

PACIFIC NORTHWEST PIPELINE CORPORATION

CERTIFICATE OF DESIGNATION, PREFERENCES AND RIGHTS OF A SERIES OF CUMULATIVE PREFERRED STOCK BY RESOLUTION OF THE BOARD OF DIRECTORS PROVIDING FOR AN ISSUE OF 42,000 SHARES OF PREFERRED STOCK DESIGNATED "CUMULATIVE PREFERRED STOCK, CLASS B, \$5.60 SERIES."

We, C. R. WILLIAMS, President, and LEON M. PAYNE, Secretary, of PACIFIC NORTHWEST PIPELINE CORPORATION (hereinafter referred to as the "Corporation"), a corporation organized and existing under the General Corporation Law of the State of Delaware, in accordance with the provisions of Section 151 thereof, do hereby certify:

That pursuant to authority conferred upon the Board of Directors by the Certificate of Incorporation, as amended, of said Corporation, said Board of Directors at a meeting duly convened and held on March 31, 1956, at which a quorum was present and acting throughout, adopted a resolution providing for the issuance of a series of Cumulative Preferred Stock, designated "Cumulative Preferred Stock, Class B, \$5.60 Series", which resolution is as follows:

RESOLVED, that pursuant to the authority vested in the Board of Directors of the Corporation by the Certificate of Incorporation, as amended, the Board of Directors does hereby provide for the issue of a series of the Cumulative Preferred Stock, without par value, of the Corporation consisting of 42,000 shares and to the extent that the designations, powers, preferences and relative, participating, optional and other special rights, and the qualifications, limitations and restrictions thereof are not stated and expressed in the Certificate of Incorporation, as amended, does hereby fix and herein state and express such designations, powers, preferences and relative, participating, optional and other special rights and the qualifications, limitations and restrictions thereof as follows (all terms used herein which are defined in the Certificate of Incorporation, as amended, to have the meanings provided in said Certificate of Incorporation, as amended):

(1) The Cumulative Preferred Stock of said series is hereby designated Cumulative Preferred Stock, Class B, \$5.60 Series, (herein called "Class B Preferred Stock").

(2) The dividend rate on the Class B Preferred Stock shall be \$5.60 per share per annum, payable quarterly on the first days of June, September, December and March, and the date from which dividends thereon shall accrue shall be June 1, 1958, except that if the number of shares of Class B Preferred Stock shall hereafter be increased by further resolution of the Board of Directors, dividends on such additional shares may accrue from such other date or dates as may be fixed by the Board of Directors in such resolution.

(3) The holders of the Class B Preferred Stock shall be entitled to receive (in addition to accrued and unpaid dividends) (i) \$100 per share in the event of the involuntary liquidation, dissolution or winding up of the Corporation, or (ii) the then applicable optional redemption price specified in Paragraph 4 hereof, in the event of the voluntary liquidation, dissolution or winding up of the Corporation.

(4) The Class B Preferred Stock may be redeemed in cash in whole or in part at any time or from time to time at the option of the Board of Directors at the prices and during the periods set forth below, plus an amount equal to the accrued and unpaid dividends thereon:

<u>Period</u>	<u>Price Per Share</u>
To and including April 1, 1959	\$104.00
April 2, 1959 to and including April 1, 1960	103.75
April 2, 1960 to and including April 1, 1961	103.50

<u>Period</u>	<u>Price Per Share</u>
April 2, 1961 to and including April 1, 1962	\$103.25
April 2, 1962 to and including April 1, 1963	103.00
April 2, 1963 to and including April 1, 1964	102.75
April 2, 1964 to and including April 1, 1965	102.50
April 2, 1965 to and including April 1, 1966	102.25
April 2, 1966 to and including April 1, 1967	102.00
April 2, 1967 to and including April 1, 1968	101.75
April 2, 1968 to and including April 1, 1969	101.50
April 2, 1969 to and including April 1, 1970	101.25
April 2, 1970 to and including April 1, 1971	101.00
April 2, 1971 to and including April 1, 1972	100.75
April 2, 1972 to and including April 1, 1973	100.50
April 2, 1973 to and including April 1, 1974	100.25
On April 2, 1974 and thereafter	100.00

The Class B Preferred Stock may also be redeemed in cash for the sinking fund hereinafter referred to at the sinking fund redemption price of \$100 per share plus an amount equal to accrued and unpaid dividends thereon. The term "accrued and unpaid dividends" as used in this resolution shall mean a sum equal to \$5.60 per share per annum from the respective dates from which dividends on the shares of Class B Preferred Stock accrued to the redemption date, less the aggregate amount of all dividends theretofore paid thereon, and no more.

(5) Within each twelve months' period commencing with the twelve months' period ending August 31, 1966, the Corporation shall acquire (unless prevented from doing so by the restrictions contained in the last sentence of Subdivision 3 of Part I of Article Fourth of the Certificate of Incorporation, as amended, or by any restrictions contained in any mortgage, deed of trust, indenture or loan agreement or similar agreement of the Corporation), either by the redemption thereof for cash or by purchase thereof for cash in such manner as the Board of Directors may determine from time to time at not exceeding the sinking fund redemption price thereof, and shall retire, an amount of Class B Preferred Stock at least equal to

(a) Within each such twelve months' period to and including the period ending August 31, 1972, three shares for each 100 shares of Class B Preferred Stock outstanding on September 1, 1965;

(b) Within each such twelve months' period ending after August 31, 1972, to and including the period ending August 31, 1980, four shares for each 100 shares of Class B Preferred Stock outstanding on September 1, 1965;

(c) Within each such twelve months' period ending after August 31, 1980, five shares for each 100 shares of Class B Preferred Stock outstanding on September 1, 1965;

provided, however, that if the Corporation shall be prevented by the restrictions contained in the last sentence of Subdivision 3 of Part I of Article Fourth of the Certificate of Incorporation, as amended, or by any restrictions contained in any mortgage, deed of trust, indenture or loan agreement or similar agreement of the Corporation or for any other reason from acquiring during any twelve months' period the number of shares of Class B Preferred Stock which in the absence of such restrictions it would be required to acquire and retire during such period, the shares not so acquired shall be acquired during the next succeeding twelve months' period in which the Corporation shall not be prevented by such restrictions from acquiring and retiring shares of Class B Preferred Stock.

Any shares of Class B Preferred Stock which shall be (a) redeemed by the Corporation at the optional redemption price set forth in paragraph 4, or (b) converted into shares of Common Stock, or (c) purchased by the Corporation in any such twelve months' period and shall not have previously been applied to meet the Corporation's sinking fund obligations may be credited on the amount required to be retired in any one or more of the following twelve months' periods which the Corporation may designate. Shares of Class B Preferred Stock of the Corporation redeemed, purchased or converted and applied to meet its sinking fund obligations, shall not be reissued.

On and after September 1, 1966 and so long as any shares of Class B Preferred Stock shall remain outstanding, in no event shall any dividends whatsoever, whether in cash, stock or otherwise, be paid or declared, or any distribution be made on any junior stock, nor shall any junior stock be purchased, retired or otherwise acquired for a valuable consideration by the Corporation unless on or before the preceding August 31st the Corporation shall have acquired the number of shares of Class B Preferred Stock required to have been acquired by such date and applied such shares to the sinking fund obligation of the Corporation.

(6) So long as any shares of Class B Preferred Stock are outstanding, the Corporation shall not, without the consent of the holders of a majority of the number of shares of Class B Preferred Stock at the time outstanding, issue or sell any shares of Cumulative Preferred Stock or of any additional class of stock ranking prior to or on a parity with the Cumulative Preferred Stock in respect of dividends or distribution of assets on liquidation, except (i) the 287,000 shares of Cumulative Preferred Stock, \$3.30 Series, which are presently reserved for issuance in payment of the 5½% Interim Notes, due June 1, 1957, in accordance with the provisions of the Indenture, dated as of March 1, 1955, between the Corporation and The Chase Manhattan Bank as Trustee, (ii) 58,000 shares of Cumulative Preferred Stock, Class A, \$5.60 Series, authorized by resolution of even date herewith, (iii) the 42,000 shares of Class B Preferred Stock, authorized by this resolution and (iv) the 113,000 additional shares of Cumulative Preferred Stock now authorized by the Certificate of Incorporation, as amended, unless after giving effect to the proposed issue or sale of such additional stock, the assets of the Corporation remaining after deducting (a) the amount then payable upon involuntary liquidation with respect to any stock ranking prior to the Cumulative Preferred Stock in respect of dividends or distribution of assets on liquidation and (b) all liabilities (other than (i) liabilities evidenced by the 5½% Interim Notes, due June 1, 1957, (ii) liabilities evidenced by the 5.60% Interim Notes, Series A, due June 1, 1958 or the 5.60% Interim Notes, Series B, due June 1, 1958, (iii) liabilities evidenced by any other obligations which at the option of the Corporation are convertible into, or payable in, Cumulative Preferred Stock or stock ranking on a parity with, or junior to, the Cumulative Preferred Stock in respect of dividends or distribution of assets on liquidation and (iv) capital and surplus accounts) and reserves, shall amount to at least 225% of the preference on involuntary liquidation (or, in the case of shares of stock having par value, the par value thereof) of all shares of Cumulative Preferred Stock and all shares of stock ranking on a parity therewith, in respect of dividends or distribution of assets on liquidation, to be outstanding immediately after giving effect to such proposed issue or sale, or issuable in payment of the aforesaid Notes or issuable at the option of the Corporation upon conversion of, or in payment of, any other securities to be outstanding immediately after such proposed issue or sale.

For the purpose of this paragraph 6, the assets and liabilities of the Corporation shall be determined in accordance with the books of account of the Corporation, which shall be kept in accordance with such system of accounts as may be prescribed by governmental authorities having jurisdiction over the accounts of the Corporation or, in the absence thereof, in accordance with sound accounting practice.

(7) (a) The Class B Preferred Stock shall be convertible, at the option of the respective holders thereof, at any time on or before April 1, 1961 (or as to Class B Preferred Stock called for previous redemption, at any time, prior to the close of business on the tenth day prior to the date fixed for such redemption unless the Corporation shall default in payment of the redemption price) into full-paid and non-assessable shares of Common Stock, at a conversion price of \$30 per share (such price being subject to adjustment as hereinafter provided). For purposes of conversion, each share of Class B Preferred Stock shall be deemed to have a value of \$100.

Any holder of Class B Preferred Stock electing to convert shall deposit the certificates for Class B Preferred Stock at the principal office of the Transfer Agent for the Class B Preferred Stock in the Borough of Manhattan, The City of New York, State of New York with the form of written notice to the Corporation endorsed on such certificates of his election to convert such Class B Preferred Stock into Common Stock duly filled out and executed. The conversion right in respect of any such Class B Preferred Stock shall be deemed to have been exercised at the close of business on the date on which the certificates therefor, with such notice of election duly filled out and executed, shall have been so deposited, and the person entitled to receive the Common Stock issuable upon such conversion shall be treated for all purposes as the record holder of such Common Stock at the close of business on said date. The Corporation shall not be required, in connection with any such conversion, to issue a fraction of a share of its Common Stock nor to deliver any stock certificate representing a fraction thereof, but in lieu thereof, the Corporation shall make a cash payment equal to such fraction multiplied by the market price of the Common Stock on the date of conversion, or the Corporation shall issue non-dividend bearing, non-voting Common Stock Scrip (exchangeable for stock when surrendered in amounts aggregating a full share) in such form, bearer or registered, in such denominations, and containing such other terms and provisions as the Board of Directors may from time to time determine prior to the issue thereof. For the purposes of this paragraph, the market price of the Common Stock on the date of conversion shall be the closing sales price, or if there were no sales then the closing bid price, on the principal stock exchange on which the Common Stock is listed or, if the Common Stock is not so listed, then the closing bid price in the New York over-the-counter market. Such price shall be determined as of the close of business on the last full business day in each week and such price as so determined shall continue in effect during the next succeeding week.

(b) As soon as practicable, and in any event within ten business days after the date of conversion of any Class B Preferred Stock into Common Stock, the Corporation shall deliver to the person entitled thereto, at the principal office of the Transfer Agent for the Common Stock of the Corporation to which such Class B Preferred Stock shall have been presented for conversion, certificates representing the shares of Common Stock and the cash or Common Stock Scrip, if any, to which such person shall be entitled on such conversion. The Corporation, as a condition to the exercise of such rights of conversion, may require the payment of a sum equal to any transfer tax or other governmental charge (but not including any tax payable upon the issue of stock deliverable upon such conversion) that may be imposed or required by law, upon any transfer incidental or prior thereto, or the submission of proper proof that the same has been paid.

(c) The conversion price shall be subject to adjustment as follows:

A. For the purposes of this Subdivision A, the term "current conversion price" is defined as meaning at any given time the conversion price then in effect; and the term "current quotient" is defined as meaning on any given date the amount determined at the close of business on such day by dividing:

(I) an amount equal to (a) the total number of shares of Common Stock outstanding when the current conversion price became effective, exclusive of any such

shares which may have been issued after the date hereof as provided in Subdivision C hereof, multiplied by the current conversion price, plus (b) the aggregate of the amount of all consideration, if any, received by the Company upon all issuances of shares of Common Stock since the current conversion price became effective and prior to the time of determination of the current quotient except shares of Common Stock issued as provided in Subdivision C hereof, by

(II) the total number of shares of Common Stock outstanding immediately prior to the time of such determination, but excluding any such shares which may have been issued as provided in Subdivision C hereof.

For the purposes of the above computation, the number of shares of Common Stock outstanding at any time shall include, without duplication, the number of shares then deemed to have been issued as provided below in this Subdivision A; and the consideration received by the Corporation upon issuances of shares of Common Stock shall include, without duplication, consideration deemed to be received as provided below in this Subdivision A. In determining the current quotient the result shall be expressed to the nearest cent.

In case at the close of business on any date, the current conversion price shall exceed the current quotient by as much as 25 cents (or, in case adjustment of the conversion price has taken place pursuant to Subdivision B of this sub-paragraph (c), the amount which shall be in the same proportion to 25 cents as the conversion price after the latest such adjustment shall be to \$30) the conversion price shall be reduced to the price equal to the current quotient, effective at the close of business on such date. In case of a subdivision or combination of the outstanding shares of Common Stock, the conversion price shall first be reduced, effective immediately prior to an adjustment of the conversion price pursuant to Subdivision B of this sub-paragraph (c), by the amount, if any, by which the current conversion price shall exceed the current quotient.

For the purposes of this Subdivision A, the following provisions shall also be applicable.

(i) In case of the issuance of additional shares of Common Stock for cash, the consideration received by the Corporation therefor shall be deemed to be the amount of cash received by the Corporation for such shares before deducting therefrom any commissions or other expenses paid or incurred by the Corporation for any underwriting of, or otherwise in connection with, the issuance of such shares.

(ii) In case of the issuance (otherwise than upon conversion or exchange of obligations or shares of stock of the Corporation or upon the exercise of rights or options to subscribe for or to purchase shares of Common Stock) of additional shares of Common Stock for a consideration other than cash or a consideration a part of which shall be other than cash, the amount of the consideration other than cash received by the Corporation for such shares shall be deemed to be the value of such consideration as determined by a resolution of the Board of Directors.

(iii) In case of the issuance of additional shares of Common Stock upon conversion or exchange of any obligations or of any shares of stock of the Corporation (including the Class B Preferred Stock) that shall be convertible into or exchangeable for shares of Common Stock or upon the exercise of rights or options to subscribe for or to purchase shares of Common Stock, the amount of the consideration received by the Corporation for such additional shares of Common Stock shall be deemed to be the total of (a) the amount of the consideration received by the Corporation upon the original issuance of such obligations, shares, rights or options, as the case may be, plus (b) the consideration, if any, other than such obligations,

shares, rights or options, received by the Corporation upon such conversion, exchange, or exercise except in adjustment of interest and dividends. If obligations, shares, rights or options, of the same class or series of a class as the obligations, shares, rights or options, so converted, exchanged or exercised have been originally issued for different amounts of consideration, then the amount of consideration received by the Corporation upon the original issuance of each of the obligations, shares, rights or options, so converted, exchanged or exercised shall be deemed to be the average amount of the consideration received by the Corporation upon the original issuance of all such obligations, shares, rights or options. The amount of the consideration received by the Corporation upon the original issuance of the obligations, shares, rights or options, so converted, exchanged or exercised and the amount of the consideration, if any, other than such obligations, shares, rights or options, received by the Corporation upon such conversion, exchange or exercise shall be determined in the same manner provided in clause (i) and clause (ii) above with respect to the consideration received by the Corporation in case of the issuance of additional shares of Common Stock; if such obligations, shares, rights or options shall have been issued as a dividend upon any stock of the Corporation, the amount of the consideration received by the Corporation upon the original issuance thereof shall be deemed to be zero.

(iv) In case of the issuance of additional shares of Common Stock as a dividend, the aggregate number of shares of Common Stock issued in payment of such dividend shall be deemed to have been issued and to be outstanding at the close of business on the record date fixed for the determination of stockholders entitled to such dividend and shall be deemed to have been issued without consideration. Shares of Common Stock issued otherwise than as a dividend shall be deemed to have been issued and to be outstanding at the close of business on the date of issue.

(v) The term "dividend" shall mean a dividend or other distribution upon stock of the Corporation.

(vi) The number of shares of Common Stock at any time issued and outstanding shall include all shares of Common Stock then owned or held by or for the account of the Corporation and all shares of Common Stock acquired by the Corporation subsequent to the date hereof and retired.

(vii) In the event of a declaration of a dividend by the Corporation without the fixing of a record date for the determination of stockholders entitled thereto, the first business day during which the stock transfer books of the Corporation shall be closed for the purpose of such determination shall be deemed to be the record date fixed for the determination of stockholders entitled to such dividend.

(viii) In case of the issuance of any rights to subscribe for or to purchase, or any options for the purchase of additional shares of Common Stock (other than any such rights or options granted for a consideration other than cash and pursuant to which additional shares of Common Stock will be issuable for a consideration other than cash) at a price per share for the additional shares of Common Stock issuable upon the exercise of such rights or options less than the current conversion price immediately prior to the issuance of such rights or the granting of such options, then, if such rights or options expire not more than 90 days after the date of issue thereof, no issuance of Common Stock shall be deemed to have occurred pursuant to such rights or options until the expiration thereof. The shares of Common Stock actually issued pursuant thereto shall be deemed to have been issued as of the date of the expiration of such rights or options. In such case the amount received by the Company in consideration of the issuance of such rights or options (plus the actual aggregate amount of premium or additional consideration payable to the Company

upon the exercise of such rights or options) before deducting therefrom any commissions or other expenses paid or incurred by the Company for any underwriting of, or otherwise in connection with, the issuance of such rights or options, shall be deemed to be the consideration actually received (as of the date of expiration of such rights or options) for the issuance of the additional shares of Common Stock actually issued.

(ix) In case of the issuance of any rights to subscribe for or to purchase, or any options for the purchase of, additional shares of Common Stock (other than any such rights or options referred to in clause (viii) or granted for a consideration other than cash and pursuant to which additional shares of Common Stock will be issuable for a consideration other than cash) at a price per share for the additional shares of Common Stock issuable upon the exercise of such rights or options less than the current conversion price immediately prior to the issuance of such rights or the granting of such options, then the issuance of such rights or options shall be deemed to be an issuance (as of the date of issuance of such rights or options) of the total maximum number of shares of Common Stock issuable upon the exercise of all such rights or options. In such case, the amount received or receivable by the Corporation in consideration of the issuance of such rights or options (plus the minimum aggregate amount of premium or additional consideration payable to the Corporation upon the exercise of such rights or options) before deducting therefrom any commissions or other expenses paid or incurred by the Corporation for any underwriting of, or otherwise in connection with, the issuance of such rights or options, shall be deemed to be the consideration actually received (as of the date of issuance of such rights or options) for the issuance of the additional shares of Common Stock.

(x) In case the Corporation shall issue any shares of stock or obligations convertible into or exchangeable for shares of Common Stock, or rights to subscribe for or options to purchase such convertible or exchangeable stock or obligations, and the price per share at which Common Stock is deliverable upon conversion or exchange of such stock or obligations (determined by dividing (a) the total amount received or receivable by the Corporation in consideration of the issuance of such stock or obligations or of such rights or options, plus the minimum aggregate amount of premiums (if any) payable to the Corporation upon the conversion or exchange, by (b) the total maximum number of shares of Common Stock necessary to effect the conversion or exchange of all such convertible or exchangeable stock or obligations) shall be less than the current conversion price immediately prior to the issuance of such convertible or exchangeable stock or obligations or the issuance of such rights or options, then such issuance shall be deemed to be an issuance (as of the date of issuance of such convertible stock or obligations or such rights or options) of the total maximum number of shares of Common Stock issuable upon the conversion or exchange of all such convertible securities (disregarding for this purpose any anti-dilution provision contained in such convertible securities). In such case the amount received or receivable by the Corporation in consideration of the issuance of such convertible or exchangeable stock or obligations or such rights or options (plus the minimum aggregate amount of premium or additional consideration payable to the Corporation upon conversion or exchange of the stock or obligations) before deducting therefrom any commissions or other expenses paid or incurred by the Corporation for the underwriting of, or otherwise in connection with, the issuance of such stock, obligations, rights or options, shall be deemed to be the consideration actually received (as of the date of issuance of such stock, obligations, rights or options) for the issuance of the additional shares of Common Stock.

(xi) The consideration actually received by the Corporation for any shares of Common Stock issued upon the conversion or exchange of such stock or obligations

or upon the exercise of such rights or options, which pursuant to clause (ix) or clause (x) of this Subdivision A is deemed to have been received, shall not be included in clause (b) of subparagraph (I) of this Subdivision A for the purpose of computing the current quotient and no further adjustment of the conversion price shall be made in respect thereof. In case, however, such stock or obligations shall be convertible at a conversion price, or such rights or options shall be exercisable at a purchase price, per share equal to or in excess of the current conversion price immediately prior to the issuance or sale of such convertible stock or obligations or of such rights or options, then no adjustment of the conversion price shall be made except in respect of additional shares of Common Stock actually issued upon the conversion or exchange of any such convertible stock or obligations or upon the exercise of any such rights or options.

(xii) Anything herein contained to the contrary notwithstanding, the consideration received by the Company for the issuance of its 5.60% Interim Notes, Series B, due June 1, 1958, shall be deemed to be the principal amount thereof, the consideration received by the Company for the issuance of Class B Preferred Stock issued in payment of said Notes shall be deemed to be \$100 per share, and the consideration received by the Company for shares of Common Stock issued in redemption of said Notes pursuant to the terms thereof or in redemption of Class B Preferred Stock in accordance with paragraph 8 hereof, shall be deemed to be an amount equal to the redemption prices of the Notes and the Class B Preferred Stock so redeemed, at the applicable dates of redemption, plus accrued and unpaid interest or accrued and unpaid dividends, as the case may be, to a date 10 days after the redemption date.

(xiii) There shall be deemed to be issued and outstanding as of the date hereof 2,812,029 shares of Common Stock of the Company.

B. In case the Corporation shall at any time subdivide the outstanding shares of Common Stock issuable upon conversion of the Class B Preferred Stock, the conversion price in effect immediately prior to such subdivision shall be proportionately decreased, and in case the Corporation shall at any time combine the outstanding shares of Common Stock issuable upon conversion of the Class B Preferred Stock, the conversion price in effect immediately prior to such combination shall be proportionately increased. Any such adjustment shall become effective at the close of business on the date that such subdivision or combination shall become effective.

C. No adjustment of the conversion price shall be made as a result of or in connection with the issuance of shares of Common Stock of the Corporation up to, but not exceeding, in the aggregate 150,000 shares pursuant to options and stock purchase agreements outstanding on the date hereof or hereafter granted or entered into with officers or employees of the Corporation or of any subsidiary in connection with their employment, whether entered into at the beginning of the employment or at any time thereafter; *provided, however*, that the option or purchase price per share of Common Stock payable under such options or stock purchase agreements shall not be less than 85% of the closing sales price (or if there were no sales, the closing bid price) of the Common Stock on the principal stock exchange on which the Common Stock is listed or, if the Common Stock is not so listed, the closing bid price on the New York over-the-counter market, in each case determined as of the date on which such option was granted or such agreement was entered into, as the case may be.

D. Whenever the conversion price is adjusted, as herein provided the Corporation shall promptly file with the Transfer Agent a certificate of a firm of independent public

accountants setting forth the conversion price after such adjustment and setting forth a brief statement of the facts requiring such adjustment. Such certificate shall be conclusive evidence of the correctness of such adjustment.

E. No adjustments in respect of dividends shall be made upon the conversion of any Class B Preferred Stock.

(d) In case of any reclassification or change of outstanding shares of Common Stock issuable upon conversion of the Class B Preferred Stock (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination), or in case of any consolidation or merger of the Corporation with or into another corporation (other than a merger with a subsidiary in which merger the Corporation is the continuing corporation and which does not result in any reclassification or change of outstanding shares of Common Stock of the class issuable upon conversion of the Class B Preferred Stock), or in case of any sale or conveyance to another corporation of the property of the Corporation as an entirety or substantially as an entirety, the Corporation, or such successor or purchasing corporation, as the case may be, shall give to the holder of each share of Class B Preferred Stock then outstanding the right to convert such share of Class B Preferred Stock into the kind and amount of shares of stock and other securities and property receivable upon such reclassification, change, consolidation, merger, sale or conveyance by a holder of the number of shares of Common Stock of the Corporation into which such share of Class B Preferred Stock might have been converted immediately prior to such reclassification, change, consolidation, merger, sale or conveyance. The above provisions of this subparagraph (d) shall similarly apply to successive reclassifications and changes of shares of Common Stock and to successive consolidations, mergers, sales or conveyances.

(e) The Company covenants that it will at all times reserve and keep available out of its authorized Common Stock, solely for the purpose of issue upon conversion of Class B Preferred Stock as herein provided, such number of shares of Common Stock as shall then be issuable upon the conversion of all outstanding Class B Preferred Stock. The Corporation covenants that all shares of Common Stock which shall be so issuable shall be duly and validly issued and full paid and non-assessable.

Before taking any action which would cause an adjustment reducing the conversion price below the then par value of the shares of Common Stock issuable upon conversion of the Class B Preferred Stock, the Corporation will take any corporate action which may, in the opinion of its counsel, be necessary in order that the Corporation may validly and legally issue full paid and non-assessable shares of such Common Stock at such adjusted conversion price.

The Corporation covenants that if any shares of Common Stock, required to be reserved for purposes of conversion of Class B Preferred Stock hereunder, require registration with or approval of any governmental authority under any Federal or State law, or listing on any national securities exchange, before such shares may be issued upon conversion, the Corporation will in good faith and as expeditiously as possible endeavor to cause such shares to be duly registered, or approved, or listed on the relevant national securities exchange, as the case may be.

(f) In case at any time:

(i) the Corporation shall pay any dividend payable in shares upon its Common Stock or any distribution (other than cash dividends) shall be made to the holders of its Common Stock; or

(ii) the Corporation shall offer for subscription pro rata to the holders of its Common Stock any additional shares of any class or any other rights; or

(iii) of any capital reorganization, or reclassification of the shares of the Corporation or of the consolidation or merger of the Corporation with another corporation; or

(iv) of the voluntary dissolution, liquidation or winding up of the Corporation; then, and in any one or more of said cases, the Corporation shall cause at least ten days' prior notice to be mailed to the Transfer Agent and to the registered holders of the Class B Preferred Stock of the date on which (x) the books of the Corporation shall close, or a record be taken for such stock dividend, distribution or subscription rights, or (y) such capital reorganization, reclassification, consolidation, merger, dissolution, liquidation or winding up shall take place, as the case may be. Such notice shall also specify the date as of which holders of Common Stock of record shall participate in said dividend, distribution or subscription rights or shall be entitled to exchange their Common Stock for securities or other property deliverable upon such capital reorganization, reclassification, consolidation, merger, dissolution, liquidation, or winding up, as the case may be.

(8)(a) The Corporation shall have the right at any time to redeem the Class B Preferred Stock, as a whole or from time to time in part, by issuing and delivering to the holders of record of the Class B Preferred Stock being redeemed shares of Common Stock upon the basis set forth in sub-paragraph (d) of this paragraph 8; *provided, however*, that at the time of such election there shall not be unpaid any principal, premium or interest which shall theretofore have become due under the terms of any outstanding securities evidencing indebtedness of the Corporation, unless the holders of not less than 66⅔% of the outstanding Class B Preferred Stock shall have waived in writing the conditions set forth in this proviso either generally or in a particular instance; and *provided, further*, that in order to exercise such right the Corporation shall deliver to the Transfer Agent for the Class B Preferred Stock or to the holders of record thereof on or prior to the date fixed for such redemption (1) a certificate signed by its President or a Vice President and by its Treasurer or Secretary, stating that either (i) at the time there is not unpaid any principal, premium or interest which has theretofore become due under the terms of any outstanding securities evidencing indebtedness of the Corporation, or (ii) the waiver referred to in the preceding proviso has been effected; and (2) an opinion of counsel (who may be of counsel to the Corporation), addressed to such holders, to the effect that shares of Common Stock to be issued and delivered in redemption of the Class B Preferred Stock being redeemed will be validly issued, full paid and non-assessable and that any registration with or approval of any governmental authority under any Federal or State law, or listing on any national securities exchange, required before such shares may be so issued and delivered, has been effected or obtained as the case may be.

(b) In case of the redemption of only part of the outstanding Class B Preferred Stock pursuant to sub-paragraph (a) of this paragraph 8, the Corporation shall select by lot the shares so to be redeemed. The Board of Directors shall have full power and authority to prescribe the manner in which the drawings by lot shall be conducted.

(c) At least twenty days', but not more than thirty days', previous notice of any redemption of Class B Preferred Stock pursuant to sub-paragraph (a) of this paragraph 8 shall be mailed, addressed to the holders of record of the shares to be redeemed at their respective addresses as the same shall appear on the books of the Corporation as of such date not more than thirty-five days prior to the redemption date as shall be established by the Board of Directors, and such notice shall also be published in a daily newspaper printed in the English language and published and of general circulation in the Borough of Manhattan, The City of New York. If the certificate and opinion required by sub-paragraph (a) of this paragraph 8 have not yet been delivered, such notice shall contain an appropriate statement to that effect and to the effect that in the event that such delivery has not been made prior to the date fixed for redemption such redemption will not be effected.

(d) The number of shares of Common Stock to be delivered on any redemption of any share of Class B Preferred Stock effected under this paragraph 8 shall be (i) the redemption price specified in paragraph 4 hereof, as of the date fixed for redemption, plus accrued and unpaid dividends to the date ten days subsequent to the date fixed for redemption, divided by (ii) 90% of the market price of the Common Stock as of the date preceding the date fixed for redemption, or if, in the opinion of counsel for the Corporation, a registration statement with respect to the Common Stock to be issued on such redemption is required to be filed and to become effective under the Securities Act of 1933 prior to such issuance, then as of the last business day prior to the date that such registration statement becomes effective. For the purposes of this paragraph 8, the market price of the Common Stock as of a particular date shall be the closing sales price (or if there were no sales, the closing bid price) on the principal stock exchange on which the Common Stock is listed or, if the Common Stock is not so listed, the closing bid price on the New York over-the-counter market. The Corporation shall not be required in connection with any redemption under this paragraph 8 to issue a fraction of a share of its Common Stock, but in lieu thereof, the Corporation shall make a cash payment equal to such fraction multiplied by the market price of the Common Stock on the date fixed for redemption or the Corporation shall issue non-dividend bearing, non-voting Common Stock Scrip (exchangeable for stock when surrendered in amounts aggregating a full share) in such form, bearer or registered, in such denominations, and containing such other terms and provisions as its Board of Directors may determine prior to the issue thereof.

(e) The Corporation covenants that if any shares of Common Stock to be issued in redemption of Class B Preferred Stock require registration with or approval of any governmental authority under any Federal or state law, or listing on any national securities exchange, before such shares may be issued upon such redemption, the Corporation will in good faith and as expeditiously as possible endeavor to cause such shares to be duly registered, or approved, or listed on the relevant national securities exchange, as the case may be. The Corporation agrees that if, in the opinion of its counsel, registration of any of the Common Stock to be issued in redemption of any Class B Preferred Stock is required under the Securities Act of 1933, the date fixed by it for redemption of such Class B Preferred Stock under this paragraph 8 will be the first business day following by at least ten days the date when a registration statement relating to such shares is to become effective under said Act.

(f) If notice of redemption shall have been duly given in accordance with sub-paragraph (c) of this paragraph 8 and the certificate and opinion called for by sub-paragraph (a) of this paragraph 8 shall have been duly delivered, the Corporation shall on or before the date fixed for redemption issue in the name of the nominee or nominees of a bank or trust company (which is in good standing, is organized under the laws of the United States of America or of the State of New York, does business in the Borough of Manhattan, The City of New York and has a capital, surplus and undivided profits aggregating at least \$5,000,000), in trust for the holders of the Class B Preferred Stock being redeemed, certificates for the shares of Common Stock, Common Stock Scrip, if any, and cash in lieu of fractional shares, which such holders are entitled to receive on such redemption. If the Corporation has made such deposit, duly delivered such certificate and opinion and either (i) duly given notice of such redemption, or (ii) irrevocably authorized such bank or trust company, on behalf and at the expense of the Corporation, to cause the notice of redemption to be duly given as herein provided at least twenty days prior to the redemption date, then and thereupon, notwithstanding that any certificate for shares of Class B Preferred Stock so called for redemption shall not have been surrendered for cancellation, all shares of Class B Preferred Stock with respect to which such deposit shall have been made shall no longer be deemed to be outstanding and all rights with respect to such

shares of Class B Preferred Stock shall forthwith cease and terminate, except only the right of holders thereof to receive from such bank or trust company, at any time after the time of such deposit, the number of shares of Common Stock, Scrip, if any and cash in lieu of fractional shares to which such holders are entitled. Any shares of Common Stock, Scrip or cash so deposited by the Corporation and unclaimed at the end of seven years from the date fixed for such redemption shall be redelivered to the Corporation upon its request expressed in a resolution of its Board of Directors. After such redelivery, the Corporation shall have no obligation to deliver Common Stock or Common Stock Scrip in respect of any share of Class B Preferred Stock so redeemed on the presentation thereof subsequent to such redelivery. The Corporation's only obligation with respect to any share of Class B Preferred Stock so redeemed and presented subsequent to such redelivery shall be solely to pay to the holder thereof in cash the redemption price of said share which would have been payable had such share been redeemed in cash on the date fixed for its redemption under the provisions of paragraph 4, plus accrued and unpaid dividends to a date ten days subsequent to the date fixed for redemption.

(g) The issuance of certificates for shares of Common Stock and/or Common Stock Scrip pursuant to this paragraph 8 shall be made without charge to the holder for any tax in respect of the issuance of such certificates and such certificates shall be issued in the respective names of, or in such names as may be directed by the holders of the Class B Preferred Stock redeemed; *provided, however*, that in the event that certificates for such Common Stock or Common Stock Scrip are to be issued in a name other than the name of the holder of record of the Class B Preferred Stock redeemed, Class B Preferred Stock when surrendered shall be accompanied by an instrument of transfer satisfactory to the Corporation, duly executed by the holder of record thereof or his duly authorized attorney; and *provided, further*, that the Corporation shall not be required to pay any tax which may be payable in respect of any transfer involved in the issuance and redelivery of any such certificates in a name other than that of the holders of record of the Class B Preferred Stock redeemed, and the Corporation shall not be required to issue or deliver such certificates unless or until the person or persons requesting the issuance thereof shall have paid to the Corporation the amount of such tax or shall have established to the satisfaction of the Corporation that such tax has been paid.

(h) In case of any consolidation or merger of the Corporation into or with any other corporation or any sale or transfer of all or substantially all of the property and assets of the Corporation to any other corporation lawfully entitled to acquire the same, or successive consolidation, mergers, sales or transfers to which the Corporation or its successor or successors shall be a party or parties, the Common Stock which the Corporation or the successor corporation shall be entitled to deliver in redemption of Class B Preferred Stock shall be the common stock of such successor corporation.

(i) The provisions of Subdivision 4 of Part I of Article Fourth of the Certificate of Incorporation of the Corporation, as amended, having been intended to be, and being, applicable only in the case of redemptions for cash, shall not apply to redemptions effected under the provisions of this paragraph 8.

(9) The number of shares of Class B Preferred Stock may, to the extent of the Corporation's authorized and unissued Cumulative Preferred Stock, be increased by further resolution duly adopted by the Board of Directors and the filing and recording of a certificate pursuant to the provisions of the General Corporation Law of the State of Delaware stating that such increase has been so authorized, provided, however, that no Class B Preferred Stock shall be issued on or after September 1, 1965.

That the issuance of 42,000 shares of Cumulative Preferred Stock, Class B, \$5.60 Series has been authorized by the Board of Directors of said Corporation.

IN WITNESS WHEREOF said PACIFIC NORTHWEST PIPELINE CORPORATION has caused its corporate seal to be hereunto affixed and this Certificate to be signed by C. R. Williams as President and Leon M. Payne as Secretary this 17th day of April, 1956.

PACIFIC NORTHWEST PIPELINE CORPORATION

~~(Corporate Seal)~~

By

C. R. Williams
President.

Attest:

Leon M. Payne
Secretary

PACIFIC NORTHWEST PIPELINE CORPORATION
CORPORATE SEAL 1949
DELAWARE

STATE OF TEXAS, } ss.:
COUNTY OF HARRIS, }

BE IT REMEMBERED, that on this 17th day of April, 1956, personally came before me Earlyn V. Poorman, a Notary Public in and for the County and State aforesaid, C. R. WILLIAMS, President of Pacific Northwest Pipeline Corporation, a corporation of the State of Delaware, and one of the persons who signed the foregoing Certificate and he, the said C. R. WILLIAMS, as President, duly executed the Certificate before me and acknowledged the said Certificate to be his act and deed; that the signatures of the said President and of the Secretary of said Corporation to said foregoing Certificate are in the handwriting of the said President and Secretary of said Corporation respectively and that the seal affixed to said Certificate is the corporate seal of said Corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and seal of office the day and year aforesaid.

(Notarial Seal)

MY COMMISSION EXPIRES JUNE 1, 1962

Earlyn V. Poorman
NOTARY PUBLIC IN AND FOR
HARRIS COUNTY, TEXAS

NOTARY PUBLIC
COUNTY OF HARRIS, TEXAS

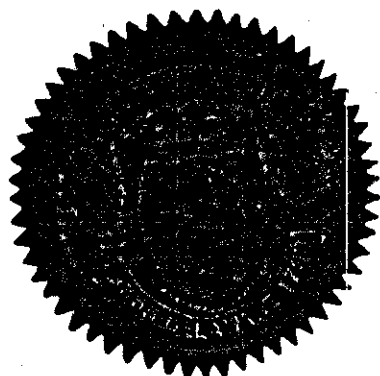
State of Delaware



Office of Secretary of State

J. John N. McDowell, Secretary of State of the State of Delaware,
do hereby certify that the above and foregoing is a true and correct copy of
Certificate Designating Cumulative Preferred Stock, Class B, \$5.60
Series of the "PACIFIC NORTHWEST PIPELINE CORPORATION", as received
and filed in this office the twenty-third day of April, A.D. 1956,
at 8:30 o'clock A.M.

In Testimony Whereof, I have hereunto set my hand
and official seal at Dover this twenty-first day
of May in the year of our Lord
one thousand nine hundred and fifty-six.



John N. McDowell
Secretary of State

M. D. Tomlinson
Ass't. Secretary of State