

shall be stated in an Engineer's Certificate which Fair Value shall not be in excess of the cost thereof, in cash and securities and in obligations assumed, to those from whom such portion of such Property Additions shall have been acquired by the Company. The amount of the Cost of any Property Additions and the Fair Value thereof to the Company and the Fair Market Value in cash of any securities so delivered in payment therefor or for the acquisition thereof and the amount of any deductions and any additions required to be made by Section 4 hereof shall be determined for the purposes of this Article V by the appropriate certificates provided for in Section 28 hereof.

SECTION 26. In all cases in which it shall appear, from the certificates hereinafter in Section 28 hereof provided for, that Property Additions proposed to be made the basis of the authentication and delivery of bonds or the withdrawal of cash or the release of property or the basis of a credit under the provisions of Section 38 or Section 39 hereof are subject to Prior Lien, the principal amount of the then Outstanding Prior Lien Bonds secured by Prior Lien thereon (in the case of the authentication and delivery of bonds or the withdrawal of cash under Section 31 hereof or the withdrawal of cash under or a credit under Section 39 hereof) or ten-sixths ($10/6$) of such principal amount (in the case of the release of property or the withdrawal of cash under Section 61 hereof or the withdrawal of cash under or a credit under Section 38 hereof) shall be deducted from the principal amount of bonds which might otherwise be authenticated or from the amount of cash which might otherwise be withdrawn or from the Fair Value of property which might otherwise be released or from the amount for which the Company might otherwise be entitled to a credit, unless such certificates shall also state that the required amount has theretofore been deducted pursuant to the provisions of this Section when other Property Additions subject to such Prior Lien have theretofore been made the basis under any of the provisions of this Indenture of the authentication and delivery of bonds or the withdrawal of cash or the release of property or the basis of a credit under the provisions of Section 38 or Section 39 hereof, and that since the date of such deduction property of the Company has continued to be subject to such Prior Lien.

If, at any time after an amount equal to the principal amount of any Outstanding Prior Lien Bonds shall have been, in accordance with the provisions of this Section, deducted from the principal amount of bonds which might otherwise be authenticated and delivered hereunder, or the required amount shall have been deducted in connection with the withdrawal of cash or the release of property or the taking of a credit under the provisions of Section 38 or Section 39 hereof, the Company shall either

(a) deposit with the Corporate Trustee any such Prior Lien Bonds to be held and dealt with by the Corporate Trustee in the manner and subject to the conditions and provisions set forth in Article IX hereof; or

(b) file with the Corporate Trustee a Treasurer's Certificate to the effect that the principal amount of such Outstanding Prior Lien Bonds, (1) has been reduced, or concurrently with the action requested will be reduced, by payment, or by the irrevocable deposit with the trustee or other holder of the Prior Lien securing the same, of moneys in the necessary amount for the purchase, payment or redemption thereof, or otherwise reduced, and that such reduction has not been, and will not be, effected by the use, by the trustee or other holder of such Prior

Lien, of the proceeds-(including any substitutes therefor) of, or insurance on, or proceeds of the release of, or of the taking by eminent domain of, Funded Property of the proceeds of funded property purchased by any governmental body or agency or its designee upon exercise of any