

(f) The original acquisition by the Company of the property of Columbia Railway, Gas & Electric Company, The Parr Shoals Power Company, Columbia Gas Light Company, Public Service Company of South Carolina, South Carolina Power Company or the street railway property now owned by Columbia Railway, Gas & Electric Company, and the acquisition or construction of additions, extensions, improvements and betterments to said street railway property whether owned by said Columbia Railway, Gas & Electric Company or any successor company.

Such additional bonds shall be authenticated and delivered only on the following basis:

In a principal amount not exceeding seventy (70) per centum of the fair value or cost, whichever is less, of any additions, extensions, improvements and betterments to the property of the Company or of the acquisition of any additional property, plant or system, if the gross income of the Company for any twelve (12) consecutive calendar months within the fourteen (14) calendar months immediately preceding the date of the application for such bonds shall be at least equal to one and one-half ($1\frac{1}{2}$) times the annual interest charges, such gross income and annual interest charges to be calculated as provided in subdivision D of Section 9 of this Article.

In a principal amount not exceeding seventy-five (75) per centum of such fair value or cost, whichever is less, of such property if such gross income shall be at least equal to one and three-quarter ($1\frac{3}{4}$) times such annual interest charges.

In a principal amount not exceeding eighty (80) per centum of such fair value or cost, whichever is less, of such property if such gross income shall be at least equal to twice such annual interest charges.

Section 9. *Authentication of Bonds Under Section 8.*

Before any additional bonds shall be authenticated and delivered under Section 8 preceding, there shall be delivered to the Trustee:

A. A statement signed by the President or a Vice-President and the Treasurer or an Assistant Treasurer of the Company setting forth that the Company has acquired or constructed, since July 1, 1924, additions, extensions, improvements or betterments to its property or has acquired, since July 1, 1924, some additional property, plant or system useful, necessary or appropriate to its business, and that such property, plant or system is or may be operated in connection with or as a part of the plant or system of the Company, and a description thereof in reasonable detail, and the cost thereof, and that the property so acquired is not of the character described in subdivisions (a), (b), (c), (d), (e) and (f) of Section 8 of this Article.

B. A certificate signed by an engineer, who may be an engineer of the Company, appointed by the Board of Directors of the Company and satisfactory to the Trustee, stating, in case the application is for the authentication of bonds for expenditures made or liabilities incurred for the construction of additions, extensions, improvements or betterments, that he has examined the property described in the statement referred to in the preceding paragraph A and has considered the same in relation to the business of the Company; that in his opinion the fair value of such property is a sum to be stated therein, and that such property does not consist of replacements or renewals, except to the extent permitted by subdivision (d) of Section 8 of this Article. In the case of the acquisition of any property, plant or system the engineer shall state that in his opinion the fair value of such property, plant or system is a sum to be stated therein and that in determining such value of such property he has not taken into consideration any franchise, going concern or good will value, and that such property, plant or system is useful, necessary or appropriate to the business of the Company and that it is or may be operated in connection with or as a part of the plant and system of the Company.

C. Such supplemental indenture and such instruments of conveyance, assignment or transfer as may be necessary in the opinion of counsel, satisfactory to the Trustee, who may be counsel to the Company, to vest in the Trustee hereunder, as part of the property mortgaged and pledged hereunder, all of the right, title and interest of the Company in and to the property with respect to which an authentication of bonds shall have been requested, or the opinion of such counsel that no such instruments are necessary for such purpose, and the opinion of such counsel stating that the Company has, or upon the recording of an instrument of conveyance thereof will have, a marketable title to the property described in the certificate of the President and the Treasurer above referred to, and that such property is, or then will be, subject to the lien of this mortgage, either free and clear of any prior lien, encumbrance or defect except the lien of any other mortgage described in, authorized or permitted by Section 5 or Section 7 of this Article, or that such lien, encumbrance or defect is not a money lien or encumbrance or of a character which will affect the right of the Company to use the property in connection with the operation of its properties. Taxes for the then current year affecting such property and mortgages or other liens affecting rights of way for distribution and transmission lines shall not be considered an encumbrance within the meaning of this Section.

D. A certificate signed by the President or a Vice-President and the Treasurer or an Assistant Treasurer of the Company setting forth the amount of the gross income of the company for a period of twelve (12) consecutive calendar months within the fourteen (14) calendar months immediately preceding the application for the authentication and delivery of bonds, calculated as hereinafter set forth in the next paragraph hereof. Said certificate shall show the gross income as so determined and that the same has been at least one and one-half ($1\frac{1}{2}$) times the sum of the annual interest charges (a) on all bonds outstanding under this Mortgage, (b) on all bonds not yet authenticated under this Mortgage but the authentication of which has been requested, (c) on all bonds the authentication of which shall at the time be requested, (d) on all bonds secured by liens on any property of the Company prior to this Mortgage, except such thereof as may be pledged under this Mortgage, or under any other mortgage covering any property of the Company prior in lien to this Mortgage.

The gross income of the Company shall be calculated by deducting from its operating revenue plus other income all operating expenses of the Company, including therein taxes, insurance, rentals and charges for maintenance, repairs, renewals and replacements, but excluding any arbitrary charges for renewals and replacements. In case, at the time of any application for the authentication of bonds, any property of the Company shall have gross income of its own and shall have been owned by the Company during a part but not during the whole of the period for which the gross income of the Company is to be calculated in connection with such application, or in case such property is about to be acquired by the Company with the proceeds of the bonds the authentication of which is then requested, the gross income of such property during the part of such period which preceded the acquisition of such property by the Company may be included in the gross income of the Company for the purposes of this calculation. The gross income of such property shall be calculated in the same manner and on the same basis as in this paragraph provided for calculating the gross income of the Company.

E. A certified copy of a resolution of the Board of Directors of the Company requesting that the bonds, the principal amount and series of which shall be stated therein, shall be authenticated by the Trustee.

Section 10. *Issue of Bonds Against Matured or Redeemed Bonds.*

Whenever any series of bonds shall be about to mature, or the Company shall have called for redemption any series of bonds issued hereunder and secured hereby and subject to redemption, the Trustee, at the request of the Company, signed by its President or a Vice-President, shall authenticate and deliver to the Company bonds secured hereby of any series at that time existing or then created hereunder for a principal amount equal to the principal amount of the bonds so about to mature or so called for redemption, upon the surrender to the Trustee of such bonds, with all unmatured coupons attached if coupon bonds, or upon the deposit with the Trustee of an amount of money equal to the principal amount or the redemption price, together with interest to the date of maturity or date of redemption, as the case may be, of the bonds not so surrendered. Upon delivery by the Company thereafter from time to time to the Trustee for cancellation of any of the bonds so about to mature, or called for redemption, the Trustee shall repay to the Company, out of the moneys deposited with the Trustee for the purpose of such payment or redemption, the principal amount or the redemption price, as the case may be, and accrued interest, of the bonds so surrendered. All bonds so surrendered to the Trustee shall be cancelled by it and delivered to or upon the written order of the President or a Vice-President of the Company and no other bonds shall be issued thereafter in respect thereof.

Section 11. *Exchange by Company of Bonds of One Series for Bonds of Another Series.*

Whenever the Company shall surrender to the Trustee for cancellation any bonds of any series then outstanding, with all unmatured coupons thereunto appertaining, if coupon bonds, the Trustee shall, upon the written request of the Company signed by its President or a Vice-President, authenticate and deliver in exchange for the bonds so surrendered for cancellation an equivalent aggregate principal amount of bonds of any series at that time existing or then created hereunder. The Trustee shall deliver the bonds and coupons so cancelled to or upon the written order of the President or a Vice-President of the Company, and no other bonds shall be issued thereafter in respect thereof.

Section 12. *Definition of Subsidiaries.*

A subsidiary company of this Company, hereinafter called Subsidiary, for the purposes of this Mortgage, is defined to be any company not less than ninety-five (95) per centum of the shares of the capital stock of which having full voting power and not less than seventy-five (75) per centum of any stock of such company having voting power under any circumstances, is owned by the Company and is pledged under this Mortgage; and provided that the principal business of such company, in order to qualify it as a Subsidiary, shall be the ownership and operation of some public utility property, plant or system useful, necessary or appropriate to the business of the Company and that is or may be operated in con-