

ARTICLE ONE.

Form, Execution, Delivery, Registry and Exchange of Bonds.

Section 1. From time to time the first mortgage gold bonds shall be executed in the name and on behalf of the Railway Company and under its corporate seal by the President, or any Vice President, and the Secretary, or any Assistant Secretary, of the Railway Company and shall be delivered to the Trustee for authentication by it, and thereupon as provided in Article Two hereof, and not otherwise, the Trustee shall authenticate and deliver the same. At the option of the Railway Company, from time to time, any such bonds may be executed, authenticated and delivered originally either as coupon bonds or as registered bonds.

The aggregate amount of all bonds which may be issued and outstanding under this indenture at any one time, shall not exceed in any event the sum of \$125,000,000 face amount of the principal thereof nor shall it exceed at any time the amount authorized by the laws of the State of Washington, then in force. All such bonds shall bear interest at such rate, not exceeding five per cent. per annum, as from time to time shall be fixed and determined by the board of trustees or executive committee of the Railway Company and stated in the resolution of the board or executive committee calling for the authentication and delivery of bonds by the Trustee, and such interest shall be payable semi-annually on the first day of March and the first day of September in each year.

In case the officers who shall have signed and sealed any such bonds shall cease to be such officers of the Railway Company before the bonds so signed and sealed shall have been actually authenticated and delivered by the Trustee, such bonds nevertheless may be adopted by the Railway Company and be issued, authenticated and delivered as though the persons who signed and sealed such bonds had not ceased to be officers of the Railway Company. The coupons to be attached to such bonds shall be authenticated by the engraved signature of the present treasurer or assistant treasurer or of any future treasurer or assistant treasurer of the Railway Company, and the Railway Company may adopt and use for such purpose the engraved signature of any person who shall have been such treasurer or assistant treasurer notwithstanding the fact that he may have ceased to be such treasurer or assistant treasurer at the time when such bonds shall be actually authenticated and delivered. Only such bonds as shall bear thereon endorsed and authentication substantially in the form hereinbefore recited, executed by the Trustee, shall be secured by this indenture or entitled to any lien, right, or benefit hereunder; and such authentication by the Trustee upon any such bond shall be conclusive evidence that the bond so authenticated has been duly issued hereunder and that the holder is entitled to the Benefit of the trust hereby created. Before authenticating or delivering any coupon bond all coupons thereof then matured, including coupon No. 1 and all others numbered consecutively upwards, shall be cut off, canceled and thereafter held by the Trustee until destroyed upon demand of the Railway Company. All such coupons, upon demand of the Railway Company, from time to time shall be destroyed by and in the presence of the Trustee and a representative of the Railway Company, who, thereupon, shall jointly execute in triplicate written certificates of the destruction thereof accurately describing and identifying therein the coupons so destroyed, one of which certificates, in each case, shall be kept and preserved by the Trustee and the other two whereof by the Railway Company. The Trustee shall not authenticate or deliver any registered bond bearing interest from a date more than six months prior