

(2) such net amount of additional property as shall have been made the basis for the authentication and delivery of Bonds or the withdrawal of cash or used to reinstate Bonds as provided in this § 1.07;

(3) such amount of additional property as shall have been made the basis for the release of property pursuant to § 6.02 or the withdrawal of cash or used to reinstate Bonds as provided in this § 1.07 or which has been certified to the Trustee pursuant to § 3.08 for the purpose of constituting the same funded property;

(4) such purchase money obligations and other securities as shall have been made the basis for the release of property or the withdrawal of cash or as shall have been received as the proceeds of funded property taken by eminent domain or otherwise disposed of;

(5) such property as shall have been acquired to replace or in lieu of funded property sold or disposed of pursuant to § 6.01(B), or as shall have been acquired with, or for which the Company has been reimbursed by, the proceeds of property disposed of pursuant to § 6.01(B), or to repair, replace or restore insured funded property which shall have been damaged or destroyed, the proceeds of insurance on which shall not have been required to be paid to the Trustee pursuant to the provisions hereof;

provided however that the net amount of additional property made the basis of an Additions Credit shall not be deemed to be funded until used as provided in paragraph (e) of § 1.07.

(b) The term "funded" when used with reference to Bonds, shall mean

(6) Bonds which shall have been made the basis for the authentication and delivery of Bonds or the withdrawal of cash, and Bonds paid, purchased, redeemed or retired by the use of money applied or paid by the Trustee pursuant to § 3.07;

(7) any Bonds made the basis for the withdrawal of any money pursuant to Subdivision (I) of § 7.02 or paid, purchased, redeemed or retired by the use of money applied or paid by the Trustee pursuant to Subdivision (IV) of said § 7.02; provided,

(5) that the amount of the net earnings of the Company available for interest for such period has been at least equal to two and one-quarter (2¼) times the said aggregate amount of the annual interest charges set forth in (2) above.

(6) that the amount of the net earnings of the Company available for interest and depreciation for such period has been at least equal to (a) four times the aggregate amount of the annual interest charges upon the Company's bonded debt set forth in (2) above, and also at least equal to (b) one and one-half times (1½) the sum set forth in (4) above.

Such certificate shall be accompanied by a certificate of an independent accountant, except that the same may be signed by an accountant who is not independent if there is delivered to the Trustee, together therewith, a similar certificate in respect of the next preceding calendar year (or the second preceding calendar year if such Bonds are to be authenticated and delivered by the Trustee during the first one hundred twenty (120) days of any calendar year), signed by an independent accountant, showing the coverage required by (5) and (6) above in respect of such calendar year.

Except as otherwise expressly provided herein, all determinations of costs of additional property or of earnings pursuant to this Indenture shall be made and all financial statements to be delivered hereunder shall be prepared in accordance with the practice lawfully prescribed by the regulatory authority having jurisdiction over the Company or other lawfully prescribed practice and, in the absence of any practice so prescribed, in accordance with sound accounting practice.

§ 1.07. (a) The term "funded" when used with reference to property, shall, subject to the provisions of paragraph (e) of § 1.04, mean

(1) all mortgaged property owned by the Company on the date of the execution hereof; all property, if any, acquired subsequent to the date of execution hereof from Duke Power Company, pursuant to the agreement dated May 24, 1950 as supplemented; and all real property acquired from Duke Power Company described in Granting Clause First hereof;