

road during the preceding calendar month, and shall be remitted by said bank or trust company in Portland, Oregon, to the Trustee on or before the 15th days of June and December in each year. And within the first twenty (20) days of each calendar month after February, 1911, the Blazier Company and the Railroad Company shall deliver to the Trustee a written statement of the amounts paid to said bank or trust company, certified by the bank or trust company in the city of Portland, Oregon, aforesaid, accompanied by a statement of the amount of timber covered by this agreement, hauled and removed during the preceding month. The statements shall be verified by the affidavit of the president or vice president and secretary or auditor of the said companies and shall set forth clearly all pieces of land from which any timber has been hauled in the preceding month covered by the statement; the statements made in the months of June and December shall be accompanied by the amount due thereon for sinking fund purposes during the preceding six months, in checks or drafts of the bank or trust company in Portland, Oregon, payable to the Trustee in St. Louis exchange.

After repayment through the sinking fund as established herein, or after repayment by any means through the parties of the first part, or on their account, of the notes in Series A for the sum of \$100,000, the said Blazier Company and said Railroad Company will pay to the Trustee for the sinking fund, until all of said notes and bonds hereby secured are fully paid, the sum of One Dollar per 1,000 feet, mill scale, on all timber taken out or hauled over the lines of the Washington Northern Railroad Company, excepting and excepting only the timber belonging to the Oregon-Washington Timber Company, and coming under its present outstanding mortgage, which shall be paid and remitted in the manner hereinbefore provided; and the Blazier Company and the Railroad Company agree and covenant that they will at all times, as long as any of the notes or first mortgage bonds of the Timber Company secured hereby are outstanding, render to the Trustee quarterly statements of the condition of the business of each and both of said companies, in such form and in such detail as the Trustee may request, and give such Trustee and its agents and representatives free access to all the property, books of account and vouchers of the said companies and each of them, for the purpose of checking the correctness of any statements made by said companies, and so long as any of said notes or first mortgage bonds of the Timber Company shall remain outstanding, the Trustee, its agent or representative, shall have the privilege, at the expense of the Blazier Company and the Railroad Company, of making or causing to be made at any time or times deemed necessary by it, an inspection of the books of account and the timber lands and properties hereby conveyed, for the purpose of verifying the statements hereinabove provided to be made to the Trustee, and of discovering whether any timber has been hauled over said lines for which payment has not been made to the Trustee on account of the sinking fund as aforesaid.

All sums of money paid by the Blazier Company or the Railroad Company on account of the sinking fund herein provided shall be applied by the Trustee to the payment of the notes and the first mortgage bonds of the Timber Company secured hereby, in the following manner and on the following terms:

(1) There shall be paid out of said sinking fund the notes in Series A. for the sum of \$100,000, which shall be preferred as to principal and interest until paid; but said notes shall be entitled to the actual pro rata benefit and security of said fund without preference or priority of one note over another for any reason whatever. After repayment through the sinking fund, as established herein, or after repayment by any means through the parties of the first part, or on their account, of the notes