

this Indenture. The Company may make a deposit as aforesaid to cover less than all of the bonds or other obligations secured by any such lien or encumbrance, and in such event such lien or encumbrance shall be deemed to be a "permitted lien" only to the extent of the proportion thereof provided for by such deposit. The amount deposited with and held by the Trustee under this paragraph at any one time shall not exceed Two Million Dollars (\$2,000,000).

(b) The term "prior lien debt" shall mean bonds (but not Bonds issued hereunder), notes or other evidences of indebtedness secured by a mortgage, lien or other encumbrance prior to the lien hereof (other than permitted liens) on property subject to the lien of this Indenture; and the term "prior liens" shall mean mortgages, liens or other encumbrances securing such prior lien debt.

(c) The term "good title" shall mean such title, whether fairly deductible of record or based on prescriptive rights (or, as to personal property, based on such evidence as counsel shall deem sufficient) as, in the opinion of counsel, is satisfactory and sufficient for the use thereof in connection with the operations of the Company, and counsel in giving such opinion may disregard permitted liens and irregularities or deficiencies in the record evidence of title which, in the opinion of such counsel, taking into account the power of the Company, if any, to cure such irregularities or deficiencies by proceedings within its own power, are not of a serious nature under the facts and circumstances of the case.

§ 1.06. The "net earnings" of the Company for any period shall be computed by deducting from the gross income and revenues of the Company for such period the total operating expenses for such period, all interest charges, all taxes (including income, excess profits and other taxes based on or measured by income or undistributed earnings or income) rentals, insurance, current repairs and maintenance provision for all contingency reserves, whether general or special, and provision for renewals, replacements, retirements, depreciation and obsolescence in amounts not less than those actually deducted on the books of the Company and not less than the minimum provision for

validity or amount thereof is being contested in good faith through appropriate appellate proceedings; (10) easements or reservations in any property of the Company for the purpose of roads, pipe lines, gas transmission and distribution lines, electric light and power transmission and distribution lines, spur tracks, water mains and other like purposes, and zoning ordinances, regulations and restrictions which do not impair the use of such property in the operation of the business of the Company; and (11) minor encumbrances (other than to secure the payment of money) which in the opinion of counsel will not interfere with the proper operation and development of the mortgaged property.

Whenever any property owned by the Company or to be acquired by it shall be subject to any lien or encumbrance (other than permitted liens), prior to the lien of this Indenture, securing any bonds or other obligations capable of being discharged by the payment of money, the Company may deposit with the Trustee cash and/or a principal amount of such bonds or other obligations sufficient for the discharge of such lien or encumbrance, with authority expressed to be irrevocable to apply the same, so far as necessary, to the discharge of such lien or encumbrance. In case the validity or amount of any such lien or encumbrance is disputed by the Company, the terms of such deposit may be such as to authorize the Trustee to apply such cash and/or obligations to the discharge of such lien or encumbrance only when found valid by a court of competent jurisdiction or when so directed by the Company prior to such adjudication. Any cash and/or obligations so deposited remaining after the discharge of such lien or encumbrance shall be returned to the Company upon receipt by the Trustee of (i) an acknowledgment of satisfaction and discharge thereof executed by the obligee of, or trustee for, the bonds or obligations secured by such lien or encumbrance, or such other evidence of satisfaction and discharge thereof as shall be satisfactory to the Trustee, and (ii) a certificate of the Company and an opinion of counsel stating that such lien or encumbrance has been discharged. Any prior lien or encumbrance in respect of which the Company shall have made provision, by deposit with the Trustee as aforesaid, for the discharge of all the bonds or other obligations secured thereby shall thereafter be deemed to be not outstanding and non-existent for the purposes of