

(2) any property, improvement, addition or betterment whose cost is properly chargeable to operating expenses or repairs or maintenance or renewals, or whose cost is not properly chargeable to plant or capital account (or an account analogous to plant or capital account); provided, however, that whenever old, inadequate or worn out property is replaced by property costing and having a fair value to the Company of more than the original cost to the Company of such old, inadequate or worn-out property, then, to the extent of such excess of cost or fair value, whichever shall be less, and to such extent only, such property so acquired to replace the old, inadequate or worn-out property shall be deemed additional property for the purposes of this Article Four; or

(3) any stocks, bonds, bills, notes or accounts receivable, evidences of indebtedness or other securities, contracts, leases or choses in action; or

(4) any motor cars, motor trucks or other vehicles; or any materials, goods, supplies, appliances, merchandise and equipment purchased or acquired for the purpose of sale in the ordinary course of business or for the purpose of consumption in the operation of any of the properties of the Company and not chargeable to plant or capital account (or an account analogous to plant or capital account) by standard accounting practices; or

(5) any property, improvement, addition or betterment which, at the date of the authentication of the Bonds applied for, is not subject to the direct lien of this Indenture; or

(6) any property, improvement, addition or betterment which is subject, at the date of the authentication of the Bonds applied for, to any mortgage, lien, charge or encumbrance prior to the lien of this Indenture, except taxes or assessments not delinquent, undetermined liens or charges incidental to construction, and easements and other similar encumbrances which, in the opinion of counsel referred to in Paragraph B 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 have been or shall be deposited with the corporate Trustee hereunder or with the trustee or mortgagee of some other prior lien upon such property or of a refundable lien; or

(7) 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, except to the extent that the cost or fair value, whichever shall be less, of such property, improvement, addition or betterment has not in any such previous application or certificate been so used; or

(8) 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

(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 8 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 Four; 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; provided, however, that it may include (a) mains, pipes, machinery and other movable equipment constructed or maintained under franchises, licenses or permits or easements on premises owned by others (including Federal and State governments), and (b) permanent improvements, betterments or additions constructed or acquired by the Company on State or Federal lands under authority of any franchise, permit or license granted by any governmental authority (which shall be deemed valid legal title for the purposes of this Indenture).

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;

(12) new plants and systems;

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

(14) franchises, licenses, permits and similar rights necessary for the operation of the Company's public utility property.

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 to going concern value as well as to the value of the physical property acquired. The cost and fair value to the Company of any property part 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 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. As applied to any franchises, licenses, permits or similar rights granted by any municipal or other governmental authority, the cost thereof shall not exceed the amount actually paid to such authority plus actual legal expenses incurred in the acquisition thereof.

In case additional property is acquired for a consideration in whole or in part consisting of indebtedness issued or assumed by the Company, the cost to the Company of such additional property shall include the principal amount of indebtedness issued or assumed by the Company. In case the Company shall at any time acquire any additional property in consideration in whole or in part of its own capital stock or other securities, the reasonable value of such stock and other securities may, at the option of the Company, be included in the cost of such additional property, provided that the reasonable value of any such stock and other securities shall be ascertained as follows: The Company shall appoint one or more persons satisfactory to the corporate Trustee to determine the reasonable value of such stock and other securities on the date or dates of its or their delivery, which determination shall be evidenced by a certificate signed by such person or persons so appointed, and filed with the corporate Trustee stating the reasonable value of such stock and other securities in the opinion of such person or persons. Such person or persons shall not be officers of the Company or be in the employ of the Company for any other purpose. Such certificate shall be conclusive evidence of the reasonable value of such stock and other securities for the purposes of this Indenture.

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