rulings and the impact on the Company. The duties shall include approval of all legal and contractual documents of the Company, prior to their authorization, and full support to various departments in assisting in the development of these documents. He shall perform such other duties as may be assigned to him from time to time by the Board of Directors, the Executive Committee, and/or the Chairman of the Board of Directors.

ARTICLE V

CERTIFICATES FOR SHARES AND THEIR TRANSFER

SECTION 5.1. CERTIFICATES FOR SHARES. - Each certificate representing shares of the Corporation shall state upon the face (a) that the Corporation is organized under the laws of the State of Iowa, (b) the name of the person to whom issued, (c) the number and class of shares, and the designation of the series, if any, which such certificate represents, and (d) that the shares are without par value, and each such certificate shall otherwise be in such form as shall be determined by the Board of Directors. Such certificates shall be signed by the Chairman of the Board or the President and by the Secretary or an Assistant Secretary and shall be sealed with the corporate seal or a facsimile thereof. The signatures of such officers upon a certificate may be facsimiles. If a certificate is countersigned by a transfer agent, or

registered by a registrar, the signatures of the persons signing for such transfer agent or registrar also may be facsimiles. In case any officer or other authorized person who has signed or whose facsimile signature has been placed upon such certificate for the Corporation shall have ceased to be such officer or employee or agent before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were an officer or employee or agent at the date of its issue. Each certificate for shares shall be consecutively numbered or otherwise identified.

All certificates surrendered to the Corporation for transfer shall be cancelled and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and cancelled, except that in case of a lost, destroyed or mutilated certificate a new one may be issued therefor upon such terms and indemnity to the Corporation as the Board of Directors may prescribe.

SECTION 5.2. TRANSFER OF SHARES. - Transfer of shares of the Corporation shall be made only on the stock transfer books of the Corporation by the holder of record thereof or by such person's legal representative, who shall furnish proper evidence of authority to transfer, or authorized attorney, by power of attorney duly executed and filed with the Secretary of the Corporation, and on surrender for cancellation of the certificate for such shares.

Subject to the provisions of Section 2.11 of Article II of these Bylaws, the person in whose name shares stand on the books of the Corporation shall be treated by the Corporation as the owner thereof for all purposes, including all rights deriving from such shares, and the Corporation shall not be bound to recognize any equitable or other claim to, or interest in, such shares or rights deriving from such shares, on the part of any other person, including (without limitation) a purchaser, assignee or transferee of such shares, or rights deriving from such shares, unless and until such purchaser, assignee, transferee or other person become the record holder of such shares, whether or not the Corporation shall have either actual or constructive notice of the interest of such purchaser, assignee, transferee or other person. Except as provided in said Section 2.11 hereof, no such purchaser, assignee, transferee or other persons shall be entitled to receive notice of the meetings of shareholders, to vote at such meetings, to examine the complete record of the shareholders entitled to vote at meetings, or to own, enjoy or

exercise any other property or rights deriving from such shares against the Corporation, until such purchaser, assignee, transferee or other person has become the record holder of such shares.

ARTICLE VI

MISCELLANEOUS PROVISIONS

SECTION 6.1. INDEMNIFICATION. - The Corporation shall indemnify its directors, officers, employees and agents to the full extent permitted by the Iowa Business Corporation Act, as amended from time to time. The Corporation shall purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise against any liability asserted against and incurred by such person in any such capacity or arising out of such person's status as such, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of this section.

SECTION 6.2. FISCAL YEAR. - The fiscal year of the Corporation shall be the calendar year.

SECTION 6.3. SEAL. - The corporate seal shall be circular in form and shall have inscribed thereon the name of the Corporation and the words "CORPORATE SEAL IOWA". Said seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

SECTION 6.4. CONTRACTS, CHECKS, DRAFTS, LOANS AND DEPOSITS. - All contracts, checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation, shall be signed by such officer or officers, agent or agents of the Corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors. The Board may authorize by resolution any officer or officers to enter into and execute any contract or instrument of indebtedness in the name of the Corporation; and such authority may be general or confined to specific instances. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks or other depositories as the Board of Directors may authorize.

SECTION 6.5. DIVIDENDS. - Subject to the provisions of the Articles of Incorporation, the Board of Directors may, at any regular or special meeting, declare dividends upon the capital stock of the Corporation payable out of surplus (whether earned or paid-in) or profits as and when they deem expedient. Before declaring any dividend there may be set apart out of surplus or profits such sum or sums as the directors from time to time in their discretion deem proper for working capital or as a reserve fund to meet contingencies or for such other purposes as the directors shall deem conducive to the interests of the Corporation.

SECTION 6.6. WAIVER OF NOTICE. - Whenever any notice is required to be given to any shareholder or Director of the Corporation under the provisions of these Bylaws or under the provisions of the Articles of Incorporation or under the provisions of the Iowa Business Corporation Act, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

SECTION 6.7. VOTING OF SHARES OWNED BY THE CORPORATION. - Subject always to the specific directions of the Board of Directors, any share or shares of stock issued by any other corporation and owned or controlled by the Corporation may be voted at any shareholders' meeting of such other corporation by the President of the Corporation if present, or if absent by any other officer of the Corporation who may be present. Whenever, in the judgment of the President, or if absent, of any officer, it is desirable for the Corporation to execute a proxy or give a shareholders' consent in respect to any share or shares of stock issued by any other corporation and owned by the Corporation, such proxy or consent shall be executed in the name of the Corporation by the President or one of the officers of the Corporation and shall be attested by the Secretary or an Assistant Secretary of the Corporation without necessity of any authorization by the Board of Directors. Any person or persons designated in the manner above stated as the proxy or proxies of the Corporation shall have full right, power and authority to vote the share or shares of stock issued by such other corporation and owned by the Corporation in the same manner as such share or shares might be voted by the Corporation.

SECTION 6.8. AMENDMENTS. - These Bylaws may be altered, amended or repealed and new Bylaws may be adopted by the Board

of Directors at any regular or special meeting of the Board of Directors; provided, however, that during the Five Year Period, Sections 3.2, 3.10, 4.4 and this Section 6.8 of these Bylaws may be altered, amended, modified or repealed and new Bylaws adopted only upon the consent of a majority of the Company Directors.

Exhibit IV-A

[Form of Opinion of Chapman and Cutler
or IE Industries General Counsel]

_____, 1991

Iowa Southern Inc.
300 Sheridan Avenue
Centerville, Iowa 52544

Gentlemen:

This opinion is furnished to you pursuant to Section 8.2(b) of the Agreement and Plan of Merger, dated as of February 27, 1991 (the "Agreement"), between IE Industries Inc. ("IE Industries") and Iowa Southern Inc. (the "Company"). Unless otherwise defined herein, terms defined in the Agreement are used herein as therein defined.

As special counsel for IE Industries, we have examined such corporate records, certificates and other documents, and such questions of law, as we have considered necessary or appropriate for the purposes of this opinion. Upon the basis of such examination, and subject to the qualifications and assumptions hereinafter set forth, we advise you that, in our opinion:

(1) Each of IE Industries and Iowa Electric Light and Power Company, an Iowa corporation ("Iowa Electric") has been duly incorporated and is a validly existing corporation in good standing under the laws of the State of Iowa and has the requisite power and authority to own and lease its assets and to carry on its businesses. Each of IE Industries and Iowa Electric is qualified to do business and is in good standing in each jurisdiction in which the assets owned and leased by it or the nature of the businesses conducted by it makes such qualification necessary.

(2) IE Industries has full corporate power and authority to enter into, execute and deliver the Agreement and to perform its obligations thereunder. The execution, delivery and performance of the Agreement by IE Industries have been duly authorized by the Board of Directors and shareholders of IE Industries, and no other corporate proceedings on the part of IE Industries are required for such execution, delivery or performance. The Agreement has been duly and validly executed and delivered by IE Industries and constitutes a valid and legally binding obligation of IE Industries, enforceable against it in accordance with its terms, subject, as to enforcement, to

bankruptcy, insolvency, reorganization moratorium and similar laws of general applicability relating to or affecting creditors' rights and except as the availability of equitable remedies may be limited by equitable principles of general applicability.

(3) The execution, delivery and performance by IE Industries of the Agreement will not (a) conflict with or violate the Articles of Incorporation or By-Laws of IE Industries or Iowa Electric or (b) result in a default under or breach of any indenture, loan agreement or other similar agreement known to us binding on IE Industries or Iowa Electric.

(4) The shares of IE Industries Common Stock to be issued in the Merger will, at the Effective Time, have been duly authorized and, when issued as contemplated by the Agreement, will be validly issued, fully paid, nonassessable and free of preemptive rights.

With your approval, we have relied as to certain matters on information obtained from public officials, officers of IE Industries and Iowa Electric and other sources believed by us to be responsible and we have assumed that the Agreement has been duly authorized, executed and delivered by the Company and that the signatures on all

documents examined by us are genuine, assumptions which we have not independently verified.

Each of the foregoing opinions is subject to the qualification that we do not express our opinions as to matters relating to or affected by laws other than the laws of the United States and laws of the State of Iowa exclusive of blue sky laws of the State of Iowa and the Iowa Public Utilities Code. In rendering the foregoing opinion, we have relied upon the opinion, dated the date hereof and addressed to you, of _____ [IE Industries general counsel or Iowa law firm], covering the matters referred to herein and in our opinion we and you are justified in relying thereon.

Very truly yours,

Exhibit IV-B

[Form of Opinion of Sullivan & Cromwell]

_____, 1991

The Directors of Iowa Southern Inc.,
300 Sheridan Avenue
Centerville, Iowa 52544

Gentlemen:

This is with reference to the registration under the Securities Act of 1933, as amended (the "Act") of shares of Common Stock, no par value (the "Securities"), of IE Industries Inc., an Iowa corporation ("IE Industries"). The Registration Statement was filed on Form S-4 under the Act, and accordingly the Prospectus does not necessarily contain a current description of the business and affairs of IE Industries or of Iowa Southern Inc. (the "Company") since, pursuant to that Form, the Registration Statement incorporates by reference certain documents filed with the Securities and Exchange Commission which contain descriptions as of various dates. The Prospectus also constituted the joint proxy statement of IE Industries and the Company for purposes of their annual meetings of shareholders held

on _____, 1991 , to vote upon the transaction described therein.

In accordance with our understanding with IE Industries as to the scope of our services under the circumstances applicable to its issuance of the Securities, as special counsel to IE Industries we reviewed the Registration Statement and the Prospectus, participated in discussions with representatives of IE Industries, its other counsel and its accountants, and representatives of the Company and its counsel and accountants, and advised IE Industries as to the requirements of the Act and the applicable rules and regulations thereunder. Between the effectiveness of the Registration Statement and the time of the delivery of this letter, we participated in further discussions with representatives of IE Industries and the Company [and their respective counsels and accountants] concerning the contents of certain portions of the Prospectus and we reviewed certificates of certain officers of IE Industries and the Company, letters from the accountants for IE Industries and the Company and legal opinions from counsel to IE Industries and the Company. On the basis of the information we gained in the course of the performance of the services referred to above, considered in the light of our understanding of the applicable law

(including the requirements of Form S-4 and the character of the prospectus contemplated thereby) and the experience we have gained through our practice under the Act, we advised you and now confirm that, in our opinion, the Registration Statement and the Prospectus, as of the effective date of the Registration Statement, appeared on their face to be appropriately responsive in all material respects to the requirements of the Act and the applicable rules and regulations of the Securities and Exchange Commission thereunder insofar as they relate to IE Industries. Further, nothing that came to our attention in the course of such review has caused us to believe that, insofar as they relate to IE Industries, the Registration Statement or the Prospectus, as of such effective date, contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein not misleading. Also, nothing that has come to our attention in carrying out the procedures described in the second sentence of this paragraph has caused us to believe that, insofar as it relates to IE Industries, the Prospectus, as of the time of the special meeting of shareholders of the Company, contained any untrue statement of a material fact or omitted to state any material fact necessary in order to make the

statements therein, in the light of the circumstances under which they were made, not misleading.

The limitations inherent in the independent verification of factual matters and the character of determinations involved in the registration process are such, however, that we do not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Registration Statement or the Prospectus except for those made under the caption "Description of Capital Stock of IE Industries" in the Prospectus insofar as they relate to provisions of documents therein described. Also, we do not express any opinion or belief as to the Registration Statement or the Prospectus insofar as they include or reflect any information relating to or supplied by the Company or as to any financial statements or other financial data contained in the Registration Statement or the Prospectus.

This letter is furnished to you by us as special counsel for IE Industries and is solely for your benefit.

Very truly yours,

Draft of February 26, 1991

Exhibit IV-C

[Form of Opinion of LeBoeuf, Lamb, Leiby & MacRae]

_____, 1991

Iowa Southern Inc.
300 Sheridan Avenue
Centerville, Iowa 52544

Gentlemen:

This opinion is furnished to you pursuant to Section 8.2(b) of the Agreement and Plan of Merger, dated as of February 27, 1991 (the "Agreement"), between IE Industries Inc., an Iowa corporation ("IE Industries"), and Iowa Southern Inc., an Iowa corporation (the "Company"). Unless otherwise defined herein, terms defined in the Agreement are used herein as therein defined.

As special counsel for IE Industries, we have examined fully executed duplicate originals of the Agreement and originals (or copies certified or otherwise identified to our satisfaction) of such other instruments, certificates, corporate records and documents, and such questions of law, as we have considered necessary or appropriate for the purpose of rendering this opinion. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to the original documents of all documents submitted to us as copies and the authenticity of the originals of such latter documents. As to any facts material to our opinion, we have, when relevant facts were not independently established, relied upon the foregoing instruments, certificates, corporate records and documents.

On the basis of such examination, and subject to the limitations set forth in this letter, we advise you that, in our opinion, all authorizations, consents and approvals of governmental bodies required to be obtained under the Iowa Public Utilities Code, the Federal Power Act of 1935 and the Public Utility Holding Company Act of 1935

and the regulations and rules thereunder, in connection with the execution, delivery and performance of the Agreement by IE Industries have been obtained and, to our knowledge after due inquiry, remain in full force and effect.

In rendering the opinion expressed herein with respect to the Federal Power Act of 1935, we have relied upon the December 13, 1990 order of the Federal Energy Regulatory Commission ("FERC") in Missouri Basin Municipal Power Agency v. Midwest Energy Co. and Iowa Resources, Inc., Docket No. EL90-31-000. On May 22, 1990, Missouri Basin Municipal Power Agency ("Missouri Basin") filed a complaint at FERC alleging that two exempt public utility holding companies, Midwest Energy Company ("Midwest") and Iowa Resources, Inc. ("Iowa"), intended to merge without obtaining the prior approval of FERC under Section 203 of the Federal Power Act of 1935. Midwest and Iowa owned all of the issued and outstanding capital stock of Iowa Public Service Company ("Iowa Public") and Iowa Power, Inc. ("Iowa Power"), respectively, which companies are public utilities subject to the jurisdiction of FERC. Missouri Basin requested FERC to order Midwest and Iowa to show cause why the merger of Midwest and Iowa, absent FERC's prior approval, would not violate Section 203. On December 13, 1990, in Missouri Basin, FERC dismissed Missouri Basin's complaint, finding that because its jurisdiction under Section 203 is limited to public utilities and because neither Midwest nor Iowa was a public utility when the merger of the two companies was consummated, FERC had no jurisdiction over the merger under Section 203.

We note that on January 14, 1991, Missouri Basin filed a request for rehearing of the FERC order in Missouri Basin. It also amended its complaint to add Iowa Public and Iowa Power as respondents and to allege that Iowa Public and Iowa Power had merged without obtaining the prior approval of FERC. In the amended complaint, Missouri Basin requested that FERC order Iowa Public and Iowa Power to file an application for approval of such merger with FERC pursuant to Section 203. FERC has not yet acted on the request for rehearing (it issued a tolling order on February 13, 1991) nor has it noticed the amendment of the complaint. [Opinion may be revised to reflect status of Missouri Basin at closing.]

We do not herein express any opinion as to any matters governed by any laws other than the law of the State

of New York and the Federal law of the United States of America, and we have not examined the law of any other jurisdiction. With your approval, we have relied as to certain matters on information obtained from public officials, officers of IE Industries and other sources believed by us to be responsible. Insofar as the opinion rendered above might be read to involve the law of jurisdictions other than the State of New York and the United States of America, we have, with your approval, relied solely upon the opinion dated the date hereof and addressed to you, of [general counsel] for IE Industries, covering the matters referred to herein. Such opinion is satisfactory in form and scope to us, and in our opinion you and we are justified in relying thereon.

Draft of February 26, 1991

Exhibit 4-D

[FORM OF OPINION OF NEWMAN & HOLTZINGER, P.C.]

_____, 1991

Gentlemen:

We have acted as special NRC counsel for IE Industries, Inc. ("IE Industries") in connection with the transaction contemplated by the Agreement and Plan of Merger, dated as of February 27, 1991 (the "Agreement"), between IE Industries, an Iowa corporation, and Iowa Southern Inc. ("Iowa Southern"), also an Iowa corporation. This opinion is being delivered pursuant to Section 8.2(b) of the Agreement. All capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Agreement.

As to matters of fact relevant to our opinion, we have reviewed and relied upon the representations of the parties as set forth in the drafts of the Agreement and other documents

related to the transactions contemplated by the Agreement which have been provided to us. We have assumed for purposes of our opinion that the final versions of the draft Agreement and other documents which we reviewed will not differ materially from the draft versions. With your approval, we have also relied as to certain matters on information obtained from public officials, officers of IE Industries, and other sources believed by us to be reliable and responsible.

IE Industries is the parent holding company and owner of all of the outstanding shares of common stock of Iowa Electric Light and Power Company ("IE"), an Iowa corporation and a public utility, which holds a license (License No. DPR-49) under the Atomic Energy Act of 1954, as amended 42 U.S.C. § 2011, et seq. (the "Act"), administered by the United States Nuclear Regulatory Commission ("NRC"), to own and operate the Duane Arnold Nuclear Energy Center ("DAEC"). Iowa Southern is the parent holding company of Iowa Southern Utilities Company ("IS"), which is also an Iowa corporation and public utility.

Under the terms of the Agreement, all of the outstanding shares of common stock of Iowa Southern will be exchanged for newly issued IE Industries common stock, and Iowa Southern will be merged with and into IE Industries, with IE Industries remaining as the surviving corporation. IE will remain a wholly-owned utility subsidiary of IE Industries and IS

will become an additional wholly-owned utility subsidiary. A number of additional changes in the Articles of Incorporation and Bylaws of IE Industries will be made, including an increase in its authorized capital stock to allow for the conversion of Iowa Southern common stock into IE Industries common stock and to provide future financing flexibility, and an increase in the number of directors of IE Industries so that at the time of merger the Board of Directors will be comprised of ten members designated by IE Industries and six members designated by Iowa Southern. It is also our understanding that the current Chief Executive Officer of Iowa Southern will become the Chairman of the Board of Directors of IE Industries and the name of IE Industries will be changed. The current President of IE Industries will continue as Chairman of its Executive Committee and as its President and Chief Executive Officer, as well as Chairman of the Board and Chief Executive Officer of IE.

It is also our understanding that (1) neither Iowa Southern nor any of its public utility subsidiaries own or operate any facilities, or possess any materials, subject to the licensing requirements of the Act; (2) IE will continue to be the holder of License No. DPR-49; (3) no change in the management of IE or of the DAEC is contemplated in connection with the merger; (4) IE will continue to be subject to regulation by the Iowa Utilities Board and the Federal Energy Regulatory Commission after the merger; (5) all of the individuals to be elected to the

Board of Directors of IE Industries are citizens of the United States of America; and (6) the common stock of Iowa Southern is widely held and no single person or entity currently owns 5% or more of the outstanding shares of such common stock, so that upon consummation of the merger, no former shareholder of Iowa Southern is expected to acquire more than 2% of the outstanding shares of common stock of IE Industries.

Under Section 184 of the Act, 42 U.S.C. § 2234, and the NRC regulation implementing this provision of the Act, 10 C.F.R. § 50.80, no license to own or operate a production or utilization facility, such as IE's License No. DPR-49, may, inter alia, be directly or indirectly transferred "through transfer of control of the license to any person," unless the NRC has consented to such transfer. In the absence of a direct or indirect transfer, the NRC's consent is not required; and when such NRC consent is required, it is generally granted upon a showing that a proposed transfer of control will not adversely affect the financial resources and technical and managerial capabilities of the licensee or result in foreign ownership, domination or control of the licensee.

It is our opinion, based on the foregoing and subject to the limitations set forth herein, that all authorizations, consents and approvals required to be obtained under Section 184 of the Act and 10 C.F.R. § 50.80, or any other provision of the

Act or the NRC regulations implementing the Act in connection with the execution, delivery, or performance of the Agreement have been obtained and, to our knowledge after due inquiry, remain in full force and effect.

We express no opinion as to matters governed by any federal or state laws other than the Atomic Energy Act of 1954, as amended. This opinion is provided solely for the benefit of the addressees in connection with the execution, delivery and performance of the Agreement and the transactions related thereto, and may not be relied upon by any other party for any other purpose.

Very truly yours,

Exhibit v

[Form of Opinion of Mayer, Brown & Platt]

_____, 1991

IE Industries Inc.
ie: Tower
200 First Street, S.E.
Cedar Rapids, Iowa 52401

Gentlemen:

This opinion is furnished to you pursuant to Section 8.3(b) of the Agreement and Plan of Merger, dated as of February 27, 1991 (the "Agreement"), between IE Industries Inc. ("IE Industries") and Iowa Southern Inc. (the "Company"). Unless otherwise defined herein, terms defined in the Agreement are used herein as therein defined.

As special counsel for the Company, we have examined such corporate records, certificates and other documents, and such questions of law, as we have considered necessary or appropriate for the purposes of this opinion. Upon the basis of such examination, and subjects to the qualifications and assumptions hereinafter set forth, we advise you that, in our opinion:

(1) Each of the Company and Iowa Southern Utilities Company, an Iowa corporation ("IS Utilities"), has been duly incorporated and is a validly existing corporation in good standing under the laws of the State of Iowa and has the requisite corporate power and authority to own and lease its assets and to carry on its businesses. Each of the Company and IS Utilities is qualified to do business and is in good standing in each jurisdiction in which the assets owned and leased by it or the nature of the businesses conducted by it makes such qualification necessary.

(2) The Company has full corporate power and authority to enter into, execute and deliver the Agreement and to perform its obligations thereunder. The execution, delivery and performance of the Agreement by the Company have been duly authorized by the Board of Directors of the Company, the shareholders of the Company have approved the Agreement, and no other corporate proceedings on the part of the Company are required for such execution, delivery or performance. The Agreement has been duly and validly executed and delivered by the Company and constitutes a valid and legally binding obligation of the Company,

enforceable against it in accordance with its terms, subject, as to enforcement, to bankruptcy, insolvency, reorganization moratorium and similar laws of general applicability relating to or affecting creditors' rights and except as the availability of equitable remedies may be limited by equitable principles of general applicability.

(3) The execution, delivery and performance by the Company of the Agreement will not (a) conflict with or violate the Articles of Incorporation or By-Laws of the Company or IS Utilities or (b) result in a default under or breach of any indenture, loan agreement or other similar agreement known to us that it is binding on the Company or IS Utilities.

(4) All authorizations, consents and approvals of governmental bodies required to be obtained under the Iowa Public Utilities Code, the Federal Power Act of 1935 and the Public Utility Holding Company Act of 1935, and the regulations and rules thereunder, in connection with the execution, delivery and performance of the Agreement by the Company have been obtained and, to our knowledge after due inquiry, remain in full force and effect. In rendering the opinion expressed herein with respect to the Federal Power Act of 1935,

we have relied upon the December 13, 1990 order of the Federal Energy Regulatory Commission in Missouri Basin Municipal Power Agency v. Midwest Energy Co. and Iowa Resources, Inc., Docket No. EL90-31-000.

The Registration Statement relating to shares of Common Stock, no par value (the "Securities"), of IE Industries was filed on Form S-4 under the Securities Act of 1933, as amended (the "Act"), and accordingly the Prospectus does not necessarily contain a current description of the business and affairs of the Company or of IE Industries since, pursuant to that Form, the Registration Statement incorporates by reference certain documents filed with the Securities and Exchange Commission which contain descriptions as of various dates. The Prospectus also constituted the joint proxy statement of the Company and IE Industries for purposes of their annual meetings of shareholders held on _____, 1991, to vote upon the transaction described therein.

In accordance with our understanding with the Company as to the scope of our services under the circumstances applicable to the issuance by IE Industries of the Securities, as special counsel to the Company we reviewed the Registration Statement and the Prospectus, participated in discussions with representatives of the

Company and its accountants, and representatives of IE Industries and its counsels and accountants, and advised the Company as to the requirements of the Act and the applicable rules and regulations thereunder. Between the effectiveness of the Registration Statement and the time of the delivery of this letter, we participated in further discussions with representatives of the Company and IE Industries, [their respective accountants and IE Industries' several counsel] concerning the contents of certain portions of the Prospectus and we reviewed certificates of certain officers of the Company and IE Industries, letters from the accountants for the Company and IE Industries and legal opinions from counsel to IE Industries. On the basis of the information we gained in the course of the performance of the services referred to above, considered in the light of our understanding of the applicable law (including the requirements of Form S-4 and the character of the prospectus contemplated thereby) and the experience we have gained through our practice under the Act, we advised the Company and now confirm to you that, in our opinion, the Registration Statement and the Prospectus, as of the effective date of the Registration Statement, appeared on their face to be appropriately responsive in all material respects to the requirements of the Act and the applicable

rules and regulations of the Securities and Exchange Commission thereunder, in each case, insofar as they relate to the Company. Further, nothing that came to our attention in the course of such review has caused us to believe that, insofar as they relate to the Company, the Registration Statement or the Prospectus, as of such effective date, contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein not misleading. Also, nothing that has come to our attention in carrying out the procedures described in the second sentence of this paragraph has caused us to believe that, insofar as it relates to the Company, the Prospectus, as of the time of the annual meeting of shareholders of the Company, contained any untrue statement of a material fact or omitted to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

The limitations inherent in the independent verification of factual matters and the character of determinations involved in the registration process are such, however, that we do not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Registration Statement or the Prospectus

except for those made under the caption "Description of Capital Stock of Iowa Southern" in the Prospectus insofar as such statements relate to provisions of documents therein described. Also, we do not express any opinion or belief as to the Registration Statement or the Prospectus insofar as they include or reflect any information relating to or supplied by IE Industries or as to any financial statements or other financial data contained in the Registration Statement or the Prospectus.

With your approval, we have relied as to certain matters on information obtained from public officials, officers of the Company and IS Utilities and other sources believed by us to be responsible and we have assumed that the Agreement has been duly authorized, executed and delivered by IE Industries and that the signatures on all documents examined by us are genuine, assumptions which we have not independently verified.

Each of the foregoing opinions is subject to the qualification that we do not express our opinions as to matters relating to or affected by laws other than the laws of the United States and the laws of the State of Iowa exclusive of blue sky laws of the State of Iowa. Insofar as this opinion involves the laws of the State of Iowa we have, with your consent, relied upon the opinion dated the date

hereof and addressed to you, of Steven W. Southwick, Esq., Vice President and Secretary of the Company. Such opinion is satisfactory in form and scope to us with respect to the matters covered thereby and we believe that you and we are justified in relying thereon.

This letter speaks only as of the date hereof, is furnished to you by us as special counsel for the Company and is solely for your benefit.

Very truly yours,