

YAKIMA BINDERY & PTO. CO. 187897

visions of this indenture to retire prior debt at or before maturity, shall be equal to three times the amount of such outstanding, fully paid capital stock as increased.

In determining at any time and from time to time the limit of the authorized issue of bonds hereunder, the prior debt so to be added is that which at the time may remain unpaid on the principal of the bonds, specified in Section 1 of Article Three of this indenture, and of the bonds which hereafter shall be included in prior debt under Sections 2 and 3 of said Article Three (but not including any of either class of said bonds deposited with and held by the Trustee as provided in Section 4 of said Article Three), and the reserved bonds to be deducted are the bonds issuable under this indenture and then reserved for the purpose of refunding prior debt as provided in said Article Three. The term "prior debt", wherever used in this indenture, means the aggregate bonded indebtedness ascertained and determined in accordance with this paragraph of this Section 1 of Article One of this indenture.

Sec. 2. Bonds shall not be issued hereunder or deposited cash (as hereinafter in Section 7 of Article Three defined) paid out in the acquisition of property subject to a prior mortgage or other lien, nor shall railways or real property subject to a prior mortgage or other lien be acquired and subjected to the lien of this indenture, unless in either case sufficient bonds hereunder shall be available within the limitations provided in this Article to be reserved and shall be reserved to retire such prior debt at maturity.

Sec. 3. Bonds shall not be issued hereunder in respect of the acquisition of the shares of the capital stock of any company or companies, or unsecured bonds or obligations of any company or companies, under the provisions of paragraphs (e) and/or (g) of Section 7 of Article Three of this indenture to a face amount which, when added to the total amount, if any, of "deposited cash" (as hereinafter defined) paid by the Trustee in respect of such acquisition, shall exceed one-third of the total face amount of bonds outstanding hereunder following such acquisition.

Article Two. Form, Execution, Delivery, registry and exchange of bonds.

Section 1. From time to time, the General Mortgage Gold bonds (which hereinafter are sometimes termed General Mortgage 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 Three 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 General Mortgage bonds shall be issued in series, and the bonds of each series shall be distinctively designated as prescribed by resolution of the Board of Directors, or the Executive Committee of the Board of Directors, of the Railway Company. In authorizing the issue of any series the Board of Directors, or the Executive Committee of the Board of Directors, of the Railway Company shall determine (1) the date of maturity of such series, which date shall be not earlier than July 1, 1936, nor later than July 1, 2121, (2) the rate of interest (which shall be the same for all bonds of the same series and shall be payable semi-annually on the first day of January and the first day of July in each year) to be borne by the bonds of such series, (3) whether or not the bonds of such series at the election of the Railway Company shall be redeemable, in whole or in part, before maturity, and if redeemable, the time within which, and the terms and conditions upon which, such series, or any part thereof, may be redeemed, (4) whether (and if so to what extent) or not the bonds of such series and the interest payable thereon shall be payable without deduction for any tax or taxes which the Railway Company may be required to pay thereon,