

(5) any property, improvement, addition or betterment which is subject at the date of said certificate to any mortgage, lien, charge or encumbrance prior to the lien of this Indenture, except taxes for the then current year, undetermined liens or charges incidental to construction or current operation and easements and other similar encumbrances which, in the opinion of counsel referred to in Paragraph E of Section 17, do not impair the use of such property, improvement, addition or betterment by the Company, and except also prior liens securing bonds which previous to or concurrently with the authentication and delivery of the Bonds then applied for, have been or shall be established as "refundable bonds" in the manner and within the limitations provided in Section 19 hereof; or

(6) any property, improvement, addition or betterment which in any previous application or certificate has been made the basis for the authentication and delivery of Bonds or the withdrawal of any cash or the release of any property from the lien of this Indenture or from a prior lien; but, for the purposes of this Clause, it is intended that, if any property shall have theretofore been made the basis for the authentication and delivery of Bonds or the withdrawal of deposited cash up to an amount less than the amount permitted by Sections 19 or 21 hereof, then such property shall be deemed to have been made the basis for the authentication and delivery of Bonds or the withdrawal of deposited cash, as the case may be, only up to an amount equal to one hundred seventieths of the aggregate principal amount of the Bonds so authenticated and delivered or of the deposited cash so withdrawn, plus one hundred seventieths of the aggregate principal amount of all refundable bonds established as such in connection with such authentication and delivery or such withdrawal, and said property, to the extent of the excess of its cost or fair value, which-ever is less over the amount aforesaid, shall be deemed additional property; or

(7) any property, improvement, addition or betterment which has been acquired or constructed with the proceeds of any insurance on any part of the mortgaged property, or with the proceeds of any part of the mortgaged property released from the lien of this Indenture or taken by the exercise of the power of eminent domain; or

(8) any property, improvement, addition or betterment, expenditures for whose acquisition have theretofore been used by the Company to meet the requirements of Section 44 hereof; or

(9) any property, improvement, addition or betterment, whose acquisition has theretofore been used for the purposes of any sinking, amortization, improvement or other analogous fund if any, which may hereafter be created as hereinabove in Section 6 provided, but only if, and to the extent that, the supplemental indenture or resolution or other instrument creating such fund may preclude the acquisition of such property as a basis for the authentication and delivery of Bonds under this Article; or

(10) any plant or system in which the Company shall acquire only a leasehold interest or any betterments, extensions, improvements or additions of, upon or to any plant or system in which the Company shall own only a leasehold interest.

The term "additional property", however, shall be deemed to include

(11) property acquired by the Company by merger or consolidation as well as property purchased or constructed by the Company; and

(12) new plants and systems; and

(13) permanent improvements, betterments or additions in process of construction or partially completed construction work, so far as actually constructed or erected.

B. The "cost" to the Company of any new plant or system may be deemed to include the cost to the Company of any franchises, rights and intangible property, simultaneously acquired with the same, for which no separate or distinct consideration shall have been paid or apportioned. In determining the "fair value" to the Company of any new plant or system, consideration shall be given only to the value to the Company of the physical property acquired. The cost to the Company of any property, part of which constitutes additional property, and part does not, and all of which is acquired for a single consideration, shall in all cases be properly allocated in the certificate filed with the corporate Trustee pursuant to Paragraph B of Section 17 hereof. In the case of additional property subject to a prior lien or liens securing bonds which shall not theretofore have been established, in whole or in part, in the manner and within the limitations hereinafter in Section 19 provided, as refundable bonds,--the fair value of such property to the Company shall be determined as if such property were free of such lien or liens, and the principal amount of the outstanding bonds thereby secured and not at the time deposited hereunder or under some other prior lien upon such property, or under a refundable lien, shall be included as part of the cost to the Company of such additional property

C. The "net earnings" of the Company shall be computed and ascertained as follows: From the total of the operating and net non-operating revenues of the Company, there shall be deducted all operating expenses, including therein reasonable and proper charges for current repairs and current maintenance of its plants and properties, rentals, license charges, taxes (other than income and profits taxes) and insurance. The term "repairs" shall include all renewals which, in the ordinary practice of companies carrying on a business similar to that of the Company, are charged to current repairs. No amounts need be deducted for reserves for renewals and replacements other than reserves for renewals which, in such practice, are chargeable to current repairs. Reasonable and proper charges for current repairs and current maintenance shall not include charges for depreciation. If any of the property of the Company shall have been owned by it during a part, but not during the whole, of any period for which said net earnings are to be computed or shall have been acquired by the Company after the expiration of said period, and shall be subject to the direct lien of this Indenture, the actual net earnings of such property during such part of such period as shall have preceded the acquisition thereof by the Company shall be treated as net earnings of the Company for the purposes of this Article, but such net earnings shall be ascertained and computed by the method hereinabove in this Section prescribed.

D. An application for the authentication and delivery of Bonds under this Article shall not be deemed complete until the corporate Trustee shall have been furnished with the resolutions