

MORTGAGE RECORD—W

SKAMANIA COUNTY, WASHINGTON

YAKIMA BINDERY, A. P. T. O., CO., 187997

under Section 3.06 shall, however, have the privilege of exchanging without charge to it for one or more coupon bonds any such fully registered bond so initially issued to it and any fully registered bond which has become substituted for a portion of such a fully registered bond or for several such fully registered bonds.

SECTION 3.06. Upon the execution of this Indenture the Company shall execute and deliver to the Trustee and the Trustee shall authenticate and deliver to, or upon the order of, the Company bonds of said Series A in the form of fully registered bonds in the aggregate principal amount of Six Hundred Thousand Dollars (\$600,000).

ARTICLE FOUR.

BONDS AGAINST PROPERTY ADDITIONS.

SECTION 4.01. For the purposes of this Indenture each of the following terms shall be construed to have the meaning hereinafter specified respectively:

A-Fixed Property, Property Additions:

The term "fixed property" shall mean all of the Company's physical property, plant and equipment, real, personal and mixed, wherever located, which is of such a nature as to be properly chargeable to capital account and is in fact so charged, and which is used or is to be used as a part of its permanent and fixed investment in its business as a telephone operating company. Such term shall not, however, include (a) any office furniture, furnishings or equipment; (b) any property of the nature of that expressly excluded from the lien of this Indenture by the granting clauses hereof; (c) the cost of any paving or other public improvement assessed against the Company by, or paid by the Company to, any taxing authority; or (d) any good will or going concern value or value attributable to any franchise or governmental permit.

The term "property additions" shall mean fixed property of the Company located within the State of Oregon or the State of Washington which was constructed or acquired after December 31, 1945. The term "property additions" shall not, however, include (1) any property which, at the time, is subject to any lien or other encumbrance prior or equal to the lien hereof except permitted encumbrances, or (2) any leasehold interest in property or any permanent improvements constructed on property held under lease (but shall include rights of way and easements and any telephone lines and equipment and appurtenances thereto located on any such right of way or easement or on property of customers or on any leased property or located upon any street, alley or public place of any municipality or upon any public highway). Any such property in process of construction on January 1, 1946 shall be considered property additions to the extent actually constructed on or after January 1, 1946.

B-Purchased Property:

The term "purchased property" shall mean any property additions devoted to public service at any time prior to their acquisition by the Company.

C-Gross Expenditures for Property Additions, Gross Expenditures:

The term "gross expenditures for property additions", herein sometimes referred to as "gross expenditures", shall mean the lesser of

(a) the fair value of the property additions acquired therefor as of the date of and as evidenced by an engineer's certificate or, if such property additions include purchased property, as of the date of and as evidenced by an independent engineer's certificate, and

(b) the aggregate of (i) any cash payments made therefor and (ii) the market value or, in the absence thereof, the fair value of any securities or other property of the Company exchanged therefor as of the date of and as evidenced by an independent engineer's certificate.

D-Retirements:

The removal, replacement, abandonment, permanent withdrawal from use, destruction,