

shares of stock, obligations or other securities of Western Natural Gas Company or any controlled corporation pledged hereunder or on account of any subscription privileges accruing thereon, may also be paid out or applied by the Corporate Trustee at any time or from time to time in accordance with the foregoing provisions of this Section, except that any cash of the character referred to in clauses (d), (e) and (f) above shall be paid out or applied in an amount equal to 150% of the aggregate principal amount of bonds which the Company would be entitled to have authenticated and delivered, instead of 100% of such aggregate principal amount; and provided that any cash deposited in connection with the release of any gas production property may be paid out or applied under this Section only on the basis of gas production expenditures.

SECTION 4.07. *Issuance of Bonds by Company—Status of Re-acquired Bonds.* When any bonds shall have been authenticated and delivered by the Corporate Trustee upon the order of the Company, so long as none of the events of default shall have happened and be continuing and the Company shall not be in default in the payment of interest on the bonds, the Company may issue the bonds so authenticated and delivered by selling, pledging or otherwise negotiating them upon such terms as may be authorized or approved from time to time by its Board of Directors and may (subject to the provisions hereof in respect of money deposited with the Corporate Trustee) apply the proceeds thereof to any proper corporate purpose or purposes; but no bond shall be entitled to the lien and security hereof until it shall have been authenticated by the Corporate Trustee and issued by the Company. The Company may re-acquire any bonds so issued by it, and so long as none of such events of default shall have happened and be continuing and the Company shall not be in default in the payment of interest on the bonds may re-issue any bonds so reacquired (including bonds issued by way of pledge or for other limited purposes and thereafter returned to the Company) under the lien and security of this Indenture, but until the same shall have been so re-issued by the Company, no such bonds shall be entitled to the lien and security hereof. The Company, however, shall not re-issue any bond