

MORTGAGE RECORD 85

at the time of acquisition by the Company, upon real estate or rights in or relating to real estate acquired by the Company for substitution, measuring station, regulating station, gathering line, gas transportation line, distribution line, telephone or telegraph line, or right-of-way purposes;

(5) Rights granted or created by the Company under the provisions of Paragraph E of Section 40.

F. "Gross Additions Before Replacement Deductions" shall mean the amount of certified Property Additions which have not previously become Bonded Property and which are not subjected to any lien, charge or encumbrance prior to the lien of this Indenture, except Prepaid Liens and Permitted Encumbrances, and except easements and similar encumbrances which do not impair the use of such property in the operation of the business of the Company.

"Mandatory Replacement Deductions" shall mean an amount to be deducted from the amount of Gross Additions Before Replacement Deductions and the amount of any Additions Credit (as defined in Paragraph N of this Section) at any time certified to the New York Trustee in a Property Additions Certificate under Section 25 or 31 or 57; and the amount of Mandatory Replacement Deductions for any particular period shall be an amount equivalent to the aggregate amount which would have resulted from the following depreciation charges during said period, namely, (i) a minimum amount determined by making charges for depreciation, retirements and/or depletion at the rate of \$350,000 per annum during said period, plus (ii) such additional amount as would result from making charges for depreciation, retirements and/or depletion at the rate of 2% per annum during said period on the excess existing from time to time (computed, for any calendar year or portion thereof, on the basis of the excess existing at the end of the preceding calendar year) of the aggregate amount of additions subsequent to October 24, 1939 of depreciable property to the property account of the Company over the aggregate amount of retirements subsequent to October 24, 1939 of depreciable property from such property account, all as shown by the books of the Company.

"Gross Bondable Additions" shall mean the amount of Gross Additions Before Replacement Deductions at any time certified to the New York Trustee in a Property Additions Certificate pursuant to Section 25 or 31 or 57, plus the amount of any then unused Additions Credit so certified, less the amount of Mandatory Replacement Deductions for the period commencing with the date of the last previous Property Additions Certificate filed with the New York Trustee pursuant to Section 25 or 31 or 57 (or commencing with October 25, 1939 in the case of the first such Property Additions Certificate) and running up to the date of the Property Additions Certificate then being filed.

G. "Property Retirements" shall mean (a) all Bonded Property which, since October 24, 1939 (or prior thereto, as regards any of the Trust Estate owned by the Company on October 24, 1939), shall have been worn out, abandoned or destroyed, or released from the lien of this Indenture or taken by eminent domain, or purchased by any public authority pursuant to the right reserved to or vested in it by any licensee or franchise, or otherwise disposed of by the Company, or permanently retired from service for any reason, whether or not renewed or replaced, and (b) all Bonded Property, which at the time has permanently ceased to be used or useful in the business of the Company, and whether or not the cost of any such property mentioned in the foregoing Clauses (a) and (b) shall have been written off or eliminated from the books of the Company, except that, when a minor item of property has been replaced by other property of equal value and efficiency and the cost of such replacement has been charged to maintenance, repairs or other similar account, the property replaced shall not be considered as a Property Retirement. The "amount" of all Property Retirements shall be computed as follows:

(1) As to property owned by the Company on October 24, 1939, the book value on that date (estimated, if necessary as to particular property) of such property without deducting therefrom applicable reserves for depreciation, retirements and/or depletion as of that date;

(2) As to Property Additions, the Cost to the Company or the Fair Value thereof (whichever is less), as certified to the New York Trustee at the time said Property Additions became Bonded Property, estimated, if necessary, as to particular property, or, if no such certification shall have been required hereunder, then the Cost of such Property Additions.

H. "Retirement Credits" shall mean the following credits which may be applied against the Property Retirements at any time certified to the New York Trustee in a Retirements Certificate under Paragraph E of Section 25 or under Section 31 or 57:

(1) The cash and the principal amount of any purchase money obligations and governmental obligations, if any, deposited with the New York Trustee to obtain the release of, or representing the proceeds of the taking by eminent domain or of the purchase of a public authority or of any other disposition of, or of insurance on, any property included in the Property Retirements then so certified;

(2) The amount of all Property Additions, if any, used to obtain the release of any property included in the Property Retirements then so certified;

(3) The amount of all Mandatory Replacement Deductions previously certified, or certified in connection with the application then being filed, in a Property Additions Certificate filed with the New York Trustee pursuant to Section 25 or 31 or 57, but not previously certified as a Retirement Credit;

(4) The excess credit, if any, carried forward from a previous Retirements Certificate, as provided in the following Paragraph I.

I. "Net Retirements" as of any particular date shall mean the amount of all Property Retirements up to that date not previously certified to the New York Trustee in a Retirements Certificate filed under Paragraph E of Section 25 or under Section 31 or 57, less the aggregate amount of all Retirement Credits applicable thereto. If in any case the aggregate amount of applicable Retirement Credits exceeds the aggregate amount of Property Retirements shown in any such Retirements Certificate, the amount of Net Retirements for the purpose of such certificate shall be deemed to be zero, but such excess may be carried forward and used as a Retirement Credit in a future Retirements Certificate.

J. "Net Bondable Additions" shall mean the amount of Gross Bondable Additions, less the amount of Net Retirements.

K. "Bonded Property" shall mean and include:

(1) All property (other than property of the character described in Subdivisions B, C, D, E and F of the definition of Excepted Property hereinabove set forth) owned by the Company on October 24, 1939 except materials and supplies owned by the Company on said date; provided, however, that salvaged or reclaimed property which shall have been a part of any present or future Bonded Property retired by the Company subsequent to October 24, 1939, shall, from and after the date of its retirement, be deemed to be Unbonded Property for all purposes hereof;

(2) All Property Additions which have been made the basis for the authentication and delivery of Bonds or the release of any Bonded Property from the lien of this Indenture or the withdrawal of any Bonded Cash (or Bonded or Unbonded Cash, if withdrawn under Section 57) from the New York Trustee, whether or not the entire amount of such Property Additions shall have been "used" for such purpose within the meaning of Paragraph N of this Section;

(3) All purchase money obligations and governmental obligations delivered or required to be delivered to the New York Trustee to obtain the release of any Bonded Property from the lien of this Indenture, or constituting all or any part of the award for or proceeds of any Bonded Property taken by eminent domain or purchased by a public authority or otherwise disposed of;

(4) All property acquired by the Company to replace, or in lieu of, Bonded Property sold or disposed of pursuant to Paragraph A of Section 40, or to repair, replace or restore insured Bonded Property which shall have been damaged or destroyed but the proceeds of the insurance on which shall