

hold interests, except that it may include towers, poles, wires, cables, conductors, conduits, lines, stations, substations, subscribers' station equipment, private branch exchanges, switchboards, central office plant and equipment and other movable property and equipment constructed or maintained under permits or easements on premises owned by others (including Federal and State governments and other governmental or municipal bodies, agencies or subdivisions), and permanent improvements, betterments or additions constructed by the Company on State or Federal lands or lands of any governmental or municipal bodies, agencies or subdivisions, under authority of any permit or license granted by any governmental or municipal authority (which, in any case specified in this paragraph shall be deemed good title for the purposes of this indenture); (ii) stocks, bonds and other securities; or (iii) franchises, licenses, and permits, whether now owned or hereafter acquired by the Company.

(o) the term "cost," when applied to additional property (as defined in subparagraph (n) of this section) at any time certified to the Trustee (except as otherwise provided in § 11.03) shall mean its cost in cash, or the equivalent, to the Company and such cost shall include the principal amount of indebtedness, if any, assumed by the Company with respect to the acquisition of such additional property, or subject to which property, part of which constitutes additional property and part does not, is acquired for a consideration not divided between such parts, the Company may allocate its cost in any reasonable manner and the cost so allocated to additional property shall be the cost of such additional property for the purposes of this Indenture. In case additional property is acquired for a consideration in whole or in part other than cash and/or the issue or assumption of indebtedness, its cost shall be deemed to be the fair cash value of such other considerations plus the amount of any such cash and/or indebtedness issued or assumed constituting part of such consideration and/or any indebtedness subject to which said additional property is acquired;

(v) in the case of property stated in any report filed with the Trustee pursuant to § 6.16 to be no longer used or useful in the Company's business, to the extent of such property stated therein to be retired.

Property renewed or replaced through expenditures properly included in operating expenses shall not be deemed retirements.

No public utility property acquired by the Company after September 1, 1946 subject to any prior lien or prior liens, which may thereafter be renewed, replaced, permanently discontinued, abandoned, destroyed or otherwise disposed of (or released by the Trustee but not disposed of) shall be deemed to be retirements, unless and until such prior lien or prior liens are established in compliance with § 3.03 as a refundable lien or liens or are paid or otherwise satisfied and discharged. The foregoing limitation shall not, however, be applicable to any application for the purpose of establishing such prior lien or liens as refundable lien or liens.

In certifying as to retirements the engineer or independent engineer, as the case may be, may rely on previous engineer's and independent engineer's certificates filed pursuant to § 3.03 (or duplicates or certified copies thereof) as conclusive evidence that all retirements made before the dates specified in such previous engineer's or independent engineer's certificates have been included in such certificates, except in case of a certificate including property subject to a prior lien not theretofore established as refundable or in case of a certificate stating, in compliance with item 6 of paragraph (a) of subdivision (B) of § 3.03 hereof, that any prior lien or liens of the character referred to in said paragraph (a) of subdivision (B) have been paid or otherwise satisfied and discharged, in either of which cases the certificate shall include all retirements in respect of the property subject to such prior lien or liens made since the date of acquisition of the property subject thereto.

If the book value or cost to the Company, as the case may be, of any particular property so retired is not known, an estimate shall be used; and in cases

(p) the term "fair value," when applied to additional property at any time certified to the Trustee (except as otherwise provided in § 11.03), shall mean its fair value to the Company, when such additional property shall have first become properly chargeable to the Company's fixed property accounts and shall have been so charged, such fair value to be determined as if such additional property were free of liens securing indebtedness, if any;

(q) the term "amount," when applied to additional property shall mean the cost or the fair value, whichever is less, of additional property at any time certified to the Trustee;

(r) the term "retirements" shall mean an amount equal to

(a) the book value of public utility property owned by the Company at the close of business on September 1, 1946 and (b) the cost of public utility property thereafter acquired by the Company subject to the lien of this Indenture which, subsequent to September 1, 1946,

(i) shall have been renewed, replaced, permanently discontinued, abandoned, destroyed or otherwise disposed of (or released by the Trustee but not disposed of) by the Company, exclusive of destroyed property the destruction of which is covered by insurance (except to the extent that the Company shall have elected to apply the insurance money or the same shall have been applied otherwise than to reimburse the Company for the cost of repairs to, replacements of or substitution for, the destroyed property);

(ii) shall have been taken by exercise of the power of eminent domain, under the exercise of a right to purchase the same,

(iii) shall have been recorded as retired on the books of the Company,

(iv) in the case of franchises, permits or similar rights, shall have expired or been terminated, or

where different classes or kinds of property or systems have been or shall be acquired by the Company for a consideration not divided among the respective classes or kinds of property or systems acquired, the Company may allocate in any reasonable manner on its books the book value or cost of the property comprising the different classes and kinds of property or systems and its allocation shall be deemed to be the book value or cost, as the case may be, of the respective classes or kinds of property or systems.

In cases wherein property shall have been retired in whole or in part from the fixed property accounts of the Company on its books before the actual discontinuance, removal, dismantling or disposal of the property so retired on the books, the engineer, or independent engineer, as the case may be, at the option of the Company, in determining retirements, shall treat any property so retired from fixed property accounts on the books of the Company as property which shall have been renewed, replaced, permanently discontinued, abandoned, destroyed or otherwise disposed of pursuant to this Indenture to the extent so retired; or such engineer, or independent engineer, as the case may be, at the option of the Company, may include in retirements an amount equal to the book value or cost, as the case may be, of such property less its then estimated value to the Company.

If, however, the book value or cost, as the case may be, of public utility property, released, expropriated, abandoned or disposed of under Article 6 is less than the proceeds derived or to be derived from the sale or other disposition thereof, or, in the case of public utility property released pursuant to § 6.02, less than the fair value of such property as stated in the written request of the Company filed pursuant to § 6.02, the amount of the retirement in respect of such property shall be the amount of such proceeds or such fair value, as the case may be.

(s) the term "net amount" as applied to additional property shall mean the sum by which the amount of additional property exceeds the retirements;

(t) the term "permitted liens" or words of similar import shall mean and include any of the following liens and encumbrances, namely: (1) the lien of this