

SUCH TRUSTEE AND PAYING AGENT FROM ANY AND ALL LOSS AND EXPENSE IN CONNECTION WITH SAID PAYMENTS.

SECTION 2... THAT IT WILL PAY SUCH INTEREST WITHOUT DEDUCTION FOR ANY TAXES OR OTHER GOVERNMENTAL CHARGES, WHICH "THE COMPANY" OR "THE TRUSTEE" MAY BE REQUIRED OR PERMITTED TO PAY THEREON, OR TO RETAIN THEREFROM (INsofar AS IT MAY FLAWFULLY AGREE NOT TO MAKE SUCH DEDUCTIONS WITHOUT AFFECTING THE VALIDITY OR NEGOTIABILITY OF SUCH NOTES) UNDER ANY PRESENT OR FUTURE LAW, EXCEPT SUCH PORTION OF THE FEDERAL INCOME TAX AS MAY BE IN EXCESS OF TWO PER CENT (2%), AND EXCEPT INHERITANCE AND SUCCESSION TAXES, AND TO REFUND SUCH PORTION OF THE OREGON INCOME TAX ACTUALLY PAID THEREON AS SHALL NOT BE IN EXCESS OF TWO PER CENT (2%). THE INTEREST ON THE NOTES SHALL BE PAYABLE ONLY UPON THE PRESENTATION AND SURRENDER OF THE SEVERAL COUPONS AS THEY RESPECTIVELY MATURE, AND WHEN PAID SUCH INTEREST COUPONS SHALL FORTHWITH BE CANCELLED.

SECTION 3. IT WILL NOT HEREAFTER AUTHORIZE, EXECUTE, ISSUE, ASSUME, GUARANTEE OR ENDORSE ANY BONDS, DEBENTURES, LONG TIME NOTES, OR OTHER SIMILAR SECURITIES, NOR WILL IT HEREAFTER AUTHORIZE, MAKE OR ASSUME, OR CAUSE, SUFFER, SANCTION OR PERMIT TO BE AUTHORIZED, MADE OR ASSUMED, ANY MORTGAGE, PLEDGE, MECHANICS' LABORERS' OR OTHER SIMILAR LIEN, ENCUMBRANCE OR CHARGE WHATSOEVER, UPON ANY OF ITS RIGHTS, PRIVILEGES, FRANCHISES, PROPERTIES (REAL, PERSONAL OR MIXED), ASSETS, SURPLUS, EARNINGS, INCOME OR PROFITS WHATSOEVER, AND IF ANY SUCH PROHIBITED SECURITIES, MORTGAGE, LIEN, ENCUMBRANCE OR CHARGE BE HEREAFTER SO AUTHORIZED, MADE, CREATED OR PLACED, IT WILL IMMEDIATELY PAY OR CAUSE TO BE PAID AND DISCHARGED THE DEBT AND OBLIGATION REPRESENTED HEREBY, AND PROCURE THE SAME TO BE FULLY RELEASED. PROVIDED, HOWEVER, THAT NOTHING IN THIS SECTION CONTAINED SHALL PREVENT "THE COMPANY", ITS SUCCESSORS OR ASSIGNS FROM: (1) MAKING, INCURRING, GIVING, EXECUTING OR DELIVERING NOTES GIVEN FOR PROPERTY (REAL, PERSONAL OR MIXED), STOCKS, BONDS OR OTHER SECURITIES OF THE ACTUAL VALUE OF NOT LESS THAN THE FACE AMOUNT OF THE OBLIGATIONS ISSUED THEREFOR; (2) ACQUIRING, PURSUANT TO LAW, ANY PROPERTY, (REAL, PERSONAL OR MIXED) STOCKS, BONDS OR OTHER SECURITIES WHICH ARE SUBJECT TO ANY EXISTING MORTGAGE OR OTHER ENCUMBRANCE MADE THEREON, BY THE INDIVIDUAL, ASSOCIATION, FIRM OR CORPORATION FROM WHOM OR WHICH IT WAS ACQUIRED, OR ANY PREDECESSOR, INDIVIDUAL, ASSOCIATION, FIRM OR CORPORATION, OR SUBJECT TO A PURCHASE MONEY MORTGAGE OR OTHER LIEN OR ENCUMBRANCE, WHICH IS RESTRICTED AND LIMITED TO THE PROPERTY SO ACQUIRED: (3) MAKING, INCURRING, GIVING, EXECUTING OR DELIVERING SUCH SHORT TIME NOTES OR OTHER SIMILAR OBLIGATIONS AS IT MAY DETERMINE IN THE USUAL AND ORDINARY COURSE OF ITS BUSINESS; PROVIDED, HOWEVER, THAT AT NO TIME WHILE THE NOTES ISSUED HEREUNDER, OR ANY OF THEM, REMAIN UNPAID, SHALL "THE COMPANY" MAKE, INCUR, GIVE, EXECUTE OR DELIVER ITS PROMISSORY NOTES (OTHER THAN THIS ISSUE) TO AN AMOUNT IN EXCESS OF THE DIFFERENCE BETWEEN THE AMOUNT OF NOTES SECURED HEREBY AT SUCH TIME OUTSTANDING, AND THE SUM OF \$600,000.00 OR EXECUTE TRADE ACCEPTANCE IN EXCESS OF \$130,000. NOTHING IN THIS SECTION CONTAINED SHALL REQUIRE "THE COMPANY" TO PAY, OR CAUSE TO BE PAID OR DISCHARGED ANY DEBT, OBLIGATION, CLAIM, LIEN, ENCUMBRANCE, OR CHARGE, SO LONG AS THE VALIDITY THEREOF SHALL IN GOOD FAITH BE CONTESTED BY "THE COMPANY" IN THE COURTS.

SECTION 4. IT WILL APPLY THE PROCEEDS OF ALL NOTES ISSUED UNDER THIS AGREEMENT TO THE PAYMENT AND LIQUIDATION OF THE INDEBTEDNESS OF "THE COMPANY", AND IT WILL