

machinery or equipment shall be free of all liens and encumbrances (other than Permitted Encumbrances, as hereinafter defined) and shall become a part of the Project Equipment and be subject to this Mortgage; or

(b) Not make any such substitution and installation, provided (i) that in the case of the sale of any such machinery or equipment or in the case of the scrapping thereof, the Company shall pay into the Bond Fund the proceeds from such sale or the scrap value thereof, as the case may be, (ii) that in the case of trade-in of such machinery or equipment for other machinery or equipment, the Company shall pay into the bond fund the amount of the credit received by it in such trade-in, and (iii) that in the case of any other disposition thereof the Company shall pay into the Bond Fund an amount equal to the original cost thereof less depreciation at rates calculated in accordance with generally accepted accounting practice regularly applied by the Company for such property or similar property thereof.

The removal from the Project of any portion of the Project Equipment pursuant to the provisions of this Section shall not entitle the Company to any abatement or diminution of the amounts payable under the Agreement.

The Company will promptly report to the Trustee any such removal, substitution, sale or other disposition and will pay into the Bond Fund such amounts as are required by the provisions hereof promptly after the sale, trade-in or other disposition requiring such payment; provided, that no such report and payment need be made until the amount to be paid into the Bond Fund on account of all such sales, trade-ins or other dispositions not previously reported aggregates at least \$10,000. The Company will not remove, or permit the removal of, any of the Project Equipment except in accordance with the provisions of this Section.

With respect to any such removal, substitution, sale or other disposition, the Trustee will execute and deliver to the Company such documents as the Company may reasonably request to enable the Company to remove, sell or otherwise dispose of any item of Project Equipment in the manner authorized in this Section, and the Company shall execute and deliver to the Trustee any financing statements or other documents as the Trustee may reasonably request to subject any such substituted or replacement items of Project Equipment to this Deed.

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