

MORTGAGE RECORD U

SKAMANIA COUNTY, WASHINGTON

(7) any property, improvement, addition or betterment which in any previous application or certificate has been made the basis for the authentication and delivery of Bonds or the withdrawal of any cash or the release of any property from the lien of this Indenture or from a prior lien, except to the extent that the cost or fair value, whichever shall be less, of such property, improvement, addition or betterment has not in any such previous application or certificate been so used; or

(8) any property, improvement, addition or betterment which has been acquired or constructed with the proceeds of any insurance on any part of the mortgaged property, or with the proceeds of any part of the mortgaged property released from the lien of this Indenture or taken by the exercise of the power of eminent domain; or

(9) any property, improvement, addition or betterment whose acquisition has theretofore been used for the purposes of any sinking, amortization, improvement or other analogous fund, if any, which may hereafter be created as hereinabove in Section 6 provided, but only if, and to the extent that, the supplemental indenture or resolution or other instrument creating such fund may preclude the acquisition of such property as a basis for the authentication and delivery of Bonds under this Article Four; or

(10) any plant or system in which the Company shall acquire only a leasehold interest or any betterments, extensions, improvements or additions of, upon or to any plant or system in which the Company shall own only a leasehold interest; provided, however, that it may include (a) towers, poles, wires, machinery and other movable equipment constructed or maintained under franchises, licenses or permits or easements on premises owned by others (including Federal and State governments), and (b) permanent improvements betterments or additions constructed or acquired by the Company on State or Federal lands under authority of any franchise, permit or license granted by the Federal Power Commission or other governmental authority (which shall be deemed valid legal title for the purposes of this Indenture)

The term "additional property", however, shall be deemed to include

(11) property acquired by the Company by merger or consolidation as well as property purchased or constructed by the Company;

(12) new plants and systems;

(13) permanent improvements, betterments or additions in process of construction or partially completed construction work, so far as actually constructed or erected; and

(14) franchises, licenses, permits and similar rights necessary for the operation of the Company's public utility property.

B. The "cost" to the Company of any new plant or system may be deemed to include the cost to the Company of any franchises, rights and intangible property, simultaneously acquired with the same, for which no separate or distinct consideration shall have been paid or apportioned. In determining the "fair value" to the Company of any new plant or system, consideration shall be given to going concern value as well as to the value of the physical property acquired. The cost and the fair value to the Company of any property part of which constitutes additional property, and part of which does not, and all of which is acquired for a single consideration, shall in all cases be properly allocated in the certificate filed with the corporate Trustee pursuant to Paragraph B of Section 17 hereof. In the case of additional property subject to a prior lien or liens securing bonds which shall not theretofore have been established in the manner and within the limitations hereinafter in Section 19 provided, as refundable bonds, the fair value of such property to the Company shall be determined as if such property were free of such lien or liens, and the principal amount of the outstanding bonds thereby secured and not at the time deposited hereunder or under some other prior lien upon such property, or under a refundable lien, shall