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ments or transfer powers, such bonds or the specified portions thereof shall be paid and redeemed out of the funds deposited with the Trustee in the sinking fund as aforesaid, at said redemption price, and on and after said redemption date interest on said bonds or on the specified portions thereof shall cease to accrue.

Section 4. All bonds and the coupons, if any, attached thereto, delivered uncancelled to the Trustee for the purpose of the sinking fund or redeemed as above provided with moneys in the sinking fund, shall be forthwith cancelled by the Trustee, and shall be delivered to or upon the written order of the Company; and all such bonds and all bonds redeemed at the option of the Company used to reduce the amount of bonds to be retired through the sinking fund as provided in Section 1 of this Article III, shall thereafter, for all purposes of the Indenture and this Second Supplemental Indenture, be deemed to have been bonded, but only so long as any Bonds of Second Series remain outstanding, and when no bonds of such series remain outstanding such bonds so delivered to the Trustee for the sinking fund, or redeemed with moneys in the sinking fund, or redeemed at the option of the Company and used to reduce the amount of bonds to be retired through the sinking fund, as provided in Section 1 of this Article III, shall cease to be bonded.

ARTICLE IV.

REPLACEMENT FUND.

Section 1. For the purpose of this Article IV, the definitions contained in and the methods of computation prescribed by this Section 1 shall be applied, unless the context otherwise requires:

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Section 2. The Company covenants that, so long as any of the Bonds of Second Series are outstanding, it will deliver to the Trustee a replacement certificate (1) within four months after the close of the calendar year 1948, covering the period beginning June 1, 1948, and ending December 31, 1948, and (2) within four months after the close of each calendar year thereafter, covering the period from the date of the next preceding replacement certificate filed hereunder to the end of such calendar year. The Company may, in addition, at its election, at any time file a replacement certificate for the period specified therein, which shall cover the period from the date of the next preceding replacement certificate filed hereunder to a date within four months prior to the date when filed. Each replacement certificate filed hereunder shall be dated the last day of the period covered thereby, shall be signed by the President or a Vice-President and the Treasurer or an Assistant Treasurer of the Company and shall show the following:

- (a) The amount of the gross property account for the period covered by the replacement certificate.
- (b) The replacement requirement for the period covered by the replacement certificate and the cumulative replacement requirement.
- (c) The lesser of the cost or fair value to the Company (both of which shall be stated) of property additions (whether or not theretofore bonded) purchased, constructed or otherwise acquired by the Company from May 31, 1948, to and including the date of such replacement certificate, in renewal or replacement of, in substitution for or in lieu of property retirements (including therein retirements consisting of property additions (not theretofore bonded) made subsequent to May 31, 1948, showing separately the cost or fair value to the Company, whichever shall be less, of such property additions not included in item (c) of any previous replacement certificate. For this purpose any property additions shall be deemed to be in substitution for or in

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(a) The "amount of the gross property account" of the Company at November 30, 1946, shall be deemed to be \$81,081,000. The "amount of the gross property account" at any subsequent date shall be \$81,081,000, plus the original cost (estimated, if necessary) of depreciable property additions of the Company made to such subsequent date, less the amount of all property retirements of depreciable property made to such subsequent date. For the purpose of determining the amount of the gross property account of the Company, notwithstanding the definition of "property retirements" contained in Article I of the Indenture, (i) property retirements shall be deemed to include depreciable property additions not theretofore bonded, which shall have worn out or been retired, discontinued or abandoned, whether or not renewed or replaced (but shall not include any property only temporarily out of use), or which shall have been sold or otherwise disposed of or released, and (ii) the amount of all property retirements of depreciable property shall be computed at the original cost thereof (estimated, if necessary).

(b) The "amount of the gross property account for the period covered by the replacement certificate" shall be deemed to be the amount of the gross property account of the Company at the date of the beginning of the period covered by such replacement certificate.

(c) The "replacement requirement for the period covered by the replacement certificate" shall be deemed to be an amount equal to two and four-tenths per cent (2.4%) of the amount of the gross property account for the period covered by the replacement certificate, if such replacement certificate covers a period of one year, and a proportionately lesser amount if the replacement certificate covers a period of less than one year.

(d) The "cumulative replacement requirement" shall be the sum of the replacement requirements for all periods covered by replacement certificates filed hereunder, including the replacement certificate then being filed.

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lieu of such property retirements to the extent that the cost or fair value to the Company, whichever shall be less, of such property additions does not exceed the amount of such property retirements irrespective of the kind or character of the property additions, but in no event shall the amount of the credit available to the Company pursuant to this item (c) exceed the amount of property retirements stated pursuant to this item (c). For the purposes of this item (c), the amount of such property retirements shall be computed, as specified in the definition of "property retirements" in Article I of the Indenture except that retirements consisting of property additions not theretofore bonded shall be computed at the cost thereof to the Company. The fair value to the Company of property additions for the purpose of this item (c) shall be as stated in the replacement certificate in which such property additions were included in item (c) for the first time. If any property additions made the basis of a credit under this item (c) are subject to any prior lien, then the amount of such credit otherwise available to the Company shall be reduced by an amount equal to one hundred sixty-six and two-thirds per cent (166 2/3%) of the principal amount of the then outstanding prior lien bonds secured by such prior lien and not theretofore deducted in connection with any application under the Indenture for the authentication and delivery of bonds or the withdrawal or redemption of cash. Property additions shall not be considered to be bonded by reason of their utilization under this item (c).

(d) The aggregate of (1) the amount of any net property additions not theretofore bonded which the Company in such replacement certificate elects to make the basis of a credit under this Article IV, and (2) the amount of net property additions utilized under item (d) of all previous replacement certificates, but only so far as the net property additions so utilized have not ceased to be bonded as permitted by Section 5 of this Article IV at the date of the replacement certificate then being filed. The amount of net property additions utilized under item (d) of a replacement certificate for the