

MORTGAGE RECORD 85

the Trustee, if the Trustee is not the depository, of a Treasurer's Certificate to the effect that such unpaid Lien has been paid or reduced or ascertained by judicial determination or otherwise to be in whole or in part invalid, which Certificate shall specify the amount of payment or of reduction or the extent of the invalidity, as the case may be, and shall be accompanied by a concurring Opinion of Counsel.

Section 17. The term "Gross Operating Revenues" shall mean and include all revenues derived by the Corporation from the operation of its business as a telephone company. The term "Other Revenues" shall mean all revenues derived by the Corporation from sources other than those from which the Gross Operating Revenues are derived, and shall include (but not be limited to) income on bonds, stocks, and other investments, interest on accounts and notes receivable and on cash deposits, and profits from the merchandising of appliances and equipment.

Section 18. The term "Earnings Applicable to Bond Interest" shall mean and include an amount which is computed as follows:

From the sum of the Gross Operating Revenues and Other Revenues accrued during the period of computation there shall be eliminated the following: (a) Any proceeds from the sale or other disposition of capital assets during such period and any increase in value of such assets; and (b) Such portion of the Other Revenues accrued during such period, after the elimination of items mentioned in the above clause (a) as may be in excess of 17½% of the amount of the Gross Operating Revenues accrued during such period. There shall then be deducted all operating, non-operating, administrative, general and miscellaneous expenses of the Corporation accrued during the period of computation, including reasonable charges and reservations for bad debts, expenditures for ordinary repairs and maintenance, charges for depreciation and retirement reserves (plus the amount, if any, by which the aggregate of such expenditures for ordinary repairs and maintenance and charges for depreciation and retirement reservations is less than an amount equal to twenty-seven and one-half per cent. (27½%) of the Gross Operating Revenues accrued during the period of computation), current taxes (other than Federal income taxes and other taxes measured by net income, net earnings or undistributed income or surplus, imposed after the deduction of interest charges), insurance, license charges, rentals, amortization of debt discount and expense, and such other charges as are chargeable against income by companies conducting similar businesses in accordance with sound accounting practice; provided, however, that there may be excluded from such expenses and charges interest on indebtedness, amortization of commission and expense on sale of capital stock, loss from any sale or other disposition of or from any decrease in value of capital assets, and such miscellaneous deductions as are applicable to prior periods.

In case the Corporation shall have acquired any property (exclusive of property acquired in exchange or substitution for property released from the lien hereof, or through the use of cash deposited with the Trustee under any of the provisions hereof) within or after the period for which any such calculation is made, there shall be included, in computing the Earnings Applicable to Bond Interest, the net earnings or income of such property for the whole of such period to the extent that the same may not have been otherwise included and might have been included had such property been owned by the Corporation during the whole of such period, unless in the opinion of the Corporation, evidenced by a Treasurer's Certificate delivered to the Trustee, it is impracticable to determine such net earnings or income without unreasonable effort or expense. The net earnings or income of any property so acquired for the period preceding such acquisition shall be computed as if such property had been owned by the Corporation during such period.

If any of the property owned by the Corporation during the whole or any part of the period for which any such calculation is made has been sold, exchanged, abandoned, retired or otherwise disposed of within or after the period for which any such calculation is made, there shall be excluded, in computing the Earnings Applicable to Bond Interest, the net earnings or income of such property for the whole of such period to the extent that the same have not otherwise been excluded (unless other property shall have been acquired in exchange or specifically substituted for such property or unless in the opinion of the Corporation, evidenced by a Treasurer's Certificate delivered to the Trustee, it is impracticable to determine such net earnings or income without unreasonable effort or expense).

Section 19. The term "Net Earnings Certificate" shall mean a certificate signed and sworn to by the President, or a Vice-President, and by the Treasurer or an Assistant Treasurer of the Corporation and (unless one of such signers is himself an accounting officer of the Corporation) by an accounting officer of the Corporation, and conforming to the requirements of Section 25 of this Article, in addition to other applicable requirements of this Indenture, which certificate states the amount of "Earnings Applicable to Bond Interest" for a specified period, computed as provided for above in the definition of that term, and which shows, in reasonable detail, how such Earnings Applicable to Bond Interest have been calculated, specifying in that connection particularly the following:

(a) The amount of the Gross Operating Revenues of the Corporation and also in separate figures the amount of the Other Revenues of the Corporation and the total of the items provided for in clauses (a) and (b) of the Section of this Article immediately preceding which defines "Earnings Applicable to Bond Interest"; and

(b) The amount deducted therefrom on account of operating expenses and other expenses of the Corporation and on account of other items required to be deducted under the foregoing provisions hereof.

Section 20. The term "Cost", as used in this Indenture, shall mean:

(a) As to any property (other than securities) owned by the Corporation on March 31, 1941, the amount at which such property was carried on the books of the Corporation on March 31, 1941; and

(b) As to any property (other than securities) made, acquired, constructed, or erected by the Corporation subsequent to March 31, 1941, the sum of the following items:

(1) Amounts paid, expended or incurred in the making, acquisition, construction or erection thereof, including the installation thereof ready for operation and also including the cost of paving, grading and other improvements to public highways incidental to the making, acquisition, construction or erection thereof and paid by the Corporation or assessed against the Corporation or any of its properties;

(2) The amount of any obligations or indebtedness payable in money which were assumed or agreed to be paid by the Corporation in connection with the making, construction or erection thereof or subject to which the same were acquired and which were credited or allowed upon, or deducted from, or constituted any part of, the consideration therefor;

(3) Such allowances for interest during construction, taxes, engineering, casualties and other items of overhead as, in the opinion of the signers of the certificate as to Cost, is properly chargeable to capital account in connection therewith according to sound accounting practice; and

(4) In case of property acquired in exchange, in whole or in part, for other property owned by the Corporation at the time of such exchange, the Fair Value of the property transferred in exchange.

In the event that the Corporation shall at any time acquire plants, property or equipment as an operating entirety or substantially as an operating entirety, the Cost thereof shall be deemed to include the cost of any franchises or other rights acquired simultaneously therewith for which no separate consideration shall have been paid or apportioned.

In the event that the Corporation shall at any time acquire any property in consideration, in whole or in part, of the delivery of its own capital stock, the reasonable value of such stock may, at the option of the Corporation, be included in the Cost of such property. The reasonable value of such stock shall be ascertained in the manner hereinafter stated. The Corporation shall appoint one or more persons, selected or approved by the Trustee in the exercise of reasonable care, to determine the reasonable value of such stock on the date or dates of its delivery, which determination shall be evidenced by a certificate signed by such person or persons so appointed and filed with the Trustee, stating the reasonable value of such stock in the opinion of such person or persons. Such person or persons shall not be officers or directors of the Corporation or be persons who are in the employ of the Corporation for any other purpose.