

bonds or of the release of property or the withdrawal of cash or of a credit under Section 39 hereof (except in the case of the release of property or the withdrawal of cash proceeds of insurance or cash proceeds of the release of property, in each case on the basis of Property Additions acquired or constructed within ninety (90) days prior to the date of application for such release, or to the receipt by the Corporate Trustee of such cash, or subsequent to such release or receipt of cash), (A) there shall be deducted (subject to the provisions of clause (b) of subdivision (4) of Section 59 and subdivision (1) of Section 61 hereof) from the Cost or Fair Value to the Company (as of the date so certified) thereof, as the case may be, an amount equal to the Cost (or as to Property Additions the Fair Value to the Company of which at the time the same became Funded Property was less than the Cost as determined pursuant to this Section, then such Fair Value in lieu of Cost) of all Funded Property retired subsequent to December 31, 1939 (other than the Funded Property, if any, in connection with the application for the release of which such certificate is filed) and not theretofore deducted from the Cost or Fair Value to the Company of Property Additions theretofore certified to the Corporate Trustee and (B) there shall be added to such Cost or Fair Value, as the case may be, the sum of

(a) the principal amount of all obligations secured by purchase money mortgage and all cash (other than proceeds of such purchase money obligations) received by the Corporate Trustee or the trustee or other holder of any Prior Lien, in either case representing the proceeds of insurance on, or of the release or other disposition of, such Funded Property retired;

(b) the principal amount of any bond(s) or fraction of a bond, the right to the authentication and delivery of which under the provisions of Section 26 or Section 29 hereof shall have been waived as the basis of the release of such Funded Property retired;

(c) the Cost or Fair Value to the Company (whichever is less) of any Property Additions which shall have been made the basis of the release of such Funded Property retired (after making any deductions and any additions required by the provisions of this Section, except in the case of Property Additions acquired or constructed within ninety (90) days prior to the date of application for such release or subsequent thereto, with respect to which no such deductions or additions have been made);

(d) the Cost of any Property Additions substituted pursuant to the provisions of Section 58 hereof (otherwise than under the release or cash withdrawal provisions hereof) for such Funded Property retired; and

(e) the Cost or Fair Value to the Company (whichever is less) of any Property Additions which shall have been made the basis of a credit under clause (7), clause (b) or clause (ii) of subsection (II) of Section 38 hereof;

provided, however, that the aggregate of the amounts added under clause (B) above shall in no event exceed the amounts deducted under clause (A) above. For the purposes of the deductions required by this Section, the Cost and/or the Fair Value to the Company of Funded Property retired shall be determined as follows: (1) in the case of property which was owned by Carolina Power & Light Company on December 31, 1939, the Cost thereof shall be the Cost as shown on the books of the Company or, if not so separately shown, the Cost as estimated by the Company; and (2) in the case of Property Additions retired, the Cost or the Fair Value thereof to the Company, whichever is less, shall be the Cost or the Fair Value thereof to the Company as shown by the Engineer's Certificate or Independent Engineer's Certificate furnished to the Corporate Trustee at the time such Property Additions became Funded Property, or, if not separately shown in such certificate, shall be such portion of the Cost or the Fair Value to the Company of Property Additions shown in such certificate as shall be allocated to such Property Additions retired in any Engineer's Certificate subsequently delivered to the Corporate Trustee, and in case such Property Additions shall not have been included in any Engineer's Certificate or Independent Engineer's Certificate theretofore furnished to the Corporate Trustee, the Cost or the Fair Value thereof to the Company shall be as shown, as of the time when they become Funded Property, in an Engineer's Certificate then delivered to the Corporate Trustee.

SECTION 5. The term "Funded Property" shall mean:

(1) all property, except property expressly excepted from the Lien of this Indenture, owned by Carolina Power & Light Company on December 31, 1939;

(2) all Property Additions to the extent that the same shall have been made the basis of the authentication and delivery of bonds under this Indenture;

(3) all Property Additions to the extent that the same shall have been made the basis of the release of property from the Lien of this Indenture, subject, however, to the provisions of Section 59 hereof;

(4) all Property Additions to the extent that the same shall have been substituted pursuant to the provisions of Section 58 hereof for Funded Property, as defined in this Section, otherwise than under the release or cash withdrawal provisions hereof;

(5) All Property Additions to the extent that the same shall have been made the basis of the withdrawal of any Funded Cash, as hereinafter defined, held by the Corporate Trustee hereunder or by the trustee or other holder of a Prior Lien as hereinafter defined, subject, however,