

been used as the basis for the issuance of bonds, the withdrawal of cash or the taking of credit under any of the provisions of this Indenture.

MAINTENANCE PERIOD:

The term "maintenance period" shall mean the period from June 1, 1941 to and including December 31, 1941 and each calendar year subsequent to the calendar year of 1941.

GROSS OPERATING REVENUES:

The term "gross operating revenues" as applied to any period shall mean gross receipts from the operation of the physical properties of the Company during such period. "Gross operating revenues" shall not include income derived from stocks, bonds or other securities or gains arising from appreciation in value or from the sale or other disposition of fixed capital assets of the Company or of stocks, bonds or other securities.

NET OPERATING EARNINGS:

The term "net operating earnings" as applied to any period shall mean the amount by which the aggregate "gross operating revenues" of the Company during such period exceeds all operating expenses of every character during such period, such expenses to include (but not to be limited to) rents, insurance premiums, expenditures for maintenance, reasonable charges against income for the establishment of a reserve for depreciation (or if the aggregate of such expenditures for maintenance and charges for depreciation be less than twenty-five per cent (25%) of the "gross operating revenues" of the Company for such period, twenty-five per cent (25%) of such "gross operating revenues") and all taxes (except Federal and State income, excess profits and undistributed profits taxes), all as computed in accordance with the system of accounts prescribed by the Department of Public Service of Washington or by the Public Utilities Commissioner of Oregon or other governmental authority at the time having jurisdiction in the premises.

NET OPERATING EARNINGS CERTIFICATE:

ANNUAL BOND INTEREST REQUIREMENTS:

The term "net operating earnings certificate" shall mean a certificate signed and verified by the President or a Vice President and the Treasurer or an Assistant Treasurer of the Company.

(a) determining the "net operating earnings" of the Company for a period of twelve (12) consecutive calendar months within the fifteen (15) calendar months immediately preceding the first day of the month in which the application for the authentication and delivery under this Indenture of bonds then applied for or other application is made (for the purposes of such certificate "net operating earnings" of the Company shall include the "net operating earnings" for such period from any "purchased property" set forth in the certificate of "net bondable expenditures for property additions" filed in connection with such application and in connection with any similar application previously filed), and

(b) stating the aggregate annual interest charges on all bonds outstanding hereunder at the date of such application (except any for the refunding of which bonds applied for are to be issued) and on all bonds then to be issued hereunder and on all bonds which are secured by underlying mortgages, said aggregate sum being sometimes herein referred to as the "annual bond interest requirements".

NET INCOME:

The term "net income" as applied to any period shall mean the aggregate during such period of

(1) the excess of "net operating earnings" over the total of (i) Federal and state income, excess profits and undistributed profits taxes. (ii) interest on all outstanding obligations of the Company, (iii) amortization of debt discount, and (iv) all other non-