

mortgage bonds of the Oregon Railway and Navigation Company with all unmatured coupons and obligations thereto belonging accompanied by a certificate of the President and Treasurer of the Railroad Company that said bonds have been acquired otherwise than by the operation of the sinking fund provisions of the said first mortgage, but not from the proceeds of sales of any of the property of the Railroad Company. The Trustee shall receive said bond and cancel the same and in exchange therefor shall certify and deliver to the Railroad Company or upon its order from the bonds provided to be reserved in this section an amount thereof equal to the amount in cash which The Railroad Company has given or caused to be given for the said first mortgage bonds or obligations so tendered as shown by the certificate of the President and Treasurer of the Railroad Company, but not more than one hundred and ten dollars in par value of the bonds issued hereunder shall be certified and delivered by the Trustee in exchange for each one hundred dollars in par value of the said first mortgage bonds so received by it, provided, however, that this provision shall not apply to the case of first mortgage bonds of the Oregon Railway and Navigation Company which may be purchased from the proceeds of sales of any of the property of The Railroad Company and cancelled in pursuance of the provisions of Article Five hereof, it being understood that in all such cases none of the bonds secured hereby shall be certified and delivered by The Trustee in exchange for the first mortgage bonds so cancelled.

Section 4. One million one hundred and six thousand dollars (\$1,106,000) of such consolidated mortgage bonds shall be reserved to be certified, delivered and used only for the following purposes or some one or more of them, namely: the construction or acquisition of betterments and improvements upon, along or appurtenant to the lines of railroad, terminal or other property which shall then belong to The Railroad Company and be subject to the lien of this indenture or the construction and acquisition of terminal facilities for the use of the lines of railroad or other property which shall then belong to The Railroad Company and be subject to the lien of this indenture. Such bonds shall be certified and delivered to The Railroad Company whenever called for by a resolution of the Board of Directors of The Railroad Company receiving the approval of two-thirds of the Directors of The Railroad Company, but only at the rate of not more than two hundred and fifty thousand dollars per annum, and