

AND WHEREAS all things necessary to make the said bonds, when authenticated by the Trustee and issued as in this Indenture provided, valid, binding and legal obligations of the Company, and to constitute this Indenture a valid First Mortgage and Deed of Trust to secure the payment of the Principal of and interest on all bonds issued hereunder, have been done and performed, and the creation, execution and delivery of this Indenture, and the creation, execution and issue of said bonds, subject to the terms hereof, have in all respects been duly authorized;

NOW THEREFORE, THIS INDENTURE WITNESSETH:

That OREGON-WASHINGTON TELEPHONE COMPANY, in consideration of the premises and of the acceptance by the Trustees of the trusts hereby created and of the purchase and acceptance of said bonds by the owners thereof and of the sum of One Dollar lawful money of the United States of America to it duly paid by the Trustees, the receipt whereof is by it hereby acknowledged, in order to secure the payment both of the principal of and interest on all bonds that may at any time be issued and outstanding under this Indenture according to their tenor and effect and the performance and observance by the Company of all the covenants expressed or implied herein and in said bonds, has given, granted, bargained, sold, released, conveyed, aliened, assigned, confirmed, transferred, mortgaged, warranted, pledged and set over and does by these presents give, grant, bargain, sell, release, convey, alien, assign, confirm, transfer, mortgage, warrant, pledge and set over unto Peoples National Bank of Washington in Seattle, of Seattle, Washington and E. L. Blaine, Jr. of said Seattle, as Trustees, and to their successors in the trusts hereby created, and to them and their assigns forever, all the right, title and interest of the Company in and to any and all premises, plants, properties, leases and leaseholds, franchises, permits, patents, rights and powers of every kind and description, real and personal, now owned or hereafter acquired by the Company, together with the tolls, rents, revenues, issues, products and profits therefrom, excepting, however, and there is expressly reserved and excluded from the lien hereof: (A) all right, title and interest of the Company now owned or hereafter acquired in and to (a) all cash, bonds, notes, shares of stock, obligations and other securities not deposited with the Trustee under the provisions of this Indenture or otherwise specifically subjected to the lien hereof; (b) all accounts and bills receivable, judgments (other than for the recovery of real property or establishing a lien or charge thereon or right therein) and choses in action not specifically assigned to the Trustees and pledged with the Trustee hereunder; (c) all goods, wares, merchandise, equipment or apparatus manufactured or acquired for the purpose of sale or resale in the usual course of business; (d) all materials and supplies held for consumption in operation; (e) all motor vehicles; and (B) the last day of each of the demised terms created by any lease of property now leased to the Company and the last day of any demised term under each and every lease hereafter made or acquired by the Company and under each and every renewal of any lease, the last day of each and every such demised term being hereby expressly reserved to and by the Company; provided, however, that if upon the happening of an event of default as herein-after defined in this Indenture the Trustees or the Trustee or a receiver or trustee shall have entered upon or taken possession of the mortgaged property, the Trustees or Trustee or such receiver or trustee may, to the extent permitted by law, take, hold and administer in connection with the mortgaged property all of the said properties set forth in (A) above.

Without in any way limiting or restricting the generality of the foregoing description or the foregoing exception and reservation, the Company does hereby, give, grant, bargain, sell, release, convey, alien, assign, confirm, transfer, mortgage, warrant, pledge and set over unto Peoples National Bank of Washington in Seattle and E. L. Blaine, Jr., as