

**MORTGAGE RECORD U**  
SKAMANIA COUNTY, WASHINGTON

be included as part of the cost to the Company of such additional property. As applied to any franchises, licenses, permits or similar rights granted by any municipal or other governmental authority, the cost thereof shall not exceed the amount actually paid to such authority plus actual legal expenses incurred in the acquisition thereof.

In case additional property is acquired for a consideration in whole or in part consisting of indebtedness issued or assumed by the Company the cost to the Company of such additional property shall include the principal amount of indebtedness issued or assumed by the Company. In case the Company shall at any time acquire any additional property in consideration in whole or in part of its own capital stock or other securities, the reasonable value of such stock and other securities may, at the option of the Company, be included in the cost of such additional property, provided that the reasonable value of any such stock and other securities shall be ascertained as follows: The Company shall appoint one or more persons satisfactory to the corporate Trustee to determine the reasonable value of such stock and other securities on the date or dates of its or their delivery, which determination shall be evidenced by a certificate signed by such person or persons so appointed, and filed with the corporate Trustee, stating the reasonable value of such stock and other securities in the opinion of such person or persons. Such person or persons shall not be officers of the Company or be in the employ of the Company for any other purpose. Such certificate shall be conclusive evidence of the reasonable value of such stock and other securities for the purposes of this Indenture.

C. The "net earnings" of the Company shall be computed and ascertained as follows: From the total of the operating and net non-operating revenues of the Company, there shall be deducted all operating expenses, including therein reasonable and proper charges for current repairs and current maintenance of its plants and properties, rentals, license charges, taxes (other than income and profits taxes) and insurance. The term "repairs" shall include all renewals which, in the ordinary practice of companies carrying on a business similar to that of the Company, are charged to current repairs. No amounts need be deducted for reserves for renewals and replacements other than reserves for renewals which, in such practice, are chargeable to current repairs, reasonable and proper charges for current repairs and current maintenance shall not include charges for depreciation. If any of the property of the Company shall have been owned by it during a part, but not during the whole, of any period for which said net earnings are to be computed or shall have been acquired by the Company after the expiration of said period, and shall be subject to the direct lien of this Indenture, the actual net earnings of such property during such part of such period as shall have preceded the acquisition thereof by the Company shall be treated as net earnings of the Company for the purposes of this Article Four, but such net earnings shall be ascertained and computed by the method hereinabove in this Section 18 prescribed. The net earnings of any property disposed of by the Company during or after such period shall not be treated as net earnings of the Company for the purposes of this Article Four.

D. The term "valid legal title" shall mean such title, whether fairly deducible of record or based on prescriptive right, as, in the opinion of counsel, is satisfactory for the needs and operations of the Company in its business, and counsel in giving such opinion may disregard irregularities or deficiencies in the record evidence of title which, in the opinion of such counsel, can be cured by proceedings within the power of the Company or which, in the opinion of counsel, are not of a serious nature under the facts and circumstances of the case, and may base such opinion on his own investigation and/or upon affidavits, certificates, statements and/or investigations made by persons in whom he has con-