

And also all those railway tracks, frogs, switches and appurtenances located in the railway freight yard and dock in said City of Portland and situated between Hawthorne Avenue on the north and East Lincoln street on the south and the Willamette River on the west and East First street and the Southern Pacific Company's right of way on the east. Also all tracks and turnouts leading into the car barns in said freight yard, and also into and in connection with the car barns and shops located in said town of Milwaukie.

In addition to the properties and franchises now owned and possessed by the Mortgagor Company, it proposes to acquire additional properties and franchises which will be covered by the lien of this mortgage, but with the limitations and subject to the priorities hereinafter set forth and, in regard thereto, it is expressly understood and agreed by and between the parties hereto as follows, to-wit:

1. That the Mortgagor Company proposes to acquire the properties and franchises of the Portland General Electric Company and also the properties and franchises of the Portland Railway Company, under and subject to existing mortgages thereon respectively, including, (a) The mortgage of the Portland General Electric Company to the United States Mortgage and Trust Company dated July 1, 1905, which secures the payment of an issue of ten million dollars (\$10,000,000) of Portland General Electric Company First Mortgage Five Per Cent. Gold Bonds, and, under which six million dollars (\$6,000,000) of said bonds were reserved for the purchase or construction of additional property, to be issued only to the extent of seventy-five per cent. of the actual cost of such purchase or construction. Any such reserved bonds still remaining unissued at the time of the acquisition by the Mortgagor Company of the properties and franchises of the Portland General Electric Company will be available for issue under the terms of said mortgage by the Mortgagor Company as successor to the Portland General Electric Company. (b) The mortgage of the Portland Railway Company to the New York Trust Company dated November 1, 1905, which secures the payment of an issue of ten million dollars (\$10,000,000) of Portland Railway Company First and Refunding Mortgage Bonds, and under which two million five hundred and eighty-five thousand dollars (\$2,585,000) of bonds were reserved to retire underlying bonds and two million four hundred and fifteen thousand dollars (\$2,415,000) of bonds were reserved for the purchase or construction of additional property to be issued only to the extent of eighty per cent. of the actual cost of such purchase or construction. Any such reserved bonds still remaining unissued at the time of the acquisition by the Mortgagor Company of the properties and franchises of the Portland Railway Company will be available for issue under the terms of said mortgage by the Mortgagor Company as successor to the Portland Railway Company.

2. That the Mortgagor Company, after it shall have acquired the properties and franchises of the Portland General Electric Company and the Portland Railway Company, respectively, proposes as the successor company, to issue said reserved Portland General Electric Company bonds and Portland Railway Company bonds from time to time under and in accordance with the terms and provisions of the mortgages which secure the payment of said bonds respectively, based upon the purchase or construction by it of extensions, betterments or permanent improvements or additional property, or upon such purchase or construction by the predecessor company before the acquisition of said properties and franchises by the Mortgagor Company, and the reserved bonds of each issue, so issued by the Mortgagor Company, shall be entitled to and shall have all the benefits and security of the mortgage under the terms of which they shall be issued, and of the supplemental mortgages to be issued as set forth in paragraphs 3, 4 and 7 hereof, in superiority to the lien of this Indenture, as further security for said bonds, notwithstanding the fact that the amount of bonds to be secured by such mortgages and