

nection with or as part of the plant and system of the Company. No company, however, shall be deemed or held to be a Subsidiary for any purposes of this Mortgage unless there shall have been delivered to the Trustee hereunder a certified copy of a resolution of the Board of Directors of the Company setting forth that all of the requirements of this Mortgage as to what shall constitute a Subsidiary have been complied with and that the Company elects that the company referred to in said resolution shall become a Subsidiary for the purposes of this Mortgage, and the date of the Delivery of such resolution to the Trustee hereunder shall be the date on which such company shall be deemed to have become a Subsidiary.

**Section 13. Issue of Bonds in Respect of Subsidiaries.**

1. Bonds of any series at that time existing or then created hereunder may be issued in respect of Subsidiaries in the manner, for the purposes and subject to the limitations hereinafter in this Section set forth:

A. For the purchase of the stock of a Subsidiary in a principal amount not exceeding seventy-five (75) per centum of the cost thereof to the Company.

B. For additions, extensions, improvements or betterments to or upon the property of a Subsidiary, made or acquired subsequent to the date on which it became a Subsidiary, or for the acquisition by such Subsidiary or any additional property, plant or system useful, necessary or appropriate to its business and that is or may be operated in connection with or as a part of the plant and system of the Subsidiary, in a principal amount not exceeding seventy-five (75) per centum of expenditures made or liabilities incurred by such Subsidiary for such purpose.

C. In exchange for any obligations secured by mortgage upon the property of such Subsidiary outstanding on the date on which it became a Subsidiary in a principal amount not exceeding one hundred (100) per centum of the principal amount of such obligations upon the pledge hereunder, uncanceled, of such obligations.

D. For any unsecured indebtedness of such Subsidiary existing on the date on which it became a Subsidiary, whether or not the evidences of such indebtedness shall have been from time to time renewed, in a principal amount not exceeding one hundred (100) per centum of the principal amount of such unsecured indebtedness which shall have been paid, redeemed or otherwise discharged.

2. No bonds shall be authenticated under the provisions of this Section in respect of any Subsidiary:

A. Unless the value of the permanent property of such Subsidiary at the time of the authentication of any bonds, under the provisions of this Section, in respect of such Subsidiary shall be not less than one hundred and thirty-three and one-third ( $133 \frac{1}{3}$ ) per centum of the sum of the principal amount of all bonds then to be and previously authenticated under the provisions of this Section in respect of such Subsidiary and the principal amount of all obligations of such Subsidiary then outstanding and secured by mortgage upon any property of such Subsidiary less the principal amount of any such obligations as may be pledged under this Mortgage, or under any mortgage of such Subsidiary. The term "permanent property," for the purpose of this Section, shall mean any plant, equipment or other property used or useful for public utility purposes constituting a part of the permanent and fixed investment for the business of the company owning the same, and shall not include cash, accounts or bills receivable, securities, supplies or other assets frequently classified as quick assets, nor any renewal or replacement of property except to the extent that the expenditures therefor shall exceed the cost thereof to the Subsidiary, if ascertainable from the records, or, if not so ascertainable, the value of such property at the time of the acquisition by the Subsidiary of the property renewed or replaced.

The value of the permanent property, for the purposes of this Section, shall be the value of the property of the Subsidiary at the date upon which it became a Subsidiary as determined and certified 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, increased by the amount of all expenditures made and liabilities incurred subsequent to the date on which it became a Subsidiary for additions, extensions, improvements and betterments, which amount shall be shown by a certificate signed by the President or a Vice-President and by the Treasurer or an Assistant Treasurer of such Subsidiary and by the President or a Vice-President and by the Treasurer or an Assistant Treasurer of the Company.

B. Unless the aggregate sum of the principal amount of the bonds of such Subsidiary to be pledged hereunder at the time of the authentication of the bonds requested to be issued in respect of such Subsidiary, and the principal amount of bonds of the Subsidiary theretofore pledged, shall be not less than the aggregate sum of the principal amount of bonds theretofore authenticated and delivered hereunder in respect of such Subsidiary, and the principal amount of bonds the authentication of which is at that time requested. There shall be excluded from such calculation any bonds authenticated and delivered hereunder for the purchase of stock of a Subsidiary, pursuant to subparagraph A of subdivision 1 of this Section. Any bonds of any such Subsidiary to be pledged hereunder may be payable upon demand and shall be issued under and secured by a mortgage to be executed by such Subsidiary which shall be a lien upon substantially all of its property, then owned or thereafter acquired, subject only to any mortgages existing on such property at the time of the execution of such mortgage and containing such provisions for the adequate security and protection of such bonds as in the opinion of counsel, satisfactory to the Trustee, who may be counsel to the Company, may be deemed adequate for the protection of the bonds to be issued thereunder.

So long as the Company shall not be in default hereunder the Trustee shall not demand or be entitled to demand payment of the principal of any demand mortgage bond issued by any Subsidiary which may at any time be pledged hereunder.

C. Unless there shall have been filed with the Trustee hereunder the certified copy of a resolution of the Board of Directors of the Company provided by Section 12 of this Article.

3. Before any bonds shall be authenticated and delivered under this Section 13, there shall be delivered to the Trustee:

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

B. The bonds of such Subsidiary required by the provisions of subparagraph B of subdivision 2 of this Section 13 then to be pledged hereunder.

C. The engineer's certificate showing the value of the permanent property of such Subsidiary at the date upon which it became a Subsidiary, as provided in subparagraph A of subdivision 2 of this Section 13, but this requirement shall only apply to the first application for the authentication of bonds hereunder in respect of each particular Subsidiary.

D. A statement, signed by the President or a Vice-President and the Treasurer or an Assistant Treasurer of the Company and by the President or a Vice-President and the Treasurer or an Assistant Treasurer of the Subsidiary, stating that none of the property described in the statement has been made the basis for the authentication of bonds or the withdrawal of cash under any provision of this Mortgage and in the event that the application is for the authentication of bonds for the purposes set forth in subparagraph A of subdivision 1 of this Section 13, stating the cost to the Company of the stock of such Subsidiary and, in the event the application is for the authentication of bonds for the purposes set forth in subparagraph B of said subdivision 1 of this Section 13, stating the amount of expenditures made or liabilities incurred by such Subsidiary for the purposes thereby authorized and that the property for which such expenditures were made or liabilities incurred is not of the character described in subdivisions (a), (b), (c), (d) and (e) of Section 8 of this Article construed as if said limitations were applicable to the Subsidiary instead of to the Company, and, in the event that the application is for the authentication of bonds for the purposes set forth in subparagraph C of said subdivision 1 of this Section 13, stating the amount of any obligations secured by mortgage upon the property of such Subsidiary outstanding on the date upon which it became a Subsidiary, and, in the event that the application is for the authentication of bonds for the purposes set forth in subparagraph D of subdivision 1 of this Section 13, stating the amount of any unsecured indebtedness of such Subsidiary existing on the date upon which it became a Subsidiary and that such amount of such indebtedness has been paid, redeemed or otherwise discharged. Such certificate shall further state the facts required as a precedent to the authentication of such bonds required by subparagraph A of subdivision 2 of this Section 13.

E. An opinion of counsel satisfactory to the Trustee, who may be counsel to the Company, stating that the Subsidiary in respect of which the authentication of bonds is requested is legally organized; that the shares of its capital stock have been validly issued and are full paid and non-assessable and have been validly pledged hereunder and that the bonds of such Subsidiary pledged hereunder are valid and binding obligations and are secured by a mortgage constituting a valid lien on substantially all of the property of such Subsidiary then owned and thereafter to be acquired, subject only to mortgages stated in such opinion, all of which existed on such property at the time of the execution of such mortgage of such Subsidiary, and that such mortgage contains adequate provisions for the security and protection of such bonds.

F. In the case of an application for the authentication of bonds for the purchase of stock of a Subsidiary there shall be delivered to the Trustee the stock so purchased and, in the case of an application for the authentication of bonds for any purposes specified in subparagraphs B and D of subdivision 1 of this Section, there shall be delivered to the Trustee demand bonds of the Subsidiary equal in principal amount to the bonds authenticated and delivered hereunder, and, in the case of an application for the authentication of bonds for the purposes specified in sub-