

suant to § 3.02 (b) and subject to withdrawal by the Company or to application by the Trustee as provided in § 3.08.

§ 1.05. (a) The term "permitted liens" or words of similar import shall mean and include any of the following liens and encumbrances, namely: (1) the lien of this Indenture; (2) liens and encumbrances junior to the lien of this Indenture; (3) taxes for the then current year or which are not then delinquent; (4) taxes or liens created by assessments of governmental bodies, payment of which may be made in installments over a period of years and no payment of which is overdue, and taxes and assessments payment of which is being contested in good faith by the Company in compliance with the provisions of § 5.08; (5) any right which any municipal or governmental body or agency may have by virtue of any franchise, license, contract or statute to purchase or designate a purchaser of, or order the sale of, any property of the Company upon payment of reasonable compensation therefor or to terminate any franchise, license or other rights or to regulate the property and business of the Company; (6) undetermined or inchoate liens and charges incidental to construction and operations during the six months next preceding the date in question (but not including unpaid claims of contractors, subcontractors, vendors, material men, mechanics or laborers incidental to the purchase, construction or acquisition of such additional property which constitute or might ripen into a lien prior to the lien of this Indenture sufficiently substantial to impair the security hereof); (7) liens and encumbrances which have been adequately protected against by the deposit of cash as below provided; (8) any liens, neither assumed by the Company nor on which it customarily pays interest, existing upon real estate or rights in or relating to real estate acquired by the Company for measuring station, regulating station, gas purification station, compressor station, transmission line, distribution line or right-of-way purposes; (9) the lien, if any, of judgments covered by insurance, or if not so covered, not exceeding, at any one time, One Hundred Thousand Dollars (\$100,000) in aggregate amount rendered against the Company as a result of claims for personal injuries, death or damages to property in connection with the conduct of the business of the Company where the

(iii) all overhead costs applicable to construction during the construction period, including without limiting the generality of the foregoing, taxes, licenses, excises and assessments, casualties, surety bond premiums, and insurance premiums; and interest (other than interest specified in items (5) and (6) of subdivision (iv) of subsection (a) of § 3.02 or in item (3) of subdivision (iv) of subsection (b) of § 3.02) on borrowed money during construction but not including any interest or return on equity capital.

(b) shall include all costs payable to Duke Power Company for the purchase of properties, assets, inventories, supplies and land which are not included in item (3) of the certificate furnished pursuant to § 3.02(a)(iv) hereof, all costs of financing payable to others and organization expenses which are not included in item (4) of said certificate or in item (2) of the certificate furnished pursuant to § 3.02(b)(iv) and all costs and expenses of the acquisition of other gas plants and distribution systems and the properties, assets, inventories, supplies and land pertaining thereto.

(c) shall include all costs of the Minimum Construction Program and shall also mean any and all costs incurred in connection with the conversion to natural gas or to 1,000 BTU oil gas of customer's appliances and of the distribution systems acquired or constructed by the Company.

(k) The term "Minimum Construction Program" shall mean the acquisition or construction of transmission pipe lines and such other facilities as may be necessary to furnish natural gas to the gas distribution system acquired by the Company from Duke Power Company in Charlotte, Winston-Salem, Greensboro, High Point, Burlington and Salisbury, North Carolina, and Greenville and Spartanburg, South Carolina, and the conversion to natural gas of such systems and of the equipment of customers of such systems at the time of such conversion.

(l) The term "Construction Fund" shall mean the cash deposited by the Company with the Trustee upon the authentication and delivery of (i) \$5,100,000 principal amount of Bonds of the 1976 Series pursuant to § 3.02 (a) and (ii) additional Bonds of the 1976 Series pur-