

## DOUGLAS COUNTY

of the bonds of such other series for or on account of the payment, cancellation, redemption or discharge of which such bonds are authorized to be issued; and

(b) A principal amount of bonds, properly endorsed if registered, and with all unmatured coupons, if any, thereto appertaining, (either canceled or uncanceled, and in either temporary or definitive form) theretofore authenticated hereunder; and specified in such resolution, equal to the principal amount of bonds then requested to be authenticated hereunder or if such bonds have been created a certificate of the creation thereof executed on behalf of the Trustee; or

(c) An amount of cash equal to the principal amount, with interest thereon to maturity, of the bonds of such other series specified in such resolution for the purpose of the payment at maturity of such bonds and the interest thereon from time to time; or

(d) An amount in cash sufficient to redeem, and for the purpose of redeeming, the bonds of such other series specified in such resolution at a date, specified by the Company, upon which such bonds can be redeemed in accordance with the terms of such bonds and of this Indenture; and

(e) The certificates, orders, opinions, indenture and/or other instruments, if any, required by Section 5 and 6 of this Article and a certificate similarly executed stating that the bonds of such other series delivered to the Trustee have not theretofore been used as the basis for the authentication of any bonds or the withdrawal of any moneys under any provision of this Indenture, and have not been acquired, redeemed or discharged with moneys applied to any such purpose pursuant to any provision of Article VII, Article IX or Section 4 of Article 11 of this Indenture, or through the operation of any sinking fund created in respect of any bonds issued under this Indenture, or, in the alternative, that the provisions relating to such sinking fund do not preclude the use of such bonds retired through such sinking fund as the basis for the authentication of bonds under Section 2 of Article 11 of this Indenture, and that no part of the expenditures for the redemption, payment or purchase and cancellation of such bonds has been made out of any insurance moneys or moneys received from the condemnation or sale of any of the Company's property subject to the lien of this Indenture or been used or applied or certified to the Trustee to comply with any requirement of Article VII of this Indenture.

Any bond which is delivered uncanceled to the Trustee and on account of which a new bond is issued under this section shall, when received by the Trustee, immediately be canceled and, together with every canceled bond delivered to the Trustee under this section, other than registered bonds, shall be created, together with the coupons appertaining thereto, and a certificate of such creation shall be delivered to the Company. Any cash deposited with the Trustee under the provisions of this section shall be applied by the Trustee to the purposes for which such cash was so deposited; provided, however, that upon the surrender by the Company to the Trustee for cancellation of any bond or bonds authenticated hereunder (properly endorsed, if registered, and with all unmatured coupons, if any, thereto appertaining), for the payment at maturity or for the redemption of which cash shall have been deposited with the Trustee under the provisions of this section, the Trustee shall return to the Company out of such cash an amount equal to the amount deposited for the payment at maturity or the redemption, as the case may be, of such bond or bonds so surrendered.

SECTION 3. Bonds of any series may from time to time be issued hereunder by the Company in the manner and subject to the limitations provided in this section and in Sections 1 and 2 of Article 1 hereof. In case the Company, subsequent to December 1, 1936, shall acquire bondable property (as hereinafter in this section defined) through construction, purchase, consolidation or otherwise, bonds may be issued and authenticated hereunder to the extent in principal amount of seventy per centum (70%) of all net expenditures (as hereinafter in this section defined) so made by the Company for such bondable property; provided (1) that all bondable property on account of which bonds are at any time authenticated under the provisions of this section shall be subject to the lien of this Indenture and shall not be subject to the lien of any other mortgage prior in lien to this Indenture, except any mortgage securing obligations for the payment or redemption of which the necessary funds have been deposited with the trustee under such mortgage or with the Trustee hereunder, and (2) that the principal amount of bonds which may be authenticated under the provisions of this section on account of expenditures for the acquisition of purchased property, as hereinafter in this section defined (not including expenditures for any additions, extensions, betterments or improvements upon, or of or to such purchased property made subsequent to its acquisition by the Company), shall not exceed seventy per centum (70%) of the value (determined as hereinafter in this section provided) of such purchased property at the time of its acquisition by the Company, and (3) that no bonds shall be issued and authenticated under the provisions of this section unless the Company shall be entitled to issue them under the provisions of Section 5 of this Article with respect to the net earnings of the Company, and (4) that no bonds shall be issued under the provisions of this section for or on account of any expenditures for property which shall previously have been used as a basis for the authentication of bonds hereunder or as a basis for the withdrawal of any moneys or the release of any property under any provision of this Indenture, or which shall have been made out of any insurance moneys or moneys received from the condemnation or sale of any of the Company's property subject to the lien of this Indenture or which shall have been used or applied or certified to the Trustee to comply with any requirement of Article VII of this Indenture, or which shall have been certified or used to comply with the provisions respecting any sinking fund created hereafter under the terms of this Indenture in respect of any bonds issued hereunder, if and to the extent that the provisions relating to such sinking fund preclude the use of such expenditures as a basis for the authentication and delivery of bonds hereunder.

The term "bondable property," as used in this Indenture, shall mean and include any property, plant or equipment which the Company on or after December 1, 1936, shall construct or acquire and which shall be used or useful as a part of its permanent and fixed investment in the conduct by it of the business of generating, manufacturing, purchasing, transmitting, distributing, supplying and/or selling electricity and/or gas, either artificial or natural, for light, heat, power or other purposes.

The term "bondable property" shall not include, however, (a) any good will or going concern value, as such, (b) any gas or oil well or any lease or real estate acquired for the purpose of obtaining gas or oil rights, (c) gas transmission lines or field gathering lines connecting wells with main or branch trunk lines (but shall include gas distribution systems or lines and gas transmission lines interconnecting gas distribution systems) and (d) any leasehold interest in property or permanent improvements constructed on property held by the Company under lease (but shall include rights-of-way and easements and any electric or gas transmission or distribution lines and equipment or appurtenances thereto located on any such right-of-way or easement or located upon any public highway).

The term "purchased property" shall mean any bondable property constructed or installed for service other than by or for the Company and acquired by the Company through purchase, consolidation or otherwise, and shall be included in the term "bondable property".

The term "value," as that term is used in this Indenture, of any property shall be the value determined by an engineer selected by the Company and satisfactory to the Trustee (except where some other method of determination, if any, is specifically provided for in this Indenture) and evidenced by a certificate of such determination signed by such engineer and delivered to the Trustee.

The term "engineer," as used in this Indenture, shall mean and shall include any engineer, firm of engineers or engineering corporation selected by the Company and satisfactory to the Trustee and who or which may be in the employ of or under retainer by the Company, except that, for the purpose of determining the value of purchased property acquired by the Company, such engineer, firm of engineers or engineers or engineering corporation shall be an independent engineer, firm of engineers or engineering corporation. The term "independent engineer," as used in this Indenture, shall mean and shall include any engineer, firm of engineers or engineering corporation selected by the Company and satisfactory to