

## DOUGLAS COUNTY

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 Four, but such net earnings shall be ascertained and computed by the method hereinabove in this Section 18 prescribed. The net earnings of any property disposed of by the Company during or after such period shall not be treated as net earnings of the Company for the purposes of this Article Four.

D. The term "valid legal title" shall mean such title, whether fairly deducible of record or based on prescriptive right, as, in the opinion of counsel, is satisfactory for the needs and operations of the Company in its business, and counsel in giving such opinion may disregard irregularities or deficiencies in the record evidence of title which, in the opinion of such counsel, can be cured by proceedings within the power of the Company or which, in the opinion of counsel, are not of a serious nature under the facts and circumstances of the case, and may base such opinion on his own investigation and/or upon affidavits, certificates, statements and/or investigations made by persons in whom he has confidence and/or upon examination of a certificate or guarantee of title or a policy of title insurance in which he has confidence.

E. An application for the authentication and delivery of Bonds under this Article Four shall not be deemed complete until the corporate Trustee shall have been furnished with the resolutions, certificates, opinions and other instruments by Section 17 hereof and by this Section 18 required to establish the right of the Company to the authentication and delivery of such Bonds, and the date of such application shall be deemed to be the date upon which such application shall be so completed.

SECTION 19. Upon compliance with the provisions of Sections 17 and 18 hereof, the corporate Trustee shall authenticate and deliver Bonds of an aggregate principal amount up to, but not exceeding, the amount by which

A. 70% of the cost or fair value, whichever shall be less, of the additional property as certified and described in the certificate filed with the corporate Trustee as hereinabove in Paragraph B of Section 17 provided, shall exceed

B. the aggregate principal amount of all outstanding bonds secured by a prior lien or liens on such additional property (excluding any such bonds which, concurrently with or previous to the authentication and delivery of the Bonds applied for, shall be deposited with the corporate Trustee or with the trustee or mortgagee of some other prior lien upon such property or of a refundable lien) as certified to the corporate Trustee as hereinabove in Paragraph B. of Section 17 provided;

PROVIDED, HOWEVER, that no Bonds shall be authenticated and delivered under this Article Four, upon the basis of the acquisition of additional property at the time subject to a prior lien or liens, and no bonds thereby secured shall become or be deemed established as refundable bonds, if after the authentication and delivery of the Bonds applied for, the total aggregate principal amount of all refundable bonds not at the time deposited with the corporate Trustee (including the refundable bonds established as such concurrently with the authentication and delivery of the Bonds applied for) shall exceed 10% of the total aggregate principal amount of all Bonds issued hereunder then outstanding and then to be authenticated and delivered and all refundable bonds not at the time so deposited (including those established as such concurrently with the authentication and delivery of the Bonds then applied for); and

PROVIDED FURTHER, HOWEVER, that no Bonds shall be authenticated and delivered under this Article Four, upon the basis of the acquisition of additional property at the time subject to a prior lien or liens, and no bonds thereby secured shall become or be deemed established as refundable bonds, if after the authentication and delivery of the Bonds applied for, the aggregate cost or fair value to the Company, whichever shall be less (as evidenced in each case by the certificate or certificates as to such cost and fair value theretofore or then being filed with the corporate Trustee), of all property at any time made the basis for the authentication and delivery of Bonds and the withdrawal of cash and the release of property hereunder subsequent to the date of the execution and delivery of this Indenture and remaining book value to the Company (after depreciation) as at January 1, 1936 of (1) the aggregate of (a) the lien of this Indenture (as evidenced by a certificate of the Company filed with the corporate Trustee), (b) the aggregate cost or fair value to the Company, whichever shall be less (as evidenced in each case by the certificate or certificates as to such cost and fair value theretofore or then being filed with the corporate Trustee), of all property made the basis for the authentication and delivery of Bonds and the withdrawal of cash hereunder subsequent to the date of the execution and delivery of this Indenture, (c) the aggregate value of all property made the basis for the release of property from the lien hereof subsequent to the date of the execution and delivery of this Indenture (as evidenced in each case by the certificate or certificates as to such value theretofore or then being filed with the corporate Trustee, and taken in each case at the value of the property released on the basis thereof less the amount of any moneys and the principal amount of any purchase money obligations constituting a part of the consideration for the property released), and (d) the aggregate cost or fair value to the Company, whichever shall be less (as evidenced in each case by a certificate of the Company filed with the corporate Trustee), of all additional property acquired by the Company subsequent to the date of the execution and delivery of this Indenture and subjected (in the opinion of Counsel filed with the corporate Trustee) to the lien hereof, subject to no lien prior to the lien hereof, and which such additional property shall not have been made the basis for the authentication and delivery of Bonds or the withdrawal of cash or the release of property hereunder (such fact to be evidenced by a certificate of the Company filed with the corporate Trustee), less (2) the sum of (a) depreciation to the date of the last annual report of the Company preceding the application for authentication and delivery of Bonds on all the properties above described in sub-paragraphs (a), (b), (c) and (d) (as evidenced by a certificate of the Company filed with the corporate Trustee), and (b) the aggregate value of all property released from the lien hereof subsequent to the date of the execution and delivery of this Indenture (as evidenced in each case by the certificate or certificates as to such value theretofore or then being filed with the corporate Trustee). The Trustees may rely upon an opinion of counsel to the effect that any particular piece of property no longer remains subject to a lien prior to the lien of this Indenture. For the purpose of this paragraph liens for taxes or assessments not delinquent, undetermined liens or charges incidental to construction, easements and other similar encumbrances existing on any property which, in the opinion of counsel (filed with the corporate Trustee), do not impair the use of such property by the Company and liens securing bonds all of which, concurrently with or previous to the authentication and delivery of the Bonds applied for, shall be or have been deposited with the corporate Trustee or with the trustee or mortgagee of some other prior lien or a refundable lien upon such property, shall not be deemed liens prior to the lien of this Indenture.

Whenever the Company,

(1) by compliance in all respects with the provisions of this Article Four, shall have secured the authentication and delivery of Bonds under this Article Four, or