

governmental consent, license, permit or right or otherwise (subject to the lien of this Indenture and free from any liens prior thereto, except taxes, assessments and other governmental charges not delinquent), authority, in the opinion of counsel (who may be counsel for the Company)), and satisfactory to the Corporate Trustee, sufficient and satisfactory ~~for the conduct of the~~ for the conduct of the Company's business in the same or an extended territory for the same or substantially the same period of time, or an extended or unlimited period of time or until the maturity date of the last maturing series of bonds at the time outstanding hereunder or for the most extended period of time or term then possible under existing laws or regulations.

Section 3. While the Company is not in default as aforesaid, it may sell, exchange or otherwise dispose of any other of the mortgaged and pledged property, including as an entirety the shares of stock of its subsidiary, West Coast Telephone Company of California, pledged or to be pledged hereunder, and the Trustees shall release the same from the lien hereof upon the application of the Company and upon receipt by the Corporate Trustee of:

- (1) a certified copy of a resolution of the Board of Trustees of the Company requesting such release; and describing in reasonable detail the property so sought to be released, and, in the event of an exchange, also of the property to be received in such exchange.
- (2) a sworn statement of an engineer or other expert (who may be an employee of the Company) appointed by the Company and approved by the Corporate Trustee showing,
 - (a) that the Company has sold or exchanged or agreed to sell or exchange the property to be released ^{the} and terms and conditions of the sale or exchange of the property so to be released;
 - (b) the fair value, as defined in Article I hereof, of the property to be released and in the event of an exchange the fair value of the property to be received in such exchange, and that such property so received in exchange constitutes new property as defined in Section 13 of Article I hereof;
 - (c) the price or proceeds to be realized from the sale of the property to be released;
 - (d) that such release is desirable in the conduct of the business of the Company, and that the security hereby afforded will not be impaired by such release;
- (3) in the event of a sale, cash equal to the price to be paid for the property to be released, or the fair value, as specified in subdivision (2) hereof, whichever shall be the greater; and in the event of an exchange, if the property so released shall have a fair value greater than the property received in exchange therefor, cash equal to the excess fair value of the property to be so released and over that of the property received in exchange therefor; and
- (4) an opinion of counsel (who may be counsel of the Company), satisfactory to the Corporate Trustee, stating that the new property so received in exchange has in all respects been duly and lawfully acquired by the Company, and that such property is free and clear of liens prior to the lien of this Indenture, except taxes, assessments and other governmental charges not delinquent.

In case of an exchange of properties under this Section, to the extent that the fair value of property received by the Company shall exceed the fair value of the property to be released therefor, such excess may be used as the basis for the authentication and delivery of bonds or the withdrawal of cash under the provisions of Article I, or as a credit to or for the Depreciation Fund provided for in Article III hereof.