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November 2, 1999

Via Federal Express

U.S. Nuclear Regulatory Commission
Attention: Document Control Desk
Washington, D.C. 20555-0001

Re: Quad Cities Nuclear Power Station, Units 1 and 2
Facility Operating License Nos. DPR-29 and DPR-30
NRC Docket Nos. 50-254 and 50-265

Subject: Change in Shareholders at the Holding Company Level For MidAmerican Energy Company

Ladies and Gentlemen:

I. INTRODUCTION

By Order and accompanying Safety Evaluation dated December 22, 1998, the NRC consented to "the indirect transfer of the [Quad Cities] licenses to the extent held by MEC [MidAmerican Energy Company] with respect to its 25 percent ownership interest in the Quad Cities Nuclear Power Station, Units 1 and 2" to MidAmerican Energy Company (hereafter "MEC"), as a wholly-owned subsidiary of CalEnergy Company, Inc. The Order and approval was issued pursuant to10 C.F.R. § 50.80 pursuant to cover letters and an accompanying application submitted from CalEnergy and MEC through the undersigned counsel for such entities and filed by Commonwealth Edison Company ('ComEd"), the licensed operator and owner of the remaining 75 percent share of such facilities. As noted in the "Order Approving Application Regarding Proposed Merger of MidAmerican Energy Holdings Company (hereafter "MEHC") with CalEnergy Company," MEC would continue to remain a 25 percent minority

owner and possession-only licensee of the Quad Cities Nuclear Power Station, Units 1 and 2 and remain an "electric utility" as defined in 10 C.F.R. § 50.2, engaged in the generation, transmission, and distribution of electric energy for wholesale and retail.

On October 25, 1999, pursuant to a Schedule 13D, filed with the Securities and Exchange Commission ("SEC") by Mr. David L. Sokol, Chairman of the Board of MEHC, it was reported that an agreement had been reached that MEHC, the holding company, which had heretofore been publicly traded, would be acquired by a private investors' group, consisting of three members, as described in section II immediately below. That Schedule 13D filing is attached hereto as Exhibit A.[1]

It is important to note, however, that as a result of this transaction, no changes will be made to MEC, the non-operating owner of Quad Cities. MEC will remain an "electric utility" subject to all of the terms, conditions and findings in the NRC's Order of December 22, 1998, and its existing possessing-only license from the NRC as to Quad Cities. In addition, as a result of the above transaction, MEC's ultimate parent company, MEHC, will also remain unchanged in operation. The changes to MEHC will be at the shareholder level, as described below.

II. DETAILED DESCRIPTION OF THE SHAREHOLDER TRANSACTION

Each member of the investor group has entered into a subscription agreement pursuant to which such member has committed to invest in the surviving company, with the amount invested being sufficient to pay the agreed consideration ($35.05 per share) to current public shareholders. MidAmerican currently has approximately 1400 shareholders of record (other than participants in employee plans), of which approximately 80% are institutional holders. As to the investor group, Walter Scott (or his charitable foundation, his personal trusts or a corporation controlled by the Scott family) will purchase 8,000,000 common shares (with a value of $280.4 million) and David Sokol will acquire 180,924 common shares and 1,650,000 options to purchase common shares (with an aggregate value of $17.478 million). Berkshire Hathaway has committed to purchase approximately $1.25 billion in common and convertible preferred shares. The amount of Berkshire's investment is subject to adjustment based on the number of shares of MidAmerican convertible trust preferred that are converted in response to the transaction; whether and to what extent certain other MidAmerican management members participate in the transaction (which may occur up to a maximum of about $12.5 million of common stock and options to purchase common stock); and the amount of cash available at MidAmerican at the closing date. Berkshire will also purchase $800 million in trust preferred securities (a non-voting subordinated security that is in-between

[1] Similar Schedule 13Ds were filed by Mr. Walter Scott and Berkshire Hathaway Inc., and are available upon request.

equity and debt). Up to 3,000,000 of the common shares that Mr. Scott has committed to purchase may be purchased by members of his family or trusts for their benefit or a corporation controlled by the Scott family.

At this point in time, because of the factors identified above which will affect the exact amount of Berkshire's investment, it is not possible to establish the exact post-transaction ownership percentages of the three investors in common stock plus convertible preferred stock. Berkshire's investment in voting common stock, however, will be fixed at 9.9%, while Mr. Scott and his family and related entities will hold approximately 88.1% of the voting common stock of the company, and Mr. Sokol will hold approximately 2% of the voting common stock of the company (with the two latter percentages subject to slight variation in the event of participation by other members of MidAmerican management). In addition, as noted above, most of Berkshire's equity investment will be in zero coupon convertible preferred stock of the company. This preferred stock will generally be non-voting; however, it will carry with it the right, inter alia, to appoint two directors to the company's board. See generally, Schedule 13D attached hereto. In terms of overall equity value (voting and non-votingshares plus the current option spread, but excluding the trust preferred securities), and assuming Berkshire's investment is at the maximum amount committed by it, Berkshire will hold approximately 81%, Mr. Scott and his family and related entities approximately 18% and Mr. Sokol approximately 1% of the company after the transaction.

Following consummation of the transaction, the company will continue to claim an exemption from registration under the Public Utility Holding Company Act of 1935 (the "1935 Act") as an intrastate holding company under Section 3(a)(1) of the 1935 Act pursuant to Rule 2. Individual shareholders do not fit within the definition of "company" under the 1935 Act and the Securities and Exchange Commission ("SEC") has not attempted to regulate individuals as holding companies in the past. Thus, Messrs. Sokol and Scott should not be treated as holding companies regardless of the amount of voting shares they hold. Similarly, existing precedent indicates that family members and personal trusts do not constitute a "company" for purposes of the 1935 Act. Finally, because Berkshire and the corporation controlled by the Scott family will each own less than 10% of the voting securities of the company, neither will be a presumptive holding company. Berkshire intends to ask the SEC for comfort that the SEC will not otherwise seek to regulate Berkshire as a holding company as a result of this transaction.

III. DE MINIMIS NRC CHANGES

As noted above, as a result of the participation of the investor group, there will be no

directors and/or existing company management. Mr. Walter Scott, in addition to himself who will remain on the board, will be able to appoint four directors representing his ownership interest. Berkshire Hathaway, either directly or through a wholly-owned domestic subsidiary, will be able to appoint two new directors to the board of MEHC. Although such appointments have not been made, and the information is confidential, it is currently anticipated that of the ten board seats of MEHC, approximately four of which will go to incumbent board members of MEHC, including Messers. Sokol and Scott, existing board members. It is not anticipated after the transaction that there will be more than one non-U.S. citizen participation on the Board of MEHC.

IV. SUMMARY

It is respectively submitted that inasmuch as: (1) there will be no changes to MEC, the non-operating NRC licensee; (2) there will be no operational changes at the holding company level; and (3) that the only changes will be the replacement of existing MEHC shareholders from approximately 1400 shareholders to the tripartite investor group described above, and the above-described changes at the holding Company Board level, these de minimis NRC changes do not trigger the threshold requiring that a formal 10 C.F.R. § 50.80 application be filed. Accordingly, it is respectfully submitted that additional formal NRC approval pursuant to 10 C.F.R. § 50.80 not be required, other than this notification filing, plus any additional information that the NRC Staff may request.

If there are any questions relative to the above, please do not hesitate to call the undersigned at (202) 887-4500, or Mr. Rod Krich, Vice-President of ComEd at (630) 663-7330.

Respectfully submitted,

Roy P. Lessy, Jr.
Counsel for MidAmerican Energy Company

cc: Mr. Robert Pulsifier
Mr. Robert Wood
Steven Hom, Esq.

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 13D

Under the Securities Exchange Act of 1934

MidAmerican Energy Holdings Company
(Name of Issuer)

Common Stock, no par value
(Title of Class of Securities)

59562V107
(CUSIP Number of Class of Securities)

David L. Sokol
MidAmerican Energy Holdings Company
666 Grand Avenue
Des Moines, Iowa 50309
(515) 242-4300
(Name, Address and Telephone Number of Person Authorized to Receive Notices and Communications)

Copies to:

Peter J. Hanlon
Willkie Farr & Gallagher
787 Seventh Avenue
New York, NY 10019
(212) 728-8000

October 14, 1999
(Date of Event which Requires Filing of this Schedule)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition which is the subject of this Schedule 13D, and is filing this schedule because of Rule 13d-1(b)(3) or (4), check the following: ☐

SCHEDULE 13D

CUSIP No. 59562V107

1	NAME OF REPORTING PERSON S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON David L. Sokol S.S. #	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP	(a) ☒ (b) ☐
3	SEC USE ONLY	
4	SOURCE OF FUNDS* PF/OO	
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDING IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)	☐
6	CITIZENSHIP OR PLACE OF ORGANIZATION United States of America	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER 839,288
	8	SHARED VOTING POWER -0-
	9	SOLE DISPOSITIVE POWER 839,288
	10	SHARED DISPOSITIVE POWER -0-
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH PERSON 3,852,777	
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES*	☐
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 6.2%	
14	TYPE OF REPORTING PERSON* IN	

***SEE INSTRUCTIONS BEFORE FILLING OUT!**

INCLUDE BOTH SIDES OF THE COVER PAGE, RESPONSES TO ITEMS 1-7 (INCLUDING EXHIBITS) OF THE SCHEDULE, AND THE SIGNATURE ATTESTATION.

This Schedule 13D is being filed on behalf of David L. Sokol, an individual, relating to the common stock, no par value, of MidAmerican Energy Holdings Company, an Iowa corporation (the "Company" or the "Issuer"). Unless the context otherwise requires, references herein to the "Common Stock" are to the Common Stock of MidAmerican Energy Holdings Company, no par value.

Item 1. Security and Issuer.

This statement on Schedule 13D relates to the Common Stock of the Company, and is being filed pursuant to Rule 13d-1 under the Securities Exchange Act of 1934, as amended. The address of the principal executive offices of the Company is 666 Grand Avenue, Des Moines, Iowa 50309.

Item 2. Identity and Background.

(a) This statement is filed by Mr. Sokol.

(b) The business address of Mr. Sokol is 302 South 36th Street, Omaha, NE 68131.

(c) Mr. Sokol is the Chairman of the Board of Directors and Chief Executive Officer of the Company. Mr. Sokol has been Chairman and Chief Executive Officer since April 19, 1993. The Company through its retail utility subsidiaries, MidAmerican Energy in the United States and Northern Electric in the United Kingdom, provides electric service to 2.2 million customers and natural gas service to 1.2 million customers worldwide. The Company manages and owns interests in approximately 8,300 net megawatts of diversified power generation facilities in operation, construction and development. The Company's address is 666 Grand Avenue, Des Moines, Iowa 50309.

(d) Mr. Sokol has not, during the last five years, been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors).

(e) Mr. Sokol has not, during the last five years, been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

(f) Mr. Sokol is a United States citizen.

Item 3. Source and Amount of Funds or Other Consideration.

Of the Common Stock reported as beneficially owned by Mr. Sokol, 180,924 shares were either acquired through the conversion of options issued to Mr. Sokol by the Company or purchased with personal funds of Mr. Sokol in the aggregate amount of approximately $4.1 million; the remaining 658,364 shares are shares issuable under existing options not yet exercised.

As further described in Item 4 (the answer to which is incorporated herein by reference), on October 14, 1999, each of Berkshire Hathaway Inc. ("Berkshire"), Walter Scott, Jr. and David Sokol (collectively, the "Investors") entered into an agreement to propose to acquire the Issuer through a merger of a corporation formed by them with and into the Issuer. By virtue of such agreement and without the use of any funds, Mr. Sokol acquired beneficial ownership, as provided in Rule 13d-5(b) under the Securities Exchange Act of 1934, as amended (the "Exchange

Act"), of the 3,013,489 shares beneficially owned by Mr. Scott, as such number has been provided by Mr. Scott, but Mr. Sokol does not have an economic interest in such shares.

Item 4. Purpose of Transaction.

(a)-(b) On October 14, 1999, each of Berkshire, Walter Scott, Jr. (who is a director of both Berkshire and the Issuer) and David Sokol (who is the Chairman and Chief Executive Officer of the Issuer) formed a limited liability company, Teton Formation L.L.C. ("Teton LLC"), and entered into an operating agreement in connection therewith (the "Operating Agreement"), for the purpose of forming a new corporation, Teton Acquisition Corp. ("Merger Sub") to consummate the acquisition of the Issuer.

On October 24, 1999, the Issuer executed an Agreement and Plan of Merger (the "Merger Agreement") with Teton LLC and Merger Sub. The Merger Agreement provides that, subject to the terms and conditions thereof (including, without limitation, approval by shareholders of the Issuer and certain regulatory approvals), Merger Sub will merge with and into the Issuer, with the Issuer continuing as the surviving corporation (the "Surviving Corporation"). Upon consummation of the merger, all of the outstanding shares of Common Stock (other than shares held by the Issuer, Merger Sub or Teton LLC and shares which have perfected appraisal rights), will be converted into the right to receive $35.05 per share in cash (the "Merger Consideration"). The transaction (the "Acquisition") will be subject to Section 13(e) of the Exchange Act. Pursuant to the terms of the Operating

Agreement, upon the consummation of the Acquisition, Teton LLC will be dissolved.

The commitments of each of Berkshire, Mr. Scott and Mr. Sokol to fund the Acquisition are set forth in individual Amended and Restated Subscription Agreements (the "Amended and Restated Subscription Agreements" and each such agreement, an "Amended and Restated Subscription Agreement") entered into on October 24, 1999 between each of them and Merger Sub, which include (a) a term sheet relating to certain put and call rights and transfer restrictions relating to certain securities of the Surviving Corporation owned by the Investors or others and (b) a draft form of employment agreement amendment which would entitle Mr. Sokol to become a member of the board of directors of the Surviving Corporation and designate two additional members of the Surviving Corporation's ten person board. Pursuant to the Amended and Restated Subscription Agreements, each of Berkshire, Mr. Scott and Mr. Sokol has agreed to invest cash in, and/or contribute some or all of his or its equity investments in the Issuer to, the Merger Sub.

(c) Not applicable.

(d) The Agreement provides that the directors of Merger Sub at the time of the Acquisition will be the directors of the Surviving Corporation, and the officers of Merger Sub at the time of the Acquisition will be the officers of the Surviving Corporation.

(e) In connection with the Acquisition, (x) each share of Common Stock (other than shares held by the Issuer, Merger Sub

or Teton LLC and shares which have perfected appraisal rights) will be extinguished in exchange for the Merger Consideration and (y) each of the Issuer's 6½% Convertible Junior Subordinated Debentures due 2006 (and the related 6½ Convertible Preferred Securities of CalEnergy Trust III) and its 6¼% Convertible Junior Subordinated Debentures due 2012 (and the related 6¼% Convertible Preferred Securities of CalEnergy Capital Trust II) will, following consummation of the Acquisition, be convertible only into an amount of cash based on the Merger Consideration. The capitalization of the Surviving Corporation will include (A) common stock and (B) convertible preferred stock which will be owned by Berkshire and/or consolidated subsidiaries of Berkshire and (I) which will be convertible into common stock of Surviving Corporation upon certain limited circumstances, including any conversions that would not cause the holder to register as a holding company under the Public Utility Holding Company Act of 1935, and upon a sale of the Surviving Corporation or other change of control transaction, (II) which will be entitled to elect two of the ten members of the Board of Directors of the Surviving Corporation, and (III) the holders of which must approve certain fundamental corporate changes and transactions. Merger Sub will also form a statutory business trust to issue certain trust preferred securities to Berkshire pursuant to its Amended and Restated Subscription Agreement. The proceeds from the sale of such trust preferred securities by the trust will be used to purchase certain subordinated debentures from the Merger Sub. The subordinated debentures (and the trust preferred

securities) will become a part of the capitalization of the Surviving Corporation upon consummation of the Acquisition.

All other outstanding securities of the Issuer, consisting of non-convertible notes and bonds, will remain outstanding and will, upon consummation of the Acquisition, become obligations of the Surviving Corporation.

(f) Not applicable.

(g) In connection with the Acquisition, Merger Sub's charter and bylaws will become the restated charter and bylaws of the Surviving Corporation.

(h)-(i) In connection with the Acquisition, the Common Stock will be delisted from each of the New York Stock Exchange, the Pacific Stock Exchange and the London Stock Exchange and become eligible for termination of registration pursuant to Section 12(g)(4) of the Exchange Act.

(j) Not applicable.

The descriptions in this Item 4 of the Merger Agreement, the Amended and Restated Subscription Agreements and the Operating Agreement are qualified in their entirety by reference to such agreements, which are attached hereto as Exhibits 1 through 5 and incorporated by reference herein.

Except as set forth above, Mr. Sokol does not have any plans or proposals which relate to or would result in: (a) the acquisition by any person of additional securities of the Company, or the disposition of securities of the Company; (b) an extraordinary corporate transaction, such as a merger, reorganization or liquidation, involving the Company or any of its

subsidiaries; (c) a sale or transfer of a material amount of assets of the Company or any of its subsidiaries; (d) any change in the present Board of Directors or management of the Company, including any plans or proposals to change the number or term of directors or to fill any existing vacancies on the board; (e) any material change in the present capitalization or dividend policy of the Company; (f) any other material change in the Company's business or corporate structure; (g) changes in the Company's charter, By-laws or instruments corresponding thereto or other actions which may impede the acquisition of control of the Company by any person; (h) causing a class of securities of the Company to be delisted from a national securities exchange or to cease to be authorized to be quoted in an inter-dealer quotation system of a registered national securities association; (i) a class of equity securities of the Company becoming eligible for termination of registration pursuant to Section 12(g)(4) of the Exchange Act; or (j) any action similar to any of those enumerated above.

Item 5. Interest in Securities of the Issuer.

(a) Mr. Sokol may be deemed to beneficially own 3,852,777 shares of Common Stock. Of the 3,852,777 shares of Common Stock, Mr. Sokol directly beneficially owns 839,288. Because of his relationship with Mr. Walter Scott as disclosed in Item 4, Mr. Sokol may be deemed to beneficially own the 3,013,489 shares of Common Stock beneficially owned by Mr. Scott, as provided by Mr. Scott to Mr. Sokol. As of the date hereof, 3,852,777 shares of Common Stock represent approximately 6.2% of the outstanding shares of Common Stock, based on the 61,161,585 shares of Common Stock

outstanding as of June 30, 1999 based on the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 11, 1999.

Pursuant to the Company's 1996 Stock Option Plan, Mr. Sokol has been granted options to purchase 1,650,000 shares of Common Stock. Of these option shares, 658,364 are exercisable within 60 days by Mr. Sokol.

(b) Mr. Sokol has the sole power to vote or direct the vote, to dispose or direct the disposition of 839,288 shares of Common Stock. Mr. Sokol has no power to vote or direct the vote, to dispose or direct the disposition of the 3,013,489 shares of Common Stock as reported as beneficially owned by Mr. Scott in his Schedule 13D filed with the Securities and Exchange Commission on the date hereof.

(c) None.

(d) Except as set forth in this Item 5, no other person is known to have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, such securities.

(e) Not applicable.

Item 6. Contracts, Arrangements, Understandings or Relationships With Respect to Securities of the Issuer.

Pursuant to an Amended and Restated Employment Agreement, dated May 10, 1999, performance accelerated stock options granted to Mr. Sokol during his employment will become vested and immediately exercisable upon his termination. In addition, any portion of the options granted to Mr. Sokol which would become

vested within the 36 months after his termination will vest immediately upon his termination from the Company. Under the agreement, upon a change of control of the Company, all of Mr. Sokol's options will become immediately vested and exercisable. In addition, assuming that Mr. Sokol rolls forward into the Surviving Corporation all of his existing Common Stock and options, effective as of the closing date of the Acquisition (the "Closing Date"), in accordance with his Amended and Restated Subscription Agreement, Mr. Sokol is entitled to also receive: (i) options for a number of shares of Common Stock equal to 30% of the sum of (x) the number of shares of Common Stock owned beneficially by him on October 23, 1999, and (y) without duplication, the number of shares subject to outstanding Company options held by him as of October 23, 1999; and (ii) extension of the exercise term of all outstanding options held by him with an exercise term of less than eight (8) years to an exercise term of eight (8) years from the Closing Date.

Except as referred to above and the stock option grants to Mr. Sokol under the 1996 Stock Option Plan described in Item 5, there are no contracts, arrangements, understandings or relationships among the persons named in Item 2 or between such persons and any other person with respect to any securities of the Company.

Item 7. Material to be Filed as Exhibits.

1. Agreement and Plan of Merger, dated as of October 24, 1999, by and among the Company, Teton Formation L.L.C., an Iowa limited liability company, and Teton Acquisition Corp., an Iowa corporation and a wholly owned subsidiary of Teton Formation L.L.C.

2. Amended and Restated Subscription Agreement, dated as of October 24, 1999, by and between Berkshire Hathaway Inc. and Teton Acquisition Corp.

3. Amended and Restated Subscription Agreement, dated as of October 24, 1999, by and between Walter Scott, Jr. and Teton Acquisition Corp.

4. Amended and Restated Subscription Agreement, dated as of October 24, 1999, by and between David L. Sokol and Teton Acquisition Corp.

5. Operating Agreement of Teton Formation L.L.C., dated as of October 14, 1999, by and among David L. Sokol, Walter Scott, Jr. and Berkshire Hathaway Inc.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, the undersigned certifies that the information set forth in this statement is true, complete and correct.

Dated: October 25, 1999

David L. Sokol

Exhibit Index

1. Agreement and Plan of Merger, dated as of October 24, 1999, by and among the Company, Teton Formation L.L.C., an Iowa limited liability company, and Teton Acquisition Corp., an Iowa corporation and a wholly owned subsidiary of Teton Formation L.L.C.

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4. Amended and Restated Subscription Agreement, dated as of October 24, 1999, by and between David L. Sokol and Teton Acquisition Corp.

5. Operating Agreement of Teton Formation L.L.C., dated as of October 14, 1999, by and among David L. Sokol, Walter Scott, Jr. and Berkshire Hathaway Inc.

EXECUTION COPY

AGREEMENT AND PLAN OF MERGER

by and among

MIDAMERICAN ENERGY HOLDINGS COMPANY,

TETON FORMATION L.L.C.

and

TETON ACQUISITION CORP.

Dated as of October 24, 1999

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AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER, dated as of October 24, 1999 (this "Agreement"), by and among MidAmerican Energy Holdings Company, an Iowa corporation (the "Company""), Teton Formation L.L.C., an Iowa limited liability company ("Parent"), and Teton Acquisition Corp., an Iowa corporation and a wholly owned subsidiary of Parent ("Merger Sub").

WITNESSETH:

WHEREAS, the Investors (as defined in Section 5.5) desire to acquire the entire equity interest in the Company and have formed Parent and Merger Sub for the purpose of effecting such transaction; and

WHEREAS, the Boards of Directors of the Company and Merger Sub have each approved, and deem advisable and in the best interests of their respective shareholders, and the Company, Parent and Merger Sub have approved, the merger of Merger Sub with and into the Company, with the Company being the surviving corporation, in accordance with the Iowa Business Corporation Act (the "Iowa Act") and upon the terms and subject to the conditions set forth in this Agreement (such transaction is referred to as the "Merger"), as a result of which the former shareholders of Merger Sub as of the effective time of the Merger will own all of the outstanding capital stock of the Company.

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. At the Effective Time (as defined in Section 1.2) and upon the terms and subject to the conditions of this Agreement and the Iowa Act, Merger Sub shall be merged with and into the Company, the separate corporate existence of Merger Sub shall cease, and the Company shall continue as the surviving corporation (sometimes hereinafter referred to as the "Surviving Corporation").

Section 1.2. Effective Time. On the Closing Date (as defined in Section 3.1), articles of merger complying with the requirements of the Iowa Act shall be executed and filed by the Company and Merger Sub with the Secretary of State of Iowa. The Merger shall become effective on the date on which the articles of merger are duly filed with the Secretary of State of Iowa or at such later time as is mutually agreed by the parties and specified in the articles of merger (the "Effective Time").

Section 1.3. Effect of the Merger. At the Effective Time, the effect of the Merger shall be as provided in the applicable provisions of the Iowa Act. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time all the property, rights, privileges, powers and franchises of the Company and Merger Sub shall vest in the Surviving Corporation, and all debts, liabilities and duties of the Company and Merger Sub shall become the debts, liabilities and duties of the Surviving Corporation.

Section 1.4. Subsequent Actions. If, at any time after the Effective Time, the Surviving Corporation shall consider or be advised that any deeds, bills of sale, assignments, assurances or any other actions or things are necessary or desirable to vest, perfect or confirm of record or otherwise in the Surviving Corporation its right, title or interest in, to or under any of the rights, properties or assets of, and assume the liabilities of, either of the Company or Merger Sub acquired or to be acquired by the Surviving Corporation as a result of, or in connection with, the Merger or otherwise to carry out this Agreement, the officers and directors of the Surviving Corporation shall be authorized to execute and deliver, in the name and on behalf of either the Company or Merger Sub, all such deeds, bills of sale, assignments and assurances and to take and do, in the name and on behalf of each of such corporations or otherwise, all such other actions and things as may be necessary or desirable to vest, perfect or confirm any and all right, title and interest in, to and under such rights, properties or assets in, and the assumption of the liabilities of, the Surviving Corporation or otherwise to carry out this Agreement.

Section 1.5. Articles of Incorporation; By-Laws; Officers and Directors.

(a) Unless otherwise determined by Parent prior to the Effective Time, at the Effective Time the Articles of Incorporation of Merger Sub, as in effect immediately prior to the Effective Time, shall be the Restated Articles of Incorporation of the Surviving Corporation until thereafter amended as provided by law and such Restated Articles of Incorporation.

(b) Unless otherwise determined by Parent prior to the Effective Time, the By-Laws of Merger Sub, as in effect immediately prior to the Effective Time, shall be the Restated By-Laws of the Surviving Corporation until thereafter amended as provided by law, the Restated Articles of Incorporation of the Surviving Corporation and such Restated By-Laws.

(c) Unless otherwise determined by Parent prior to the Effective Time, the officers of Merger Sub in office at the Effective Time shall be and constitute the officers of the Surviving Corporation, each holding the same office in the Surviving Corporation as he or she held in Merger Sub for the terms elected and/or until their respective successors shall be elected or appointed and qualified.

(d) Unless otherwise determined by Parent prior to the Effective Time, the directors of Merger Sub in office at the Effective Time shall be and constitute the directors of the Surviving Corporation, each holding the same directorship in the Surviving Corporation as he or she held in Merger Sub for the terms elected and/or until their respective successors shall be elected or appointed and qualified.

ARTICLE II.

TREATMENT OF SHARES

Section 2.1. Conversion of Securities. At the Effective Time, by virtue of the Merger and without any action on the part of Parent, the Company, Merger Sub or the holder of any of the following securities:

(a) Each share (collectively, the "Shares") of common stock, no par value, of the Company ("Company Common Stock"), together with the associated purchase rights ("Company Rights") under the Company Rights Agreement (as defined in Section 4.18), issued and outstanding immediately prior to the Effective Time (other than any Shares to be canceled pursuant to Section 2.1(b) and any Dissenting Shares (as defined in Section 2.2(a)) shall be canceled and extinguished and be converted into the right to receive $35.05 (the "Per Share Amount"), in cash payable to the holder thereof, without interest, upon surrender of the certificate representing such Share in accordance with Section 2.3. Throughout this Agreement, the term "Shares" refers to the shares of Company Common Stock together with the associated Company Rights.

(b) Each Share held in the treasury of the Company and each Share owned by Parent, Merger Sub or any direct or indirect Subsidiary (as defined in Section 4.1) of Parent, Merger Sub or the Company (other than Shares held in trust accounts, managed accounts, custodial accounts and the like that are beneficially owned by third parties) immediately prior to the Effective Time shall be canceled and extinguished, and no payment or other consideration shall be made with respect thereto.

(c) Each share of common stock, no par value, of Merger Sub issued and outstanding immediately prior to the Effective Time shall thereafter represent one validly issued, fully paid and nonassessable share of common stock, no par value, of the Surviving Corporation. Each share of Zero Coupon Convertible Preferred Stock of Merger Sub issued and outstanding immediately prior to the Effective Time shall thereafter represent one validly issued, fully paid and nonassessable share of Zero Coupon Convertible Preferred Stock of the Surviving Corporation.

Section 2.2. Dissenting Shares.

(a) Notwithstanding any provision of this Agreement to the contrary, any Shares held by a holder who has demanded and perfected his demand for appraisal of his Shares in accordance with Section 1302 of the Iowa Act and as of the Effective Time has neither effectively withdrawn nor lost his right to such appraisal ("Dissenting Shares"), shall not be converted into or represent a right to receive cash pursuant to Section 2.1, but the holder thereof shall be entitled to only such rights in respect thereof as are granted by Section 1302 of the Iowa Act.

(b) Notwithstanding the provisions of subsection (a) of this Section 2.2, if any holder of Shares who demands appraisal of his Shares under the Iowa Act shall effectively withdraw

or lose (through failure to perfect or otherwise) his right to appraisal, then as of the Effective Time or the occurrence of such event, whichever later occurs, such holder's Shares shall automatically be converted into and represent only the right to receive cash as provided in Section 2.1(a), without interest thereon, upon surrender of the certificate or certificates representing such Shares in accordance with Section 2.3.

(c) The Company shall give Parent (i) prompt notice of any written demands for appraisal or payment of the fair value of any Shares, withdrawals of such demands, and any other instruments served pursuant to the Iowa Act received by the Company and (ii) the opportunity to direct all negotiations and proceedings with respect to demands for appraisal under the Iowa Act. The Company shall not voluntarily make any payment with respect to any demands for appraisal and shall not, except with the prior written consent of Parent, settle or offer to settle any such demands.

Section 2.3. Surrender of Shares; Stock Transfer Books.

(a) Prior to the Effective Time, the Company shall designate a bank or trust company to act as agent for the holders of Shares (the "Exchange Agent") to receive the funds necessary to make the payments contemplated by Section 2.1. At the Effective Time, Parent or Merger Sub shall deposit, or cause to be deposited (including from available cash balances at the Company), in trust with the Exchange Agent for the benefit of holders of Shares, the aggregate consideration to which such holders shall be entitled at the Effective Time pursuant to Section 2.1.

(b) Each holder of a certificate or certificates representing any Shares canceled upon the Merger pursuant to Section 2.1(a) may thereafter surrender such certificate or certificates to the Exchange Agent, as agent for such holder, to effect the surrender of such certificate or certificates on such holder's behalf for a period ending one year after the Effective Time. Parent and Merger Sub agree that as promptly as practicable after the Effective Time the Surviving Corporation shall cause the distribution to holders of record of Shares as of the Effective Time of appropriate materials to facilitate such surrender. Upon the surrender of certificates representing the Shares, the Surviving Corporation shall cause the Exchange Agent to pay the holder of such certificates in exchange therefor cash in an amount equal to the Per Share Amount multiplied by the number of Shares represented by such certificate. Until so surrendered, each such certificate (other than certificates representing Dissenting Shares and certificates representing Shares canceled pursuant to Section 2.1(b)) shall represent solely the right to receive the aggregate Per Share Amount relating thereto.

(c) If payment of cash in respect of canceled Shares is to be made to a Person other than the Person in whose name a surrendered certificate or instrument is registered, it shall be a condition to such payment that the certificate or instrument so surrendered shall be properly endorsed or shall be otherwise in proper form for transfer and that the Person requesting such payment shall have paid any transfer and other taxes required by reason of such payment in a name other than that of the registered holder of the certificate or instrument surrendered or

shall have established to the satisfaction of the Surviving Corporation or the Exchange Agent that such tax either has been paid or is not payable.

(d) At the Effective Time, the stock transfer books of the Company shall be closed and there shall not be any further registration of transfer of any shares of capital stock thereafter on the records of the Company. From and after the Effective Time, the holders of certificates evidencing ownership of the Shares outstanding immediately prior to the Effective Time shall cease to have any rights with respect to such Shares, except as otherwise provided for herein or by applicable law. If, after the Effective Time, certificates for Shares are presented to the Surviving Corporation, they shall be canceled and exchanged for cash as provided in Section 2.1(a) and Sections 2.3(b) and (c). No interest shall accrue or be paid on any cash payable upon the surrender of a certificate or certificates which immediately prior to the Effective Time represented outstanding Shares.

(e) Promptly following the date which is one year after the Effective Time, the Exchange Agent shall deliver to the Surviving Corporation all cash (including any interest received with respect thereto), certificates and other documents in its possession relating to the transactions contemplated hereby, and the Exchange Agent's duties shall terminate. Thereafter, each holder of a certificate representing Shares (other than certificates representing Dissenting Shares and certificates representing Shares canceled pursuant to Section 2.1(b)) shall be entitled to look only to the Surviving Corporation (subject to applicable abandoned property, escheat and similar laws) and only as general creditors thereof with respect to the aggregate Per Share Amount payable upon due surrender of their certificates, without any interest or dividends thereon. Notwithstanding the foregoing, neither Parent, the Surviving Corporation nor the Exchange Agent shall be liable to any holder of a certificate representing Shares for the Per Share Amount delivered to a public official pursuant to any applicable abandoned property, escheat or similar law.

(f) The Per Share Amount paid in the Merger shall be net to the holder of Shares in cash, subject to reduction only for any applicable federal back-up withholding or, as set forth in Section 2.3(c), stock transfer taxes payable by such holder.

Section 2.4. Options Under Company Stock Plans.

(a) Except as provided in Section 2.4(b), the Company shall take all actions necessary to provide that, immediately prior to the Effective Time, (x) each outstanding option to acquire shares of Company Common Stock (the "Company Options") granted under any of the Company Stock Plans (as defined in Section 4.3), whether or not then exercisable or vested, shall become fully exercisable and vested, (y) each Company Option which is then outstanding shall be canceled and (z) in consideration of such cancellation, and except to the extent that Parent and the holder of any such Company Option otherwise agree in writing, the Company (or, at Parent's option, Parent or the Surviving Corporation) shall pay in cash to such holders of Company Options an amount in respect thereof equal to the product of (A) the excess, if any, for each Company Option, of the Per Share Amount over the per share exercise price thereof and (B) the number of shares of Company Common Stock subject thereto (such

payment to be net of applicable withholding taxes); provided that the foregoing shall not require any action which violates the Company Stock Plans.

(b) Certain Company Options held by certain members or former members of Company management, as Parent shall notify the Company in writing prior to the Effective Time, shall become fully exercisable and vested immediately prior to the Effective Time and shall thereafter remain exercisable in accordance with their terms and any other terms which are agreed to in writing between Parent and such holders.

(c) Except as provided in Section 2.4(b) or as otherwise agreed to in writing by the parties to this Agreement, the Company shall use all reasonable efforts to ensure that following the Effective Time no holder of Company Options or any participant in the Company Stock Plans or any other such plans, programs or arrangements shall have any right thereunder to acquire any equity securities (or any interests therein) of the Company, the Surviving Corporation or any Subsidiary thereof.

ARTICLE III.

THE CLOSING

Section 3.1. Closing. The closing of the Merger (the "Closing") shall take place at the offices of Willkie Farr & Gallagher, 787 Seventh Avenue, New York, New York, 10019 at 10:00 A.M., New York 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, date and place as Parent and the Company shall mutually agree (the "Closing Date").

ARTICLE IV.

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company hereby represents and warrants to Parent and Merger Sub as follows:

Section 4.1. Organization and Qualification. The Company and each of the Company Subsidiaries and, to the knowledge of the Company, each of the Company Joint Ventures is a corporation or other entity duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation or organization, has all requisite power and authority and has been duly authorized by all necessary approvals and orders to own, lease and operate its assets and properties and to carry on its business as it is now being conducted and is duly qualified and in good standing to do business in each jurisdiction in which the nature of its business or the ownership or leasing of its assets and properties makes such qualification necessary other than in such jurisdictions where the failure to so qualify and be in good standing, when taken together with all other such failures, would not have a material adverse effect on the business, operations, properties, assets, financial condition, Company Prospects (as defined below) or the results of operations of the Company and the Company Subsidiaries taken as a whole or on the consummation of the transactions contemplated by this Agreement

(to the extent such adverse effect does not arise from (i) general economic conditions or (ii) the securities markets generally) (any such material adverse effect, a "Company Material Adverse Effect"). The term "Subsidiary" of a Person shall mean any corporation or other entity (including partnerships and other business associations and joint ventures) in which such Person directly or indirectly owns at least a majority of the voting power represented by the outstanding capital stock or other voting securities or interests having voting power under ordinary circumstances to elect a majority of the directors or similar members of the governing body, or otherwise to direct the management and policies, of such corporation or entity, and the term "Company Subsidiary" shall mean a Subsidiary of the Company. The term "Joint Venture" of a Person shall mean any corporation or other entity (including partnerships and other business associations and joint ventures) in which such Person directly or indirectly owns an equity interest that is less than a majority of any class of the outstanding voting securities or equity of any such entity, other than equity interests in entities in which such Person does not control the operations and does not appoint at least 50% of the board of directors (or comparable governing body), and the term "Company Joint Venture" shall mean a Joint Venture of the Company. The term "Company Prospects" shall mean the prospects of the Company and the Company Subsidiaries, taken as a whole, but only as they may be affected by statutory or regulatory changes (whether relating to utility, environmental or other statutory or regulatory matters) or by expropriation events.

Section 4.2. Subsidiaries. Section 4.2 of the Company Disclosure Schedule delivered by the Company to Parent prior to the execution of this Agreement (the "Company Disclosure Schedule") sets forth a list of all the Company Subsidiaries and the Company Joint Ventures, including the name of each such entity, a brief description of the principal line or lines of business conducted by each such entity and the interest of the Company and the Company Subsidiaries therein. Each of the Company and MidAmerican Funding, LLC ("MidAmerican Funding") is a "public utility holding company" (as defined in the Public Utility Holding Company Act of 1935, as amended (the "1935 Act")) exempt from all provisions (other than Section 9(a)(2)) of the 1935 Act, pursuant to Section 3(a)(1) in accordance with Rule 2 of the 1935 Act, and MidAmerican Energy Company ("MidAmerican Utility") is a "public utility company" within the meaning of Section 2(a)(5) of the 1935 Act. With the exception of MidAmerican Utility and MidAmerican Funding, no Company Subsidiary or Company Joint Venture is a "holding company" or a "public utility company" within the meaning of Sections 2(a)(7) and 2(a)(5) of the 1935 Act, respectively, nor, except with respect to their relationship with the Company and MidAmerican Funding, are any of such entities an "affiliate" or a "subsidiary company" of a holding company within the meaning of Sections 2(a)(11) and 2(a)(8) of the 1935 Act, respectively. Except as set forth in Section 4.2 of the Company Disclosure Schedule, (i) all of the issued and outstanding shares of capital stock of each Company Subsidiary are validly issued, fully paid, nonassessable and free of preemptive rights and are owned, directly or indirectly, by the Company, free and clear of any liens, claims, encumbrances, security interests, charges and options of any nature whatsoever, and (ii) there are no outstanding subscriptions, options, calls, contracts, voting trusts, proxies or other pledges, security interests, encumbrances, 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 Company

Subsidiary to issue, deliver or sell, pledge, grant a security interest or encumber, or cause to be issued, delivered or sold, pledged or encumbered or a security interest to be granted on, shares of capital stock of any Company Subsidiary or obligating the Company or any Company Subsidiary to grant, extend or enter into any such agreement or commitment.

Section 4.3. Capitalization. The authorized capital stock of the Company consists of 180,000,000 shares of Company Common Stock and 2,000,000 shares of preferred stock, no par value, none of which preferred stock is outstanding. As of the close of business on October 22, 1999, (i) 59,877,313 shares of Company Common Stock are outstanding, (ii) not more than 7,156,363 shares of Company Common Stock are reserved for issuance pursuant to the Company's existing stock option agreements and plans and its 1994 Employee Stock Purchase Plan and 401(k) Savings Plan (such agreements and plans, collectively, the "Company Stock Plans"), (iii) 23,102,187 shares of Company Common Stock are held by the Company in its treasury or by its wholly owned Subsidiaries, and (iv) except as set forth in Section 4.3 of the Company Disclosure Schedule, no bonds, debentures, notes or other indebtedness having the right to vote (or convertible into securities having the right to vote) on any matters on which shareholders may vote ("Voting Debt") is issued or outstanding. All of the issued and outstanding shares of Company Common Stock are validly issued, fully paid, nonassessable and free of preemptive rights. As of the date of this Agreement, except as set forth in Section 4.3 of the Company Disclosure Schedule or as may be provided by the Company Stock Plans, there are no outstanding subscriptions, options, calls, contracts, voting trusts, proxies or other pledges, security interests, encumbrances, 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 to issue, deliver or sell, pledge, grant a security interest or encumber, or cause to be issued, delivered or sold, pledged or encumbered or a security interest to be granted on, shares of capital stock or any Voting Debt of the Company or obligating the Company to grant, extend or enter into any such agreement or commitment.

Section 4.4. Authority; Non-Contravention; Statutory Approvals; Compliance.

(a) Authority. The Company has all requisite power and authority to enter into this Agreement and, subject to the receipt of the Company Shareholders' Approval (as defined in Section 4.13) and the Company Required Statutory Approvals (as defined in Section 4.4(c)), to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation by the Company of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of the Company, subject to obtaining the Company Shareholders' Approval. This Agreement has been duly and validly executed and delivered by the Company, and, assuming the due authorization, execution and delivery hereof by the other signatories hereto, this Agreement constitutes the valid and binding obligation of the Company enforceable against it in accordance with its terms, subject, as to enforceability, to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting creditors' rights and to general principles of equity.

(b) Non-Contravention. The execution and delivery of this Agreement by the Company do not, and the consummation of the transactions contemplated hereby will not, in any respect, violate, conflict with or result in a breach of any provision of, or constitute a default (with or without notice or lapse of time or both) under, or result in the termination or modification of, or accelerate the performance required by, or result in a right of termination, cancellation or acceleration of any obligation or the loss of a benefit under, or result in the creation of any lien, security interest, charge or encumbrance upon any of the agreements, properties or assets of the Company or any of the Company Subsidiaries or the Company Joint Ventures (any such violation, conflict, breach, default, right of termination, modification, cancellation or acceleration, loss or creation, is referred to herein as a "Violation" with respect to the Company, and such term when used in Article V shall have a correlative meaning with respect to Parent and Merger Sub) pursuant to any provisions of (i) the articles of incorporation, by-laws or similar governing documents of the Company or any of the Company Subsidiaries or the Company Joint Ventures, (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, federal, state, local or foreign governmental or regulatory body (including a stock exchange or other self-regulatory body) or authority (each, a "Governmental Authority") applicable to the Company or any of the Company Subsidiaries or the Company Joint Ventures or any of their respective properties or assets or (iii) subject to obtaining the third-party consents set forth in Section 4.4(b) of the Company Disclosure Schedule (the "Company Required Consents"), 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 the Company Subsidiaries or the Company Joint Ventures is a party or by which it or any of its properties or assets may be bound or affected, excluding from the foregoing clauses (ii) and (iii) such Violations which would not, in the aggregate, have a Company Material Adverse Effect.

(c) Statutory Approvals. Except as set forth in Section 4.4(c) of the Company Disclosure Schedule, no declaration, filing or registration with, or notice to or authorization, consent or approval of, any Governmental 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 (the "Company Required Statutory Approvals," it being understood that references in this Agreement to "obtaining" such Company Required Statutory Approvals shall mean making such declarations, filings or registrations; giving such notices; obtaining such authorizations, consents or approvals; and having such waiting periods expire as are necessary to avoid a violation of law).

(d) Compliance. Except as set forth in Section 4.4(d) or 4.11 of the Company Disclosure Schedule or as disclosed in the Company SEC Reports (as defined in Section 4.5) filed as of the date of this Agreement, neither the Company nor any of the Company Subsidiaries nor, to the knowledge of the Company, any Company Joint Venture is in violation of, is, to the knowledge of the Company, under investigation with respect to any violation of, 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 Authority, except for violations which individually or in the aggregate do not, and would not reasonably be expected to, have a Company Material Adverse Effect. Except as set forth in Section 4.4(d) or 4.11 of the Company Disclosure Schedule, the Company and the Company Subsidiaries and, to the knowledge of the Company, the Company Joint Ventures have all permits, licenses, franchises and other governmental authorizations, consents and approvals necessary to conduct their businesses as presently conducted which are material to the operation of the businesses of the Company and the Company Subsidiaries. Except as set forth in Section 4.4(d) of the Company Disclosure Schedule, the Company and each of the Company Subsidiaries and, to the knowledge of the Company, Company Joint Ventures is 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 by the Company or any Company Subsidiary or, to the knowledge of the Company, any Company Joint Venture under (i) its articles of incorporation, by-laws or other organizational document or (ii) any contract, commitment, agreement, indenture, mortgage, loan agreement, note, lease, bond, license, approval or other instrument to which it is a party or by which the Company or any Company Subsidiary or any Company Joint Venture is bound or to which any of its property is subject, except in the case of clause (ii) above, for violations, breaches or defaults which individually or in the aggregate do not, and would not reasonably be expected to, have a Company Material Adverse Effect.

Section 4.5. Reports and Financial Statements. The filings required to be made by the Company and the Company Subsidiaries under the Securities Act of 1933, as amended (the "Securities Act"), the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the 1935 Act, the Public Utility Regulatory Policies Act of 1978 ("PURPA"), the Federal Power Act (the "Power Act") and applicable state, municipal, local and other laws, including franchise and public utility laws and regulations, including all forms, statements, reports, agreements (oral or written) and all documents, exhibits, amendments and supplements appertaining thereto, have been filed with the Securities and Exchange Commission (the "SEC"), the Federal Energy Regulatory Commission (the "FERC"), and the appropriate Iowa, Illinois, South Dakota, Nebraska or other appropriate Governmental Authorities, as the case may be, and complied, as of their respective dates, in all material respects with all applicable requirements of the appropriate statutes and the rules and regulations thereunder. The Company has made available to Parent a true and complete copy of each report, schedule, registration statement and definitive proxy statement and all amendments thereto filed with the SEC by the Company or any Company Subsidiary (or their predecessors, including, without limitation, CalEnergy Company, Inc.) pursuant to the requirements of the Securities Act or Exchange Act since January 1, 1999 (as such documents have since the time of their filing been amended, the "Company SEC Reports"). 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 and MidAmerican Utility included in the Company SEC Reports (collectively, the "Company Financial Statements") have been prepared in accordance with generally accepted accounting

principles applied on a consistent basis ("GAAP") (except as may be indicated therein or in the notes thereto) and fairly present the financial position of the Company and MidAmerican Utility, as the case may be, as of the dates thereof and the results of their operations and cash flows for the periods then ended, subject, in the case of the unaudited interim financial statements, to normal, recurring audit adjustments. True, accurate and complete copies of the articles of incorporation and by-laws of the Company and MidAmerican Utility, as in effect on the date of this Agreement, are included (or incorporated by reference) in the Company SEC Reports.

Section 4.6. Absence of Certain Changes or Events; Absence of Undisclosed Liabilities.

(a) Absence of Certain Changes or Events. Except as set forth in Section 4.6(a) of the Company Disclosure Schedule or as disclosed in the Company SEC Reports filed prior to the date of this Agreement, since December 31, 1998, the Company and each of the Company Subsidiaries and, to the knowledge of the Company, each of the Company Joint Ventures, have conducted their business only in the ordinary course of business consistent with past practice and there has not been, and no fact or condition exists which would have, or could reasonably be expected to have, a Company Material Adverse Effect.

(b) Absence of Undisclosed Liabilities. Neither the Company nor any Company Subsidiary, nor, to the knowledge of the Company, any Company Joint Venture, has any liabilities or obligations (whether absolute, accrued, contingent or otherwise and including, without limitation, margin loans) of a nature required by GAAP to be reflected in a consolidated corporate balance sheet, except liabilities, obligations or contingencies which are accrued or reserved against in the consolidated financial statements of the Company and MidAmerican Utility or reflected in the notes thereto for the year ended December 31, 1998, or which were incurred after December 31, 1998 in the ordinary course of business and would not, in the aggregate, have a Company Material Adverse Effect.

Section 4.7. Litigation. Except as set forth in Section 4.7 or 4.11 of the Company Disclosure Schedule or as disclosed in the Company SEC Reports filed prior to the date of this Agreement, (a) there are no claims, suits, actions or proceedings by any Governmental Authority or any arbitrator, pending or, to the knowledge of the Company, threatened, nor are there, to the knowledge of the Company, any investigations or reviews by any Governmental Authority or any arbitrator pending or threatened against, relating to or affecting the Company or any of the Company Subsidiaries or, to the knowledge of the Company, the Company Joint Ventures, (b) there have not been any significant developments since December 31, 1998 with respect to such disclosed claims, suits, actions, proceedings, investigations or reviews and (c) there are no judgments, decrees, injunctions, rules or orders of any Governmental Authority or any arbitrator applicable to the Company or any of the Company Subsidiaries or, to the knowledge of the Company, applicable to any of the Company Joint Ventures, which, when taken together with any other nondisclosures described in clauses (a), (b) or (c), could reasonably be expected to have a Company Material Adverse Effect.

Section 4.8. Proxy Statement. None of the information supplied or to be supplied by or on behalf of the Company for inclusion or incorporation by reference in the proxy statement in definitive form ("Proxy Statement") relating to the Company Meeting (as defined in Section 7.4(a)) will, at the date mailed to shareholders of the Company or at the time of the Company Meeting (giving effect to any documents incorporated by reference therein), include any untrue statement of a material fact or omit to state any material fact 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 authorized communication with respect to the solicitation of proxies on behalf of the Company for the Company Meeting which has become false or misleading. Notwithstanding the foregoing, the Company does not make any representation or warranty with respect to any information that has been supplied by Parent, Merger Sub or their affiliates (other than the Company and the Company Subsidiaries), accountants, counsel or other authorized representatives for use in any of the foregoing documents. The Proxy Statement will comply as to form in all material respects with the provisions of applicable federal securities law.

Section 4.9. Tax Matters. "Taxes," as used in this Agreement, means any federal, state, county, local or foreign taxes, charges, fees, levies or other assessments, including all net income, gross income, sales and use, ad valorem, transfer, gains, profits, excise, franchise, real and personal property, gross receipt, capital stock, production, business and occupation, disability, employment, payroll, license, estimated, stamp, custom duties, severance or withholding taxes or charges imposed by any governmental entity, and includes any interest and penalties (civil or criminal) on or additions to any such taxes and any expenses incurred in connection with the determination, settlement or litigation of any Tax liability. "Tax Return," as used in this Agreement, means a report, return or other information required to be supplied to a governmental entity with respect to Taxes including, without limitation, where permitted or required, combined or consolidated returns for any group of entities that includes the Company or any Company Subsidiary.

(a) Filing of Timely Tax Returns. The Company and each of the Company Subsidiaries have filed (or there has been filed on their behalf) all material Tax Returns required to be filed by each of them under applicable law. All such Tax Returns were and are in all material respects true, complete and correct and filed on a timely basis.

(b) Payment of Taxes. The Company and each of the Company Subsidiaries have, within the time and in the manner prescribed by law, paid (and until the Closing Date will pay within the time and in the manner prescribed by law) all Taxes that are currently due and payable, except for those contested in good faith and for which adequate reserves have been taken.

(c) Tax Reserves. The Company and the Company Subsidiaries have established (and until the Closing Date will maintain) on their books and records reserves which adequately reflect its estimate of the amounts required to pay all Taxes in accordance with GAAP.

(d) Tax Liens. There are no Tax liens upon any material assets of the Company or any of the Company Subsidiaries except liens for Taxes not yet due.

(e) Withholding Taxes. The Company and each of the Company Subsidiaries have complied (and until the Closing Date will comply) in all material respects with the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), relating to the payment and withholding of Taxes, including, without limitation, the withholding and reporting requirements under Code Sections 1441 through 1464, 3401 through 3406 and 6041 through 6049, as well as similar provisions under any other laws, and have, within the time and in the manner prescribed by law, withheld from employee wages and paid over to the proper governmental authorities all amounts required.

(f) Extensions of Time For Filing Tax Returns. Except as set forth in Section 4.9(f) of the Company Disclosure Schedule, neither the Company nor any of the Company Subsidiaries has requested any extension of time within which to file any Tax Return, which Tax Return has not since been timely filed.

(g) Waivers of Statute of Limitations. Except as set forth in Section 4.9(g) of the Company Disclosure Schedule, neither the Company nor any of the Company Subsidiaries has executed any outstanding waivers or comparable consents regarding the application of the statute of limitations with respect to any Taxes or Tax Returns.

(h) Expiration of Statute of Limitations. Except as disclosed in Section 4.9(h) of the Company Disclosure Schedule, the statute of limitations for the assessment of all Taxes has expired for all applicable Tax Returns of the Company and the Company Subsidiaries or those Tax Returns have been examined by the appropriate taxing authorities for all tax periods ending before the date of this Agreement, and no deficiency for any Taxes has been proposed, asserted or assessed against The Company or any of the Company Subsidiaries that has not been resolved and paid in full.

(i) Audit, Administrative and Court Proceedings. Except as disclosed in Section 4.9(i) of the Company Disclosure Schedule, no audits or other administrative proceedings or court proceedings are presently pending, or, to the knowledge of the Company, threatened, with regard to any Taxes or Tax Returns of the Company or any of the Company Subsidiaries.

(j) Tax Rulings. Neither The Company nor any of the Company Subsidiaries has received or requested a Tax Ruling (as defined below) or entered into a Closing Agreement (as defined below), with any taxing authority that would have a continuing adverse effect after the Closing Date. "Tax Ruling," as used in this Agreement, shall mean a written ruling of a taxing authority relating to Taxes. "Closing Agreement," as used in this agreement, shall mean a written and legally binding agreement with a taxing authority relating to Taxes.

(k) Availability of Tax Returns. The Company has made available to Parent, where requested by Parent, complete and accurate copies of (i) all federal and state income Tax Returns for open years, and any amendments thereto, filed by the Company or any of the Company Subsidiaries, (ii) all audit reports or written proposed adjustments (whether formal

or informal) received from any taxing authority relating to any Tax Return filed by the Company or any of the Company Subsidiaries and (iii) any Tax Ruling or request for a Tax Ruling applicable to the Company or any of the Company Subsidiaries and Closing Agreements entered into by the Company or any of the Company Subsidiaries.

(l) Tax Sharing Agreements. Except as disclosed in Section 4.9(l) of the Company Disclosure Schedule, neither the Company nor any Company Subsidiary is a party to any agreement relating to allocating or sharing of Taxes.

(m) Code Section 341(F). Neither the Company nor any of the Company Subsidiaries has filed (or will file prior to the Closing) a consent pursuant to Code Section 341(f) or has agreed to have Code Section 341(f)(2) apply to any disposition of a subsection (f) asset (as that term is defined in Code Section 341(f)(4)), owned by the Company or any of the Company Subsidiaries.

(n) Code Section 168. Except as set forth in Section 4.9(n) of the Company Disclosure Schedule, no property of the Company or any of the Company Subsidiaries is property that the Company or any Company Subsidiary or any party to this transaction is or will be required to treat as being owned by another person pursuant to the provisions of Code Section 168(f)(8) (as in effect prior to its amendment by the Tax Reform Act of 1986) or is "tax-exempt use property" within the meaning of Code Section 168(h).

(o) Code Section 481 Adjustments. Except as set forth in Section 4.9(o) of the Company Disclosure Schedule, neither the Company nor any of the Company Subsidiaries is required to include in income for any tax period ending after the date hereof any adjustment pursuant to Code Section 481(a) by reason of a voluntary change in accounting method initiated by the Company or any of the Company Subsidiaries, and, to the knowledge of the Company, the Internal Revenue Service ("IRS") has not proposed any such adjustment or change in accounting method.

(p) Consolidated Tax Returns. Except as disclosed in Section 4.9(p) of the Company Disclosure Schedule, neither the Company nor any of the Company Subsidiaries has ever been a member of an affiliated group of corporations (within the meaning of Code Section 1504(a)) filing consolidated returns, other than the affiliated group of which the Company is the common parent.

(q) 5% Foreign Shareholders. To the Company's knowledge, based on Schedule 13D and 13G filings with the SEC with respect to the Company, no foreign person owns, as of the date of this Agreement, 5% or more of the outstanding shares of Company Common Stock.

Section 4.10. Employee Matters; ERISA.

(a) Benefit Plans. Section 4.10(a) of the Company Disclosure Schedule contains a true and complete list of each employee benefit plan, practice, program or arrangement currently sponsored, maintained or contributed to by the Company or any of the Company Subsidiaries for the benefit of employees, former employees or directors and their beneficiaries

in respect of services provided to any such entity, including, but not limited to, any employee benefit plans within the meaning of Section 3(3) of Employee Retirement Income Security Act of 1974, as amended ("ERISA"), employee pension benefit plan, program, arrangement or agreement, any health, medical, welfare, disability, life insurance, bonus, option, stock appreciation plan, performance stock plan, restricted stock plan, deferred compensation plan, retiree benefits plan, severance pay and other employee benefit or fringe benefit plan and any employment, consulting, non-compete, severance or change in control agreement (collectively, the "Company Benefit Plans"), together with, for any option, stock appreciation plan, performance stock plan, restricted stock plan, deferred compensation plan and supplemental retirement plan, the amounts or benefits granted or payable under each, as of September 30, 1999 and as of the Effective Time (assuming no termination of employment as of such times), and exercise prices regarding Company Options or other securities which represent the right (contingent or other) to purchase or receive shares of Company Common Stock or, following the Merger, of Surviving Corporation Common Stock. For the purposes of this Section 4.10, the term "Company" shall be deemed to include predecessors thereof.

(b) Contributions. Except as set forth in Section 4.10(b) of the Company Disclosure Schedule, all material contributions and other payments required to be made by the Company or any of the Company Subsidiaries to any Company Benefit Plan (or to any person pursuant to the terms thereof) have been timely made or the amount of such payment or contribution obligation has been reflected in the Company Financial Statements. Except as set forth in Section 4.10(b) of the Company Disclosure Schedule, (i) the current value of all accrued benefits under any Company Benefit Plan which is a defined benefit plan did not, as of the date of the most recent actuarial valuation for such plan, exceed the then current value of the assets of such plan, based on the actuarial assumptions set forth in such valuation for calculating the minimum funding requirements of Code Section 412, which actuarial assumptions and calculations have been provided to Parent prior to the date of this Agreement, and (ii) neither the Company nor any Company Subsidiary contributes or has contributed, during the six-year period immediately prior to the date of this Agreement, to a multiemployer plan (as defined in Section 3(37) of ERISA), or has any liability under ERISA Section 4203 or Section 4205 in respect of any such plan.

(c) Qualification; Compliance. Except as set forth in Section 4.10(c) of the Company Disclosure Schedule, each of the Company Benefit Plans 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, to the knowledge of the Company, no circumstances exist that are reasonably expected by the Company to result in the revocation of any such determination. The Company and each of the Company Subsidiaries are in compliance in all material respects with, and each Company Benefit Plan is and has been operated in all material respects in compliance with the terms thereof and all applicable laws, rules and regulations governing such plan, including, without limitation, ERISA and the Code. Each Company Benefit Plan intended to provide for the deferral of income, the reduction of salary or other compensation or to afford other income tax benefits is reasonably designed to comply with the requirements of the applicable provisions of the Code or other laws, rules and regulations required to provide such income tax benefits.

(d) Liabilities. With respect to the Company Benefit Plans individually and in the aggregate, there are no actions, suits, claims pending or, to the knowledge of the Company, threatened, and, to the knowledge of the Company, no event has occurred that could reasonably be expected to subject the Company or any of the Company Subsidiaries to any liability arising under the Code, ERISA or any other applicable law (including, without limitation, any liability of any kind whatsoever, whether direct or indirect, contingent, inchoate or otherwise, to any such plan or the Pension Benefit Guaranty Corporation (the "PBGC")), or under any indemnity agreement to which the Company or any of the Company Subsidiaries is a party, in each such case, which liability, individually or in the aggregate, could reasonably be expected to have a Company Material Adverse Effect.

(e) Welfare Plans. Except as set forth in Section 4.10(e) of the Company Disclosure Schedule, none of the Company Benefit Plans that are "welfare plans", within the meaning of Section 3(1) of ERISA, provides for any benefits payable to or on behalf of any employee or director after termination of employment or service, as the case may be, other than elective continuation required pursuant to Code Section 4980B or coverage which expires at the end of the calendar month following such event. Each such plan that is a "group health plan" (as defined in Code Section 4980B(g)) has been operated in compliance with Code Section 4980B at all times, except for any non-compliance that could not reasonably be expected to give rise to a Company Material Adverse Effect.

(f) Documents Made Available. The Company has made available to Parent a true and correct copy of each collective bargaining agreement to which the Company or any of the Company Subsidiaries is a party or under which the Company or any of the Company Subsidiaries has obligations, and with respect to each Company Benefit Plan, to the extent applicable, (i) such plan and summary plan description (including all amendments to each such document), (ii) the most recent annual report filed with the IRS, (iii) each related trust agreement, insurance contract, service provider or investment management agreement (including all amendments to each such document), (iv) the most recent determination of the IRS with respect to the qualified status of such plan and (v) the most recent actuarial report or valuation.

(g) Payments Resulting from Merger and Other Severance Payments. Except as set forth in Section 4.10(g) of the Company Disclosure Schedule or as specifically provided for in this Agreement, the announcement or consummation of any transaction contemplated by this Agreement will not (either alone or upon the occurrence of any additional or further acts or events, including, without limitation, termination of employment) result, as of September 30, 1999 or as of the Effective Time, in any (A) payment (whether of severance pay or otherwise) becoming due from the Company or any of the Company Subsidiaries to any officer, employee, former employee or director thereof or to the trustee under any "rabbi trust" or similar arrangement or (B) benefit being established or becoming accelerated, vested or payable under any Company Benefit Plan.

(h) Labor Agreements. As of the date hereof, except as set forth in Section 4.10(h) of the Company Disclosure Schedule, neither the Company nor any of the Company

Subsidiaries is a party to any collective bargaining agreement or other labor agreement with any union or labor organization. Except as set forth in Section 4.10(h) of the Company Disclosure Schedule, to the knowledge of the Company, as of the date hereof, there is no current union representation question involving employees of the Company or any of the Company Subsidiaries, nor does the Company know of any activity or proceeding of any labor organization (or representative thereof) or employee group to organize any such employees. Except as set forth in Section 4.10(h) of the Company Disclosure Schedule, (i) there is no unfair labor practice, employment discrimination or other complaint against the Company or any of the Company Subsidiaries pending or, to the knowledge of the Company, threatened, which has or could reasonably be expected to have a Company Material Adverse Effect, (ii) there is no strike, dispute, slowdown, work stoppage or lockout pending, or, to the knowledge of the Company, threatened, against or involving the Company or any of the Company Subsidiaries which has or could reasonably be expected to have, a Company Material Adverse Effect and (iii) there is no proceeding, claim, suit, action or governmental investigation pending or, to the knowledge of the Company, threatened, in respect of which any director, officer, employee or agent of the Company or any of the Company Subsidiaries is or may be entitled to claim indemnification from the Company pursuant to their respective articles of incorporation or by-laws or as provided in the Indemnification Agreements listed in Section 4.10(h) of the Company Disclosure Schedule. Except as set forth in Section 4.10(h) of the Company Disclosure Schedule, the Company and the Company Subsidiaries have 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 the Company or any of the Company Subsidiaries 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.

(i) Parachute Payments. Section 4.10(i) of the Company Disclosure Schedule sets forth (1) the name of each officer of the Company and the President of each of MidAmerican Utility and the Company's U.K. utility Subsidiary who, in connection with the transactions contemplated with this Agreement, will receive, or will or may become entitled to receive in the future or upon termination of such person's employment, any payments (including without limitation accelerated vesting of Company Options or other equity-based awards) which could reasonably be expected to constitute "excess parachute payments" with respect to such person within the meaning of Section 280G of the Code ("Excess Parachute Payments"), and (2) with respect to each such person, the maximum amount of Excess Parachute Payments which could reasonably be expected to be so received (determined in accordance with proposed regulations of the IRS promulgated under Section 280G of the Code).

(j) Section 162(m). Except as set forth in Section 4.10(j) of the Company Disclosure Schedule, no payments to any executive officer of the Company or any Company Subsidiaries will fail to be deductible for Federal income tax purposes by reason of the deduction limit imposed under Section 162(m) of the Code. Section 4.10(j) of the Company Disclosure Schedule sets forth the name of each executive officer who will receive compensation which may not be fully deductible by reason of the application of Section

162(m), and a reasonable estimate of the amount of such potentially nondeductible compensation.

(k) Changes in Compensation, Benefits Since September 30, 1999. Except as specifically described in Section 4.10(k) of the Company Disclosure Schedule, since September 30, 1999, the Company has not, nor has any of the Company Subsidiaries, (i) entered into, adopted or amended or increased the amount or accelerated the payment or vesting of any benefit or amount payable under, any employee benefit plan or other contract, agreement, commitment, arrangement, plan, trust, fund or policy maintained by, contributed to or entered into by the Company or any of the Company Subsidiaries (including, without limitation, the Company Benefit Plans set forth in Section 4.10(a) of the Company Disclosure Schedule, as in effect on September 30, 1999) or increased, or entered into any contract, agreement, commitment or arrangement to increase in any manner, the compensation or fringe benefits, or otherwise to extend, expand or enhance the engagement, employment or any related rights, of any director, officer or other employee of the Company or any of the Company Subsidiaries, except pursuant to binding legal commitments existing on September 30, 1999 and specifically identified in Section 4.10(a) of the Company Disclosure Schedule and except for normal increases in the ordinary course of business consistent with past practice that, in the aggregate, did not result in a material increase in benefits or compensation expense to the Company or any of the Company Subsidiaries; (ii) entered into or amended any employment, severance, pension, deferred compensation or special pay arrangement with respect to the termination of employment or other similar contract, agreement or arrangement with (A) any director or officer or (B) other employee other than in the ordinary course of business consistent with past practice; or (iii) deposited into any trust (including any "rabbi trust") amounts in respect of any employee benefit obligations or obligations to directors other than transfers into trusts (other than a rabbi or other trust with respect to any non-qualified deferred compensation) in accordance with past practice or pursuant to binding legal agreements existing on September 30, 1999.

Section 4.11. Environmental Protection.

(a) Definitions. As used in this Agreement:

(i) "Environmental Claim" means any and all administrative, regulatory or judicial actions, suits, demands, demand letters, directives, claims, liens, investigations, proceedings or notices of noncompliance or violation (written or oral) by any person or entity (including any Governmental Authority) alleging potential liability (including, without limitation, potential responsibility for or liability for enforcement, investigatory costs, cleanup costs, spent fuel or waste disposal costs, decommissioning costs, governmental response costs, removal costs, remediation costs, natural resources damages, property damages, personal injuries or penalties) arising out of, based on or resulting from (A) the presence, Release or threatened Release into the environment of any Hazardous Materials at any location in which the Company or any of the Company Subsidiaries has an economic or ownership interest, whether or not owned, operated, leased or managed by the Company or any of the Company

Subsidiaries or Company Joint; or (B) circumstances forming the basis of any violation or alleged violation of any Environmental Law or (C) any and all claims by any third party seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief resulting from the presence or Release of any Hazardous Materials.

(ii) "Environmental Laws" means all applicable federal, state and local laws, rules, regulations, ordinances, orders, directives and any binding judicial or administrative interpretation thereof, and regulatory common law and equitable doctrines relating to pollution, the environment (including, without limitation, indoor or ambient air, surface water, groundwater, land surface or subsurface strata) or protection of human health or safety as it relates to the environment including, without limitation, those relating to Releases or threatened Releases of Hazardous Materials, or otherwise relating to the manufacture, generation, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials.

(iii) "Hazardous Materials" means (A) any petroleum or petroleum products, radioactive materials, asbestos in any form that is or could become friable, urea formaldehyde foam insulation and transformers or other equipment that contain dielectric fluid containing polychlorinated biphenyls; (B) any chemicals, materials or substances which are now defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous wastes," "restricted hazardous wastes," "toxic substances," "toxic pollutants" or words of similar import; under any Environmental Law and (C) any other chemical, material, substance or waste, exposure to which is now prohibited, limited or regulated under any Environmental Law in a jurisdiction in which the Company or any of the Company Subsidiaries or Company Joint Ventures operates.

(iv) "Release" means any release, spill, emission, leaking, injection, deposit, disposal, discharge, dispersal, leaching or migration into the atmosphere, soil, surface water, groundwater or property.

(b) Compliance. Except as set forth in Section 4.11(b) of the Company Disclosure Schedule, the Company and each of the Company Subsidiaries and, to the knowledge of the Company, the Company Joint Ventures are in compliance with all applicable Environmental Laws except where the failure to so comply would not have a Company Material Adverse Effect, and neither the Company nor any of the Company Subsidiaries has received any communication (written or oral), from any person or Governmental Authority that alleges that the Company or any of the Company Subsidiaries or the Company Joint Ventures is not in such compliance with applicable Environmental Laws. To the knowledge of the Company, compliance with all applicable Environmental Laws will not require the Company or any Company Subsidiary or, to the knowledge of the Company, any Company Joint Venture to incur costs that will be reasonably likely to result in a Company Material Adverse Effect, including but not limited to the costs of the Company and Company Subsidiary and Company Joint Venture pollution control equipment required or reasonably contemplated to be required in the future.

(c) Environmental Permits. Except as set forth in Section 4.11(c) of the Company Disclosure Schedule, the Company and each of the Company Subsidiaries and, to the knowledge of the Company, the Company Joint Ventures, have obtained or has applied for all permits, registrations and governmental authorizations required under any Environmental Law (collectively, the "Environmental Permits") necessary for the construction of its facilities or the conduct of its operations except where the failure to so obtain would not have a Company Material Adverse Effect, and all such Environmental Permits are in good standing or, where applicable, a renewal application has been timely filed and is pending agency approval, and the Company and the Company Subsidiaries and, to the knowledge of the Company, the Company Joint Ventures are in compliance with all terms and conditions of all Environmental Permits necessary for the construction of its facilities or the conduct of its operations, except where the failure to so comply, in the aggregate, would not have a Company Material Adverse Effect.

(d) Environmental Claims. Except as set forth in Section 4.11(d) of the Company Disclosure Schedule, there is no Environmental Claim pending (or, to the knowledge of the Company, threatened) (A) against the Company or any of the Company Subsidiaries or, to the knowledge of the Company, any of the Company Joint Ventures, (B) to the knowledge of the Company, against any person or entity whose liability for any Environmental Claim the Company or any of the Company Subsidiaries or, to the knowledge of the Company, any of the Company Joint Ventures has or may have retained or assumed either contractually or by operation of law, or (C) against any real or personal property or operations which the Company or any of the Company Subsidiaries or, to the knowledge of the Company, any of the Company Joint Ventures owns, leases or manages, in whole or in part, which would reasonably be expected to have, in the aggregate, a Company Material Adverse Effect.

(e) Releases. Except as set forth in Section 4.11(e) of the Company Disclosure Schedule, the Company has no knowledge of any Releases of any Hazardous Material that would be reasonably likely to form the basis of any Environmental Claim against the Company or any of the Company Subsidiaries or the Company Joint Ventures, or against any person or entity whose liability for any Environmental Claim the Company or any of the Company Subsidiaries or the Company Joint Ventures has or may have retained or assumed either contractually or by operation of law except for any Environmental Claim which would not have, in the aggregate, a Company Material Adverse Effect.

(f) Predecessors. Except as set forth in Section 4.11(f) of the Company Disclosure Schedule, the Company has no knowledge, with respect to any predecessor of the Company or any of the Company Subsidiaries or the Company Joint Ventures, of any Environmental Claim pending or threatened, or of any Release of Hazardous Materials that would be reasonably likely to form the basis of any Environmental Claim, which, if determined adversely could reasonably be expected to require payments of $20 million or more or which could reasonably be expected to have a Company Material Adverse Effect.

(g) Disclosure. The Company has disclosed in writing to Parent all material facts which the Company reasonably believes form the basis of an Environmental Claim which could have a Company Material Adverse Effect arising from (i) the cost of the Company

pollution control equipment (including, without limitation, upgrades and other modifications to existing equipment) currently required or reasonably contemplated to be required in the future, (ii) current remediation costs or costs to the Company or any of the Company Subsidiaries for remediation reasonably contemplated to be required in the future or (iii) any other environmental matter affecting the Company or any of the Company Subsidiaries.

(h) Cost Estimates. To the Company's knowledge, no environmental matter set forth in the Company SEC Reports or the Company Disclosure Schedule could reasonably be expected to exceed the cost estimates provided in the Company SEC Reports by an amount that individually or in the aggregate could reasonably be expected to have a Company Material Adverse Effect.

Section 4.12. Regulation as a Utility. MidAmerican Utility is regulated as a public utility by the FERC and in the States of Illinois, Iowa, Nebraska and South Dakota and in no other state. Except as set forth in the preceding sentence or Section 4.12 of the Company Disclosure Schedule, neither the Company nor any "subsidiary company" or "affiliate" (as each such term is defined in the 1935 Act) of the Company is subject to regulation as a public utility or public service company (or similar designation) by the FERC or any municipality, locality, state in the United States or any foreign country.

Section 4.13. Vote Required. The approval of the Merger by the affirmative vote of a majority of the votes entitled to be cast by holders of Company Common Stock (the "Company Shareholders' Approval") is the only vote of the holders of any class or series of the securities of the Company or any of the Company Subsidiaries required to approve this Agreement, the Merger and the other transactions contemplated hereby.

Section 4.14. Insurance. Except as set forth in Section 4.14 of the Company Disclosure Schedule, the Company and each of the Company Subsidiaries is, and has been continuously since January 1, 1998, insured with financially responsible insurers in such amounts and against such risks and losses as are customary in all material respects for companies conducting the business as conducted by the Company and the Company Subsidiaries during such time period. Neither the Company nor any of the Company Subsidiaries has received any notice of cancellation or termination with respect to any material insurance policy of the Company or any of the Company Subsidiaries. The insurance policies of the Company and each of the Company Subsidiaries are valid and enforceable policies in all material respects.

Section 4.15. Opinions of Financial Advisers. The Company has obtained the opinions of Warburg Dillon Read LLC ("Dillon Read") and Lehman Brothers Inc. ("Lehman"), each dated as of the date of this Agreement, to the effect that, as of the date hereof, the Per Share Amount to be paid to holders of Company Common Stock (other than the Investors) pursuant to this Agreement is fair from a financial point of view to such holders. True and correct copies of such opinions have been provided by the Company to Parent.

Section 4.16. Brokers. No broker, finder or investment banker (other than Dillon Read and Lehman) is entitled to any brokerage, finder's or other fee or commission in

connection with the Merger based upon arrangements made by or on behalf of the Company. The Company has heretofore furnished to Parent a complete and correct copy of all agreements between the Company and each of Dillon Read and Lehman, pursuant to which each such firm would be entitled to any payment relating to the Merger. The fees payable under such agreements and any other brokerage, finder's or other fee or commission payable in connection with the Merger based upon arrangements made by or on behalf of the Company do not exceed $11 million in the aggregate.

Section 4.17. Non-Applicability of Certain Provisions of Iowa Act. None of the business combination provisions of Section 1110 of the Iowa Act or any similar provisions of the Iowa Act, the articles of incorporation or by-laws of the Company are applicable to the transactions contemplated by this Agreement because such provisions do not apply by their terms or because any required approvals of the Board of Directors of the Company have been obtained.

Section 4.18. Company Rights Agreement. Prior to the date of this Agreement, the Company has delivered to Parent and its counsel a true and complete copy of the Amended and Restated Rights Agreement, dated as of September 14, 1999, between ChaseMellon Shareholder Services, L.L.C., as Rights Agent, and the Company (the "Company Rights Agreement") in effect as of the date hereof, and has authorized all necessary action (and promptly after the date of this Agreement and prior to the Closing Date, will have taken all necessary action), including amending the Company Rights Plan, such that the consummation of the transactions contemplated by this Agreement will not result in the separation of the Company Rights from the Shares, the Company Rights becoming non-redeemable, the Rights associated with Shares beneficially owned by the Investors (or their affiliates or associates) becoming void or voidable, or the triggering of any right or entitlement of shareholders of the Company under the Company Rights Agreement or any similar agreement to which the Company or any of its affiliates is a party.

Section 4.19. Year 2000 Compliance. The Company and the Company Subsidiaries have put into effect reasonable and customary practices and programs to be Year 2000 Compliant (as defined below)) designed to enable all material software, hardware and equipment (including microprocessors) that are owned or utilized by the Company or any of the Company Subsidiaries in the operations of its or their respective business to be capable, by December 31, 1999, of accounting for all calculations using a century and date sensitive algorithm for the year 2000 and the fact that the year 2000 is a leap year and to otherwise continue to function without any material interruption caused by the occurrence of the year 2000 (such capabilities are herein referred to as being "Year 2000 Compliant").

Section 4.20. Board Recommendation. The Board of Directors of the Company, at a meeting duly called and held, has by unanimous vote of those directors present (who constituted all of the directors then in office other than David L. Sokol, Walter Scott, Jr. and Bernard W. Reznicek, who did not participate in such deliberations or vote due to their status as, and/or affiliation with, one of the Investors) (i) determined that this Agreement, the Merger and the other transaction contemplated hereby are fair to and in the best interests of the

shareholders of the Company, and (ii) resolved to recommend that the holders of Company Common Stock approve this Agreement, the Merger and the other transactions contemplated hereby.

Section 4.21. Investment Company and Investment Advisory Matters. Neither the Company nor any of the Company Subsidiaries is an "investment company" as defined in the Investment Company Act of 1940, as amended. Neither the Company nor any of the Company Subsidiaries is an "investment advisor" as defined in the Investment Advisers Act of 1940, as amended, or conducts activities of or controls an "investment adviser" as defined therein, whether or not registered under such Act.

ARTICLE V.

REPRESENTATIONS AND WARRANTIES OF PARENT AND MERGER SUB

Parent and Merger Sub hereby represent and warrant to the Company as follows:

Section 5.1. Organization. Parent is a limited liability company duly organized, validly existing and in good standing under the laws of its jurisdiction of organization. Merger Sub is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation. Parent and Merger Sub were organized solely for the purposes of consummating the Merger and the other transactions contemplated by this Agreement and taking action with respect thereto. Except for obligations or liabilities incurred in connection with the transactions contemplated by this Agreement or in connection with their organization, at the Effective Time neither Parent nor Merger Sub will have incurred any obligations or liabilities or engaged in any business activities of any kind.

Section 5.2. Authority; Non-Contravention; Statutory Approvals.

(a) Authority. Parent and Merger Sub have all requisite power and authority to enter into this Agreement and, subject to the Parent Required Statutory Approvals (as defined in Section 5.2(c)), to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation by Parent and Merger Sub of the transactions contemplated hereby have been duly authorized by all necessary limited liability company action on the part of Parent and all necessary corporate action on the part of Merger Sub. This Agreement has been duly and validly executed and delivered by Parent and Merger Sub, and, assuming the due authorization, execution and delivery hereof by the Company, this Agreement constitutes the valid and binding obligation of each of Parent and Merger Sub enforceable against them in accordance with its terms, subject, as to enforceability, to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting creditors' rights and to general principles of equity.

(b) Non-Contravention. The execution and delivery of this Agreement by Parent and Merger Sub do not, and the consummation of the transactions contemplated hereby will not, result in a Violation pursuant to any provisions of (i) the articles of formation or operating

agreement of Parent or the articles of incorporation or by-laws of Merger Sub, (ii) subject to obtaining the Parent Required Statutory Approvals, any statute, law, ordinance, rule, regulation, judgment, decree, order, injunction, writ, permit or license of any Governmental Authority applicable to Parent or Merger Sub or any of their properties or assets 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 Parent or Merger Sub is a party or by which it or any of its properties or assets may be bound or affected, excluding from the foregoing clauses (ii) and (iii) such Violations which would not, in the aggregate, have a material adverse effect on the ability of Parent or Merger Sub to consummate the transactions contemplated by this Agreement (any such material adverse effect, a "Parent Material Adverse Effect").

(c) Stanutory Approvals. Except as described in Section 5.2(c) of the Parent Disclosure Schedule delivered by Parent to the Company prior to the execution of this Agreement (the "Parent Disclosure Schedule"), no declaration, filing or registration with, or notice to or authorization, consent or approval of, any Governmental Authority is necessary for the execution and delivery of this Agreement by Parent and Merger Sub or the consummation by Parent and Merger Sub of the transactions contemplated hereby (the "Parent Required Statutory Approvals"), it being understood that references in this Agreement to "obtaining" Parent Required Stanutory Approvals shall mean making such declarations, filings or registrations; giving such notices; obtaining such authorizations, consents or approvals; and having such waiting periods expire as are necessary to avoid a violation of law).

Section 5.3. Proxy Statement. None of the information supplied by Parent or Merger Sub, or their officers, directors, representatives, agents or employees, for inclusion in the Proxy Statement, or in any amendments thereof or supplements thereto, will, on the date the Proxy Statement is first mailed to shareholders or at the time of the Company Meeting (giving effect to any documents incorporated by reference therein), contain any statement which, at such time and in light of the circumstances under which it will be made, will be false or misleading with respect to any material fact, or will omit to state any material fact necessary in order to make the statements therein not false or misleading or necessary to correct any statement in any earlier communication with respect to the solicitation of proxies for the Company Meeting which has become false or misleading.

Section 5.4. Brokers. No broker, finder or investment banker (other than Credit Suisse First Boston ("CSFB")) is entitled to any brokerage, finder's or other fee or commission in connection with the Merger based upon arrangements made by or on behalf of Parent or Merger Sub. Parent has heretofore furnished to the Company a complete and correct copy of all agreements between Parent or Merger Sub and CSFB, pursuant to which such firm would be entitled to any payment relating to the Merger.

Section 5.5. Financing. Merger Sub has, on or prior to the date hereof, entered into subscription agreements, dated as of the date of this Agreement, with each of David L. Sokol, Walter Scott, Jr. and Berkshire Hathaway Inc. (collectively, the "Subscription Agreements"), pursuant to which the subscribers thereunder (the "Investors") have agreed, on the terms and

subject to the conditions contained in the Subscription Agreements, to provide an aggregate of $2.352 billion to Merger Sub in cash and/or shares of Common Stock or options to purchase shares of Common Stock (valued for these purposes at the Per Share Amount) in exchange for securities of Merger Sub. Merger Sub has furnished true and correct copies of the Subscription Agreements to the Company.

Section 5.6. Sale of the Company. Neither Parent nor Merger Sub nor any of their affiliates has any agreement, understanding or any present intention (i) to sell the Company or any material part of the Company (other than the purchase of securities of Merger Sub by (A) one or more subsidiaries of Berkshire Hathaway Inc. which are consolidated with Berkshire Hathaway Inc. for financial accounting purposes, in accordance with the Subscription Agreement with Berkshire Hathaway Inc. and (B) the Scott Family Entities (as defined in the Subscription Agreement with Walter Scott, Jr.), in accordance with the Subscription Agreement with Walter Scott, Jr.) or (ii) enter into, or cause the Company to enter into, any extraordinary transaction.

Section 5.7. Share Ownership. Section 5.7 of the Parent Disclosure Schedule sets forth the number of shares of Company Common Stock beneficially owned, as of the date of this Agreement, by each of Parent and Merger Sub and their respective Subsidiaries and affiliates, either individually or as part of a group for purposes of Rule 13d-3 under the Exchange Act.

Section 5.8. Regulation Under the 1935 Act. Neither Parent nor Merger Sub is a "public utility company" or a "holding company" (as each such term is defined in the 1935 Act), and neither Parent nor Merger Sub is a "subsidiary company" or "affiliate" (as each such term is defined in the 1935 Act) of a "public utility company" or "holding company," in each case, without giving effect to the Merger.

Section 5.9. Investor Agreements. Except (i) for the Subscription Agreements and the other agreements contemplated thereby, (ii) as would not reasonably be expected to have a Parent Material Adverse Effect and (iii) except as set forth in Section 5.9 of the Parent Disclosure Schedule, there are no governance, voting or similar agreements among the Investors relating to Parent, Merger Sub or the Company.

ARTICLE VI.

CONDUCT OF BUSINESS PENDING THE MERGER

Section 6.1. Conduct of Business by the Company Pending the Merger. The Company covenants and agrees, as to itself and each of the Company Subsidiaries, that after the date of this Agreement and prior to the Effective Time or earlier termination of this Agreement, except as expressly contemplated or permitted in this Agreement, or to the extent Parent shall have otherwise consented in writing, which decision regarding consent shall be made as soon as reasonably practicable (it being understood that if a particular activity is permissible as a result of its being disclosed and, where applicable, approved in writing by Parent under any one of the Section 6.1 subsections of the Company Disclosure Schedule, that activity will not be prohibited under any of the subsections of Section 6.1):

(a) Ordinary Course of Business. The Company shall, and shall cause the Company Subsidiaries to, carry on their respective businesses in the usual, regular and ordinary course in substantially the same manner as heretofore conducted and use their commercially reasonable efforts to preserve intact their present business organizations and goodwill, preserve the goodwill and relationships with customers, suppliers and others having business dealings with them and, subject to prudent management of workforce needs and ongoing or planned programs relating to downsizing, re-engineering and similar matters, keep available the services of their present officers and employees to the end that their goodwill and ongoing businesses shall not be impaired in any material respect at the Effective Time. Except as set forth in Section 6.1(a) of the Company Disclosure Schedule, the Company shall not, nor shall the Company permit any of the Company Subsidiaries to, (i) enter into a new line of business involving any material investment of assets or resources or any material exposure to liability or loss to the Company and the Company Subsidiaries taken as a whole, or (ii) acquire, or agree to acquire, by merger or consolidation with, or by purchase or otherwise, a substantial equity interest in or a substantial portion of the assets of, any business or any corporation, partnership, association or other business organization or division thereof, or otherwise acquire or agree to acquire any assets (other than equipment, fuel, supplies and similar items or for capital expenditures, in each case, in the ordinary course of business consistent with past practice); provided, however, that notwithstanding the above, the Company or any of the Company Subsidiaries may enter into a new line of business or make such an other acquisition to the extent the investment or other acquisition, as the case may be (which shall include the amount of equity invested plus the amount of indebtedness incurred, assumed or otherwise owed by or with recourse to the Company or any Company Subsidiary (other than the entity being acquired or in which the investment is made or any special purpose entity formed in connection with such investment or other acquisition)), in a new line of business or acquisition, as the case may be, does not exceed, together with all other such investments and other acquisitions made from and after the date of this Agreement, $100 million in the aggregate; and provided, further, that no such investment shall be made in, and no such other acquisition shall consist of, any common equity securities of any U.S. gas or electric utility company.

(b) Dividends. The Company shall not, nor shall the Company permit any of the Company Subsidiaries to, (i) declare or pay any dividends on or make other distributions in respect of any of their capital stock other than (A) to the Company or its wholly owned Subsidiaries and (B) dividends required to be paid on any outstanding preferred stock of the Company or its Subsidiaries in accordance with the terms of the preferred stocks identified in Section 6.1(b) of the Company Disclosure Schedule; or (ii) split, combine, reclassify, redeem or repurchase any of their capital stock or issue or authorize or propose the issuance of any other securities in respect of, in lieu of, or in substitution for, shares of their capital stock.

(c) Issuance of Securities. Except as described in Section 6.1(c) of the Company Disclosure Schedule, the Company shall not, nor shall the Company permit any of the Company Subsidiaries to, issue, agree to issue, deliver, sell, award, pledge, dispose of or otherwise encumber or authorize or propose the issuance, delivery, sale, award, pledge, grant of a security interest, disposal or other encumbrance of, any shares of their capital stock of any class or any securities convertible into or exchangeable for, or any rights, warrants or options to acquire, any such shares or convertible or exchangeable securities, other than (i) issuances by a wholly owned Subsidiary of its capital stock to its direct or indirect parent and (ii) issuances of shares of Company Common Stock after the date of this Agreement pursuant to Company Options and other Company convertible securities, in each case existing as of the date hereof and as identified in Section 4.10(a) of the Company Disclosure Schedule.

(d) Indebtedness. Except as set forth in Section 6.1(d) of the Company Disclosure Schedule, the Company shall not, nor shall the Company permit any of the Company Subsidiaries to, incur or guarantee any indebtedness (including any debt borrowed or guaranteed or otherwise assumed including, without limitation, the issuance of debt securities or warrants or rights to acquire debt) or enter into any "keep well" or indemnity or other agreement to maintain any financial statement condition of another Person or enter into any arrangement having the economic effect of any of the foregoing other than (i) indebtedness or guarantees or "keep well" or other agreements incurred in the ordinary course of business consistent with past practice (including refinancings, the issuance of commercial paper or the use of existing or replacement credit facilities or hedging activities), (ii) arrangements between the Company and wholly owned Company Subsidiaries or among wholly owned Company Subsidiaries, (iii) in connection with the refunding or defeasance of existing indebtedness that becomes due in accordance with its terms before the Effective Time, or (iv) as may be necessary in connection with investments or acquisitions permitted by Section 6.1(a).

(e) Compensation, Benefits. Except as may be required by applicable law, as specifically set forth in Section 6.1(e) of the Company Disclosure Schedule or as contemplated by this Agreement, the Company shall not, nor shall the Company permit any of the Company Subsidiaries to, (i) enter into, adopt or amend or increase the amount or accelerate the payment or vesting of any benefit or amount payable under, any employee benefit plan or other contract, agreement, commitment, arrangement, plan, trust, fund or policy maintained by, contributed to or entered into by the Company or any of the Company Subsidiaries (including, without limitation, the Company Benefit Plans set forth in Section 4.10(a) of the Company Disclosure Schedule, as in effect on September 30, 1999) or increase, or enter into any

contract, agreement, commitment or arrangement to increase in any manner, the compensation or fringe benefits, or otherwise to extend, expand or enhance the engagement, employment or any related rights, of any director, officer or other employee of the Company or any of the Company Subsidiaries, except pursuant to binding legal commitments existing on September 30, 1999 and specifically identified in Section 4.10(a) of the Company Disclosure Schedule and except for normal increases in the ordinary course of business consistent with past practice that, in the aggregate, do not result in a material increase in benefits or compensation expense to the Company or any of the Company Subsidiaries; (ii) enter into or amend any employment, severance, pension, deferred compensation or special pay arrangement with respect to the termination of employment or other similar contract, agreement or arrangement with (A) any director or officer or (B) other employee other than in the ordinary course of business consistent with past practice; or (iii) deposit into any trust (including any "rabbi trust") amounts in respect of any employee benefit obligations or obligations to directors; provided that transfers into any trust, other than a rabbi or other trust with respect to any non-qualified deferred compensation, may be made in accordance with past practice or pursuant to legally binding agreements in effect on September 30, 1999.

(f) 1935 Act. The Company shall not, nor shall the Company permit any of the Company Subsidiaries to, except as required or contemplated by this Agreement, engage in any activities (i) which would cause a change in its status, or that of the Company Subsidiaries, under the 1935 Act, including any action or inaction that would cause the prior approval of the SEC under the 1935 Act to be required for the consummation of the Merger and the other transactions contemplated hereby, or (ii) that would impair the ability of the Company, MidAmerican Funding, Parent or the Surviving Corporation or any Subsidiary of Surviving Corporation to claim an exemption as of right under Rule 2 of the 1935 Act following the Merger or (iii) that would subject Parent or any affiliate (within the meaning of Section 2(a)(11) of the 1935 Act) of Parent or any of the Investor Entities (as defined in Section 6.2(b)) to regulation as a registered holding company under such Act following the Merger.

(g) Tax-Exempt Status. The Company shall not, nor shall the Company permit any Company Subsidiary to, take any action that would likely jeopardize the qualification of the Company's or any Company Subsidiary's outstanding revenue bonds which qualify as of 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.

Section 6.2. Conduct of Business by Parent and Merger Sub Pending the Merger. Each of Parent and Merger Sub covenant and agree that after the date of this Agreement and prior to the Effective Time or earlier termination of this Agreement, except as expressly contemplated or permitted in this Agreement, or to the extent the Company shall have otherwise consented in writing, which decision regarding consent shall be made as soon as reasonably practicable (it being understood that if a particular activity is permissible as a result of its being disclosed and, where applicable, approved in writing by the Company under any

one of the Section 6.2 subsections of the Parent Disclosure Schedule, that activity will not be prohibited under any of the subsections of Section 6.2):

(a) Limited Business Activities. Except for obligations or liabilities incurred in connection with the transactions contemplated by this Agreement or in connection with their organization, neither Parent nor Merger Sub shall incur any obligations or liabilities or engage in any business activities of any kind.

(b) 1935 Act. Neither Parent nor Merger Sub shall, except as required or contemplated by this Agreement, engage in any activities (i) which would cause a change in its status under the 1935 Act, including any action or inaction that would cause the prior approval of the SEC under the 1935 Act to be required for the consummation of the Merger and the other transactions contemplated hereby, (ii) that would impair the ability of the Company, MidAmerican Funding, Parent or Merger Sub to claim an exemption as of right under Rule 2 of the 1935 Act following the Merger or (iii) that would subject Parent or any affiliate (within the meaning of Section 2(a)(11) of the 1935 Act) of Parent to regulation as a registered holding company under such Act following the Merger; provided that, notwithstanding anything contained in this Agreement to the contrary, in no event shall Parent or Merger Sub or any affiliate (within the meaning of Section 2(a)(11) of the 1935 Act) of either such entity or any of Berkshire Hathaway Inc., any subsidiary of Berkshire Hathaway Inc., any Scott Family Entity or any entity controlled by either David L. Sokol or Walter Scott, Jr. (all such persons and entities, collectively, the "Investor Entities") be required to restructure their capitalization or amend any of their existing shareholder arrangements in order to permit Parent and Merger Sub to qualify for an exemption from the requirement to register as a holding company under such Act following the Merger or in order to ensure that none of Parent, Merger Sub or Parent's affiliates (within the meaning of Section 2(a)(11) of the 1935 Act) or any Investor Entity will become subject to regulation as a registered holding company under such Act following the Merger.

Section 6.3. Additional Covenants by the Company and Parent Pending the Merger. Each of Parent and the Company covenants and agrees, each as to itself and each of its Subsidiaries, that after the date of this Agreement and prior to the Effective Time or earlier termination of this Agreement, except as expressly contemplated or permitted in this Agreement, or to the extent the other parties hereto shall otherwise consent in writing, which decision regarding consent shall be made as soon as reasonably practicable:

(a) Cooperation, Notification. Each party shall (i) confer on a regular and frequent basis with one or more representatives of the other party to discuss, subject to applicable law, material operational matters and the general status of the Company's ongoing operations, (ii) promptly advise the other party of any change or event which has had, or would reasonably be expected to result in, a Company Material Adverse Effect or a Parent Material Adverse Effect, as the case may be, and (iii) pursuant to Section 7.3, promptly provide the other party with copies of all filings made by such party or any of its Subsidiaries with any state or federal court, administrative agency, commission or other Governmental Authority. In addition, the

Company shall promptly notify Parent of any significant changes in the Company's business, properties, assets, financial condition or results of operations or in the Company Prospects.

(b) No Breach, Etc. Each of the parties shall not, nor shall it permit any of its Subsidiaries to, take any action that would or is reasonably likely to result in a material breach of any provision of this Agreement or in any of its representations and warranties set forth in this Agreement being untrue on and as of the Closing Date.

ARTICLE VII.

ADDITIONAL AGREEMENTS

Section 7.1. Access to Information. Upon reasonable notice, the Company shall, and shall cause the Company Subsidiaries to, afford to the officers, directors, employees, accountants, counsel, investment bankers, financial advisors and other representatives of Parent (collectively, "Representatives") reasonable access, during normal business hours throughout the period prior to the Effective Time, to all of its properties, books, contracts, commitments, records and other information (including, but not limited to, Tax Returns) and, during such period, each of the parties hereto shall, and shall cause its Subsidiaries to, furnish promptly to the other party access to each significant report, schedule and other document filed or received by it or any of its Subsidiaries pursuant to the requirements of federal or state securities laws or filed with or sent to the SEC, the FERC, the public utility commission of any State, the Nuclear Regulatory Commission, the Department of Labor, the Immigration and Naturalization Service, the Environmental Protection Agency (state, local and federal), the IRS, the Department of Justice, the Federal Trade Commission, or any other federal, state or foreign regulatory agency or commission or other Governmental Authority. In addition, during such period, the Company shall, and shall cause the Company Subsidiaries to, furnish promptly to Parent and Merger Sub access to all information concerning the Company, the Company Subsidiaries, directors, officers and shareholders, properties, facilities or operations owned, operated or otherwise controlled by the Company, or if not so owned, operated or controlled, which properties, facilities or operations that the Company may nonetheless obtain access to through the exercise of reasonable diligence, and such other matters as may be reasonably requested by Parent in connection with any filings, applications or approvals required or contemplated by this Agreement or for any other reason related to the transactions contemplated by this Agreement. Parent shall, and shall cause its Subsidiaries and Representatives (other than its Representatives who have entered into separate confidentiality agreements with the Company) to, hold in strict confidence all documents and information concerning the Company furnished to it in connection with the transactions contemplated by this Agreement in accordance with the Confidentiality Agreement, dated as of October 1, 1999, between David L. Sokol and the Company (the "Confidentiality Agreement").

Section 7.2. Proxy Statement and Schedule 13E-3.

(a) The Company shall prepare, in consultation with Parent, the Proxy Statement and shall file the Proxy Statement with the SEC as soon as is reasonably practicable after the

date of this Agreement and shall use all reasonable efforts to respond to comments from the SEC and to cause the Proxy Statement to be mailed to the Company's shareholders at the earliest practicable time. The Company will not mail, amend or supplement the Proxy Statement unless the Proxy Statement or any amendment or supplement thereof is satisfactory in content to Parent in the exercise of its reasonable judgment.

(b) As soon as practicable after the date of this Agreement, Parent and the Company shall file with the SEC, and shall use all reasonable efforts to cause any of their respective affiliates engaging in this transaction to file with the SEC, a Rule 13e-3 Transaction Statement on Schedule 13E-3 (the "Schedule 13E-3 Transaction Statement") with respect to the Merger. Each of the parties hereto agrees to use all reasonable efforts to cooperate and to provide each other with such information as any of such parties may reasonably request in connection with the preparation of the Proxy Statement and the Schedule 13E-3 Transaction Statement.

(c) Each party hereto agrees promptly to supplement, update and correct any information provided by it for use in the Proxy Statement and the Schedule 13E-3 Transaction Statement if and to the extent that such information is or shall have become incomplete, false or misleading.

Section 7.3. Regulatory Approvals and Other Matters.

(a) HSR Filings. Each party hereto shall file or cause to be filed with the Federal Trade Commission and the Department of Justice any notifications required to be filed under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), and the rules and regulations promulgated thereunder with respect to the transactions contemplated hereby. Such parties will use all reasonable efforts to coordinate such filings and any responses thereto, to make such filings promptly and to respond promptly to any requests for additional information made by either of such agencies.

(b) Other Approvals. Each party hereto shall cooperate and use all reasonable efforts to promptly prepare and file all necessary documentation, to effect all necessary applications, notices, petitions, filings and other documents, and to use all reasonable efforts to obtain all necessary permits, consents, approvals and authorizations of all Governmental Authorities and all other persons necessary or advisable to consummate the transactions contemplated hereby, including, without limitation, the Company Required Statutory Approvals, the Parent Required Statutory Approvals and the Company Required Consents (and any concurrent or related rate filings, if any). Parent and the Company agree that they will consult with each other with respect to the obtaining of all such necessary or advisable permits, consents, approvals and authorizations of Governmental Authorities; provided, however, that it is agreed that the Company shall have primary responsibility for the preparation and filing of any applications with state public utility commissions for approval of the Merger. Each of Parent and the Company shall have the right to review and approve in advance drafts of all such necessary applications, notices, petitions, filings and other documents made or prepared in connection with the transactions contemplated by this Agreement, which approval shall not be

unreasonably withheld or delayed. The Company shall promptly notify Parent of any failure or prospective failure to obtain any such consents and shall provide copies of all Company Required Consents obtained by the Company to Parent.

Section 7.4. Shareholder Approval.

(a) Approval of Company Shareholders. The Company shall, as soon as reasonably practicable after the date of this Agreement, (i) take all steps necessary to duly call, give notice of, convene and hold a meeting of its shareholders (the "Company Meeting"), as promptly as practicable after the date of this Agreement, for the purpose of securing the Company Shareholders' Approval, (ii) distribute to its shareholders the Proxy Statement in accordance with applicable federal and state law and with its articles of incorporation and by-laws, (iii) subject to the fiduciary duties of its Board of Directors, recommend to its shareholders the approval of the Merger, this Agreement and the transactions contemplated hereby and (iv) cooperate and consult with Parent with respect to each of the foregoing matters.

(b) Meeting Date. The Company shall duly call and give notice of the Company Meeting, and shall commence distribution of the Proxy Statement to its shareholders, within five business days after the clearance of the Proxy Statement by the staff of the SEC (or after the expiration of the ten calendar day period after filing the preliminary proxy statement with the SEC if the staff of the SEC has not commented on or otherwise notified the Company within such ten day period of the staff's intent to review and comment on the preliminary proxy statement).

Section 7.5. Directors' and Officers' Indemnification.

(a) Indemnification. From and after the Effective Time, the Surviving Corporation shall, to the fullest extent not prohibited by applicable law, indemnify, defend and hold harmless each person who is now, or has been at any time prior to the date hereof, or who becomes prior to the Effective Time, an officer or director of any of the parties hereto (each an "Indemnified Party" and collectively, the "Indemnified Parties") against all losses, expenses (including reasonable attorney's fees and expenses), 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, in whole or in part, (i) are based on or arising out of the fact that such person is or was a director or officer of such party or (ii) arise out of or pertain to the transactions contemplated by this Agreement (the "Indemnified Liabilities"). In the event of any such loss, expense, claim, damage or liability (whether or not arising prior to the Effective Time), (i) the Surviving Corporation shall pay the reasonable fees and expenses of counsel for the Indemnified Parties selected by the Indemnified Parties, which counsel may also serve as counsel to the Surviving Corporation (unless there is a conflict between the positions of the Surviving Corporation and the Indemnified Parties on any significant issue) and which counsel shall be reasonably satisfactory to the Surviving Corporation (which consent shall not be unreasonably withheld), promptly after statements therefor are received and otherwise advance to such Indemnified Party upon request reimbursement of documented expenses reasonably incurred, in either case to the

extent not prohibited by the Iowa Act, (ii) the Surviving Corporation will cooperate in the defense of any such matter and (iii) any determination required to be made with respect to whether an Indemnified Party's conduct complies with the standards set forth under the Iowa Act and the articles of incorporation or by-laws of the Company shall be made by independent counsel mutually acceptable to the Surviving Corporation and the Indemnified Party (the "Independent Counsel"); provided, however, that the Surviving Corporation 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 opinion of the Independent Counsel, under applicable standards of professional conduct, a conflict on any significant issue between positions of such Indemnified Party and any other Indemnified Party or Indemnified Parties.

(b) Insurance. For a period of six years after the Effective Time, the Surviving Corporation shall cause to be maintained in effect 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 to the Surviving Corporation not greater than 200 percent of the current annual premiums for such directors' and officers' liability insurance, which existing premium costs are disclosed on Schedule 7.5(b) of the Company Disclosure Schedule; provided, further, that if such insurance cannot be so maintained or obtained at such cost, the Surviving Corporation shall maintain or obtain as much of such insurance for the Company as can be so maintained or obtained at a cost equal to 200 percent of the current annual premiums of the Company for its directors' and officers' liability insurance.

(c) Successors. In the event the Surviving Corporation or any of its successors or assigns (i) consolidates with or merges into any other person or entity 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 or entity, then and in either such case, proper provisions shall be made so that the successors and assigns of the Surviving Corporation shall assume the obligations set forth in this Section 7.5.

(d) Survival of Indemnification. To the fullest extent not prohibited by law, from and after the Effective Time, all rights to indemnification as of the date hereof in favor of the employees, agents, directors and officers of Parent, the Company and its Subsidiaries with respect to their activities as such prior to the Effective Time, as provided in their respective articles of incorporation and by-laws in effect on the date of this Agreement, shall survive the Merger and shall continue in full force and effect for a period of not less than six years from the Effective Time.

Section 7.6. Disclosure Schedules. On or before the date hereof, (i) Parent has delivered to the Company the Parent Disclosure Schedule, accompanied by a certificate signed by an officer of Parent stating the Parent Disclosure Schedule has been delivered pursuant to

this Section 7.6 and (ii) the Company has delivered to Parent the Company Disclosure Schedule, accompanied by a certificate signed by the chief financial officer of the Company stating the Company Disclosure Schedule has been delivered pursuant to this Section 7.6. The Parent Disclosure Schedule and the Company Disclosure Schedule are collectively referred to herein as the "Disclosure Schedules." The Disclosure Schedules shall be deemed to constitute an integral part of this Agreement and to modify the respective representations, warranties, covenants or agreements of the parties hereto contained herein to the extent that such representations, warranties, covenants or agreements expressly refer to the Disclosure Schedules. Anything to the contrary contained herein or in the Disclosure Schedules notwithstanding, any and all statements, representations, warranties or disclosures set forth in the Disclosure Schedules delivered on or before the date hereof shall be deemed to have been made on and as of the date hereof. From time to time prior to the Closing, the parties shall promptly supplement or amend the Disclosure Schedules with respect to any matter, condition or occurrence hereafter arising affecting the representations and warranties contained herein which, if existing or occurring at the date of this Agreement, would have been required to be set forth or described in the Disclosure Schedules pertaining to the parties' representations and warranties contained herein. No supplement or amendment shall be deemed to cure any breach of any representation or warranty made in this Agreement or have any effect for the purpose of determining satisfaction of the conditions set forth in Section 8.2(b) or 8.3(b).

Section 7.7. Public Announcements. Subject to each party's disclosure obligations imposed by law or regulation, Parent and the Company will cooperate with each other in the development and distribution of all news releases and other public information disclosures with respect to this Agreement or any of the transactions contemplated hereby and shall not issue any public announcement or statement with respect hereto or thereto without the consent of the other party (which consent shall not be unreasonably withheld and which decision regarding consent shall be made as soon as reasonably practicable).

Section 7.8. No Solicitations. From and after the date hereof, the Company will not, and will not authorize or permit any of its Representatives to, directly or indirectly, (i) solicit, initiate or encourage (including by way of furnishing information) or take any other action to facilitate any inquiries or the making of any proposal which constitutes or may reasonably be expected to lead to an Acquisition Proposal (as defined below), (ii) enter into any agreement with respect to any Acquisition Proposal or (iii) in the event of an unsolicited written Acquisition Proposal, engage in negotiations or discussions with, or provide any information or data to, any Person (other than to Parent, any of its affiliates or Representatives and except for information which has been previously publicly disseminated by the parties) relating to any Acquisition Proposal; provided, however, that nothing contained in this Section 7.8 or any other provision hereof shall prohibit the Company or its Board of Directors from (i) taking and disclosing to its shareholders a position with respect to a tender or an exchange offer by a third party pursuant to Rules 14d-9 and 14e-2 promulgated under the Exchange Act or (ii) making such disclosure to its shareholders as, in good faith judgment of its Board of Directors, after consultation with outside counsel, is required under applicable law.

Without limiting the foregoing, it is understood that any violation of the restrictions set forth in the preceding sentence by an executive officer of the Company or any investment banker, attorney or other Representative of the Company, whether or not such person is purporting to act on behalf of the Company or otherwise, shall be deemed to be a breach of this Section 7.8 by the Company. Notwithstanding any other provision hereof, the Company may (i) at any time prior to the time its shareholders shall have voted to approve this Agreement, engage in discussions or negotiations with a third party who (without any solicitation, initiation, encouragement, discussion or negotiation (except as permitted by Section 7.8), directly or indirectly, by or with the Company or its Representatives after the date hereof) seeks to initiate such discussions or negotiations and may furnish such third party information concerning the Company and its business, properties and assets if, and only if, (A)(w) the third party has first made an Acquisition Proposal that is reasonably expected to be more favorable to the Company's shareholders than the Merger, taking into account all legal, regulatory, timing and financial aspects of the Merger and of the Acquisition Proposal, including the degree of certainty of financing therefor, (x) the Acquisition Proposal is reasonably capable of being completed (as determined in good faith by the Company's Board of Directors after consultation with its financial advisors and outside counsel), (y) the third party has demonstrated that financing for the Acquisition Proposal is reasonably likely to be obtained (as determined in good faith by the Company's Board of Directors after consultation with its financial advisors) and (z) its Board of Directors shall have concluded in good faith, after considering applicable provisions of state law and after consultation with outside counsel, that a failure to do so could reasonably be expected to constitute a breach by its Board of Directors of its fiduciary duties to its shareholders under applicable law and (B) prior to furnishing such information to or entering into discussions or negotiations with such person or entity, the Company (x) provides prompt notice to Parent to the effect that it is furnishing information to or entering into discussions or negotiations with such person or entity and (y) receives from such person an executed confidentiality agreement substantially similar to the Confidentiality Agreement, together with its written acknowledgment and agreement to pay at closing the termination and other fees set forth in Section 9.3 if such Acquisition Proposal is consummated or any other Acquisition Proposal is consummated with such party or any of its affiliates, and (ii) comply with Rule 14e-2 promulgated under the Exchange Act with regard to a tender or exchange offer. The Company shall immediately cease and terminate any existing solicitation, initiation, encouragement, activity, discussion or negotiation with any parties conducted heretofore by the Company or its Representatives with respect to the foregoing. The Company shall notify Parent hereto orally and in writing of any such inquiries, offers or proposals (including, without limitation, the material terms and conditions of any such proposal and the identity of the person making it), within 24 hours of the receipt thereof, shall keep Parent informed of the status and details of any such inquiry, offer or proposal, and shall give Parent three business days' advance notice of any agreement (specifying the material terms and conditions thereof) to be entered into with or any information to be supplied to any person making such inquiry, offer or proposal.

The term "Acquisition Proposal" shall mean a written proposal or offer (other than by Parent or Merger Sub) for a tender or exchange offer, merger, consolidation or other business combination involving the Company or any material Company Subsidiary or any proposal to

acquire in any manner a substantial equity interest in or a substantial portion of the assets of the Company or any material Company Subsidiary, other than the transactions contemplated by this Agreement. As used in this Section, "Board of Directors" includes any committee thereof.

Section 7.9. Expenses. Subject to Section 9.3, all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such expenses.

Section 7.10. Third Party Standstill Agreements. During the period from the date of this Agreement through the Effective Time, neither the Company nor any of its Subsidiaries shall terminate, amend, modify or waive any material provision of any confidentiality or standstill agreement to which it is a party. During such period, the Company and its Subsidiaries shall enforce, to the fullest extent permitted under applicable law, the provisions of any such agreement, including, but not limited to, by obtaining injunctions to prevent any breaches of such agreements and to enforce specifically the terms and provisions thereof in any court having jurisdiction.

Section 7.11. Takeover Statutes. If any "business combination," "fair price," "moratorium," "control stock acquisition" or other form of antitakeover statute or regulation shall become applicable to the Merger or the transactions contemplated hereby, the Company and the members of the Board of Directors of the Company shall grant such approvals and take such actions as are reasonably necessary so that the Merger or the transactions contemplated hereby may be consummated as promptly as practicable on the terms contemplated hereby and otherwise act to eliminate or minimize the effects of such statute or regulation on the Merger or the transactions contemplated hereby.

Section 7.12. Subscription Agreements. Parent and Merger Sub agree that they will not, without the prior consent of the Company, enter into any amendment to, or modification or waiver of, any of the Subscription Agreements if such amendment, modification or waiver would (i) reduce the aggregate amount of funds committed under the Subscription Agreements, (ii) add additional conditions to the consummation of the transactions contemplated by the Subscription Agreements or (iii) have a material adverse effect on or delay the receipt of any of the Parent Statutory Approvals or the consummation of the Merger. Parent and Merger Sub shall enforce to the fullest extent permitted under applicable law, the provisions of Subscription Agreements, including but not limited to obtaining injunctions to enforce specifically the terms and provisions thereof in any court having jurisdiction. Parent and Merger Sub shall use all reasonable efforts to fulfill all of their obligations under the Subscription Agreements and to cause all conditions to funding under the Subscription Agreements (other than conditions to funding that are conditions to consummation of the Merger under this Agreement) to be fulfilled as promptly as reasonably practicable. Parent and Merger Sub shall give the Company prompt written notice of (i) any material breach or threatened material breach by any party of the terms or provisions of the Subscription Agreements, (ii) any termination or threatened termination of any of the Subscription

Agreements or (iii) any exercise or threatened exercise of any condition under any of the Subscription Agreements.

Section 7.13. Employee Benefits Matters. (a) Except to the extent necessary to avoid duplication of benefits, the Surviving Corporation shall give Company Employees full credit for purposes of eligibility and vesting under any employee benefit plans or arrangements maintained by the Surviving Corporation or any of its Subsidiaries in which such employees are eligible to participate for such employees' service with the Company and its Subsidiaries to the same extent recognized by the Company and its Subsidiaries immediately prior to the Effective Time. The Surviving Corporation shall (i) waive all limitations as to preexisting conditions exclusions and waiting periods with respect to participation and coverage requirements applicable to Company Employees under any welfare plan that such employees may be eligible to participate in after the Effective Time, other than limitations or waiting periods that are already in effect with respect to such employees and that have not been satisfied as of the Effective Time under any welfare plan maintained for the Company Employees immediately prior to the Effective Time, and (ii) provide each Company Employee with credit for any co-payments and deductibles paid prior to the Effective Time in satisfying any applicable deductible or out-of-pocket requirements under any welfare plans that such employees are eligible to participate in after the Effective Time.

(b) The Surviving Corporation shall comply with the terms of all Company Benefit Plans.

(c) The Company shall take all such steps as may be reasonably required to cause the transactions contemplated by Article II hereof and any other dispositions of the Company equity securities (including derivative securities) in connection with this Agreement by each individual who is a director or officer of the Company to be exempt under Rule 16b-3 promulgated under the Exchange Act, such steps to be taken in accordance with the No-Action Letter dated January 12, 1999, issued by the SEC to Skadden, Arps, Slate, Meagher & Flom LLP.

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 satisfaction on or prior to the Closing Date of the following conditions, except, to the extent permitted by applicable law, that such conditions may be waived in writing pursuant to Section 9.5 by the joint action of the parties hereto:

(a) Shareholder Approval. The Company Shareholders' Approval shall have been obtained.

(b) No Injunction. No temporary restraining order or preliminary or permanent injunction or other order by any federal or state court preventing consummation of the Merger or the other transactions contemplated hereby shall have been issued and be continuing in effect, and the Merger and the other transactions contemplated hereby shall not have been prohibited under any applicable federal or state law or regulation; provided, however, that the parties hereto shall use all reasonable efforts to have any such order, injunction, or prohibition vacated.

(c) Statutory Approvals. The Company Required Statutory Approvals and the Parent Required Statutory Approvals shall have been obtained at or prior to the Effective Time, such approvals shall have become Final Orders (as defined below) and such Final Orders shall not impose terms or conditions which, in the aggregate, would have, or could reasonably be expected to have, a Company Material Adverse Effect or a Parent Material Adverse Effect, or which would be materially inconsistent with the agreements of the parties contained herein. The term "Final Order" shall mean action by the relevant regulatory authority which has not been reversed, stayed, enjoined, set aside, annulled or suspended, with respect to which any waiting period prescribed by law before the transactions contemplated hereby may be consummated has expired, and as to which all conditions to the consummation of such transactions prescribed by law, regulation or order have been satisfied.

(d) HSR Act. All applicable waiting periods under the HSR Act shall have expired or been terminated.

Section 8.2. Conditions to Obligation of the Company to Effect the Merger. The obligation of the Company to effect the Merger shall be further subject to the satisfaction, on or prior to the Closing Date, of the following conditions, except as may be waived by the Company in writing pursuant to Section 9.5:

(a) Performance of Obligations of Parent and Merger Sub. Parent and Merger Sub will have performed in all material respects their agreements and covenants contained in or contemplated by this Agreement, which are required to be performed by them at or prior to the Effective Time.

(b) Representations and Warranties. The representations and warranties of Parent and Merger Sub set forth in Article V of this Agreement shall be true and correct, unless the failure of such representations and warranties to be so true and correct, in the aggregate, have not had and would not reasonably be expected to have a Parent Material Adverse Effect (ignoring, for purposes of this Section 8.2(b), any materiality standard expressly included in such representations or warranties) as of the date hereof (or, to the extent such representations and warranties speak as of an earlier or later date, as of such earlier or later date) and as of the Closing Date (except to the extent such representations and warranties speak as of an earlier or later date) as if made on and as of the Closing Date, except as otherwise contemplated by this Agreement.

(c) Closing Certificates. The Company shall have received a certificate signed by the managing member of Parent, dated the Closing Date, to the effect that, to the best of such

person's knowledge, the conditions set forth in Section 8.2(a) and Section 8.2(b) have been satisfied.

(d) Legal Opinions as to Corporate and Regulatory Matters. The Company shall have received the opinions of (i) Willkie Farr & Gallagher, Parent's special counsel, in form and substance customary for transactions of this type and reasonably satisfactory to the Company, dated the Effective Time, as to the authorization, validity and enforceability of this Agreement and (ii) LeBoeuf, Lamb, Greene & MacRae, L.L.P., Parent's special regulatory counsel, in form and substance customary for transactions of this type and reasonably satisfactory to the Company, dated the Effective Time, as to certain regulatory matters, including that all regulatory approvals, permits and consents have been obtained; provided, that such firms may reasonably rely on local counsel (including local counsel as to local regulatory matters) as to matters of local law.

Section 8.3. Conditions to Obligation of Parent and Merger Sub to Effect the Merger. The obligation of Parent and Merger Sub to effect the Merger shall be further subject to the satisfaction, on or prior to the Closing Date, of the following conditions, except as may be waived by Parent in writing pursuant to Section 9.5:

(a) Performance of Obligations of the Company. The Company (and/or appropriate Company Subsidiaries) will have performed in all material respects its agreements and covenants contained in or contemplated by this Agreement which are required to be performed by it at or prior to the Effective Time.

(b) Representations and Warranties. The representations and warranties of the Company set forth in this Agreement shall be true and correct, unless the failure of such representations and warranties to be so true and correct, in the aggregate, have not had and would not reasonably be expected to have a Company Material Adverse Effect (ignoring, for purposes of this Section 8.3(b), any materiality standard expressly included in such representations or warranties) as of the date hereof (or, to the extent such representations and warranties speak as of an earlier or later date, as of such earlier or later date) and as of the Closing Date (except to the extent such representations and warranties speak as of an earlier or later date) as if made on and as of the Closing Date, except as otherwise contemplated by this Agreement.

(c) Company Material Adverse Effect. No Company Material Adverse Effect shall have occurred and there shall exist no fact or circumstance that would or, insofar as reasonably can be foreseen, could have a Company Material Adverse Effect.

(d) Company Required Consents. The Company Required Consents shall have been obtained.

(e) Insurance Matters. The condition regarding certain insurance matters set forth in Section 8.3(e) of the Parent Disclosure Schedule shall have been satisfied.

(f) Closing Certificates. Parent shall have received a certificate signed by the chief executive officer and the chief financial officer of the Company, dated the Closing Date, to the effect that, to the best of such officers' knowledge, the conditions set forth in Sections 8.3(a), (b), (c), (d) and (e) have been satisfied.

(g) 1935 Act Status. The Investors shall have received evidence reasonably satisfactory to them that neither they nor any of their affiliates (within the meaning of Section 2(a)(11) of the 1935 Act) nor any other of the Investor Entities will be subject to regulation as a registered holding company under the 1935 Act following the Merger; provided, that the Investors shall have used all commercially reasonable efforts to obtain such evidence, subject to the proviso in Section 6.2(b).

(h) Legal Opinions as to Corporate and Regulatory Matters. Parent shall have received the opinions of (i) Dorsey and Whitney LLP, the Company's special Iowa counsel, in form and substance customary for transactions of this type and reasonably satisfactory to Parent, dated the Effective Time, as to the authorization, validity and enforceability of this Agreement and (ii) LeBoeuf, Lamb, Greene & MacRae, L.L.P., the Company's special regulatory counsel, in form and substance customary for transactions of this type and reasonably satisfactory to Parent, dated the Effective Time, as to certain regulatory matters, including that all regulatory approvals, permits and consents have been obtained; provided, that LeBoeuf, Lamb, Greene & MacRae, L.L.P. may reasonably rely on local counsel (including local counsel as to local regulatory matters) as to matters of local law.

(i) Company Options. Except as otherwise agreed by Parent in writing as provided in Section 2.4, all Company Options under the Company Stock Plans shall have been validly cancelled and none shall remain outstanding no later than the Effective Time, and no holder of Company Options or any participant in the Company Stock Plans or any other Company Benefit Plan shall have any right thereunder to acquire any equity securities or interests therein of the Company, the Surviving Corporation or any of their respective Subsidiaries.

(j) Dissenting Shares. Holders of not more than ten percent (10%) of the outstanding shares of Company Common Stock shall have perfected such holder's right to dissent in accordance with the applicable provisions of the Iowa Act and shall not have withdrawn or lost such rights.

ARTICLE IX.

TERMINATION, AMENDMENT AND WAIVER

Section 9.1. Termination. This Agreement may be terminated at any time prior to the Closing Date, whether before or after the Company Shareholders' Approval has been obtained:

(a) by mutual written consent of Parent and the Board of Directors of the Company;

(b) by any party hereto, by written notice to the other, if the Effective Time shall not have occurred on or before April 30, 2000; provided, that such date shall automatically be changed to July 31, 2000 if on April 30, 2000 the conditions set forth in Section 8.1(c) and/or 8.3(g) have not been satisfied or waived and the other conditions to the consummation of the transactions contemplated hereby are then capable of being satisfied, and the approvals required by Section 8.1(c) and/or 8.3(g), as the case may be, which have not yet been obtained are being pursued with diligence; and provided, further, 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;

(c) by any party hereto, by written notice to the other party, if the Company Shareholders' Approval shall not have been obtained at a duly held the Company Meeting, including any adjournments thereof;

(d) by any party hereto, after consultation with outside counsel, if any state or federal law, order, rule or regulation is adopted or issued, which has the effect of prohibiting the Merger, or by any party hereto, if any court of competent jurisdiction in the United States or any State shall have issued an order, judgment or decree permanently restraining, enjoining or otherwise prohibiting the Merger, and such order, judgment or decree shall have become final and nonappealable; provided, that such terminating party shall have complied with its obligations pursuant to Section 10.8.

(e) by the Company, upon three business days' prior notice to Parent if, as a result of an Acquisition Proposal described in clauses (A)(w), (x) and (y) of the second paragraph of Section 7.8, (i) the Board of Directors of the Company shall have concluded in good faith, after considering applicable provisions of state law and after consultation with outside counsel, that their fiduciary duties could reasonably require that such Acquisition Proposal be accepted; (ii) the Company shall have complied with all its obligations under Sections 7.4 and 7.8; (iii) the person making the Acquisition Proposal shall have acknowledged and agreed in writing to pay or cause to be paid the termination and other fees set forth in Section 9.3 if such Acquisition Proposal is consummated or any other Acquisition Proposal is consummated with such person or any of its affiliates and (iv) during the three business days prior to any such termination, the Company shall, and shall cause its respective financial and legal advisors to, in good faith seek to negotiate with Parent to make such adjustments in the terms and conditions of this Agreement as would enable the Company to proceed with the transactions contemplated herein;

(f) by Parent, by written notice to the Company, if (i)(A) there shall have been any breach of any representation or warranty, or any non-willful breach of any covenant or agreement, of the Company hereunder, other than such breaches, which, together with any other such breaches, has not had and would not reasonably be expected to have a Company Material Adverse Effect, or (B) there shall have been any material breach (if willful) of any covenant or agreement of the Company hereunder and, in case of each of clauses (A) and (B) above, such breach shall not have been remedied within twenty days after receipt by the

Company of notice in writing from Parent, specifying the nature of such breach and requesting that it be remedied and provided, that, any materiality standard expressly included in such representations, warranties, covenants or agreements shall be ignored for purposes of this Section 9.1(f)(i); or (ii) the Board of Directors of the Company (A) shall withdraw or modify in any manner adverse to Parent its approval of this Agreement and the transactions contemplated hereby or its recommendation to its shareholders regarding the approval of this Agreement, (B) shall fail to reaffirm such approval or recommendation within five business days after a written request therefor of Parent (unless such request is made during the last seven business days immediately prior to the Company Meeting, in which case, such reaffirmation shall fail to be made within two business days after the request), (C) shall approve or recommend any Acquisition Proposal or (D) shall resolve to take any of the actions specified in clause (A), (B) or (C);

(g) by the Company, by written notice to Parent, if (A) there shall have been any breach of any representation or warranty, or any non-willful breach of any covenant or agreement, of Parent or Merger Sub hereunder, other than such breaches, which, together with any other such breaches, has not had and would not reasonably be expected to have a Parent Material Adverse Effect, or (B) there shall have been any material breach (if willful) of any covenant or agreement of Parent or Merger Sub hereunder (which shall be deemed to include, for this purpose only, the failure of Parent and Merger Sub to deposit, or cause to be deposited (including from available cash balances at the Company), the cash to the Exchange Agent required pursuant to Section 2.3(a), assuming all other conditions to Closing have been satisfied or otherwise waived in writing by Parent), and, in case of each of clauses (A) and (B) above, such breach shall not have been remedied within twenty days after receipt by Parent of notice in writing from the Company, specifying the nature of such breach and requesting that it be remedied and provided, that, any materiality standard expressly included in such representations, warranties, covenants or agreements shall be ignored for purposes of this Section 9.1(g);

(h) by the Company if any of the Subscription Agreements shall have been terminated at any time when Parent would not be entitled to terminate this Agreement pursuant to Section 9.1(b), (c), (d) or (f) and, within ten (10) business days after any such termination, such Subscription Agreement shall not have been replaced with another Subscription Agreement with such Investor or another Investor and containing terms at least as favorable to Merger Sub as the terminated Subscription Agreement; provided, that, following any such replacement, Berkshire Hathaway Inc. shall own (including ownership through one or more subsidiaries of Berkshire Hathaway Inc. which are consolidated with Berkshire Hathaway Inc. for financial accounting purposes) at least 70% of the equity (determined by reference to economic interest) in the Surviving Corporation upon consummation of the Merger.

Section 9.2. Effect of Termination. In the event of termination of this Agreement by either the Company or Parent pursuant to Section 9.1, there shall be no liability on the part of either Parent or the Company or their respective officers, members or directors hereunder, except as provided in Section 7.9 and 9.3 and except that the agreement contained in the last sentence of Section 7.1 shall survive the termination.

Section 9.3. Termination Fee; Expenses.

(a) Termination and Expense Fees. If this Agreement (i) is terminated by Parent pursuant to Section 9.1(f)(ii), or (ii) is terminated by the Company pursuant to Section 9.1(e), then the Company shall pay to Parent promptly (but not later than five business days after such notice is given or received by the Company pursuant to Section 9.1(f)(ii) or 9.1(e)) a termination fee equal to $40 million in cash plus an additional $8 million in cash (the "Expense Amount") constituting reimbursement of expenses and fees incurred or to be incurred by Parent or Merger Sub in connection with or related to the Merger and the transactions contemplated by this Agreement, without any requirement that Parent or Merger Sub account for actual expenses. If (i) this Agreement is terminated pursuant to Section 9.1(b), 9.1(c) or 9.1(f)(i) and (ii) at the time of such termination, there shall have been an Acquisition Proposal made by a third party which, at the time of such termination, shall not have been (x) rejected by the Company and its Board of Directors and (y) withdrawn by the third party and (iii) within eighteen months of any such termination, the Company or its affiliate becomes a subsidiary or part of such third party or a subsidiary or part of an affiliate of such third party, or merges with or into the third party or a subsidiary or affiliate of the third party or enters into a definitive agreement to consummate an Acquisition Proposal with such third party or affiliate thereof, then the Company shall pay to Parent, at the closing of the transaction (and as a condition to the closing) in which the Company or its affiliate becomes such a subsidiary or part of such other person or the closing of such Acquisition Proposal occurs, a termination fee equal to $40 million in cash plus (unless the Expense Amount is paid pursuant to the following sentence) the Expense Amount. If this Agreement is terminated pursuant to (i) Section 9.1(b) due to any failure to satisfy any of the conditions set forth in Sections 8.1(b), 8.1(c) or 8.3 (other than 8.3(g)), or (ii) Section 9.1(d) or Section 9.1(f)(i), the Company shall pay to Parent promptly (but not later than five business days after such notice of termination is given or received by the Company) the Expense Amount.

(b) If this Agreement is terminated by the Company, by written notice to Parent, due to the failure of Parent and Merger Sub to deposit, or cause to be deposited (including from available cash balances at the Company), the cash to the Exchange Agent required pursuant to Section 2.3(a) at a time when all conditions to Parent's obligation to close have been satisfied or otherwise waived in writing by Parent, then Parent shall pay to the Company a termination fee of $40 million, plus additional damages (but only if and to the extent proven) in an amount not to exceed $40 million.

(c) Expenses. The parties agree that the agreements contained in this Section 9.3 are an integral part of the transactions contemplated by this Agreement and constitute liquidated damages and not a penalty. Notwithstanding anything to the contrary contained in this Section 9.3, if one party fails to promptly pay to the other any fee or expense due under this Section 9.3, in addition to any amounts paid or payable pursuant to such Section, 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 publicly announced prime rate of Citibank, N.A. from the date such fee was required to be paid.

(d) Limitation Of Fees. Notwithstanding anything herein to the contrary, if any Investor (x) would, upon consummation of the Merger, become subject to regulation as a public utility holding company required to register under the 1935 Act and (y) solely as a result thereof, this Agreement is terminated, then no fees under this Section 9.3 shall be payable by the Company.

Section 9.4. Amendment. This Agreement may be amended by Parent and the Boards of Directors of the Company and Merger Sub, at any time before or after the Company Shareholders' Approval has been obtained and prior to the Effective Time, but after such Approval has been obtained, no such amendment shall (a) alter or change the Per Share Amount or (b) alter or change any of the terms and conditions of this Agreement if any of the alterations or changes, alone or in the aggregate, would materially adversely affect the rights of holders of Company Common Stock. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto.

Section 9.5. 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, to the extent permitted by applicable law. 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; Effect of Representations and Warranties. No representations or warranties in this Agreement shall survive the Effective Time, except as otherwise provided in this Agreement.

Section 10.2. Notices. All notices and other communications hereunder shall be in writing and shall be deemed given (a) when delivered personally, (b) when sent by reputable overnight courier service or (c) when telecopied (which is confirmed by copy sent within one business day by a reputable overnight courier service) to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

(i) If to Parent or Merger Sub, to:

Teton Formation L.L.C.
c/o MidAmerican Energy Holdings Company
666 Grand Avenue
Des Moines, Iowa 50309
Attn: Chief Executive Officer
Telecopy: (515) 242-4031
Telephone: (515) 242-4300

with copies to:

Willkie Farr & Gallagher
787 Seventh Avenue
New York, New York 10019
Attn: Peter J. Hanlon
Telecopy: (212) 728-8111
Telephone: (212) 728-8000

Munger, Tolles & Olson LLP
355 South Grand Avenue
Los Angeles, CA 90071,
Attn: Robert E. Denham
Telecopy: (213) 687-3702
Telephone: (213) 683-9100

Fraser, Stryker, Vaughn, Meusey, Olson, Boyer & Bloch, P.C.
500 Energy Plaza
409 South 17th Street
Omaha, Nebraska 68102
Attn: John K. Boyer
Telecopy: (402) 341-8290
Telephone: (402) 341-6000

and

LeBoeuf, Lamb, Greene & MacRae, L.L.P.
125 West 55th Street
New York, New York 10019
Attn: Douglas W. Hawes
Telecopy: (212) 424-8500
Telephone: (212) 424-8000

(ii) if to the Company, to:

MidAmerican Energy Holdings Company
666 Grand Avenue
Des Moines, Iowa 50309
Attn: General Counsel
Telecopy: (515) 242-4080
Telephone: (515) 242-4300

with a copy to:

Skadden, Arps, Slate, Meagher & Flom LLP
919 Third Avenue

New York, New York 10022
Attn: Alan C. Myers
Telecopy: (212) 735-2000
Telephone: (212) 735-3000

Section 10.3. Miscellaneous. This Agreement (a) 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 (other than the Confidentiality Agreement), (b) shall not be assigned by operation of law or otherwise and (c) shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts executed in and to be fully performed in such State, without giving effect to its conflicts of law rules or principles and except to the extent the provisions of this Agreement (including the documents or instruments referred to herein) are expressly governed by or derive their authority from the Iowa Act.

Section 10.4. Interpretation. When a reference is made in this Agreement to Sections or Exhibits, such reference shall be to a Section or Exhibit of this Agreement, respectively, unless otherwise indicated. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation."

Section 10.5. Counterparts; Effect. This Agreement may be executed in one 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 10.6. Enforcement. The parties agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in any court of the United States located in the State of New York or in New York state court, this being in addition to any other remedy to which they are entitled at law or in equity. In addition, each of the parties hereto (a) consents to submit itself to the personal jurisdiction of any federal court located in the State of New York or any New York state court in the event any dispute arises out of this Agreement or any of the transactions contemplated by this Agreement, (b) agrees that it will not attempt to deny such personal jurisdiction by motion or other request for leave from any such court and (c) agrees that it will not bring any action relating to this Agreement or any of the transactions contemplated by this Agreement in any court other than a federal or state court sitting in the State of New York.

Section 10.7. Parties in Interest. This Agreement shall be binding upon and inure solely to the benefit of each party hereto, and, except for rights of Indemnified Parties as set forth in Section 7.5, nothing in this Agreement, express or implied, is intended to confer upon

any other person any rights or remedies of any nature whatsoever under or by reason of this Agreement.

Section 10.8. Further Assurances. Each party will execute such further documents and instruments and take such further actions as may reasonably be requested by any other party in order to consummate the Merger in accordance with the terms hereof.

Section 10.9. Waiver Of Jury Trial. Each party to this Agreement waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in respect of any action, suit or proceeding arising out of or relating to this Agreement.

Section 10.10. Certain Definitions. The term "affiliate," except where otherwise defined herein, shall mean, as to any Person, any other Person which directly or indirectly controls, or is under common control with, or is controlled by, such Person. The term "control" (including, with its correlative meanings, "controlled by" and "under common control with") shall mean possession, directly or indirectly, of power to direct or cause the direction of management or policies (whether through ownership of securities or partnership or other ownership interests, by contract or otherwise).

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

MIDAMERICAN ENERGY HOLDINGS COMPANY

By: _____
Name: Steven A. McArthur
Title: Senior Vice President

TETON FORMATION L.L.C.

By: _____
Name: David L. Sokol
Title: Managing Member

TETON ACQUISITION CORP.

By: _____
Name: David L. Sokol
Title: Chief Executive Officer & President

INDEX OF DEFINED TERMS

AMENDED AND RESTATED BERKSHIRE HATHAWAY INC.
SUBSCRIPTION AGREEMENT

Teton Acquisition Corp.
c/o MidAmerican Energy Holdings Company
302 South 36th Street
Suite 400
Omaha, Nebraska 68131
Attn: David L. Sokol

Ladies and Gentlemen:

The undersigned is executing this Agreement in connection with its subscription for shares of (i) common stock, no par value ("Common Stock"), and Preferred Stock (as defined below) of Teton Acquisition Corp. (the "Company"), an Iowa corporation wholly owned by Teton Formation L.L.C. (the "Parent"), an Iowa limited liability company, and (ii) Trust Securities (as defined below) of the Trust (as defined below). The undersigned understands that the Company is relying upon the accuracy and completeness of the information contained herein in complying with its obligations under federal and state securities and other applicable laws.

The Company and the Parent are contemplating entering into an Agreement and Plan of Merger (the "Merger Agreement") with MidAmerican Energy Holdings Company ("MidAmerican"), pursuant to which, and subject to the terms and conditions set forth therein, the Company would merge with and into MidAmerican, with MidAmerican being the surviving corporation (the "Merger").

The undersigned hereby irrevocably agrees with, and represents and warrants to and for the benefit of, the Company, the Parent and the members of the Parent, as follows:

1. Subscription.

On the terms and subject to the conditions of this Agreement, the undersigned hereby irrevocably subscribes for and the Company hereby irrevocably agrees to sell:

(a) such number of shares of Common Stock representing 9.9% of the outstanding voting stock of the Company (after giving effect to the purchases under the other Subscription Agreements (as defined herein)) for a purchase price of $35.05 per share;

(b) such number of shares of Zero Coupon Convertible Preferred Stock ("Preferred Stock") of the Company (the terms of which are described on the form of Articles of Amendment to the Amended and Restated Articles of Incorporation of the Company attached as Schedule I hereto) equal to the Preferred Stock

Share Amount (as defined below), for a purchase price of $35.05 (the "Preferred Stock Purchase Price") per share; and

(c) 32,000,000 11% Trust Issued Preferred Securities (liquidation amount $25 per security) (the "Trust Securities") of MidAmerican Capital Trust, a statutory business trust to be formed by the Company under the laws of the State of Delaware (the "Trust"), having the terms, limitations and relative rights and preferences described on Schedule II hereto, for an aggregate purchase price of $800 million.

The "Preferred Stock Share Amount" shall equal the quotient obtained by dividing (A) the Net Merger Consideration Amount (as defined below) less (i) $280,400,000, representing the aggregate subscription price for shares of Common Stock to be paid by Walter Scott, Jr. pursuant to the Scott Subscription Agreement (as defined below), (ii) $17,478,900, representing the aggregate subscription price for shares of Common Stock and options to purchase shares of Common Stock to be paid by David L. Sokol pursuant to the Sokol Subscription Agreement (as defined below), (iii) the aggregate subscription price (up to $12,521,100) for shares of Common Stock and/or options to purchase Common Stock to be paid by members of management of MidAmerican other than David L. Sokol pursuant to the Management Subscription Agreements (as defined below), (iv) the aggregate purchase price for the shares of Common Stock to be purchased by the undersigned under Section 1(a) and (v) $800 million, representing the aggregate purchase price for the Trust Securities to be purchased by the undersigned under Section 1(c), by (B) the Preferred Stock Purchase Price.

For purposes of the preceding paragraph, (i) the value per share of MidAmerican common stock paid as part of the purchase price under the Management Subscription Agreements shall equal the amount per share of MidAmerican common stock to be paid pursuant to the Merger Agreement (the "Per Share Amount"), and (ii) the value of the options to purchase MidAmerican common stock paid as part of the purchase price under the Management Subscription Agreements shall equal the product of (A) the excess, if any, for each such option, of the Per Share Amount over the per share exercise price thereof and (B) the number of shares of MidAmerican common stock subject to the option.

The "Net Merger Consideration Amount" shall equal (A) the sum of (i) the aggregate cash consideration to be paid to the holders of MidAmerican common stock and/or options to purchase MidAmerican common stock pursuant to the Merger Agreement (assuming that all shares of MidAmerican common stock and options to purchase MidAmerican common stock are cashed out in the Merger), (ii) the aggregate cash consideration to be paid to holders of trust preferred securities of MidAmerican Capital Trust II and/or MidAmerican Capital Trust III (together referred to as "TIDES"), with respect to which securities conversion rights are exercised, and (iii) other transaction costs of up to $25 million, less (B) the amount of cash on MidAmerican's balance sheet on the Closing Date (including cash received by MidAmerican upon the exercise of options and certain asset sales); *provided, that,* in no event shall the Net Merger Consideration Amount exceed $2,352,000,000.

To the extent that TIDES have not been converted into MidAmerican common stock as of the Closing Date, the number of shares of Preferred Stock purchased pursuant to Section 1(b) above at the Closing Date will be reduced, and additional shares of Preferred Stock will be purchased over the period of up to 180 days following the Closing Date at the Preferred Stock Purchase Price, as and to the extent that TIDES are converted, with the total number of shares of Preferred Stock purchased at the Closing Date and over the succeeding six months not to exceed the Preferred Stock Share Amount. Following the close of business on the day that is 180 days after the Closing Date, or the date on which all of the TIDES have been converted, whichever is earlier, provided all shares of Preferred Stock required up to that time to be purchased hereunder have been duly purchased, there shall be no further obligation to purchase shares of Preferred Stock.

The shares of Common Stock and Preferred Stock to be purchased pursuant to Sections 1(a) and (b) are herein referred to, collectively, as the "Shares," and the Shares, together with the Trust Securities to be purchased pursuant to Section 1(c), are herein referred to, collectively, as the "Securities." The purchase price for such Securities is payable, at the option of the undersigned, in cash, in shares of MidAmerican common stock (which shall be valued at the Per Share Amount), or any combination thereof. The undersigned may assign its subscription rights hereunder to one or more of its consolidated subsidiaries; provided, however, that the undersigned shall remain fully liable for all of its obligations hereunder, including, without limitation, the payment of the purchase price for all of the Securities. As a condition to such subscription, each consolidated subsidiary of the undersigned purchasing Securities shall execute and deliver to the Company a counterpart of this Agreement, and shall be bound by the terms and conditions of this Agreement (but with its obligations limited to the Securities being purchased by it) as if such person was the original signatory hereto.

2. Other Subscription Agreements. The Company is entering into, concurrently with the execution of this Agreement, (i) a subscription agreement with David L. Sokol (the "Sokol Subscription Agreement"), pursuant to which David L. Sokol has agreed to purchase, on the terms and subject to the conditions stated therein, shares of Common Stock and/or options to purchase Common Stock, and (ii) a subscription agreement with Walter Scott, Jr. (the "Scott Subscription Agreement"), pursuant to which Walter Scott, Jr. has agreed to purchase, on the terms and subject to the conditions stated therein, shares of Common Stock. The Company may also enter into subscription agreements with other members or former members of MidAmerican management (any such agreements, together with the Sokol Subscription Agreement, the "Management Subscription Agreements" and the Management Subscription Agreements, together with this Agreement and the Scott Subscription Agreement, collectively, the "Subscription Agreements"), pursuant to which such persons will agree to purchase, on the terms and subject to the conditions stated therein, shares of Common Stock and/or options to purchase Common Stock. Each of the Subscription Agreements are separate and several agreements, and the sales of Securities to the undersigned and to the other purchasers under the Subscription Agreements are to be separate and several sales.

3. Representations and Warranties of the Company. The Company hereby represents and warrants that:

(a) Organization and Qualification. The Company is duly formed, validly existing and in good standing under the laws of the State of Iowa. On the Closing Date (as defined below), the Trust will be a statutory business trust duly organized, validly existing and in good standing under the laws of the State of Delaware. The Company was organized solely for the purposes of consummating the Merger and the other transactions to be contemplated by the Merger Agreement and taking action with respect thereto. Except for obligations or liabilities incurred, or to be incurred, in connection with the transactions to be contemplated by the Merger Agreement (including the Subscription Agreements) or in connection with their organization, on the Closing Date neither the Company nor the Trust will have incurred any obligations or liabilities or engaged in any business activities of any kind.

(b) Authority. Subject to the filing of the Amendment (as defined below), the Company has the requisite power and authority to enter into this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement by the Company and the consummation by the Company of the transactions contemplated hereby have been duly and validly approved by all necessary action, and no other proceedings on the part of the Company are necessary to authorize the execution, delivery and performance of this Agreement by the Company and the consummation by the Company of the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by the Company and, assuming the due authorization, execution and delivery of this Agreement by the undersigned, constitutes a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (regardless of whether such enforceability is considered in a proceeding in equity or at law). On the Closing Date, the issuance and delivery of the Trust Securities in accordance with this Agreement will have been authorized by the Trust.

(c) Issuance of Securities. The Shares to be issued and sold by the Company pursuant to this Agreement, when issued in accordance with the provisions hereof, will be validly issued, fully paid and nonassessable stock of the Company, and no holder of stock of the Company will have any preemptive rights to subscribe for any such Shares. On the Closing Date, the Trust Securities to be issued and sold by the Trust pursuant to this Agreement, when issued in accordance with the provisions hereof, will be validly issued, fully paid and nonassessable undivided beneficial interests in the assets of the Trust, and no holder of interests in the Trust will have any preemptive rights to subscribe for any such Trust Securities. Other than shares of Common Stock, the only securities authorized for issuance by the Company are the shares of Preferred Stock to be issued and sold by the Company pursuant to this Agreement. On the Closing Date, the only securities which will be authorized for issuance by the Trust are the Trust Securities to be issued and sold by the Company pursuant to this Agreement.

(d) Approvals and Consents; Non-Contravention. The creation, authorization, issuance, offer and sale of the Securities do not require any consent, approval or

authorization of, or filing, registration or qualification with, any governmental authority on the part of the Company or the Trust (other than as will be described in the Merger Agreement, the filing of the Amendment (as defined below) with the Iowa Secretary of State and filings with the Delaware Secretary of State with respect to the organization of the Trust) or the vote, consent or approval in any manner of the holders of any capital stock or other security of the Company as a condition to the execution and delivery of this Agreement or the creation, authorization, issuance, offer and sale of the Securities. The execution and delivery by the Company of this Agreement and the performance by the Company of its obligations hereunder will not violate (i) the terms and conditions of the Articles of Incorporation (as amended by the Amendment) or the Bylaws of the Company, or any agreement to which the Company is a party or by which it is bound or (ii) subject to the accuracy of the representations and warranties of the undersigned contained in Section 4 hereof, any federal or state law.

4. Representations and Warranties of the Undersigned. The undersigned hereby represents and warrants to the Company that:

(a) Organization and Qualification. The undersigned is duly organized or formed, validly existing and in good standing under the laws of the state of its organization or formation.

(b) Authority. The undersigned has the requisite power and authority to enter into this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement by the undersigned and the consummation by the undersigned of the transactions contemplated hereby have been duly and validly approved by all necessary action, and no other proceedings on the part of the undersigned are necessary to authorize the execution, delivery and performance of this Agreement by the undersigned and the consummation by the undersigned of the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by the undersigned and, assuming the due authorization, execution and delivery of this Agreement by the Company, constitutes a legal, valid and binding obligation of the undersigned enforceable against the undersigned in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(c) Approvals and Consents; Non-Contravention. Except as set forth on Schedule 4(c), or as required under the HSR Act (as defined below), the execution, delivery and performance of this Agreement by the undersigned and the consummation by the undersigned of the transactions contemplated hereby do not require any consent, approval or authorization of, or filing, registration or qualification with, any governmental authority on the part of the undersigned, or the vote, consent or approval in any manner of the holders of any capital stock or other security of the undersigned as a condition to the execution and delivery of this Agreement or the consummation by the undersigned of the transactions contemplated hereby. The execution and delivery by the undersigned of this Agreement and

the performance by the undersigned of its obligations hereunder will not violate (i) the terms and conditions of the certificate of incorporation, or other applicable formation document, or the bylaws of the undersigned, or any agreement to which the undersigned is a party or by which it is bound or (ii) any federal or state law. Notwithstanding any other provision of this Section 4(c), no representation or warranty is made as to whether the undersigned or any of its affiliates, as a result of the transactions contemplated by this Agreement or the Merger Agreement would be subject to regulation as a registered holding company under the 1935 Act. The undersigned would not intend to register as such a holding company if that were a required condition of the transaction.

(d) Residence. The principal place of business address set forth on the signature page hereof is the undersigned's true and correct principal place of business and is the only jurisdiction in which an offer to sell the Securities was made to the undersigned and the undersigned has no present intention of moving its principal place of business to any other state or jurisdiction.

(e) No Registration. The undersigned understands that the Securities have not been registered under the Securities Act of 1933, as amended (the "Act"), or under the laws of any other jurisdiction, and that the Company does not contemplate and is under no obligation to so register the Securities. The undersigned understands and agrees that the Securities must be held indefinitely unless they are subsequently transferred (i) pursuant to an effective registration statement under the Act and, where required, under the laws of other jurisdictions or (ii) pursuant to an exemption from applicable registration requirements. The undersigned recognizes that there is no established trading market for the Securities and that it is unlikely that any public market for the Securities will develop for at least five years. The undersigned will not offer, sell, transfer or assign its Securities or any interest therein in contravention of this Agreement, the Act or any state or federal law.

(f) Purchase for Investment. The Securities for which the undersigned hereby subscribes are being acquired solely for the undersigned's own account for investment and are not being purchased with a view to or for resale, distribution or other disposition, and the undersigned has no present plans to enter into any contract, undertaking, agreement or arrangement for any such resale, distribution or other disposition.

(g) Information. The undersigned has been granted the opportunity to ask questions of, and receive answers from, the Company and the officers of the Company concerning the terms and conditions of the sale of the Securities, the Merger Agreement and the transactions contemplated thereby, and to obtain any additional information which the undersigned deems necessary to make an informed investment decision. The undersigned has received or has had access to other documents requested from the Company relating to the Securities and the purchase thereof, and the Company has afforded the undersigned the opportunity to discuss the undersigned's investment in the Company and to ask and receive answers to any questions relating to the investment in the Securities, the Merger Agreement and the transactions contemplated thereby. The undersigned understands and has evaluated the risks of a purchase of the Securities.

(h) Accredited Investor. The undersigned has read the text of Rule 501(a)(1) - (8) of Regulation D under the Act and confirms that it is an "accredited investor" as described thereby.

(i) Plan Assets.

(i) By checking below, the undersigned has indicated whether or not it is, or is acting on behalf of, a "benefit plan investor", as defined in 29 C.F.R. ss. 2510.3-101. The undersigned acknowledges that (A) a benefit plan investor includes (x) an "employee benefit plan" within the meaning of Section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), whether or not such plan is subject to ERISA, or (y) a plan or arrangement subject to Section 4975 of the Internal Revenue Code of 1986, as amended (the "Code") or (iii) an entity which is deemed to hold the assets of any such employee benefit plan, plan or arrangement described in (x) or (y) above pursuant to 29 C.F.R. ss. 2510.3-101 or otherwise, (B) a plan which is maintained by a foreign corporation, governmental entity or church, a Keogh plan covering no common-law employees and an individual retirement account would each be a benefit plan investor for this purpose, even though they are generally not subject to ERISA and (C) a foreign or U.S. entity which is not an operating company and which is not publicly traded or registered as an investment company under the Investment Company Act of 1940, as amended, and in which 25% or more of the value of any class of equity interests is held by benefit plan investors, would be deemed to hold the assets of one or more employee benefit plans pursuant to 29 C.F.R. 2510.3-101. The undersigned further understands that for purposes of determining whether this 25% threshold has been met or exceeded, the value of any equity interests held by a person (other than a benefit plan investor) who has discretionary authority or control with respect to the assets of the entity, or any person who provides investment advice for a fee (direct or indirect) with respect to such assets, or any affiliate of such a person, is disregarded:

___ Yes X No

(ii) By checking below, the undersigned has indicated whether it is, or is acting on behalf of, such an employee benefit plan, plan or arrangement described in the preceding question, or is an entity deemed to hold the assets of any such employee benefit plan, plan or arrangement that is subject to ERISA and/or Section 4975 of the Code.

___ Yes X No

(iii) By checking below, the undersigned has indicated whether it is an insurance company using assets of its general account.

___ Yes X No

If the answer to the above question is yes, please indicate the percentage of the general account that is attributable to benefit plan investors subject to ERISA and/or Section 4975 of the Code: _____%.

(j) Holding Company. The undersigned is not a "public utility company", a "holding company", a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company" or of a "subsidiary company", as such terms are defined in the Public Utility Holding Company Act of 1935, as amended, or a "public utility" as such term is defined in the Federal Power Act.

(k) Ownership. At the Closing Date, the undersigned or any of its consolidated subsidiaries that subscribe for Securities hereunder will have good and marketable title to, and own free and clear of any liens, encumbrances, mortgages, charges, rights or other security interests, the shares of MidAmerican common stock, if any, to be exchanged for Securities pursuant to this Agreement.

(l) Assignment. The undersigned will only assign its subscription rights hereunder to one or more of its consolidated subsidiaries who are capable of making the representations and warranties contained in this Section 4 and of performing the obligations they undertake hereunder.

5. Closing. The closing (the "Closing") of the purchase and sale of the Securities pursuant to this Agreement shall be held at the same place and at the same time as the closings under the other Subscription Agreements (the "Closing Date") and immediately prior to the effective time of the Merger, provided that, as and to the extent set forth in Section 1, additional shares of Preferred Stock may be purchased and sold hereunder for a period of up to six months following the Closing Date.

6. Conditions to Closing. (a) The undersigned's obligation to purchase the Securities under this Agreement at the Closing is subject to the fulfillment on or prior to the Closing of the following conditions:

(i) Representations and Warranties. Each representation and warranty made by the Company in this Agreement shall be true and correct in all material respects on and as of the Closing Date as though such representation or warranty was made on the Closing Date, and any representation or warranty made as of a specified date earlier than the Closing Date shall have been true and correct in all material respects on and as of such earlier date.

(ii) Performance. The Company shall have performed and complied with, in all material respects, each agreement, covenant and obligation required by this

Agreement to be so performed or complied with by the Company at or before the Closing Date.

(iii) Merger Agreement. The Merger Agreement shall have been executed and delivered by the parties thereto in form and substance reasonably satisfactory to the undersigned. As of the Closing all conditions to the consummation of the transactions contemplated by the Merger Agreement shall have been satisfied or waived and the closing of the transactions contemplated hereunder shall occur immediately prior to the effective time of the Merger.

(iv) Stockholders Agreement. The Stockholders Agreement (having terms substantially the same as those set forth on Schedule III hereto) (the "Stockholders Agreement") shall have been executed and delivered by the Company and each of the parties to the Subscription Agreements.

(v) Subscription Agreements. The Subscription Agreements shall be in full force and effect, no cancellation or termination (purported or otherwise) shall have occurred in respect of any Subscription Agreement, no material breach or default shall have occurred and be continuing under any of the Subscription Agreements, and closings under all of the Subscription Agreements shall be effected concurrently.

(b) The Company's obligation to sell the Securities under this Agreement at the Closing is subject to the fulfillment on or prior to the Closing of the following conditions:

(i) Representations and Warranties. Each representation and warranty made by the undersigned in this Agreement shall be true and correct in all material respects on and as of the Closing Date as though such representation or warranty was made on the Closing Date, and any representation or warranty made as of a specified date earlier than the Closing Date shall have been true and correct in all material respects on and as of such earlier date.

(ii) Performance. The undersigned shall have performed and complied with, in all material respects, each agreement, covenant and obligation required by this Agreement to be so performed or complied with by the undersigned at or before the Closing Date.

(iii) Merger Agreement. The Merger Agreement shall have been executed and delivered by the parties thereto in form and substance reasonably satisfactory to the Company. As of the Closing all conditions to the consummation of the transactions contemplated by the Merger Agreement shall have been satisfied or waived and the closing of the transactions contemplated hereunder shall occur immediately prior to the effective time of the Merger.

(iv) Stockholders Agreement. The Stockholders Agreement shall have been executed and delivered by the Company and each of the parties to the Subscription Agreements.

(v) Subscription Agreements. The Subscription Agreements shall be in full force and effect, no cancellation or termination (purported or otherwise) shall have occurred in respect of any Subscription Agreement, no material breach or default shall have occurred and be continuing under any of the Subscription Agreements, and closings under all of the Subscription Agreements shall be effected concurrently.

7. Covenants. Each of the Company and the undersigned covenants and agrees with the other that, at all times from and after the date hereof until the Closing Date, it will comply with all covenants and provisions of this Section 7, except to the extent the other party may otherwise consent in writing.

(a) Amendment of Articles of Incorporation and Formation of Trust. The Company shall take all actions necessary to amend its Articles of Incorporation to authorize the issuance of the Preferred Stock under this Agreement (the "Amendment"). The Company shall take all actions necessary to organize the Trust, to issue its subordinated debentures to the Trust, and to cause the Trust to perform its obligations in accordance with the terms, and subject to the conditions, of this Agreement.

(b) Regulatory and Other Approvals. Subject to the terms and conditions of this Agreement, each of the Company and the undersigned will proceed diligently and in good faith to, as promptly as practicable (x) obtain all consents, approvals or actions of, make all filings with and give all notices to governmental or regulatory authorities or any public or private third parties required of the Company and the undersigned to consummate the transactions contemplated hereby and by the Merger Agreement, and (y) provide such other information and communications to such governmental or regulatory authorities or other public or private third parties as the other party or such governmental or regulatory authorities or other public or private third parties may reasonably request in connection therewith. In addition to and not in limitation of the foregoing, each of the parties will (1) take promptly all actions necessary to make the filings required under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder (the "HSR Act") (2) comply at the earliest practicable date with any request for additional information received from the Federal Trade Commission (the "FTC") or the Antitrust Division of the Department of Justice (the "Antitrust Division"), pursuant to the HSR Act, and (3) cooperate with the other party in connection with such party's filings under the HSR Act and in connection with resolving any investigation or other inquiry concerning the transactions contemplated by this Agreement commenced by either the FTC or the Antitrust Division or state attorneys general.

(c) Notice and Cure. Each of the Company and the undersigned will promptly notify the other in writing of, and contemporaneously will provide the other with true and complete copies of any and all information or documents relating to, and will use all commercially reasonable efforts to cure before the Closing Date, any event, transaction or circumstance, occurring after the date of this Agreement that causes or will cause any covenant or agreement of either such party under this Agreement to be breached or that renders or will render untrue any representation or warranty of either such party contained in

this Agreement as if the same were made on or as of the date of such event, transaction or circumstance.

(d) Fulfillment of Conditions. Each of the Company and the undersigned will take all commercially reasonable steps necessary or desirable and proceed diligently and in good faith to satisfy each condition to the obligations of such party contained in this Agreement and will not take any action that could reasonably be expected to result in the nonfulfillment of any such condition or fail to take any commercially reasonable action that could reasonably be expected to prevent the nonfulfillment of any such condition.

8. Indemnification. The undersigned agrees to indemnify and hold harmless the Company, the Parent, or any member, officer, director or control person (within the meaning of Section 15 of the Act) of any such entity from and against any and all loss, damage or liability due to or arising out of a breach of any representation or warranty of the undersigned contained in any document furnished by the undersigned in connection with the offering and sale of the Securities, including, without limitation, this Agreement, or failure by the undersigned to comply with any covenant or agreement made by the undersigned herein or in any other document furnished by the undersigned to any of the foregoing in connection with this transaction.

9. Survival; Binding Effect. All covenants, agreements, representations and warranties made herein shall survive the execution and delivery of this Agreement and delivery of the Securities and payment therefor and, notwithstanding any investigation heretofore or hereafter made by the undersigned or on the undersigned's behalf, shall continue in full force and effect. Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party and all covenants, promises and agreements in this Agreement by or on behalf of the Company, or by or on behalf of the undersigned, shall bind and inure to the benefit of the successors and assigns of such parties hereto.

10. Termination.

(a) This Agreement may be terminated, and the transactions contemplated hereby may be abandoned (i) at any time before the Closing, by mutual written agreement of the Company and the undersigned or (ii) at any time before the Closing, by the Company or the undersigned, in the event that any order or law becomes effective restraining, enjoining or otherwise prohibiting or making illegal the consummation of any of the transactions contemplated by this Agreement or the Company, upon notification of the non-terminating party by the terminating party.

(b) This Agreement shall terminate, with no further action being required on the part of either party hereto, (i) automatically, if the Merger Agreement is not executed and delivered by the parties hereto on or before 11:59 p.m., October 24, 1999 or (ii) automatically, once the Merger Agreement has been executed and delivered, upon any termination of the Merger Agreement in accordance with its terms by MidAmerican or (with

the requisite Member vote under the Parent's Operating Agreement or the requisite two-thirds vote of the Company's Board of Directors) by the Parent or the Company, as applicable.

(c) If this Agreement is validly terminated pursuant to this Section 10, this Agreement will forthwith become null and void, and there will be no liability or obligation on the part of the undersigned or the Parent or the Company (or any of their respective members, officers, directors, employees, agents or other representatives or affiliates). Notwithstanding the foregoing, no such termination shall affect the obligations of the undersigned pursuant to Section 8, which shall survive any such termination.

11. Notices. All notices, statements, instructions or other documents required to be given hereunder shall be in writing and shall be given either personally, by overnight courier or by facsimile, addressed to the Company at its principal offices and to the other party at its addresses or facsimile number reflected on the signature page hereto. The undersigned, by written notice given to the Company in accordance with this Section 11 may change the address to which notices, statements, instructions or other documents are to be sent to the undersigned. All notices, statements, instructions and other documents hereunder that are mailed shall be deemed to have been given on the date of delivery.

12. Complete Agreement; Counterparts. This Agreement constitutes the entire agreement and supersedes all other agreements and understandings, both written and oral, between the parties hereto, with respect to the subject matter hereof. This Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

13. Assignment. Without the prior written consent of each of the parties hereto, neither this Agreement nor any right, interest or obligation hereunder may be assigned by any party hereto and any attempt to do so will be void; provided, however, that, notwithstanding any other provisions of this Agreement, this Agreement and all rights, interests and obligations of the undersigned hereunder (or, at the option of the undersigned, the right and obligation to purchase some, but not all, of the Securities) may be assigned by the undersigned to one or more subsidiaries of the undersigned which are consolidated with the undersigned for financial accounting purposes, without obtaining the consent of any other party hereto. Subject to the preceding sentence, this Agreement shall be binding upon, inure to the benefit of and shall be enforceable by the parties hereto and their respective successors and assigns.

14. Amendment and Waiver. This Agreement may be amended or modified only by an instrument signed by the parties hereto. A waiver of any provision of this Agreement must be in writing, designated as such, and signed by the party against whom enforcement of that waiver is sought. The waiver by a party of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent or other breach thereof.

15. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of New York.

16. Standby Credit Commitment. The undersigned will, subject to the terms and conditions set forth below, lend the Company an amount equal to the difference, if any, between (i) $2,351,524,400 and (ii) the sum of (x) the investments by Walter Scott, Jr., David L. Sokol and management of MidAmerican under their respective subscription agreements and (y) the investment made on the Closing Date by the undersigned (or its subsidiaries) pursuant to this Subscription Agreement; provided, however, that the amount outstanding under such loan will not in any event exceed $180,000,000, and such loan will be subject to the following terms and conditions:

(a) Such loan will be drawable only on the Closing Date, immediately prior to the effective time of the Merger, and subject to fulfillment of all the conditions set forth in Section 6(a) hereof;

(b) MidAmerican's existing revolving credit agreement shall not permit borrowing for the purpose that this loan would be made;

(c) The obligations of the surviving corporation in the Merger in connection with this loan will rank pari passu with all of its public debt;

(d) This loan will be due and payable on that date which is 180 days after the Closing Date, or if such date is not a business day, on the next business day, and shall be required to be paid before that date as and to the extent cash is available for payment;

(e) This loan will be prepayable at any time without penalty, and amounts prepaid may not be reborrowed;

(f) The interest rate for such loan will be determined from the formula identified by David L. Sokol to the undersigned no later than October 26, 1999, with David L. Sokol specifying either the formula applicable to "Eurodollar Rate Loans" or the formula applicable to "Base Rate Loans" as provided in the credit agreement for MidAmerican's current revolving credit facility led by Credit Suisse First Boston;

(g) The loan shall be documented and evidenced by a note, all in accordance with normal commercial practice for loans of this type, and the loan documents and note, in addition to the terms set forth herein, shall contain such other commercially reasonable terms and provisions, not inconsistent with those specified herein, as would accord with normal commercial practice for loans of this type.

IN WITNESS WHEREOF, the undersigned has executed this Amended and Restated Subscription Agreement on this 24th day of October 1999.

BERKSHIRE HATHAWAY INC.

By: _____
Name: Warren E. Buffett
Title: Chairman + CEO

1440 Kiewit Plaza
Mailing Address

Omaha NE 68131
City State Zip Code

47-0813844
Tax Identification Number

SUBSCRIPTION ACCEPTED AS OF THE ABOVE DATE

TETON ACQUISITION CORP.

By: _____
Name: David L. Sokol
Title: Chairman, Chief Executive Officer and President

IN WITNESS WHEREOF, the undersigned has executed this Amended and Restated Subscription Agreement on this 24th day of October 1999.

BERKSHIRE HATHAWAY INC.

By:_____
Name:
Title:

_____
Mailing Address

_____
City State Zip Code

_____
Tax Identification Number

SUBSCRIPTION ACCEPTED AS OF THE ABOVE DATE

TETON ACQUISITION CORP.

By:_____
Name: David L. Sokol
Title: Chairman, Chief Executive Officer and President

Schedule 4(c)

Although the transactions contemplated by the Agreement may require the consent, approval and/or authorization of, or filings with, certain state insurance regulatory authorities, the failure to obtain any such consent, approval or authorization or to make any such filing would not materially affect the ability of the undersigned to consummate such transactions.

FORM OF

ARTICLES OF AMENDMENT

to

AMENDED AND RESTATED ARTICLES OF INCORPORATION

of

TETON ACQUISITION CORP.

(Pursuant to Section 490.602 of the Iowa Business Corporation Act)

Teton Acquisition Corp., a corporation organized and existing under the Iowa Business Corporation Act (hereinafter called the "Corporation") hereby certifies that the following resolution was adopted by the Board of Directors of the Corporation as required by Section 490.602 of the Iowa Business Corporation Act at a meeting duly called and held on _____, ____.

RESOLVED, that pursuant to the authority granted to and vested in the Board of Directors of the Corporation (hereinafter called the "Board of Directors" or the "Board") in accordance with the provisions of the Articles of Incorporation, the Board of Directors hereby creates a series of preferred stock, no par value (the "Preferred Stock"), of the Corporation and hereby states the designation and number of shares, and fixes the relative rights, preferences, and limitations thereof as follows:

Zero Coupon Convertible Preferred Stock

I. Designation and Amount

The shares of such series (the "Preferred Shares") shall be designated as "Zero Coupon Convertible Preferred Stock" and the number of shares constituting such Preferred Stock shall be _____.

II. Dividends and Distributions

In case the Corporation shall at any time or from time to time declare, order, pay or make a dividend or other distribution (including, without limitation, any distribution of stock or other securities or property or rights or warrants to subscribe for securities of the Corporation or any of its subsidiaries by way of a dividend, distribution or spin-off) on its Common Stock, other than (i) a distribution made in compliance with the provisions of Section VI or (ii) a dividend or distribution made in Common Stock, the holders of the Preferred Shares shall be entitled (unless such right shall be waived by the affirmative vote or consent of the holders of at least two-thirds

of the number of the then outstanding Preferred Shares) to receive from the Corporation with respect to each Preferred Share held, any dividend or distribution that would be received by a holder of the number of shares (including fractional shares) of Common Stock into which such Preferred Share is convertible on the record date for such dividend or distribution, with fractional shares of Common Stock deemed to be entitled to the corresponding fraction of any dividend or distribution that would be received by a whole share. Any such dividend or distribution shall be declared, ordered, paid or made at the same time such dividend or distribution is declared, ordered, paid or made on the Common Stock.

III. Conversion Rights

Each Preferred Share is convertible at the option of the holder thereof into one Conversion Unit at any time upon the occurrence of a Conversion Event. A Conversion Unit will initially be one share of Common Stock of the Corporation adjusted as follows:

(i) *Stock splits, combinations, reclassifications etc.* In case the Corporation shall at any time or from time to time declare a dividend or make a distribution on the outstanding shares of Common Stock payable in Common Stock or subdivide or reclassify the outstanding shares of Common Stock into a greater number of shares or combine or reclassify the outstanding shares of Common Stock into a smaller number of shares of Common Stock, then, and in each such event, the number of shares of Common Stock into which each Preferred Share is convertible shall be adjusted so that the holder thereof shall be entitled to receive, upon conversion thereof, the number of shares of Common Stock which such holder would have been entitled to receive after the happening of any of the events described above had such share been converted immediately prior to the happening of such event or the record date therefor, whichever is the earlier. Any adjustment made pursuant to this clause (i) shall become effective (I) in the case of any such dividend or distribution on the record date for the determination of holders of shares of Common Stock entitled to receive such dividend or distribution, or (II) in the case of any such subdivision, reclassification or combination, on the day upon which such corporate action becomes effective.

(ii) *Issuances of Additional Shares below Fair Value Price.* In case the Corporation shall issue shares of Common Stock (or rights or warrants or other securities exercisable or convertible into or exchangeable (collectively, a "conversion") for shares of Common Stock) (collectively, "convertible securities") (other than in Permitted Transactions) at a price per share (or having a conversion price per share) less than the Fair Value Price as of the date of issuance of such shares (or of such convertible securities), then, and in each such event, the number of shares of Common Stock into which each Preferred Share is convertible shall be adjusted so that the holder thereof shall be entitled to receive, upon conversion thereof, the number of shares of Common Stock determined by multiplying the number of shares of Common Stock into which such share was convertible immediately prior to such date of issuance by a fraction, (I) the numerator of which is the sum of (1) the number of shares of Common Stock outstanding on such date and (2) the number of additional shares of Common Stock issued (or into which the

convertible securities may convert), and (II) the denominator of which is the sum of (1) the number of shares of Common Stock outstanding on such date and (2) the number of shares of Common Stock which the aggregate consideration receivable (including any amounts payable upon conversion of convertible securities) by the Corporation for the total number of additional shares of Common Stock so issued (or into which the convertible securities may convert) would purchase at the Fair Value Price on such date. For purposes of the foregoing, "Permitted Transactions" shall include issuances (i) as consideration for the acquisition of businesses and/or related assets, and (ii) in connection with employee benefit plans and any other transaction approved by the Board of Directors of the Corporation (including the approval of the directors elected by the holders of the Preferred Shares), and "Fair Value Price" shall mean the average of the closing prices on the principal stock exchange or over-the-counter quotation system on which the Common Stock is then listed or quoted, or if not then listed or quoted, the fair value of the Corporation's Common Stock as determined in good faith by the Board of Directors. Although Permitted Transactions do not require adjustment of a Conversion Unit, the issuance of equity and equity-linked securities in a Permitted Transaction remains subject to the vote of the Preferred Shares as provided in Section IV. Any adjustment made pursuant to this clause (ii) shall become effective immediately upon the date of such issuance.

(iii) *Mergers, Consolidations, Sales of Assets etc.* In case the Corporation shall be a party to any transaction (including a merger, consolidation, sale of all or substantially all of the Corporation's assets, liquidation or recapitalization of the Corporation, but excluding any transaction described in clause (i) or (ii) above) in which the previously outstanding Common Stock shall be changed into or, pursuant to the operation of law or the terms of the transaction to which the Corporation is a party, exchanged for different securities of the Corporation or common stock or other securities or interests in another Person or other property (including cash) or any combination of the foregoing, then, as a condition of the consummation of such transaction, lawful and adequate provision shall be made so that each holder of Preferred Shares shall be entitled, upon conversion, to an amount per share equal to (A) the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged times (B) the number of shares of Common Stock into which such share was convertible immediately prior to the consummation of such transaction. Any adjustment made pursuant to this clause (iii) shall become effective immediately upon the consummation of such transaction.

In calculating the adjustments provided in clauses (i), (ii) and (iii) above, a Conversion Unit shall include any fractional share resulting from the calculation.

A "Conversion Event" includes (i) any conversion of Preferred Shares that would not cause the holder of the shares of Common Stock issued upon conversion (or any affiliate of such holder) or the Corporation to become subject to regulation as a registered holding company, or as a subsidiary of a registered holding company, under the Public Utility Holding Company Act of 1935 ("PUHCA") either as a result of the repeal or amendment of PUHCA, the number of shares involved or the identity of the holder of such shares and (ii) a Company Sale. A Company Sale

includes any involuntary or voluntary liquidation, dissolution, recapitalization, winding-up or termination of the Corporation and any merger, consolidation or sale of all or substantially all of the assets of the Corporation.

The holder of any Preferred Shares may exercise such holder's right to convert each such share into a Conversion Unit by surrendering for such purpose to the Corporation, at its principal office or at such other office or agency maintained by the Corporation for that purpose, a certificate or certificates representing the Preferred Shares to be converted accompanied by a written notice stating that such holder elects to convert all or a specified whole number of such shares in accordance with the provisions of this Section III and specifying the name or names in which such holder wishes the certificate or certificates for securities included in the Conversion Unit or Units to be issued. In case such notice shall specify a name or names other than that of such holder, such notice shall be accompanied by payment of all transfer taxes payable upon the issuance of securities included in the Conversion Unit or Units in such name or names. Other than such taxes, the Corporation will pay any and all issue and other taxes (other than taxes based on income) that may be payable in respect of any issue or delivery of the securities and other property then included in a Conversion Unit or Units upon conversion of Preferred Shares pursuant hereto. As promptly as practicable, and in any event within three Business Days after the surrender of such certificate or certificates and the receipt of such notice relating thereto and, if applicable, payment of all transfer taxes (or the demonstration to the satisfaction of the Corporation that such taxes have been paid), the Corporation shall deliver or cause to be delivered (i) certificates representing the number of validly issued, fully paid and nonassessable shares of Common Stock (or other securities included in the Conversion Unit or Units) to which the holder of Preferred Shares so converted shall be entitled and (ii) if less than the full number of Preferred Shares evidenced by the surrendered certificate or certificates are being converted, a new certificate or certificates, of like tenor, for the number of shares evidenced by such surrendered certificate or certificates less the number of shares converted. Such conversion shall be deemed to have been made at the close of business on the date of giving of such notice and such surrender of the certificate or certificates representing the Preferred Shares to be converted so that the rights of the holder thereof as to the shares being converted shall cease except for the right to receive the securities and other property included in the Conversion Unit or Units in accordance herewith, and the Person entitled to receive the securities and other property included in the Conversion Unit or Units shall be treated for all purposes as having become the record holder of such securities and other property included in the Conversion Unit or Units at such time. No holder of Preferred Shares shall be prevented from converting Preferred Shares, and any conversion of Preferred Shares in accordance with the terms of this Section III shall be effective upon surrender, whether or not the transfer books of the Corporation for the Common Stock are closed for any purpose.

The Corporation shall at all times reserve and keep available out of its authorized and unissued Common Stock, solely for the purpose of effecting the conversion of the Preferred Shares, such number of shares of Common Stock as shall from time to time be sufficient to effect the conversion of all then outstanding Preferred Shares. The Corporation shall from time to time, subject to and in accordance with the Iowa Business Corporation Act, increase the authorized amount of Common Stock if at any time the number of authorized shares of Common Stock

remaining unissued shall not be sufficient to permit the conversion at such time of all then outstanding Preferred Shares.

The Corporation at all times shall maintain stated capital allocated to the Preferred Shares sufficient in amount such that the shares of Common Stock issuable upon conversion of all outstanding Preferred Shares pursuant to the terms of this Section III shall be upon issuance lawfully issued, fully paid and nonassessable under the Iowa Business Corporation Act.

Whenever the number of shares of Common Stock and other property comprising a Conversion Unit into which each Preferred Share is convertible is adjusted as provided in this Section III, the Corporation shall promptly mail to the holders of record of the outstanding Preferred Shares at their respective addresses as the same shall appear in the Corporation's stock records a notice stating that the number of shares of Common Stock and other property comprising a Conversion Unit into which each Preferred Share is convertible has been adjusted and setting forth the new number of shares of Common Stock (or describing the new stock, securities, cash or other property) into which each Preferred Share is convertible, as a result of such adjustment, a brief statement of the facts requiring such adjustment and the computation thereof, and when such adjustment became effective.

IV. Voting Rights

The holders of the Preferred Shares shall have the following voting rights:

(A) The holders of the then-outstanding Preferred Shares shall be entitled to elect, as a class, two (out of a total of ten) directors to the Corporation's Board of Directors, to elect the replacement for any director elected by them who for any reason ceases to serve as a director and to vote, as a separate class, on any amendment of the provisions of the Articles of Incorporation of the Corporation in any manner which would alter or change the powers, preferences or special rights of the Preferred Shares or that would otherwise adversely affect the rights of the holders of the Preferred Shares. In addition the Corporation will not effect any Fundamental Transaction without first obtaining the consent or approval of the holders of a majority of the then-outstanding Preferred Shares. A "Fundamental Transaction" includes the following (in each case referring to a single transaction or series of related transactions): (i) the sale, lease, exchange, mortgage or other disposition (including any spin-off or split-up) of any business or assets having a fair market value of 25% or more of the fair market value of the business or assets of the Corporation and its subsidiaries taken as a whole, the merger or consolidation of the Corporation with any other Person, a Liquidation of the Corporation or any recapitalization or reclassification of the securities of the Corporation; (ii) the acquisition of any business or assets (by way of merger, acquisition of stock or assets or otherwise) or the making of capital expenditures not included in the applicable annual budget approved by the Corporation's Board of Directors, in each case for a consideration or involving expenditures in excess of $50,000,000; (iii) the issuance, grant or sale, or the repurchase, of any equity securities (or any equity linked securities or obligations) of the Corporation (or securities convertible into or exchangeable or exercisable for any such equity securities); (iv) transactions with officers, directors, stockholders and affiliates of the Corporation except (x) to the extent effectuated on terms no less favorable to the Corporation than those

obtainable in an arms' length transaction with an unaffiliated Person or (y) in the case of cash compensation arrangements, which are approved by the entire Board of Directors of the Corporation (without regard to the directors elected by the holders of the Preferred Shares); (v) the removal as chief executive officer of the Corporation of the person occupying that position on the date of original issuance of the Preferred Shares (the "Initial CEO") and (vi) the appointment or removal of any person as chief executive officer of the Corporation after the removal, resignation, death or disability of the Initial CEO (the consent of the holders of the Preferred Stock as to the matters set forth in this clause (vi) not to be unreasonably withheld).

(B) Except as set forth herein, or as otherwise provided by law, holders of the Preferred Shares shall have no voting rights.

V. Reacquired Shares

Any Preferred Shares converted, purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock subject to the conditions and restrictions on issuance set forth herein, in the Articles of Incorporation, or in any other Articles of Amendment creating a series of Preferred Stock or any similar stock or as otherwise required by law.

VI. Liquidation, Dissolution or Winding Up

Upon any involuntary or voluntary liquidation, dissolution, recapitalization, winding-up or termination of the Corporation, the assets of the Corporation available for distribution to the holders of the Corporation's capital stock shall be distributed in the following priority, with no distribution pursuant to the second priority until the first priority has been fully satisfied and no distribution pursuant to the third priority until the first and second priorities have both been fully satisfied, *First,* to the holders of the Preferred Shares for each Preferred Share, a liquidation preference of $1.00 per share, *Second,* to the holders of Common Stock, ratably, an amount equal to (i) $1.00 divided by the number of shares of Common Stock then comprising a Conversion Unit, multiplied by (ii) the number of shares of Common Stock then outstanding, and *Third,* to the holders of the Preferred Shares and the Common Stock (ratably, on the basis of the number of shares of Common Stock then outstanding and, in the case of the Preferred Shares, the number of shares of Common Stock then comprising a Conversion Unit multiplied by the total number of Preferred Shares outstanding), all remaining assets of the Corporation available for distribution to the holders of the Corporation's capital stock.

Neither the consolidation, merger or other business combination of the Corporation with or into any other Person or Persons nor the sale, lease, exchange or conveyance of all or any part of the property, assets or business of the Corporation to a Person or Persons, shall be deemed to be a liquidation, dissolution or winding up of the Corporation for purposes of this Section VI.

VII. Redemption

The Preferred Shares are not subject to redemption at the option of the Corporation nor subject to any sinking fund or other mandatory right of redemption accruing to the holders thereof.

VIII. Defined Terms

"Business Day" means any day other than a Saturday, Sunday, or a day on which banking institutions in the State of New York or the State of Iowa are authorized or obligated by law or executive order to close.

"Person" shall mean any person or entity of any nature whatsoever, specifically including an individual, a firm, a company, a corporation, a partnership, a trust or other entity.

IN WITNESS WHEREOF, these Articles of Amendment are executed on behalf of the Corporation by its Secretary this _____ day of _____, _____.

_____
David A. Sokol
Secretary

TETON

TRUST PREFERRED SECURITIES TERM SHEET

Securities	[32,000,000] 11% Trust Issued Preferred Securities (liquidation amount $25 per Security) (the "Trust Securities").
Issuer	Monarch Capital Trust, a statutory business trust formed under the laws of the State of Delaware (the "Trust").
Issue Price	[$800,000,000] ($25 per Trust Security).
Distributions	Holders of the Trust Securities will be entitled to receive cumulative cash distributions at an annual rate of 11% of the liquidation amount of $25 per Trust Security, accumulating from the date of original issuance and payable semi-annually in arrears (on the 6-month and 12-month anniversary dates of the date of issuance), commencing on the first such date after issuance ("Payment Dates").
Guarantee	The payment of distributions out of moneys held by the Trust and payments on liquidation of the Trust or the redemption of Trust Securities are guaranteed (the "Guarantee") by Monarch Holdings Company (the "Company"), but only to the extent that the Trust has funds available therefor, which will not be the case unless the Company has made payments of principal, interest or other payments on the Subordinated Debentures held by the Trust as its sole asset. The obligations of the Company under the Guarantee will be subordinate and junior in right of payment to all liabilities of the Company (other than any similar guarantees) and rank *pari passu* with the most senior preferred stock issued, from time to time, if any, by the Company and such similar guarantees. The Guarantee, when taken together with the Company's obligations under the Subordinated Debentures, the Indenture and the Declaration forming the Trust, including its covenant in the Indenture to pay costs, expenses, debts and obligations (including taxes and other governmental charges) of the Trust (other than with respect to the Trust Securities), will provide a full and unconditional guarantee of amounts due on the Trust Securities.
Subordinated Debentures	The Trust will invest the proceeds of the Trust Securities in an equivalent amount of the Company's 11% Junior Subordinated

Deferrable Interest Debentures (the "Subordinated Debentures"). The Subordinated Debentures will mature in ten equal semi-annual principal installments payable on the Payment Date which is 5 1/2 years after the date of issue and on each Payment Date thereafter ("Mandatory Redemption Dates") and at maturity (the tenth anniversary of the date of issuance - "Stated Maturity"). The obligations of the Company under the Subordinated Debentures will be subordinate and junior in right of payment to all present and future Senior Indebtedness of the Company (i.e., indebtedness for money borrowed, evidenced by notes or similar obligations, reimbursement obligations, deferred purchase price of property or services (other than trade payables), capital leases and guaranties of similar obligations of and dividends of others) and rank *pari passu* with other junior subordinated debt securities of the Company and obligations to, or rights of, the Company's other general unsecured creditors. No payments of principal or interest on the Subordinated Debentures may be made if, at the time of such payment, a payment default exists on any Senior Indebtedness or if the maturity of any Senior Indebtedness has been accelerated as a consequence of a default thereon. Under the Indenture the Company will agree to certain dividend and distribution limitations in respect of its capital stock during an Extension Period or if an Indenture Event of Default exists. (see *Interest Deferral*, below) The Company will also agree to pay costs, expenses, debts and obligations (including taxes and other governmental charges) of the Trust (other than with respect to the Trust Securities). No provisions of the Indenture will limit or restrict the business or operations of the Company and its subsidiaries, the pledging of their assets or the incurrence of indebtedness or other liabilities.

Interest Deferral; Interest Rate Increases.....

So long as no Indenture Event of Default (a payment default on the Subordinated Debentures, bankruptcy events affecting the Company, a liquidation of the Trust except where Subordinated Debentures are distributed in connection therewith, failure to perform other covenants after notice) has occurred and is continuing, the Company has the right under the Indenture to defer payments of interest on the Subordinated Debentures by extending the interest payment period on the Subordinated Debentures at any time for up to 10 consecutive six-month payment periods (an "Extension Period"), provided that an Extension Period may not extend

beyond the Stated Maturity of the Subordinated Debentures or, as to any Subordinated Debentures redeemed, beyond the Mandatory Redemption Date or Special Event redemption date for such Subordinated Debentures. If interest payments are so deferred, distributions on the Trust Securities will also be deferred. During such Extension Period, or during any period when redemption payments on the Subordinated Debentures have not been made as provided, interest on the Subordinated Debentures and distributions on the Trust Securities will continue to accumulate with interest thereon (to the extent permitted by applicable law) at an annual rate of 13% per annum compounded semi-annually to the date of payment. During any Extension Period, holders of Trust Securities will be required to accrue deferred interest as OID, and to include such OID in their gross income from United States federal income tax purposes in advance of the receipt of the cash distributions with respect to such deferred interest payments. There could be multiple Extension Periods of varying lengths throughout the term of the Subordinated Debentures.

If the Company exercises the right to extend an interest payment period, the Company shall not during such Extension Period (i) declare or pay any dividends or distributions on, or redeem, purchase, acquire or make a liquidation payment with respect to, any of its capital stock or (ii) make any payment of principal of, or interest or premium, if any, on or repay, repurchase or redeem, or make any sinking fund payment with respect to, any indebtedness for money borrowed of the Company (including other junior subordinated debt securities) that ranks *pari passu* with or junior in right of payment to the Subordinated Debentures or make any guarantee payments with respect to the foregoing.

Relationship Among the Trust Securities, the Subordinated Debentures and the Guarantee.....

The distribution rate and the distribution and other payment dates for the Trust Securities will correspond to the interest rate and the interest and other payment dates on the Subordinated Debentures, which will be the sole assets of the Trust. As a result, if principal or interest is not paid on the Subordinated Debentures, no amounts will be paid on the Trust Securities. If the Company does not make principal or interest payments on the Subordinated Debentures, the Trust will not have sufficient funds to make distributions on the Trust Securities, in which event the Guarantee will not apply

	to such distributions until the Trust has sufficient funds available therefor. In such event, the remedy of a holder of Trust Securities is to enforce the Subordinated Debentures.
Redemption of the Subordinated Debentures and the Trust Securities	The Subordinated Debentures will be redeemed in ten equal semi-annual principal installments to be paid on each Mandatory Redemption Date and at Stated Maturity at a price equal to the principal amount thereof to be redeemed, plus accrued and unpaid interest thereon to the date of payment (the "Debenture Redemption Price"). The Subordinated Debentures are redeemable at the option of the Company at any time in whole upon the occurrence of a Special Event (see *Special Event*, below) at the Debenture Redemption Price. The Subordinated Debentures are not otherwise redeemable at the option of the Company. When the Company redeems Subordinated Debentures, the Trust must redeem Trust Securities having an aggregate liquidation amount equal to the aggregate principal amount of the Subordinated Debentures so redeemed at a price of $25 per Trust Security plus accumulated and unpaid distributions thereon (including interest thereon) to the date fixed for redemption (the "Redemption Price").
Distribution of the Subordinated Debentures.....	The Company will have the right at any time to liquidate the Trust and cause the Subordinated Debentures to be distributed to the holders of the Trust Securities.
Liquidation of the Trust.....	In the event of any involuntary or voluntary liquidation, dissolution, winding-up or termination of the Trust (each, a "Liquidation"), the holders of the Trust Securities will be entitled to receive for each Trust Security, after satisfaction to creditors of the Trust, if any, a liquidation amount of $25 plus accumulated and unpaid distributions thereon (including interest thereon) to the date of payment, unless, in connection with such Liquidation, the Subordinated Debentures are distributed to the holders of the Trust Securities.
Transfer Restrictions	The Trust Securities (and any Subordinated Debentures distributed in a Liquidation) will not be transferable except within the Teton group (i.e., Teton and its consolidated subsidiaries), and except that transfer will be permitted following an Indenture Event of Default.

Voting Rights..... The holders of the Trust Securities will not have any voting rights.

Special Event ..... A "Special Event" is the occurrence of an Investment Company Act Event or a Tax Event.

- An "Investment Company Act Event" means receipt by the Trust or the Company of an opinion of a nationally recognized independent counsel experienced in such matters to the effect that, as a result of a change in law or regulation or a written change in interpretation or application of law or regulation by any legislative body, court, governmental agency or regulatory authority after the date of issuance of the Trust Securities, there is more than an insubstantial risk that the Trust is or will be considered an investment company under the Investment Company Act of 1940, as amended.

- A "Tax Event" means receipt by the Trust or the Company of an opinion of a nationally recognized independent counsel experienced in such matters to the effect that, as a result of (i) any amendment to, or change (including any announced prospective change) in, the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein, (ii) any amendment to or change in an interpretation or application of such laws or regulations by any legislative body, court, governmental agency or regulatory authority (including the enactment of any legislation and the publication of any judicial decision or regulatory determination on or after the date of issuance of the Trust Securities), (iii) any interpretation or pronouncement by any such body, court, agency or authority that provides for a position with respect to such laws or regulations that differs from the theretofore generally accepted position or (iv) any action taken by any governmental agency or regulatory authority, which amendment or change is enacted, promulgated or effective, or which interpretation or pronouncement is issued or announced, or which action is taken, in each case on or after the date of issuance of the Trust Securities, there is more than an insubstantial risk that (a) the Trust is, or within 90 days of the date thereof will be, subject to United States federal income tax with respect to income accrued or received on the Subordinated Debentures, (b) interest payable by the Company on the Subordinated Debentures would not be deductible by the Company for United States federal income tax purposes or (c) the Trust is, or within 90 days of the date thereof will be, subject to more

than *a de minimis* amount of other taxes, duties or other governmental charges.

PRIVILEGED & CONFIDENTIAL

Project Teton
Summary of Terms for Shareholders' Agreement and Management Equity Participation

Background

- In order to encourage equity participation in NewCo by Management, DLS will be required to roll over (tax free) 100% of his total current equity in Monarch (both shares directly owned and those subject to options), and up to three additional Management participants may be offered the opportunity to rollover (tax free) up to 100%, but not less than 65%, of such person's total current equity in Monarch (both shares directly owned and those subject to options), into NewCo's voting common stock or options, as applicable. Management's contribution will be valued on the basis of the price paid to the public stockholders of Monarch in the Merger (the "Merger Price") less any applicable option exercise price.

- Walter and/or his children and their respective personal trusts will invest a total of $280.4 million in voting common stock of NewCo, with such investment achieved through a roll-over of certain of their present Monarch holdings and through cash investments at the closing. At least 5 million shares (or approximately $175 million in value) of such common shares will be directly owned by Walter or his personal trusts.

- Teton will acquire NewCo voting common stock, convertible preferred stock and trust preferred stock in separately agreed amounts through cash investments or through contributions of Monarch common stock valued at the Merger Price at the closing.

Option Terms

- The number of existing shares subject to options and the exercise price per share will remain unchanged.

- As per the terms of the existing option plan, all existing options will be fully vested as of the closing date.

- Subject to review of accounting implications, in order to encourage retention of existing options and avoid the need to finance early option exercises, all outstanding options will have their exercise terms extended until

eight years after the closing date. Options with current exercise terms of greater than eight years from the closing date will not be affected.

Additional Options

- As an additional incentive for Management to rollover a higher proportion of their equity into NewCo, if DLS or any other Management participant rolls over 100% of his common stock and stock options, then for each ten shares rolled over (whether directly owned or subject to options), DLS and each such other Management participant will receive an option to purchase three additional shares of NewCo at an exercise price equal to the per share Merger Price. These additional options will vest in increments of 1/3 per year over the three years following the closing date. All options will contain various other customary terms, including anti-dilution provisions.

Management Equity -- Transferability; Put and Call Rights, Etc.

- All Management shares and options will be nontransferable for a period of three years following the closing date (subject to exceptions for transfers to immediate family members and personal trusts for their benefit or management's benefit). After three years, transfer restrictions will be lifted (subject to customary plan limitations as to options); however, such shares and options will be subject to both put and call rights (described below).

- At any time after the third anniversary of the closing, management will be allowed one opportunity per year to put their shares and options to NewCo for cash in increments of not less than 25% of their total equity holdings as of the closing date, at a price to be agreed upon. If the parties cannot agree on a price for the shares or options, the option to put will be based on an "appraised value" to be determined by an independent appraiser mutually acceptable to Management and NewCo. The option to put at appraised value may be made by any management stockholder at any time within 30 days after the appraised value has been finally determined. The purchase price for the options will be equal to the agreed or appraised value, as applicable, of the underlying common shares less an amount equal to the applicable option exercise price.

- NewCo will be required to have an appraisal of the common shares made on the third anniversary of the closing date. Thereafter, NewCo will be required to have an appraisal

made at the request of a selling Management shareholder, but not more frequently than once per calendar year.

- In determining appraised value, the third party appraiser will value Management shares based on their percentage of the total equity value of NewCo as a going concern, and will value the shares as though NewCo were a publicly traded company, with reasonable liquidity and without a controlling block of shares and with no sell-out premium (as might exist in a change of control or sale of the company transaction).

- At any time after the third anniversary of the closing, NewCo will be allowed one opportunity per year to call Management shares and options for cash in increments of not less than 25% of their total equity holdings at a price to be agreed upon, or, failing agreement, at the appraised value, determined in the same manner.

- Since all currently-owned management shares and options will be fully vested on the closing date, those shares and options will not be affected by any termination of employment. For example, if a Management shareholder's employment is terminated prior to the end of the three-year period, the put and call rights described above will mature beginning at the end of the three-year period and will be exercisable by both parties in the same manner as if the Management shareholder had still been employed.

- With respect to additional option grants subject to vesting, in the event a Management shareholder's employment is terminated without "cause," or by the Management shareholder for "good reason," or by reason of his or her death or disability, such additional options will become fully vested and (after three years) subject to the put and call provisions. If a Management shareholder's employment is terminated within the three-year period by the NewCo for cause or by him without good reason, any unvested additional option shares will be forfeited.

Walter and Walter Family Shares -- Transferability, Puts and Calls, Etc.

- 5 million of the voting common shares owned by Walter and/or his personal trusts will not be transferable except in "Permitted Transfers". "Permitted Transfers" will include (a) transfers by and among Walter, his personal trusts and any foundation or foundation created by Walter where the voting of such common shares is directed by Walter, (b) provided Teton is an "Eligible Purchaser" as defined below, transfers to third parties

made after compliance with the right of first refusal provisions in favor of Teton described below, (c) transfers made at any time after the earlier of Walter's death or the third anniversary of the closing date pursuant to a put by Walter or his personal trusts or his estate of some or all of such shares to Teton for cash or Teton common stock (at the election of Walter or his personal trusts or estate), with such put exercisable only if Teton is an Eligible Purchaser, i.e., purchase by Teton would not cause Teton to become subject to regulation as a registered holding company under the Public Utility Holding Company Act of 1935 ("PUHCA") due to the repeal or amendment of PUHCA or otherwise and (d) such other transfer arrangements as may be agreed by and among Walter and Teton promptly following the signing of a definitive merger agreement which would not cause Teton or Walter to become subject to regulation as a registered holding company under PUHCA. Any put pursuant to clause (c) above shall be at agreed or appraised value determined in the same manner as applies to management's puts.

- Such 5 million shares shall also be subject to a right of first refusal in favor of Teton if a transfer of any such shares is proposed to be made to a third party at any time.

- The balance of the voting common shares (i.e. the excess over 5 million shares) owned by Walter or his children or any of their respective personal trusts shall not be subject to any contractual transfer restrictions and shall not be subject to any puts, calls or rights of first refusal.

Teton's Holdings

- Pursuant to the terms thereof, the Trust Preferred shall be non-transferable.

- Teton's Convertible Preferred and voting common stock shall be freely transferable (subject to PUHCA and other applicable legal constraints). To the extent that Teton transfers (other than transfers to any of its consolidated subsidiaries) 5% or more of its common stock or Convertible Preferred, all transfer restrictions, rights of first refusal and puts in respect of common stock owned by Walter or his personal trusts shall immediately lapse. In addition, if any such transfer by Teton represents more than 50% of the voting power or 50% of the combined equity value of NewCo (exclusive of Trust Preferred), then Walter, Walter's children and their respective personal trusts shall have the right on a

proportional basis to tag-along in connection with such sale on the same terms and conditions as apply to Teton's sale.

- No puts, calls or rights of first refusal shall apply to any of Teton's holdings.

AMENDED AND RESTATED WALTER SCOTT, JR. SUBSCRIPTION AGREEMENT

Teton Acquisition Corp.
c/o MidAmerican Energy Holdings Company
302 South 36th Street
Suite 400
Omaha, Nebraska 68131
Attn: David L. Sokol

Ladies and Gentlemen:

The undersigned is executing this Agreement in connection with its subscription for shares of common stock, no par value ("Common Stock") of Teton Acquisition Corp. (the "Company"), an Iowa corporation wholly owned by Teton Formation L.L.C. (the "Parent"), an Iowa limited liability company. The undersigned understands that the Company is relying upon the accuracy and completeness of the information contained herein in complying with its obligations under federal and state securities and other applicable laws.

The Company and the Parent are contemplating entering into an Agreement and Plan of Merger (the "Merger Agreement") with MidAmerican Energy Holdings Company ("MidAmerican"), pursuant to which, and subject to the terms and conditions set forth therein, the Company would merge with and into MidAmerican, with MidAmerican being the surviving corporation (the "Merger").

The undersigned hereby irrevocably agrees with, and represents and warrants to and for the benefit of, the Company, the Parent and the members of the Parent, as follows:

1. Subscription.

(a) On the terms and subject to the conditions of this Agreement, the undersigned hereby irrevocably subscribes for, and the Company hereby irrevocably agrees to sell, 8,000,000 shares of Common Stock for a purchase price of $35.05 per share. The shares of Common Stock to be purchased pursuant to this Section 1(a) are herein referred to, collectively, as the "Shares."

(b) The purchase price for the Shares is payable, at the option of the undersigned, in cash, in shares of MidAmerican common stock (which shall be valued, for purposes of this Agreement, based on the amount per share of MidAmerican common stock to be paid pursuant to the Merger Agreement), or any combination thereof.

(c) The number of Shares to be purchased by the undersigned pursuant to this Agreement shall be reduced by the number of Shares (up to 3,000,000) purchased by certain persons, whose names or descriptions are set forth on Schedule 1(c) hereto (the "Scott Family Entities"). If any one or more of the Scott Family Entities so elect, they may subscribe for up to 3,000,000 of the Shares on the same terms and conditions as contained herein. As a

condition to such subscription, each Scott Family Entity making such election shall execute and deliver to the Company a counterpart of this Agreement, and shall be bound by the terms and conditions of this Agreement as if such Scott Family Entity was the original signatory hereto.

(d) The undersigned may purchase the Shares on his own behalf or for the benefit of personal trusts under his control.

2. Other Subscription Agreements. The Company is entering into, concurrently with the execution of this Agreement, (i) a subscription agreement with David L. Sokol (the "David L. Sokol Subscription Agreement"), pursuant to which David L. Sokol has agreed to purchase, on the terms and subject to the conditions stated therein, shares of Common Stock and/or options to purchase Common Stock, and (ii) a subscription agreement with Berkshire Hathaway Inc. (the "Berkshire Subscription Agreement"), pursuant to which Berkshire Hathaway Inc. has agreed to purchase, on the terms and subject to the conditions stated therein, shares of Common Stock and shares of preferred stock of the Company and trust securities of a trust to be established by the Company. The Company may also enter into subscription agreements with other members or former members of MidAmerican management (any such agreements, together with the David L. Sokol Subscription Agreement, the "Management Subscription Agreements" and the Management Subscription Agreements, together with this Agreement and the Berkshire Subscription Agreement, collectively, the "Subscription Agreements"), pursuant to which such persons will agree to purchase, on the terms and subject to the conditions stated therein, shares of Common Stock and/or options to purchase Common Stock. Each of the Subscription Agreements are separate and several agreements, and the sales of Shares to the undersigned and to the other purchasers under the Subscription Agreements are to be separate and several sales.

3. Representations and Warranties of the Company. The Company hereby represents and warrants to the undersigned that:

(a) Organization and Qualification. The Company is duly formed, validly existing and in good standing under the laws of the State of Iowa. The Company was organized solely for the purposes of consummating the Merger and the other transactions to be contemplated by the Merger Agreement and taking action with respect thereto. Except for obligations or liabilities incurred, or to be incurred, in connection with the transactions to be contemplated by the Merger Agreement (including the Subscription Agreements) or in connection with their organization, on the Closing Date the Company will not have incurred any obligations or liabilities or engaged in any business activities of any kind.

(b) Authority. The Company has the requisite power and authority to enter into this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement by the Company and the consummation by the Company of the transactions contemplated hereby have been duly and validly approved by all necessary action, and no other proceedings on the part of the Company are necessary to authorize the execution, delivery and performance of this

Agreement by the Company and the consummation by the Company of the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by the Company and, assuming the due authorization, execution and delivery of this Agreement by the undersigned, constitutes a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(c) Issuance of Shares. The Shares to be issued and sold by the Company pursuant to this Agreement, when issued in accordance with the provisions hereof, will be validly issued, fully paid and nonassessable stock of the Company, and no holder of stock of the Company will have any preemptive rights to subscribe for any such Shares. Other than shares of Common Stock, the only securities authorized for issuance by the Company are the shares of Preferred Stock to be issued and sold by the Company pursuant to the Berkshire Subscription Agreement.

(d) Approvals and Consents; Non-Contravention. The creation, authorization, issuance, offer and sale of the Shares do not require any consent, approval or authorization of, or filing, registration or qualification with, any governmental authority on the part of the Company (other than as will be described in the Merger Agreement) or the vote, consent or approval in any manner of the holders of any capital stock or other security of the Company as a condition to the execution and delivery of this Agreement or the creation, authorization, issuance, offer and sale of the Shares. The execution and delivery by the Company of this Agreement and the performance by the Company of its obligations hereunder will not violate (i) the terms and conditions of the Articles of Incorporation or the Bylaws of the Company, or any agreement to which the Company is a party or by which it is bound or (ii) subject to the accuracy of the representations and warranties of the undersigned contained in Section 4 hereof, any federal or state law.

4. Representations and Warranties of the Undersigned. The undersigned hereby represents and warrants to the Company that:

(a) Authority. The undersigned has the requisite power and authority to enter into this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by the undersigned and, assuming the due authorization, execution and delivery of this Agreement by the Company, constitutes a legal, valid and binding obligation of the undersigned enforceable against the undersigned in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(b) Approvals and Consents; Non-Contravention. Except as required under the HSR Act (as defined below), the execution, delivery and performance of this Agreement by the undersigned and the consummation by the undersigned of the transactions contemplated hereby do not require any consent, approval or authorization of, or filing, registration or qualification with, any governmental authority on the part of the undersigned, or the vote, consent or approval in any manner of the holders of any capital stock or other security of the undersigned as a condition to the execution and delivery of this Agreement or the consummation by the undersigned of the transactions contemplated hereby. The execution and delivery by the undersigned of this Agreement and the performance by the undersigned of its obligations hereunder will not violate (i) the terms and conditions of the certificate of incorporation, or other applicable formation document, or the bylaws of the undersigned, or any agreement to which the undersigned is a party or by which it is bound or (ii) any federal or state law.

(c) Residence. The principal place of business address set forth on the signature page hereof is the undersigned's true and correct principal place of business and is the only jurisdiction in which an offer to sell the Shares was made to the undersigned and the undersigned has no present intention of moving its principal place of business to any other state or jurisdiction.

(d) No Registration. The undersigned understands that the Shares have not been registered under the Securities Act of 1933, as amended (the "Act"), or under the laws of any other jurisdiction, and that the Company does not contemplate and is under no obligation to so register the Shares. The undersigned understands and agrees that the Shares must be held indefinitely unless they are subsequently transferred (i) pursuant to an effective registration statement under the Act and, where required, under the laws of other jurisdictions or (ii) pursuant to an exemption from applicable registration requirements. The undersigned recognizes that there is no established trading market for the Shares and that it is unlikely that any public market for the Shares will develop for at least five years. The undersigned will not offer, sell, transfer or assign its Shares or any interest therein in contravention of this Agreement, the Act or any state or federal law.

(e) Purchase for Investment. Except for Shares as are subscribed for by Scott Family Entities (other than the undersigned), the Shares for which the undersigned hereby subscribes are being acquired solely for the undersigned's own account for investment and are not being purchased with a view to or for resale, distribution or other disposition, and except as indicated above the undersigned has no present plans to enter into any contract, undertaking, agreement or arrangement for any such resale, distribution or other disposition.

(f) Information. The undersigned has been granted the opportunity to ask questions of, and receive answers from, the Company and the officers of the Company concerning the terms and conditions of the sale of the Shares, the Merger Agreement and the transactions contemplated thereby, and to obtain any additional information which the undersigned deems necessary to make an informed investment decision. The undersigned has received or has had access to other documents requested from the Company relating to the

Shares and the purchase thereof, and the Company has afforded the undersigned the opportunity to discuss the undersigned's investment in the Company and to ask and receive answers to any questions relating to the investment in the Shares, the Merger Agreement and the transactions contemplated thereby. The undersigned understands and has evaluated the risks of a purchase of the Shares.

(g) Accredited Investor. The undersigned has read the text of Rule 501(a)(1) - (8) of Regulation D under the Act and confirms that it is an "accredited investor" as described thereby.

(h) Ownership. At the Closing Date, the undersigned will have good and marketable title to, and own free and clear of any liens, encumbrances, mortgages, charges, rights or other security interests, the shares of MidAmerican common stock, if any, to be exchanged for Shares pursuant to this Agreement.

(i) Holding Company. The undersigned is not a "public utility company", a "holding company", a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company" or of a "subsidiary company", as such terms are defined in the Public Utility Holding Company Act of 1935, as amended, or a "public utility" as such term is defined in the Federal Power Act.

5. Closing. The closing (the "Closing") of the purchase and sale of the Shares pursuant to this Agreement shall be held at the same place and at the same time as the closings under the other Subscription Agreements (the "Closing Date") and immediately prior to the effective time of the Merger.

6. Conditions to Closing. (a) The undersigned's obligation to purchase the Shares under this Agreement at the Closing is subject to the fulfillment on or prior to the Closing of the following conditions:

(i) Representations and Warranties. Each representation and warranty made by the Company in this Agreement shall be true and correct in all material respects on and as of the Closing Date as though such representation or warranty was made on the Closing Date, and any representation or warranty made as of a specified date earlier than the Closing Date shall have been true and correct in all material respects on and as of such earlier date.

(ii) Performance. The Company shall have performed and complied with, in all material respects, each agreement, covenant and obligation required by this Agreement to be so performed or complied with by the Company at or before the Closing Date.

(iii) Merger Agreement. The Merger Agreement shall have been executed and delivered by the parties thereto in form and substance reasonably satisfactory to the undersigned. As of the Closing all conditions to the consummation of the transactions contemplated by the Merger Agreement shall have been satisfied or waived and the

closing of the transactions contemplated hereunder shall occur immediately prior to the effective time of the Merger.

(iv) Stockholders Agreement. The Stockholders Agreement (having terms substantially the same as those set forth on Schedule I hereto) (the "Stockholders Agreement") shall have been executed and delivered by the Company and each of the parties to the Subscription Agreements.

(v) Subscription Agreements. The Subscription Agreements shall be in full force and effect, no cancellation or termination (purported or otherwise) shall have occurred in respect of any Subscription Agreement, no material breach or default shall have occurred and be continuing under any of the Subscription Agreements, and closings under all of the Subscription Agreements shall be effected concurrently.

(vi) Required Equity Interest. The Shares (after giving effect to the other Subscription Agreements) shall represent, at and as of the Closing, not less than eighty-seven percent (87%) of the outstanding voting stock of the Company.

(b) The Company's obligation to sell the Shares under this Agreement at the Closing is subject to the fulfillment on or prior to the Closing of the following conditions:

(i) Representations and Warranties. Each representation and warranty made by the undersigned in this Agreement shall be true and correct in all material respects on and as of the Closing Date as though such representation or warranty was made on the Closing Date, and any representation or warranty made as of a specified date earlier than the Closing Date shall have been true and correct in all material respects on and as of such earlier date.

(ii) Performance. The undersigned shall have performed and complied with, in all material respects, each agreement, covenant and obligation required by this Agreement to be so performed or complied with by the undersigned at or before the Closing Date.

(iii) Merger Agreement. The Merger Agreement shall have been executed and delivered by the parties thereto in form and substance reasonably satisfactory to the Company. As of the Closing all conditions to the consummation of the transactions contemplated by the Merger Agreement shall have been satisfied or waived and the closing of the transactions contemplated hereunder shall occur immediately prior to the effective time of the Merger.

(iv) Stockholders Agreement. The Stockholders Agreement shall have been executed and delivered by the Company and each of the parties to the Subscription Agreements.

(v) Subscription Agreements. The Subscription Agreements shall be in full force and effect, no cancellation or termination (purported or otherwise) shall have

occurred in respect of any Subscription Agreement, no material breach or default shall have occurred and be continuing under any of the Subscription Agreements, and closings under all of the Subscription Agreements shall be effected concurrently.

7. Covenants. Each of the Company and the undersigned covenants and agrees with the other that, at all times from and after the date hereof until the Closing Date, it will comply with all covenants and provisions of this Section 7, except to the extent the other party may otherwise consent in writing.

(a) Regulatory and Other Approvals. Subject to the terms and conditions of this Agreement, each of the Company and the undersigned will proceed diligently and in good faith to, as promptly as practicable (x) obtain all consents, approvals or actions of, make all filings with and give all notices to governmental or regulatory authorities or any public or private third parties required of the Company and the undersigned to consummate the transactions contemplated hereby and by the Merger Agreement, and (y) provide such other information and communications to such governmental or regulatory authorities or other public or private third parties as the other party or such governmental or regulatory authorities or other public or private third parties may reasonably request in connection therewith. In addition to and not in limitation of the foregoing, each of the parties will (1) take promptly all actions necessary to make the filings required under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder (the "HSR Act") (2) comply at the earliest practicable date with any request for additional information received from the Federal Trade Commission (the "FTC") or the Antitrust Division of the Department of Justice (the "Antitrust Division"), pursuant to the HSR Act, and (3) cooperate with the other party in connection with such party's filings under the HSR Act and in connection with resolving any investigation or other inquiry concerning the transactions contemplated by this Agreement commenced by either the FTC or the Antitrust Division or state attorneys general.

(b) Notice and Cure. Each of the Company and the undersigned will promptly notify the other in writing of, and contemporaneously will provide the other with true and complete copies of any and all information or documents relating to, and will use all commercially reasonable efforts to cure before the Closing Date, any event, transaction or circumstance, occurring after the date of this Agreement that causes or will cause any covenant or agreement of either such party under this Agreement to be breached or that renders or will render untrue any representation or warranty of either such party contained in this Agreement as if the same were made on or as of the date of such event, transaction or circumstance.

(c) Fulfillment of Conditions. Each of the Company and the undersigned will take all commercially reasonable steps necessary or desirable and proceed diligently and in good faith to satisfy each condition to the obligations of such party contained in this Agreement and will not take any action that could reasonably be expected to result in the nonfulfillment of any such condition or fail to take any commercially reasonable action that could reasonably be expected to prevent the nonfulfillment of any such condition.

8. Indemnification. The undersigned agrees to indemnify and hold harmless the Company, the Parent, or any member, officer, director or control person (within the meaning of Section 15 of the Act) of any such entity from and against any and all loss, damage or liability due to or arising out of a breach of any representation or warranty of the undersigned contained in any document furnished by the undersigned in connection with the offering and sale of the Shares, including, without limitation, this Agreement, or failure by the undersigned to comply with any covenant or agreement made by the undersigned herein or in any other document furnished by the undersigned to any of the foregoing in connection with this transaction.

9. Survival; Binding Effect. All covenants, agreements, representations and warranties made herein shall survive the execution and delivery of this Agreement and delivery of the Shares and payment therefor and, notwithstanding any investigation heretofore or hereafter made by the undersigned or on the undersigned's behalf, shall continue in full force and effect. Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party and all covenants, promises and agreements in this Agreement by or on behalf of the Company, or by or on behalf of the undersigned, shall bind and inure to the benefit of the successors and assigns of such parties hereto.

10. Termination.

(a) This Agreement may be terminated, and the transactions contemplated hereby may be abandoned (i) at any time before the Closing, by mutual written agreement of the Company and the undersigned or (ii) at any time before the Closing, by the Company or the undersigned, in the event that any order or law becomes effective restraining, enjoining or otherwise prohibiting or making illegal the consummation of any of the transactions contemplated by this Agreement or the Company, upon notification of the non-terminating party by the terminating party.

(b) This Agreement shall terminate, with no further action being required on the part of either party hereto, (i) automatically, if the Merger Agreement is not executed and delivered by the parties hereto on or before 11:59 p.m., October 24, 1999, or (ii) automatically, once the Merger Agreement has been executed and delivered, upon any termination of the Merger Agreement in accordance with its terms by MidAmerican or (with the requisite Member vote under the Parent's Operating Agreement or the requisite two-thirds vote of the Company's Board of Directors) by the Parent or the Company, as applicable.

(c) If this Agreement is validly terminated pursuant to this Section 10, this Agreement will forthwith become null and void, and there will be no liability or obligation on the part of the undersigned or the Parent or the Company (or any of their respective members, officers, directors, employees, agents or other representatives or affiliates). Notwithstanding the foregoing, no such termination shall affect the obligations of the undersigned pursuant to Section 8, which shall survive any such termination.

11. Notices. All notices, statements, instructions or other documents required to be given hereunder shall be in writing and shall be given either personally, by overnight courier or by facsimile, addressed to the Company at its principal offices and to the other party at its address or facsimile number reflected on the signature page hereto. The undersigned, by written notice given to the Company in accordance with this Section 11 may change the address to which notices, statements, instructions or other documents are to be sent to the undersigned. All notices, statements, instructions and other documents hereunder that are mailed shall be deemed to have been given on the date of delivery.

12. Complete Agreement; Counterparts. This Agreement constitutes the entire agreement and supersedes all other agreements and understandings, both written and oral, between the parties hereto, with respect to the subject matter hereof. This Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

13. Assignment. Except as provided herein, without the prior written consent of each of the parties hereto, neither this Agreement nor any right, interest or obligation hereunder may be assigned by any party hereto and any attempt to do so will be void. Subject to the preceding sentence, this Agreement shall be binding upon, inure to the benefit of and shall be enforceable by the parties hereto and their respective successors and assigns.

14. Amendment and Waiver. This Agreement may be amended or modified only by an instrument signed by the parties hereto. A waiver of any provision of this Agreement must be in writing, designated as such, and signed by the party against whom enforcement of that waiver is sought. The waiver by a party of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent or other breach thereof.

15. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of New York.

IN WITNESS WHEREOF, the undersigned has executed this Amended and Restated Subscription Agreement on this 24th day of October 1999.

Walter Scott, Jr.

Mailing Address

City State Zip Code

Tax Identification Number

SUBSCRIPTION ACCEPTED AS OF THE ABOVE DATE

TETON ACQUISITION CORP.

By: _____
Name: David L. Sokol
Title: Chairman, Chief Executive Officer and President

IN WITNESS WHEREOF, the undersigned has executed this Amended and Restated Subscription Agreement on this 24th day of October 1999.

Mailing Address

Walter Scott, Jr.

City State Zip Code

Tax Identification Number

SUBSCRIPTION ACCEPTED AS OF THE ABOVE DATE

TETON ACQUISITION CORP.

By: _____

Name: David L. Sokol

Title: Chairman, Chief Executive Officer and President

Schedule 1(c)

Scott Family Entities

Amy Scott Willer
Karen Scott Dixon
Sandra Scott Parker
W. David Scott
Amy Scott Willer Trust #3
Karen Scott Dixon Trust #3
Sandra Scott Parker Trust #3
David Scott Trust #3
Amy Scott Willer Wyoming Trust
W. David Scott Wyoming Trust
Karen Dixon Wyoming Trust
Sandra Sue Parker
Double Eight Land Corporation

Such other entities designated by Walter Scott, Jr. and controlled by Walter Scott, Jr. or his immediate family which execute and deliver to the Company a counterpart of this Agreement and shall be bound by the terms and conditions of this Agreement as if such entities were original signatories hereto.

PRIVILEGED & CONFIDENTIAL

Project Teton
Summary of Terms for Shareholders' Agreement and Management Equity Participation

Background

- In order to encourage equity participation in NewCo by Management, DLS will be required to roll over (tax free) 100% of his total current equity in Monarch (both shares directly owned and those subject to options), and up to three additional Management participants may be offered the opportunity to rollover (tax free) up to 100%, but not less than 65%, of such person's total current equity in Monarch (both shares directly owned and those subject to options), into NewCo's voting common stock or options, as applicable. Management's contribution will be valued on the basis of the price paid to the public stockholders of Monarch in the Merger (the "Merger Price") less any applicable option exercise price.

- Walter and/or his children and their respective personal trusts will invest a total of $280.4 million in voting common stock of NewCo, with such investment achieved through a roll-over of certain of their present Monarch holdings and through cash investments at the closing. At least 5 million shares (or approximately $175 million in value) of such common shares will be directly owned by Walter or his personal trusts.

- Teton will acquire NewCo voting common stock, convertible preferred stock and trust preferred stock in separately agreed amounts through cash investments or through contributions of Monarch common stock valued at the Merger Price at the closing.

Option Terms

- The number of existing shares subject to options and the exercise price per share will remain unchanged.

- As per the terms of the existing option plan, all existing options will be fully vested as of the closing date.

- Subject to review of accounting implications, in order to encourage retention of existing options and avoid the need to finance early option exercises, all outstanding options will have their exercise terms extended until

eight years after the closing date. Options with current exercise terms of greater than eight years from the closing date will not be affected.

Additional Options

- As an additional incentive for Management to rollover a higher proportion of their equity into NewCo, if DLS or any other Management participant rolls over 100% of his common stock and stock options, then for each ten shares rolled over (whether directly owned or subject to options), DLS and each such other Management participant will receive an option to purchase three additional shares of NewCo at an exercise price equal to the per share Merger Price. These additional options will vest in increments of 1/3 per year over the three years following the closing date. All options will contain various other customary terms, including anti-dilution provisions.

Management Equity -- Transferability; Put and Call Rights, Etc.

- All Management shares and options will be nontransferable for a period of three years following the closing date (subject to exceptions for transfers to immediate family members and personal trusts for their benefit or management's benefit). After three years, transfer restrictions will be lifted (subject to customary plan limitations as to options); however, such shares and options will be subject to both put and call rights (described below).

- At any time after the third anniversary of the closing, management will be allowed one opportunity per year to put their shares and options to NewCo for cash in increments of not less than 25% of their total equity holdings as of the closing date, at a price to be agreed upon. If the parties cannot agree on a price for the shares or options, the option to put will be based on an "appraised value" to be determined by an independent appraiser mutually acceptable to Management and NewCo. The option to put at appraised value may be made by any management stockholder at any time within 30 days after the appraised value has been finally determined. The purchase price for the options will be equal to the agreed or appraised value, as applicable, of the underlying common shares less an amount equal to the applicable option exercise price.

- NewCo will be required to have an appraisal of the common shares made on the third anniversary of the closing date. Thereafter, NewCo will be required to have an appraisal

made at the request of a selling Management shareholder, but not more frequently than once per calendar year.

- In determining appraised value, the third party appraiser will value Management shares based on their percentage of the total equity value of NewCo as a going concern, and will value the shares as though NewCo were a publicly traded company, with reasonable liquidity and without a controlling block of shares and with no sell-out premium (as might exist in a change of control or sale of the company transaction).

- At any time after the third anniversary of the closing, NewCo will be allowed one opportunity per year to call Management shares and options for cash in increments of not less than 25% of their total equity holdings at a price to be agreed upon, or, failing agreement, at the appraised value, determined in the same manner.

- Since all currently-owned management shares and options will be fully vested on the closing date, those shares and options will not be affected by any termination of employment. For example, if a Management shareholder's employment is terminated prior to the end of the three-year period, the put and call rights described above will mature beginning at the end of the three-year period and will be exercisable by both parties in the same manner as if the Management shareholder had still been employed.

- With respect to additional option grants subject to vesting, in the event a Management shareholder's employment is terminated without "cause," or by the Management shareholder for "good reason," or by reason of his or her death or disability, such additional options will become fully vested and (after three years) subject to the put and call provisions. If a Management shareholder's employment is terminated within the three-year period by the NewCo for cause or by him without good reason, any unvested additional option shares will be forfeited.

Walter and Walter Family Shares -- Transferability, Puts and Calls, Etc.

- 5 million of the voting common shares owned by Walter and/or his personal trusts will not be transferable except in "Permitted Transfers". "Permitted Transfers" will include (a) transfers by and among Walter, his personal trusts and any foundation or foundation created by Walter where the voting of such common shares is directed by Walter, (b) provided Teton is an "Eligible Purchaser" as defined below, transfers to third parties

made after compliance with the right of first refusal provisions in favor of Teton described below, (c) transfers made at any time after the earlier of Walter's death or the third anniversary of the closing date pursuant to a put by Walter or his personal trusts or his estate of some or all of such shares to Teton for cash or Teton common stock (at the election of Walter or his personal trusts or estate), with such put exercisable only if Teton is an Eligible Purchaser, i.e., purchase by Teton would not cause Teton to become subject to regulation as a registered holding company under the Public Utility Holding Company Act of 1935 ("PUHCA")due to the repeal or amendment of PUHCA or otherwise and (d) such other transfer arrangements as may be agreed by and among Walter and Teton promptly following the signing of a definitive merger agreement which would not cause Teton or Walter to become subject to regulation as a registered holding company under PUHCA. Any put pursuant to clause (c) above shall be at agreed or appraised value determined in the same manner as applies to management's puts.

- Such 5 million shares shall also be subject to a right of first refusal in favor of Teton if a transfer of any such shares is proposed to be made to a third party at any time.

- The balance of the voting common shares (i.e. the excess over 5 million shares) owned by Walter or his children or any of their respective personal trusts shall not be subject to any contractual transfer restrictions and shall not be subject to any puts, calls or rights of first refusal.

Teton's Holdings

- Pursuant to the terms thereof, the Trust Preferred shall be non-transferable.

- Teton's Convertible Preferred and voting common stock shall be freely transferable (subject to PUHCA and other applicable legal constraints). To the extent that Teton transfers (other than transfers to any of its consolidated subsidiaries) 5% or more of its common stock or Convertible Preferred, all transfer restrictions, rights of first refusal and puts in respect of common stock owned by Walter or his personal trusts shall immediately lapse. In addition, if any such transfer by Teton represents more than 50% of the voting power or 50% of the combined equity value of NewCo (exclusive of Trust Preferred), then Walter, Walter's children and their respective personal trusts shall have the right on a

proportional basis to tag-along in connection with such sale on the same terms and conditions as apply to Teton's sale.

- No puts, calls or rights of first refusal shall apply to any of Teton's holdings.

AMENDED AND RESTATED DAVID L. SOKOL SUBSCRIPTION AGREEMENT

Teton Acquisition Corp.
c/o MidAmerican Energy Holdings Company
302 South 36th Street
Suite 400
Omaha, Nebraska 68131
Attn: David L. Sokol

Ladies and Gentlemen:

The undersigned is executing this Agreement in connection with its subscription for shares of common stock, no par value ("Common Stock"), and options to purchase shares of Common Stock, of Teton Acquisition Corp. (the "Company"), an Iowa corporation wholly owned by Teton Formation L.L.C. (the "Parent"), an Iowa limited liability company. The undersigned understands that the Company is relying upon the accuracy and completeness of the information contained herein in complying with its obligations under federal and state securities and other applicable laws.

The Company and the Parent are contemplating entering into an Agreement and Plan of Merger (the "Merger Agreement") with MidAmerican Energy Holdings Company ("MidAmerican"), pursuant to which, and subject to the terms and conditions set forth therein, the Company would merge with and into MidAmerican, with MidAmerican being the surviving corporation (the "Merger").

The undersigned hereby irrevocably agrees with, and represents and warrants to and for the benefit of, the Company, the Parent and the members of the Parent, as follows:

1. Subscription.

(a) On the terms and subject to the conditions of this Agreement, the undersigned hereby irrevocably subscribes for, and the Company hereby irrevocably agrees to issue, 180,924 shares of Common Stock and options to purchase 1,650,000 shares of Common Stock (the "Options") having the terms described in Section 1(c). The shares of Common Stock to be purchased pursuant to this Section 1(a) are herein referred to, collectively, as the "Shares," and the Shares, together with the Options to be purchased pursuant to this Section 1(a), are herein referred to, collectively, as the "Securities."

(b) The purchase price for the Shares to be purchased hereunder shall be payable only in shares of MidAmerican common stock which shall be exchanged on a one-for-one basis for Shares.

(c) The purchase price for the Options shall be payable only in options to purchase shares of MidAmerican common stock, as further set forth herein. Options to purchase MidAmerican common stock shall be exchanged for Options to purchase a like

amount of Common Stock and having the same exercise price and other terms of the MidAmerican options; provided, that, (i) such Options purchased shall be vested immediately, and (ii) if the exercise term for the MidAmerican options being exchanged is less than eight years from the Closing, the term of the Options exchanged therefor shall be extended until the eighth anniversary of the Closing. The parties hereto shall enter into new option agreements or other necessary documentation reflecting the issuance of the Options hereunder.

2. Other Subscription Agreements. The Company is entering into, concurrently with the execution of this Agreement, (i) a subscription agreement with Walter Scott, Jr. (the "Scott Subscription Agreement"), pursuant to which Walter Scott, Jr. has agreed to purchase, on the terms and subject to the conditions stated therein, shares of Common Stock, and (ii) a subscription agreement with Berkshire Hathaway Inc. (the "Berkshire Subscription Agreement"), pursuant to which Berkshire Hathaway Inc. has agreed to purchase, on the terms and subject to the conditions stated therein, shares of Common Stock and preferred stock of the Company and trust securities of a trust to be established by the Company. The Company may also enter into subscription agreements with other members or former members of MidAmerican management (any such agreements, together with the this Agreement, the "Management Subscription Agreements" and the Management Subscription Agreements, together with the Scott Subscription Agreement and the Berkshire Subscription Agreement, collectively, the "Subscription Agreements"), pursuant to which such persons will agree to purchase, on the terms and subject to the conditions stated therein, shares of Common Stock and Options. Each of the Subscription Agreements are separate and several agreements, and the sales of Securities to the undersigned and to the other purchasers under the Subscription Agreements are to be separate and several sales.

3. Representations and Warranties of the Company. The Company hereby represents and warrants to the undersigned that:

(a) Organization and Qualification. The Company is duly formed, validly existing and in good standing under the laws of the State of Iowa. The Company was organized solely for the purposes of consummating the Merger and the other transactions to be contemplated by the Merger Agreement and taking action with respect thereto. Except for obligations or liabilities incurred, or to be incurred, in connection with the transactions to be contemplated by the Merger Agreement (including the Subscription Agreements) or in connection with its organization, on the Closing Date the Company will not have incurred any obligations or liabilities or engaged in any business activities of any kind.

(b) Authority. The Company has the requisite power and authority to enter into this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement by the Company and the consummation by the Company of the transactions contemplated hereby have been duly and validly approved by all necessary action, and no other proceedings on the part of the Company are necessary to authorize the execution, delivery and performance of this Agreement by the Company and the consummation by the Company of the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by the Company and, assuming the due authorization, execution and delivery of this Agreement by

the undersigned, constitutes a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(c) Issuance of Securities. The Shares to be issued and sold by the Company pursuant to this Agreement, when issued in accordance with the provisions hereof, will be validly issued, fully paid and nonassessable stock of the Company, and no holder of stock of the Company will have any preemptive rights to subscribe for any such Shares. The shares of Common Stock initially issuable upon exercise of the Options to be issued and sold by the Company pursuant to this Agreement have been duly reserved for issuance and, when issued in accordance with the terms of such Options, will be validly issued, fully paid and nonassessable stock of the Company, and no holder will have any preemptive rights to subscribe for any such shares of Common Stock. Other than shares of Common Stock, the only securities authorized for issuance by the Company are the shares of Preferred Stock to be issued and sold by the Company pursuant to the Berkshire Subscription Agreement.

(d) Approvals and Consents; Non-Contravention. The creation, authorization, issuance, offer and sale of the Securities do not require any consent, approval or authorization of, or filing, registration or qualification with, any governmental authority on the part of the Company (other than as will be described in the Merger Agreement) or the vote, consent or approval in any manner of the holders of any capital stock or other security of the Company as a condition to the execution and delivery of this Agreement or the creation, authorization, issuance, offer and sale of the Securities. The execution and delivery by the Company of this Agreement and the performance by the Company of its obligations hereunder will not violate (i) the terms and conditions of the Articles of Incorporation or the Bylaws of the Company, or any agreement to which the Company is a party or by which it is bound or (ii) subject to the accuracy of the representations and warranties of the undersigned contained in Section 4 hereof, any federal or state law.

4. Representations and Warranties of the Undersigned. The undersigned hereby represents and warrants to the Company that:

(a) Authority. The undersigned has the requisite power and authority to enter into this Agreement, to perform its obligations hereunder and to consummate the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by the undersigned and, assuming the due authorization, execution and delivery of this Agreement by the Company, constitutes a legal, valid and binding obligation of the undersigned enforceable against the undersigned in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(b) Approvals and Consents; Non-Contravention. Except as required under the HSR Act (as defined below), the execution, delivery and performance of this Agreement by the undersigned and the consummation by the undersigned of the transactions contemplated hereby do not require any consent, approval or authorization of, or filing, registration or qualification with, any governmental authority on the part of the undersigned, or the vote, consent or approval in any manner of the holders of any capital stock or other security of the undersigned as a condition to the execution and delivery of this Agreement or the consummation by the undersigned of the transactions contemplated hereby. The execution and delivery by the undersigned of this Agreement and the performance by the undersigned of its obligations hereunder will not violate (i) any agreement to which the undersigned is a party or by which it is bound or (ii) any federal or state law.

(c) Residence. The principal place of business address set forth on the signature page hereof is the undersigned's true and correct principal place of business and is the only jurisdiction in which an offer to sell the Securities was made to the undersigned and the undersigned has no present intention of moving its principal place of business to any other state or jurisdiction.

(d) No Registration. The undersigned understands that the Securities have not been registered under the Securities Act of 1933, as amended (the "Act"), or under the laws of any other jurisdiction, and that the Company does not contemplate and is under no obligation to so register the Securities. The undersigned understands and agrees that the Shares and the shares of Common Stock issuable upon the exercise of the Options must be held indefinitely unless they are subsequently transferred (i) pursuant to an effective registration statement under the Act and, where required, under the laws of other jurisdictions or (ii) pursuant to an exemption from applicable registration requirements. The undersigned recognizes that there is no established trading market for the Shares and that it is unlikely that any public market for the Shares will develop for at least five years. The undersigned will not offer, sell, transfer or assign its Securities or the shares of Common Stock issuable upon exercise of the Options or any interest therein in contravention of this Agreement, the Act or any state or federal law.

(e) Purchase for Investment. The Securities for which the undersigned hereby subscribes are being acquired solely for the undersigned's own account for investment and are not being purchased with a view to or for resale, distribution or other disposition, and the undersigned has no present plans to enter into any contract, undertaking, agreement or arrangement for any such resale, distribution or other disposition.

(f) Information. The undersigned has been granted the opportunity to ask questions of, and receive answers from, the Company and the officers of the Company concerning the terms and conditions of the sale of the Securities, the Merger Agreement and the transactions contemplated thereby, and to obtain any additional information which the undersigned deems necessary to make an informed investment decision. The undersigned has received or has had access to other documents requested from the Company relating to the Securities and the purchase thereof, and the Company has afforded the undersigned the opportunity to discuss the undersigned's investment in the Company and to ask and receive

answers to any questions relating to the investment in the Securities, the Merger Agreement and the transactions contemplated thereby. The undersigned understands and has evaluated the risks of a purchase of the Securities.

(g) Accredited Investor. The undersigned has read the text of Rule 501(a)(1) - (8) of Regulation D under the Act and confirms that it is an "accredited investor" as described thereby.

(h) Holding Company. The undersigned is not a "public utility company", a "holding company", a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company" or of a "subsidiary company", as such terms are defined in the Public Utility Holding Company Act of 1935, as amended, or a "public utility" as such term is defined in the Federal Power Act.

(i) Ownership. At the Closing Date, the undersigned will have good and marketable title to, and own free and clear of any liens, encumbrances, mortgages, charges, rights or other security interests, the shares of MidAmerican common stock and MidAmerican options to be exchanged for Securities pursuant to this Agreement.

5. Closing. The closing (the "Closing") of the purchase and sale of the Securities pursuant to this Agreement shall be held at the same place and at the same time as the closings under the other Subscription Agreements (the "Closing Date") and immediately prior to the effective time of the Merger.

6. Conditions to Closing. (a) The undersigned's obligation to purchase the Securities under this Agreement at the Closing is subject to the fulfillment on or prior to the Closing of the following conditions:

(i) Representations and Warranties. Each representation and warranty made by the Company in this Agreement shall be true and correct in all material respects on and as of the Closing Date as though such representation or warranty was made on the Closing Date, and any representation or warranty made as of a specified date earlier than the Closing Date shall have been true and correct in all material respects on and as of such earlier date.

(ii) Performance. The Company shall have performed and complied with, in all material respects, each agreement, covenant and obligation required by this Agreement to be so performed or complied with by the Company at or before the Closing Date.

(iii) Merger Agreement. The Merger Agreement shall have been executed and delivered by the parties thereto in form and substance reasonably satisfactory to the undersigned. As of the Closing all conditions to the consummation of the transactions contemplated by the Merger Agreement shall have been satisfied or waived and the closing of the transactions contemplated hereunder shall occur immediately prior to the effective time of the Merger.

(iv) Stockholders Agreement. The Stockholders Agreement (having terms substantially the same as those set forth on Schedule I hereto) (the "Stockholders Agreement") shall have been executed and delivered by the Company and each of the parties to the Subscription Agreements.

(v) Subscription Agreements. The Subscription Agreements shall be in full force and effect, no cancellation or termination (purported or otherwise) shall have occurred in respect of any Subscription Agreement, no material breach or default shall have occurred and be continuing under any of the Subscription Agreements, and closings under all of the Subscription Agreements shall be effected concurrently.

(vi) Amendment to Employment Agreement. Contemporaneously with the Closing, the undersigned and the Company will enter into an amendment to the Employment Agreement of the undersigned substantially in the form of the draft set forth on Schedule II hereto (the "Amended Employment Agreement").

(b) The Company's obligation to sell the Securities under this Agreement at the Closing is subject to the fulfillment on or prior to the Closing of the following conditions:

(i) Representations and Warranties. Each representation and warranty made by the undersigned in this Agreement shall be true and correct in all material respects on and as of the Closing Date as though such representation or warranty was made on the Closing Date, and any representation or warranty made as of a specified date earlier than the Closing Date shall have been true and correct in all material respects on and as of such earlier date.

(ii) Performance. The undersigned shall have performed and complied with, in all material respects, each agreement, covenant and obligation required by this Agreement to be so performed or complied with by the undersigned at or before the Closing Date.

(iii) Merger Agreement. The Merger Agreement shall have been executed and delivered by the parties thereto in form and substance reasonably satisfactory to the Company. As of the Closing all conditions to the consummation of the transactions contemplated by the Merger Agreement shall have been satisfied or waived and the closing of the transactions contemplated hereunder shall occur immediately prior to the effective time of the Merger.

(iv) Stockholders Agreement. The Stockholders Agreement shall have been executed and delivered by the Company and each of the parties to the Subscription Agreements.

(v) Subscription Agreements. The Subscription Agreements shall be in full force and effect, no cancellation or termination (purported or otherwise) shall have occurred in respect of any Subscription Agreement, no material breach or default shall

have occurred and be continuing under any of the Subscription Agreements, and closings under all of the Subscription Agreements shall be effected concurrently.

7. Covenants. Each of the Company and the undersigned covenants and agrees with the other that, at all times from and after the date hereof until the Closing Date, it will comply with all covenants and provisions of this Section 7, except to the extent the other party may otherwise consent in writing.

(a) Regulatory and Other Approvals. Subject to the terms and conditions of this Agreement, each of the Company and the undersigned will proceed diligently and in good faith to, as promptly as practicable (x) obtain all consents, approvals or actions of, make all filings with and give all notices to governmental or regulatory authorities or any public or private third parties required of the Company and the undersigned to consummate the transactions contemplated hereby and by the Merger Agreement, and (y) provide such other information and communications to such governmental or regulatory authorities or other public or private third parties as the other party or such governmental or regulatory authorities or other public or private third parties may reasonably request in connection therewith. In addition to and not in limitation of the foregoing, each of the parties will (1) take promptly all actions necessary to make the filings required under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder (the "HSR Act") (2) comply at the earliest practicable date with any request for additional information received from the Federal Trade Commission (the "FTC") or the Antitrust Division of the Department of Justice (the "Antitrust Division"), pursuant to the HSR Act, and (3) cooperate with the other party in connection with such party's filings under the HSR Act and in connection with resolving any investigation or other inquiry concerning the transactions contemplated by this Agreement commenced by either the FTC or the Antitrust Division or state attorneys general.

(b) Notice and Cure. Each of the Company and the undersigned will promptly notify the other in writing of, and contemporaneously will provide the other with true and complete copies of any and all information or documents relating to, and will use all commercially reasonable efforts to cure before the Closing Date, any event, transaction or circumstance, occurring after the date of this Agreement that causes or will cause any covenant or agreement of either such party under this Agreement to be breached or that renders or will render untrue any representation or warranty of either such party contained in this Agreement as if the same were made on or as of the date of such event, transaction or circumstance.

(c) Fulfillment of Conditions. Each of the Company and the undersigned will take all commercially reasonable steps necessary or desirable and proceed diligently and in good faith to satisfy each condition to the obligations of such party contained in this Agreement and will not take any action that could reasonably be expected to result in the nonfulfillment of any such condition or fail to take any commercially reasonable action that could reasonably be expected to prevent the nonfulfillment of any such condition.

(d) Amended Employment Agreement. Each of the undersigned and the Company will enter into the Amended Employment Agreement contemporaneously with the Closing.

8. Indemnification. The undersigned agrees to indemnify and hold harmless the Company, the Parent, or any member, officer, director or control person (within the meaning of Section 15 of the Act) of any such entity from and against any and all loss, damage or liability due to or arising out of a breach of any representation or warranty of the undersigned contained in any document furnished by the undersigned in connection with the offering and sale of the Securities, including, without limitation, this Agreement, or failure by the undersigned to comply with any covenant or agreement made by the undersigned herein or in any other document furnished by the undersigned to any of the foregoing in connection with this transaction; provided, however, the aggregate amount for which the undersigned shall have to indemnify any other person shall not exceed the fair market value of the equity ownership (including options) of the undersigned in MidAmerican on the date that such indemnity amounts become due and payable and the proceeds of any sales of equity securities held immediately subsequent to the Merger by the undersigned.

9. Survival; Binding Effect. All covenants, agreements, representations and warranties made herein shall survive the execution and delivery of this Agreement and delivery of the Securities and payment therefor and, notwithstanding any investigation heretofore or hereafter made by the undersigned or on the undersigned's behalf, shall continue in full force and effect. Whenever in this Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party and all covenants, promises and agreements in this Agreement by or on behalf of the Company, or by or on behalf of the undersigned, shall bind and inure to the benefit of the successors and assigns of such parties hereto.

10. Termination.

(a) This Agreement may be terminated, and the transactions contemplated hereby may be abandoned (i) at any time before the Closing, by mutual written agreement of the Company and the undersigned or (ii) at any time before the Closing, by the Company or the undersigned, in the event that any order or law becomes effective restraining, enjoining or otherwise prohibiting or making illegal the consummation of any of the transactions contemplated by this Agreement or the Company, upon notification of the non-terminating party by the terminating party.

(b) This Agreement shall terminate, with no further action being required on the part of either party hereto, (i) automatically, if the Merger Agreement is not executed and delivered by the parties hereto on or before 11:59 p.m. on October 24, 1999 or (ii) automatically, once the Merger Agreement has been executed and delivered, upon any termination of the Merger Agreement in accordance with its terms by MidAmerican or (with the requisite Member vote under the Parent's Operating Agreement or the requisite two-thirds vote of the Company's Board of Directors) by the Parent or the Company, as applicable.

(c) If this Agreement is validly terminated pursuant to this Section 10, this Agreement will forthwith become null and void, and there will be no liability or obligation on the part of the undersigned or the Parent or the Company (or any of their respective members, officers, directors, employees, agents or other representatives or affiliates). Notwithstanding the foregoing, no such termination shall affect the obligations of the undersigned pursuant to Section 8, which shall survive any such termination.

11. Notices. All notices, statements, instructions or other documents required to be given hereunder shall be in writing and shall be given either personally, by overnight courier or by facsimile, addressed to the Company at its principal offices and to the other parties at its address or facsimile number reflected on the signature page hereto. The undersigned, by written notice given to the Company in accordance with this Section 11 may change the address to which notices, statements, instructions or other documents are to be sent to the undersigned. All notices, statements, instructions and other documents hereunder that are mailed shall be deemed to have been given on the date of delivery.

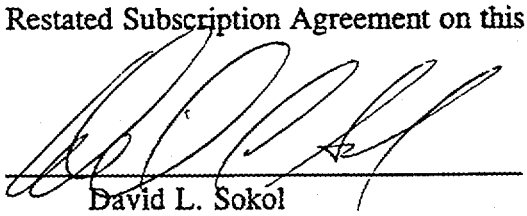
12. Complete Agreement; Counterparts. This Agreement constitutes the entire agreement and supersedes all other agreements and understandings, both written and oral, between the parties hereto, with respect to the subject matter hereof. This Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

13. Assignment. Without the prior written consent of each of the parties hereto, neither this Agreement nor any right, interest or obligation hereunder may be assigned by any party hereto and any attempt to do so will be void. Subject to the preceding sentence, this Agreement shall be binding upon, inure to the benefit of and shall be enforceable by the parties hereto and their respective successors and assigns.

14. Amendment and Waiver. This Agreement may be amended or modified only by an instrument signed by the parties hereto. A waiver of any provision of this Agreement must be in writing, designated as such, and signed by the party against whom enforcement of that waiver is sought. The waiver by a party of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent or other breach thereof.

15. Governing Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of New York.

IN WITNESS WHEREOF, the undersigned has executed this Amended and Restated Subscription Agreement on this 24th day of October 1999.



David L. Sokol

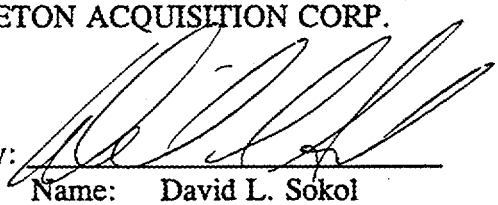
Mailing Address

City State Zip Code

Tax Identification Number

SUBSCRIPTION ACCEPTED AS OF THE ABOVE DATE

TETON ACQUISITION CORP.



By:
Name: David L. Sokol
Title: Chairman, Chief Executive Officer and President

PRIVILEGED & CONFIDENTIAL

Project Teton
Summary of Terms for Shareholders' Agreement and Management Equity Participation

Background

- In order to encourage equity participation in NewCo by Management, DLS will be required to roll over (tax free) 100% of his total current equity in Monarch (both shares directly owned and those subject to options), and up to three additional Management participants may be offered the opportunity to rollover (tax free) up to 100%, but not less than 65%, of such person's total current equity in Monarch (both shares directly owned and those subject to options), into NewCo's voting common stock or options, as applicable. Management's contribution will be valued on the basis of the price paid to the public stockholders of Monarch in the Merger (the "Merger Price") less any applicable option exercise price.

- Walter and/or his children and their respective personal trusts will invest a total of $280.4 million in voting common stock of NewCo, with such investment achieved through a roll-over of certain of their present Monarch holdings and through cash investments at the closing. At least 5 million shares (or approximately $175 million in value) of such common shares will be directly owned by Walter or his personal trusts.

- Teton will acquire NewCo voting common stock, convertible preferred stock and trust preferred stock in separately agreed amounts through cash investments or through contributions of Monarch common stock valued at the Merger Price at the closing.

Option Terms

- The number of existing shares subject to options and the exercise price per share will remain unchanged.

- As per the terms of the existing option plan, all existing options will be fully vested as of the closing date.

- Subject to review of accounting implications, in order to encourage retention of existing options and avoid the need to finance early option exercises, all outstanding options will have their exercise terms extended until

eight years after the closing date. Options with current exercise terms of greater than eight years from the closing date will not be affected.

Additional Options

- As an additional incentive for Management to rollover a higher proportion of their equity into NewCo, if DLS or any other Management participant rolls over 100% of his common stock and stock options, then for each ten shares rolled over (whether directly owned or subject to options), DLS and each such other Management participant will receive an option to purchase three additional shares of NewCo at an exercise price equal to the per share Merger Price. These additional options will vest in increments of 1/3 per year over the three years following the closing date. All options will contain various other customary terms, including anti-dilution provisions.

Management Equity -- Transferability; Put and Call Rights, Etc.

- All Management shares and options will be nontransferable for a period of three years following the closing date (subject to exceptions for transfers to immediate family members and personal trusts for their benefit or management's benefit). After three years, transfer restrictions will be lifted (subject to customary plan limitations as to options); however, such shares and options will be subject to both put and call rights (described below).

- At any time after the third anniversary of the closing, management will be allowed one opportunity per year to put their shares and options to NewCo for cash in increments of not less than 25% of their total equity holdings as of the closing date, at a price to be agreed upon. If the parties cannot agree on a price for the shares or options, the option to put will be based on an "appraised value" to be determined by an independent appraiser mutually acceptable to Management and NewCo. The option to put at appraised value may be made by any management stockholder at any time within 30 days after the appraised value has been finally determined. The purchase price for the options will be equal to the agreed or appraised value, as applicable, of the underlying common shares less an amount equal to the applicable option exercise price.

- NewCo will be required to have an appraisal of the common shares made on the third anniversary of the closing date. Thereafter, NewCo will be required to have an appraisal

made at the request of a selling Management shareholder, but not more frequently than once per calendar year.

- In determining appraised value, the third party appraiser will value Management shares based on their percentage of the total equity value of NewCo as a going concern, and will value the shares as though NewCo were a publicly traded company, with reasonable liquidity and without a controlling block of shares and with no sell-out premium (as might exist in a change of control or sale of the company transaction).

- At any time after the third anniversary of the closing, NewCo will be allowed one opportunity per year to call Management shares and options for cash in increments of not less than 25% of their total equity holdings at a price to be agreed upon, or, failing agreement, at the appraised value, determined in the same manner.

- Since all currently-owned management shares and options will be fully vested on the closing date, those shares and options will not be affected by any termination of employment. For example, if a Management shareholder's employment is terminated prior to the end of the three-year period, the put and call rights described above will mature beginning at the end of the three-year period and will be exercisable by both parties in the same manner as if the Management shareholder had still been employed.

- With respect to additional option grants subject to vesting, in the event a Management shareholder's employment is terminated without "cause," or by the Management shareholder for "good reason," or by reason of his or her death or disability, such additional options will become fully vested and (after three years) subject to the put and call provisions. If a Management shareholder's employment is terminated within the three-year period by the NewCo for cause or by him without good reason, any unvested additional option shares will be forfeited.

Walter and Walter Family Shares -- Transferability, Puts and Calls, Etc.

- 5 million of the voting common shares owned by Walter and/or his personal trusts will not be transferable except in "Permitted Transfers". "Permitted Transfers" will include (a) transfers by and among Walter, his personal trusts and any foundation or foundation created by Walter where the voting of such common shares is directed by Walter, (b) provided Teton is an "Eligible Purchaser" as defined below, transfers to third parties

made after compliance with the right of first refusal provisions in favor of Teton described below, (c) transfers made at any time after the earlier of Walter's death or the third anniversary of the closing date pursuant to a put by Walter or his personal trusts or his estate of some or all of such shares to Teton for cash or Teton common stock (at the election of Walter or his personal trusts or estate), with such put exercisable only if Teton is an Eligible Purchaser, i.e., purchase by Teton would not cause Teton to become subject to regulation as a registered holding company under the Public Utility Holding Company Act of 1935 ("PUHCA")due to the repeal or amendment of PUHCA or otherwise and (d) such other transfer arrangements as may be agreed by and among Walter and Teton promptly following the signing of a definitive merger agreement which would not cause Teton or Walter to become subject to regulation as a registered holding company under PUHCA. Any put pursuant to clause (c) above shall be at agreed or appraised value determined in the same manner as applies to management's puts.

- Such 5 million shares shall also be subject to a right of first refusal in favor of Teton if a transfer of any such shares is proposed to be made to a third party at any time.

- The balance of the voting common shares (i.e. the excess over 5 million shares) owned by Walter or his children or any of their respective personal trusts shall not be subject to any contractual transfer restrictions and shall not be subject to any puts, calls or rights of first refusal.

Teton's Holdings

- Pursuant to the terms thereof, the Trust Preferred shall be non-transferable.

- Teton's Convertible Preferred and voting common stock shall be freely transferable (subject to PUHCA and other applicable legal constraints). To the extent that Teton transfers (other than transfers to any of its consolidated subsidiaries) 5% or more of its common stock or Convertible Preferred, all transfer restrictions, rights of first refusal and puts in respect of common stock owned by Walter or his personal trusts shall immediately lapse. In addition, if any such transfer by Teton represents more than 50% of the voting power or 50% of the combined equity value of NewCo (exclusive of Trust Preferred), then Walter, Walter's children and their respective personal trusts shall have the right on a

proportional basis to tag-along in connection with such sale on the same terms and conditions as apply to Teton's sale.

- No puts, calls or rights of first refusal shall apply to any of Teton's holdings.

AMENDMENT NO. 1

TO THE

AMENDED AND RESTATED EMPLOYMENT AGREEMENT

BETWEEN

MIDAMERICAN ENERGY HOLDINGS COMPANY

AND

DAVID L. SOKOL

This Amendment No. 1 (the "Amendment") to the Amended and Restated Employment Agreement dated as of May 10, 1999 (the "Employment Agreement") by and between MidAmerican Energy Holdings Company, an Iowa corporation (the "Company"), and David L. Sokol (the "Executive"), is entered into as of _____.

WHEREAS, the Company and the Executive are presently parties to the Employment Agreement; and

WHEREAS, the Company and the Executive desire to amend the Employment Agreement as set forth herein;

NOW, THEREFORE, the Employment Agreement is hereby amended as follows:

By inserting immediately following Section 2(b) a new Section 2(c) to read as follows:

> "(c) For so long as the Executive continues to serve as either Chairman or Chief Executive Officer of the Company, he shall have the right (i) to serve as a member of the Board, and (ii) to designate two other individuals as nominees for election to the Board."

By inserting immediately following Section 5(b) a new Section 5(c) to read as follows:

> "(c) Effective as of the Closing Date (as defined in the Agreement and Plan of Merger by and among the Company, Teton L.L.C. and Teton Acquisition Corp. (the "Merger Agreement")) and conditioned on the occurrence of the Closing, the Executive shall be granted under the Company's 1996 Stock Option Plan (or any successor plan thereto), new options (the "New Options") for a number of shares of Company common stock equal to 30% of the sum of (i) the number of shares of Company common stock owned beneficially by Executive as of October 23, 1999 (provided that all such shares are rolled over into common stock of the Surviving Corporation (as such term is defined in the Merger

Agreement)), plus (ii) without duplication, the number of shares subject to outstanding Company common stock options held by Executive as of October 23, 1999 (provided that all such options are rolled over into equivalent options in respect of Surviving Corporation common stock). The exercise price applicable to the New Options shall be $35.05 per share. The New Options shall vest in equal installments of one-third of the number of shares subject to the grant on each of the first three anniversary dates of the Closing Date, shall have an exercise term of ten (10) years from the Closing Date, and shall otherwise be subject to customary terms and conditions, including anti-dilution protections."

By inserting immediately following Section 5(c) a new Section 5(d) to read as follows:

"(d) As of the Closing Date and conditioned on the occurrence of the Closing, all outstanding options held by Executive which have a remaining exercise term of less than eight (8) years shall be amended to provide for an exercise term of eight (8) years from the Closing Date."

Except as provided herein and to the extent necessary to give full effect to the provisions of this Amendment, the terms of the Employment Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have entered into this Amendment effective as of _____.

MIDAMERICAN ENERGY HOLDINGS COMPANY

By: _____
Name:
Title:

EXECUTIVE

_____
David L. Sokol

OPERATING AGREEMENT

OF

TETON FORMATION L.L.C.

AN IOWA LIMITED LIABILITY COMPANY

OPERATING AGREEMENT of Teton Formation L.L.C., an Iowa limited liability company (the "**Company**"), dated as of October 14, 1999 by and among the persons and entities listed on **Exhibit A** hereto (the "**Members**").

W I T N E S S E T H:

WHEREAS, the Members desire to form a limited liability company pursuant to the provisions of the Limited Liability Company Act of the State of Iowa, as amended from time to time (the "**Act**");

WHEREAS, the Members hereby constitute themselves a limited liability company for the purposes and on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the premises, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

ARTICLE I.

INTRODUCTORY PROVISIONS

Section 1.1. Certain Definitions. As used herein:

"**Act**" shall have the meaning specified in the recitals hereto.

"**Affiliate**" shall mean, with respect to any Person, any other Person who controls, is controlled by or is under common control with such Person.

"**Articles**" shall mean the Articles of Organization of the Company as filed with the Secretary of State of Iowa, as they shall be amended from time to time.

"**Book Value**" shall have the meaning specified in **Section 2.2.**

"**Capital Account**" shall have the meaning specified in **Section 4.1.**

"**Capital Contribution**" shall mean a contribution by a Member to the capital of the Company pursuant to this Agreement.

"**Confidentiality Agreement**" shall mean that certain Confidentiality Agreement, dated as of October 1, 1999, by and between David L. Sokol and MidAmerican.

"**Code**" shall mean the Internal Revenue Code of 1986, as amended. Any reference to a section of the Code shall include a reference to any amendatory or successor provision thereto.

"**Contribution Percentage**" shall mean the percentage that is equal to the Capital Contribution made by a Member expressed as a percentage of all the Capital Contributions made by the Members, or such percentages as specified in **Exhibit A** hereto, as such Exhibit may be amended from time to time.

"**Dissolution Event**" shall have the meaning specified in **Section 7.1**.

"**Expenses**" shall have the meaning specified in **Section 2.1**.

"**Fiscal Year**" shall have the meaning specified in **Section 4.4**.

"**Indemnified Persons**" shall have the meaning specified in **Section 3.3**.

"**Interest**" shall mean the proportionate interest of a Member in the Company based on such Member's Capital Account relative to the Capital Accounts of all Members.

"**Managing Member**" shall mean a Member of the Company who is also the manager of the Company which shall initially be David L. Sokol, and when David L. Sokol is no longer the Managing Member, a successor appointed by a Majority-in-Interest of the Members.

"**Majority-in-Interest of the Members**" shall mean any one or more Members having more than fifty percent (50%) in the aggregate of the Interests of all Members.

"**Member Expenses**" shall mean personal expenses incurred by the Members in connection with the formation of the Company or the consummation of the MidAmerican Merger.

"**Merger Agreement**" shall mean the merger agreement to be entered into among MidAmerican, the Company and Merger Sub relating to the MidAmerican Merger.

"**MidAmerican**" shall mean MidAmerican Energy Holdings Company.

"**MidAmerican Merger**" shall have the meaning specified in **Section 1.4**.

"**Merger Sub**" shall mean Teton Acquisition Corp., an Iowa corporation and a wholly owned subsidiary of the Company.

"**Net Profits**" and "**Net Losses**" shall mean the income and loss of the Company as determined in accordance with the accounting methods followed by the Company for

Federal income tax purposes including income exempt from tax and described in Code Section 705(a)(1)(B), treating as deductions items of expenditure described in, or under Treasury Regulations deemed described in, Code Section 705(a)(2)(B) and treating as an item of gain (or loss) the excess (deficit), if any, of the fair market value of distributed property over (under) its Book Value. Depreciation, depletion, amortization, income and gain (or loss) with respect to Company assets shall be computed with reference to their Book Value rather than to their adjusted bases.

"**Notices**" shall have the meaning specified in **Section 8.2(a)**.

"**Person**" shall mean an individual, corporation, association, limited liability company, limited liability partnership, partnership, estate, trust, unincorporated organization or a government or any agency or political subdivision thereof.

"**Subscription Agreements**" shall mean those certain subscription agreements by and between the Company and each of the Members and certain other parties.

"**Transfer**" shall mean any direct or indirect sale, assignment, gift, hypothecation, pledge or other disposition, whether voluntary or by operation of law, by sale of stock or partnership interests, or otherwise, of an Interest or of any entity which directly or indirectly through one or more intermediaries holds an Interest.

"**Treasury Regulations**" shall mean the regulations promulgated by the U.S. Department of the Treasury under the Code.

Section 1.2. Name. The name of the Company shall be "Teton Formation L.L.C."

Section 1.3. Principal Place of Business. The Company's principal place of business shall be at such place as the Managing Member shall designate from time to time.

Section 1.4. Purposes. The purpose of the Company is to consummate a transaction with MidAmerican by forming Merger Sub, which shall be merged with and into MidAmerican (the "**MidAmerican Merger**") pursuant to the Merger Agreement. The Company shall not engage in any act or activity requiring the consent or approval of any state official, department, board, agency or other body, without such consent or approval first being obtained. The Company shall have the power to do any and all acts and things necessary, appropriate, proper, advisable, incidental to or convenient for the furtherance and accomplishment of such purposes, including, without limitation, relating to the financing of the MidAmerican Merger.

Section 1.5. Duration. The Company shall be formed upon the filing of the Articles with the Office of the Secretary of State of Iowa pursuant to the Act and shall continue until dissolved pursuant to **Section 7.1**.

Section 1.6. Limitation of Liability. The liability of each Member and each employee of the Company to third parties for obligations of the Company shall be limited to the fullest extent provided in the Act and other applicable law.

ARTICLE II.

CAPITAL CONTRIBUTIONS; OTHER FINANCING; INTERESTS IN THE COMPANY

Section 2.1. Capital Contributions. Each Member has made an initial Capital Contribution in cash as of the date hereof in the respective amount specified opposite its name on **Exhibit A** and shall have Contribution Percentages as set forth on such **Exhibit A**, which Contribution Percentages shall be adjusted on **Exhibit A** from time to time to properly reflect the admission of new Members or any other event having an effect on a Member's Contribution Percentage. At the request of the Managing Member, subsequent contributions shall be made in cash within five (5) business days to the Company by the Members for the payment of (A) out-of-pocket expenses (the "**Expenses**") incurred by the Company (and not Member Expenses) in connection with (i) obtaining insurance for the Company; (ii) leasing office space for the Managing Member, and reasonable overhead expenses in connection therewith; (iii) advisory fees, including, without limitation, fees and expenses of counsel to the Company and its financial advisor; and (iv) governmental and regulatory fees and filings; and (B) obligations of the Company under the Merger Agreement, including, without limitation, termination or "break-up" fees, but excluding payments of the aggregate merger consideration payable thereunder. Unless each of the Members have consented in writing, such subsequent contributions shall be made in accordance with the Members' Contribution Percentages and the aggregate amount of such subsequent contributions for Expenses shall not exceed $9,999,999.

Section 2.2. Determination of Book Value of Company Assets.

(a) Book Value. Except as set forth below, Book Value of any Company asset is its adjusted basis for federal income tax purposes.

(b) Initial Book Value. The initial Book Value of any assets contributed by a Member to the Company shall be the gross fair market value of such assets at the time of such contribution.

(c) Adjustments. The Book Values of all of the Company's assets may be adjusted by the Company to equal their respective gross fair market values, as determined by the Members, as of the following times: (a) the admission of a new Member to the Company or the acquisition by an existing Member of an additional interest in the Company from the Company; (b) the distribution by the Company of money or property to a retiring or continuing Member in consideration for the retirement of all or a portion of such Member's interest in the Company; (c) the termination of the Company for Federal income tax purposes pursuant to Section 708(b)(1)(B) of the Code; and (d) such other times as determined by the Members.

(d) Depreciation and Amortization. The Book Value of a Company asset shall be adjusted for the depreciation and amortization of such asset taken into account in computing Net Profits and Net Losses and for Company expenditures and transactions that increase or decrease the asset's Federal income tax basis.

Section 2.3. Withdrawal of Capital; Limitation on Distributions. No Member shall be entitled to withdraw any part of its Capital Contributions to, or to receive any distributions from, the Company except as provided in **Section 6.1** and **Section 7.2**. No Member shall be entitled to demand or receive (i) interest on its Capital Contributions or (ii) any property from the Company other than cash except as provided in **Section 7.2(a)**.

Section 2.4. Allocation of Net Profits and Net Losses.

(a) (i) Net Profits shall be allocated in proportion to, and to the extent of, the excess of prior allocations of Net Losses under **Section 2.4(b)(ii)** below over prior allocations of Net Profits under this **Section 2.4(a)(i)** and, then, (ii) among the Members in proportion to their Contribution Percentages.

(b) (i) Net Losses shall first be allocated among the Members in proportion to their Contribution Percentages until the Capital Account of any Member is reduced to zero, then (ii) among the Members in proportion to, and to the extent of, their positive Capital Account balances and, finally, (iii) to the Members in proportion to their Contribution Percentages.

(c) Tax credits shall be allocated among the Members in proportion to their Contribution Percentages.

(d) When the Book Value of a Company asset differs from its basis for Federal or other income tax purposes, solely for purposes of the relevant tax and not for purposes of computing Capital Account balances, income, gain, loss, deduction and credit shall be allocated among the Members under the traditional method with curative allocations under Treasury Regulation Section 1.704-3(c).

Section 2.5. Restrictions on Transfers.

(a) Required Consent. No Member may Transfer any Interest without the prior written consent of all Members (excluding the proposed transferor and transferee). Upon any approved Transfer, **Exhibit A** hereto shall be amended accordingly.

(b) Compliance with Securities Laws. No Interest has been registered under the Securities Act of 1933, as amended, or under any applicable state securities laws. No Member may Transfer all or any portion of its Interest, except upon compliance with the applicable federal and state securities laws. The Company shall have no obligation to register any Member's Interests under the Securities Act of 1933, as amended, or under any applicable state securities laws, or to make any exemption therefrom available to any Member.

ARTICLE III.

RIGHTS AND DUTIES OF MEMBERS AND MANAGING MEMBER

Section 3.1. Management Rights. Management of the Company shall be vested in the Managing Member, who shall manage the Company subject to the terms of this Agreement. The following actions shall require the consent of the Managing Member and each of the other Members:

(i) an amendment to this Agreement or to the Articles (including an amendment to add an additional Member);

(ii) any amendment to the Merger Agreement that adversely affects the interests of the Company or any of the Members;

(iii) the waiver by the Company or Merger Sub of any material term or condition of the Merger Agreement;

(iv) the merger or consolidation of the Company with any other Person; and

(v) the continuation of the Company after a Dissolution Event.

The termination of the Merger Agreement shall require the consent of one or more Members having at least ninety percent (90%) in the aggregate of the Interests of all Members.

Section 3.2. Liability of Members. No Member shall be liable as such for the liabilities of the Company.

Section 3.3. Indemnification. Each Member shall indemnify the Company and each other Member for any costs or damages incurred by the Company or each other Member as a result of any unauthorized action or a failure to take a required action by such Member, or by its Affiliates, under this Agreement or such Member's Subscription Agreement and or as a result of breaches by David L. Sokol under the Confidentiality Agreement resulting from any action or a failure to take a required action by such Member or its representatives, provided, however, the aggregate amount for which David L. Sokol shall have to indemnify the Company, the other Members, or any Person shall not exceed the fair market value of David L. Sokol's equity ownership (including options) in MidAmerican on the date that such indemnity amounts become due and payable and the proceeds of any sales of equity securities held immediately subsequent to the Merger by the undersigned.

Section 3.4. Representations and Warranties. Each Member, and in the case of a trust or other entity, the Person(s) executing this Agreement on behalf of the entity, hereby represents and warrants to the Company and each other Member that: (a) if that

Member is an entity, it has power to enter into this Agreement and to perform its obligations hereunder and that the Person(s) executing this Agreement on behalf of the entity has the power to do so; and (b) the Member is acquiring its interest in the Company for the Member's own account as an investment and without an intent to distribute the interest. The Members acknowledge that their interests in the Company have not been registered under the Securities Act of 1933, as amended, or any state securities laws, and may not be resold or transferred without appropriate registration or the availability of an exemption from such requirements.

Section 3.5. Managing Member's Standard of Care. The Managing Member shall discharge its duties to the Company and the Members in good faith and with that degree of care that an ordinarily prudent person in a similar position would use under similar circumstances. In discharging its duties, the Managing Member and its officers, directors and employees shall be fully protected in relying in good faith upon the records required to be maintained under Article IV and upon such information, opinions, reports or statements by any Person as to matters the recipient reasonably believes to be within such other Person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Company, including information, opinions, reports or statements as to the value and amount of the assets, liabilities, profits or losses of the Company or any other facts pertinent to the existence and amount of assets from which Distributions to Members might properly be paid. The Company shall indemnify and hold harmless each Member against any loss, damage or expense (including attorneys' fees) incurred by the Member as a result of any act performed or omitted on behalf of the Company or in furtherance of the Company's interests without, however, relieving the Member of liability for failure to perform his duties in accordance with the standards set forth herein. The satisfaction of any indemnification and any holding harmless shall be from and limited to Company property and the other Members shall not have any personal liability on account thereof.

ARTICLE IV.

BOOKS; ADJUSTMENT OF CAPITAL ACCOUNTS; TAXES; FISCAL YEAR

Section 4.1. Administrative Services, Books, Records and Reports. The Managing Member shall cause to be performed all general and administrative services on behalf of the Company in order to assure that complete and accurate books and records of the Company are maintained at the Company's principal place of business, including a copy of the Articles and all amendments thereto, and this Agreement and all amendments thereto and showing the names, addresses and Interests of each of the Members, all receipts and expenditures, assets and liabilities, profits and losses, and all other records necessary for recording the Company's business and affairs, including a capital account for each Member (a **"Capital Account"**).

Section 4.2. Adjustment of Capital Accounts.

(a) Increases. Each Member's Capital Account shall be increased by:

(i) the amount of any money contributed by the Member to the Company;

(ii) the fair market value of any property contributed by the Member to the Company;

(iii) the amount of Net Profits allocated to the Member; and

(iv) the amount of any Company liabilities assumed by such Member (or taken subject to) if property is distributed to the Member by the Company.

(b) Decreases. Each Member's Capital Account shall be decreased by:

(i) the amount of any money distributed to the Member by the Company;

(ii) the fair market value of any property distributed to the Member by the Company;

(iii) the amount of Net Losses allocated to the Member; and

(iv) the amount of any Member liabilities assumed by the Company (or taken subject to) if property is contributed to the Company by the Member.

(c) Section 704(b). The foregoing provisions and the other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Treasury Regulations under Section 704(b) of the Code and, to the extent not inconsistent with the provisions of this Agreement, shall be interpreted and applied in a manner consistent with such Treasury Regulations.

(d) No Obligation to Restore Deficit Balance. No Member shall be required to restore any deficit balance in its Capital Account.

(e) No Personal Liability. No Member shall have any personal liability for the repayment of the Capital Contribution of any Member.

Section 4.3. Taxes.

(a) Tax Matters Partner. David L. Sokol shall be the Tax Matters Partner of the Company pursuant to Section 6231(a)(7) of the Code. Such Member shall not resign as the Tax Matters Partner unless, on the effective date of such resignation, the Company has designated another Member as Tax Matters Partner and such Member has given its consent in writing to its appointment as Tax Matters Partner. The Tax

Matters Partner shall receive no additional compensation from the Company for its services in that capacity, but all expenses incurred by the Tax Matters Partner in such capacity shall be borne by the Company. The Tax Matters Partner is authorized to employ such accountants, attorneys and agents as it, in its sole discretion, determines is necessary to or useful in the performance of its duties. In addition, such Member shall serve in a similar capacity with respect to any similar tax related or other election provided by state or local laws.

(b) Section 754 Election. Upon a Transfer by a Member of an interest in the Company, which Transfer is permitted by the terms of this Agreement, or upon the death of a Member or the distribution of any Company property to one or more Members, the Manager, upon the request of one or more of the transferees or distributees, may, in its sole discretion cause the Company to file an election on behalf of the Company, pursuant to Section 754 of the Code, to cause the basis of the Company's property to be adjusted for federal income tax purposes in the manner prescribed in Section 734 or Section 743 of the Code, as the case may be. The cost of preparing such election, and any additional accounting expenses of the Company occasioned by such election, shall be borne by any such transferees.

Section 4.4. Fiscal Year. The fiscal year of the Company (the "**Fiscal Year**") shall end on December 31.

ARTICLE V.

INDEMNIFICATION

Section 5.1. Indemnification. Any Person made, or threatened to be made, a party to any action or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such Person is or was (i) a Member, or (ii) an employee, officer, director, shareholder or partner of a Member, or (iii) such other Persons (including employees of the Company) as the Managing Member may designate from time to time (collectively, the "**Indemnified Persons**"), shall be indemnified by the Company for any losses or damage sustained with respect to such action or proceeding, and the Company shall advance such Indemnified Person's reasonable related expenses to the fullest extent permitted by law. The Company shall have the power to purchase and maintain insurance on behalf of the Indemnified Persons against any liability asserted against or incurred by them. The duty of the Company to indemnify the Indemnified Persons under this **Section 5.1** shall not extend to actions or omissions of any Indemnified Person which are grossly negligent or which involve fraud, misrepresentation, bad faith, or other willful misconduct by such Indemnified Person or which are in material breach or violation by such Indemnified Person of this Agreement or which are in derogation of the fiduciary duties owed by such Indemnified Person to the Company and the Members, in each case as determined by a court of competent jurisdiction. No Indemnified Person shall be liable to the Company or any other Member for actions taken in good faith. The duty of the Company to indemnify the Indemnified Persons under this

Section 5.1 shall be limited to the assets of the Company, and no recourse shall be available against any Member for satisfaction of such indemnification obligations of the Company.

ARTICLE VI.

DISTRIBUTIONS

Section 6.1. Distributions. Distributions resulting from the payment of any amounts to the Company under the Merger Agreement, including, without limitation, termination or "break-up" fees, shall be made at such time and in such amounts as determined by the Managing Member and shall be made among the Members in cash, first, in amounts to reimburse each Member for its Member Expenses, and, second, in proportion to their Contribution Percentages; provided, however, that no distribution will be made to any Member that has failed to make all contributions required of it by **Section 2.1.**

Section 6.2. Restoration of Funds. Except as otherwise provided by law, no Member shall be required to restore to the Company any funds properly distributed to it pursuant to **Section 6.1.**

ARTICLE VII.

DISSOLUTION AND LIQUIDATION

Section 7.1. Dissolution. The Company shall be dissolved upon the occurrence of any of the following (each, a **"Dissolution Event"**):

(a) the unanimous decision of the Members to dissolve the Company;

(b) the effective time of the MidAmerican Merger;

(c) if the Merger Agreement is not executed and delivered by the parties thereto on or before 11:59 p.m. on October 24, 1999;

(d) the bankruptcy, death, dissolution, expulsion, incapacity, or withdrawal of any Member, unless within ninety (90) days after such event the Company is continued by the vote or written consent of each of the other Members; or

(e) the entry of a decree of judicial dissolution under Section 490A.1302 of the Act.

Section 7.2. Winding up Affairs and Distribution of Assets.

(a) Upon dissolution of the Company, and in the absence of an election to continue the business of the Company pursuant to **Section 7.1(b)**, David L. Sokol shall be the liquidating Member (the **"Liquidating Member"**) and shall proceed to wind up

the affairs of the Company, liquidate the remaining property and assets of the Company and wind-up and terminate the business of the Company. The Liquidating Member shall cause a full accounting of the assets and liabilities of the Company to be taken and shall cause the assets to be liquidated and the business to be wound up as promptly as possible by either or both of the following methods: (1) selling the Company assets and distributing the net proceeds therefrom (after the payment of Company liabilities) to each Member in satisfaction of its Capital Account; or (2) if all Members shall agree, distributing the Company assets to the Members in kind and debiting the Capital Account of each Member with the fair market value of such assets, each Member accepting an undivided interest in the Company assets (subject to their liabilities) in proportion to and to the extent of each Member's positive Capital Account balance after allocating and crediting to the Capital Accounts the unrealized gain or loss to the Members as if such gain or loss had been recognized and allocated pursuant to **Section 2.4**.

(b) If the Company shall employ method (1) as set forth in **Section 7.2(a)** in whole or part as a means of liquidation, then the proceeds of such liquidation shall be applied in the following order of priority: (i) first, to the expenses of such liquidation; (ii) second, to the debts and liabilities of the Company (including debts of the Company to the Members or their Affiliates and any fees and reimbursements payable under this Agreement), in the order of priority provided by law; (iii) third, a reasonable reserve shall be set up to provide for any contingent or unforeseen liabilities or obligations of the Company to third parties (to be held and disbursed, at the discretion of the Liquidating Member or Members, by an escrow agent selected by the Liquidating Member or Members) and at the expiration of such period as the Liquidating Member or Members may deem advisable, the balance remaining in such reserve shall be distributed as provided herein; (iv) fourth, to the Members in accordance with and in proportion to their Capital Accounts.

(c) In connection with the liquidation of the Company, the Members severally, jointly, or in any combination upon which they may agree, shall have the first opportunity to make bids or tenders for all or any portion of the assets of the Company, and such assets shall not be sold to an outsider except only for a price higher than the highest and best bid of a single Member, the Members jointly, or a combination of Members.

ARTICLE VIII.

MISCELLANEOUS

Section 8.1. Articles Requirements. From time to time the Members shall sign and acknowledge all such writings as are required to amend the Articles or for the carrying out of the terms of this Agreement or, upon dissolution of the Company, to cancel such Articles. Each Member is hereby designated as an authorized person to sign the

Company's Articles and any other documents that are appropriate and necessary to effectuate the purpose of this Agreement.

Section 8.2. Notices.

(a) All Notices, consents, approvals, reports, designations, requests, waivers, elections and other communications (collectively, "**Notices**") authorized or required to be given pursuant to this Agreement shall be given in writing and either personally delivered to the Member to whom it is given or delivered by an established delivery service by which receipts are given or mailed by registered or certified mail, postage prepaid, or sent by telex or telegram or electronic telecopier, addressed to the Member at its address listed on **Exhibit A** hereto.

(b) All Notices shall be deemed given (i) when delivered personally to the recipient, (ii) when sent to the recipient (with receipt confirmed by sender's machine) by telecopy if during normal business hours of the recipient, otherwise on the next business day, or (iii) one (1) business day after the date sent to the recipient (three (3) business days in the case of international delivery) by reputable express courier service (charges prepaid). Any Member may change its address for the receipt of Notices at any time by giving Notice thereof to all of the other Members, in which event **Exhibit A** hereto shall be amended accordingly. Notwithstanding the requirement in **Section 8.2(a)** as to the use of registered or certified mail, any routine reports required by this Agreement to be submitted to Members at specified times may be sent by first-class mail.

Section 8.3. Parties in Interest; Third-Party Beneficiaries.

(a) Neither this Agreement nor any of the rights, duties, or obligations of any party hereunder may be transferred or assigned by a party hereto, except in connection with a Transfer of Interests as specified in **Section 2.5.** Subject to the foregoing, this Agreement shall be binding upon, and inure to the benefit of the parties hereto and their respective successors and assigns.

(b) This Agreement shall not confer any rights or remedies upon any person or entity other than the parties hereto, the Indemnified Persons, and their respective permitted successors and assigns.

Section 8.4. Entire Agreement. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof, and supersedes all prior agreements and understandings among the Members with respect to the subject matter hereof.

Section 8.5. Modification. No change or modification of this Agreement shall be of any force unless such change or modification is in writing and has been signed by all of the Members. No waiver of any breach of any of the terms of this Agreement shall be effective unless such waiver is in writing and signed by the Member against whom such waiver

is claimed. No waiver of any breach shall be deemed to be a waiver of any other or subsequent breach.

Section 8.6. Severability. If any provision of this Agreement shall be held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby. Furthermore, in lieu of any such invalid, illegal or unenforceable term or provision, the parties hereto intend that there shall be added as a part of this Agreement a provision as similar in terms to such invalid, illegal or unenforceable provision as may be possible and be valid, legal and enforceable.

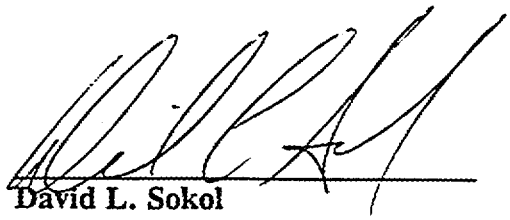
Section 8.7. Further Assurances. Each Member shall execute such deeds, assignments, endorsements, evidences of Transfer and other instruments and documents and shall give such further assurances as shall be necessary to perform its obligations hereunder.

Section 8.8. Governing Law. This Agreement shall be governed by and be construed in accordance with the laws of the State of Iowa.

Section 8.9. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

Section 8.10. Waiver of Partition. Each Member hereby waives its right to bring an action for partition of any of the property owned by the Company.

IN WITNESS WHEREOF, the undersigned have duly executed this Agreement as of the day and date first set forth above.



David L. Sokol

_____

Walter Scott, Jr.

BERKSHIRE HATHAWAY INC.

By: _____

Name:

Title:

IN WITNESS WHEREOF, the undersigned have duly executed this Agreement as of the day and date first set forth above.

David L. Sokol

Walter Scott, Jr.

BERKSHIRE HATHAWAY INC.

By: 

Name: Warren E. Buffett
Title: Chairman

IN WITNESS WHEREOF, the undersigned have duly executed this Agreement as of the day and date first set forth above.

David L. Sokol

Walter Scott, Jr.

BERKSHIRE HATHAWAY INC.

By: _____
Name:
Title:

EXHIBIT A

Members	Initial Capital Contribution	Contribution Percentage
David L. Sokol c/o MidAmerican Energy Holdings Company 302 S. 36th St., Suite 400 Omaha, NE 68131	$5,500	1.1%
Walter Scott, Jr. 1000 Kiewit Plaza Omaha, NE 68131	$91,500	18.3%
Berkshire Hathaway Inc. 1440 Kiewit Plaza Omaha, NE 68131	$403,000	80.6%
Total	$500,000	100.0%