

shall affect the Railway Company or the Trustee.

ARTICLE EIGHT.

Releases of Mortgaged Property.

Section 1. Upon the written request of the Railway Company, approved by the resolution of its board of directors or executive committee, the Trustee shall release from the lien of this indenture the waterpower properties and rights of the Railway Company purchased by it from the Portland Consolidated Railway Company and conveyed to the Railway Company by Security, Saving and Trust Company, of Portland, Oregon, and hereinbefore particularly described as the water-power properties and rights of the Railway Company, upon the payment to the Trustee of the sum of one hundred thousand dollars (\$100,000) in cash, which sum when so paid shall be applied as provided in this Article.

Section 2. Upon the written request of the Railway Company, approved by resolution of its board of directors or executive committee, the Trustee, from time to time, while the Railway Company is in possession of the Mortgaged premises, but subject to the conditions and limitations in this section prescribed, and not otherwise, shall release from the lien and operation of this indenture any other part of the mortgaged premises, stocks, or bonds then subject thereto; PROVIDED (1) that no part of the lines of track or of the rights of way shall be released, unless the same shall no longer be of use in the operation of any of the mortgaged lines of railway, and no part of such lines of track or rights of way shall be released if thereby the continuity of the lines of railway of the Railway Company between the several termini above mentioned shall be broken; (2) that no part of the mortgaged railways or other property shall be released hereunder, unless, at the time of such release, it shall no longer be necessary or expedient to retain the same for the operation, maintenance, or use of such lines of railway, or for use in the business of the Railway Company; and (3) that no water power properties and rights which may be hereafter acquired by the Railway Company shall be so released except upon payment as compensation therefor of the amount paid therefor by the Railway Company.

No such release shall be made unless the Railway Company shall have sold, or shall have contracted to exchange for other property, or to sell, the property so to be released. Unless some other disposition of the proceeds thereof be required by some prior mortgage, such proceeds of any and all such sales, and all moneys received as compensation for any property subject to this indenture taken by the exercise of power of eminent domain, shall be set apart and held in trust by the Railway Company and applied to the purchase of other property, real or personal, or in betterments of, or additions to, or rolling stock for any part of the mortgaged premises, or may, at the option of the Railway Company, be applied as herein provided in respect of moneys belonging to the sinking fund. Any new property acquired by the Railway Company to take the place of any property released hereunder shall ipso facto become and be subject to the lien of this indenture as fully as if specifically mortgaged or pledged hereby; but, if requested by the Trustee, the Railway Company will convey the same to the Trustee, by appropriate deeds, upon the trusts and for the purposes of this indenture.

Section 3. The Railway Company, while in possession of the mortgaged premises, shall also have full power, in its discretion, from time to time, to dispose of any portion of the machinery, equipment and implements at any time held subject to the lien hereof, which may have become obsolete or otherwise unfit for use by the Railway Company, replacing the same by new machinery, equipment or implements, which shall become subject to this indenture.