

489

MORTGAGE RECORD U
SKAMANIA COUNTY, WASHINGTON

(f) In determining the cost to the Company or the fair value of any new property and/or the cost of permanent additions, as hereinbefore in this section defined, under any of the provisions of this Indenture, such cost or fair value, as the case may be, shall include expenditures chargeable to capital under well recognized systems of accounting, and, without limiting the foregoing, shall include expenditure for engineering, interest during construction, insurance during construction, including workmen's compensation insurance, legal services and taxes during construction, including taxes or contributions based on payroll. The term "fair value", as used herein, shall be deemed to mean the reproduction cost new less accrued depreciation at the time of the purchase or acquisition of new property excluding any value for going concern or franchises.

Section 14. None of said remaining bonds shall be authenticated and delivered under the provisions of Section 13 of this Article I, until and unless the net earnings of the Company, as herein defined, for a period of twelve (12) consecutive calendar months ending not more than ninety (90) days prior to the date of filing of the application therefor with the Corporate Trustee, shall have been equal to at least one and three-quarters (1 3/4) times the "annual interest charge" of the Company.

The term "annual interest charge", as used in this Indenture, shall mean the annual interest charge on:

- (a) all bonds then outstanding hereunder, except bonds for the redemption of which funds have been deposited with the Corporate Trustee or will be deposited with the Corporate Trustee simultaneously with the issuance of the bonds, the issue and authentication of which are applied for hereunder;
- (b) all bonds, the issue and authentication of which are applied for hereunder;
- (c) all bonds or other obligations the lien securing which shall be prior to or rank equally with the lien of this Indenture.

The term "Net earnings" of the Company as used in this Article I shall mean and include an amount computed as follows:

From the total operating revenues and non-operating income from all sources, there shall first be eliminated profit realized from the sale or other disposition of capital assets. There shall then be deducted all operating expenses, including salaries, rentals, taxes (except as hereinafter provided), insurance charges, charges for depreciation, license fees, and expenditures for ordinary repairs and maintenance, but there shall not be included in operating expenses charges or reserves for property abandoned or otherwise retired from service, loss sustained upon the sale or other disposition of capital assets, interest charges, charges or reserves for amortization of debt and debt discount, or premium and expense upon the bonds outstanding under this Indenture, income or other taxes imposed on income only after the deduction of interest charges or tax on corporate debt.

If any of the property owned by the Company, as herein defined (exclusive of property acquired in exchange or substitution for property released from the lien hereof, or through the use of cash deposited with the Corporate Trustee under any of the provisions hereof, other than cash deposited as a basis for the issue of bonds), at the time of making any "net earnings certificate", as hereinafter defined, shall not have been owned by it during the period for which earnings applicable to bond interest are to be computed, or shall have been owned by it during a part only of such period, the net earnings or income of such property computed as herein provided during the whole of such