

COMPARED.

of indebtedness secured by mortgage or other lien on such purchased property at the time of its acquisition, the value at the time of acquisition of such purchased property (determined as provided in Section 2 of this Article) less the principal amount of all indebtedness secured by mortgage or other lien on such purchased property at the time of its acquisition and subject to which such purchased property was acquired, shall within the meaning of this Mortgage be deemed an expenditure by the acquiring company for such purchased property.

Bonds shall be authenticated by the Trustee under this section subject to the restrictions thereof and shall be delivered by it to or upon order of the President or a Vice-President of the Company upon receipt by the Trustee of the following:

(a) A copy of a resolution of the Board of Directors of the Company authorizing the execution and authentication of the bonds proposed to be issued and stating the principal amount thereof and the desired terms, provisions and characteristics of such bonds and the designation of the series in which to be issued, all in accordance with and subject to the restrictions of Section 2 of Article I hereof;

(b) A certificate signed by the President or one of the Vice Presidents and by the Treasurer or an Assistant Treasurer of the company setting forth (1) the expenditures for extensions on account of which such bonds are requested to be authenticated, briefly describing such extensions, and that said expenditures were actually made and were not in the opinion of the officers signing the certificate, in excess of the value of such extensions, and that none of such expenditures has been charged or is properly chargeable to cost of maintenance or other operating expense, and (2) the expenditures for, and the value (as determined by engineers' certificate in accordance with the provisions of Section 2 of this Article) of, any purchased property on account of which bonds are requested to be authenticated, a description of such property and the date of its acquisition, the amount and character of the consideration paid therefor, the amount of all outstanding mortgage indebtedness, if any, secured by mortgage on such property at the time of its acquisition, and, if such purchased property was acquired from a Subsidiary, the amount of such mortgage indebtedness, if any, then pledged with the Trustee hereunder and the aggregate principal amount of bonds, if any, previously authenticated under the provisions of this section in respect of such Subsidiary, and (3) that no portion of said expenditures was previously used as basis for the issue of any bonds under this Mortgage or as the basis for the withdrawal of any deposited cash under the provisions of this Section 6 of this Article, or as the basis for the withdrawal of any moneys under the provisions of Article VIII or Article X hereof, or was made with insurance moneys received from the payment of losses or with moneys received from the sale or condemnation of any of the Company's property or was certified to comply with the requirements of Article VIII of this Mortgage, or was certified to the Trustee under the provisions of Section 2 of this Article to eliminate or compensate any excess of the nature described in subparagraph (3) of said section, and (4) that all such extensions and purchased property have become subject to the lien of this Mortgage subject only to the liens respectively of any of the underlying mortgages specified in Section 2 of this Article and of any mortgages existing on any of such purchased property at the time of its acquisition; and

(c) The orders, certificates and/or opinions required by sections 7 and 8 of this Article.

SECTION 5. Bonds of any series may from time to time be issued hereunder by the Company in the manner and subject to the limitations provided in this section and in Section 1 of Article I hereof. In case the Company shall at any time lawfully acquire and own and shall in the manner provided in Section I of Article VII hereof pledge with