

of any such permanent property disposed of or destroyed, less (a) the amount of any money received therefor and deposited with the Trustee under any mortgage on any property of such Subsidiary and (b) the value of any permanent property received by such Subsidiary in lieu of the property disposed of or destroyed. No renewal or replacement shall be considered an extension within the meaning of this Mortgage except to the extent that the expenditures thereof shall exceed (a) the cost to the acquiring company, if ascertainable from its records, of the property replaced or (b) if such cost is not so ascertainable then the value at the time of its acquisition of the property replaced.

The term "permanent property" as used in this Mortgage shall mean any plant, equipment or other property, used or useful for public utility purposes and constituting a part of the permanent and fixed investment of the company owning the same and shall not include any cash, accounts or bills receivable, supplies, fuel or other assets ordinarily classified as quick assets.

(2) No bonds shall be authenticated under the provisions of this section in respect of any Subsidiary unless at the time of the authentication thereof there shall be held in pledge by the Trustee hereunder a principal amount of bonds, secured by mortgage or mortgages upon substantially all the property of such Subsidiary, not less than the principal amount of all bonds then and previously authenticated under the provisions of this section in respect of such Subsidiary and not less than the full amount of expenditures made and/or obligations discharged on account of which bonds shall then be or shall previously have been authenticated under this section. All or any part of the bonds of any Subsidiary to be pledged hereunder may be payable upon demand and be issued under a mortgage to be executed by such Subsidiary, constituting a lien upon substantially all of the permanent property of such Subsidiary, subject only to any mortgages existing on such property at the time of the execution of such mortgage and containing such provisions as may be desired (such bonds and mortgage being herein referred to respectively as "demand mortgage bonds" and "demand mortgage"), provided that all the bonds issued under any demand mortgage shall be deposited with the Trustee hereunder;

(3) No bonds shall be authenticated under the provisions of this section in respect of any Subsidiary unless at the time of authentication thereof there shall be held in pledge by the Trustee hereunder shares of the capital stock of such Subsidiary constituting not less than ninety five per centum of the outstanding shares having full voting power and not less than seventy five per centum of the outstanding shares having voting power under any circumstances;

(4) No bonds shall be authenticated under the provisions of this section for or on account of the cost of any stock pledged, or any expenditures made for extensions, or for purchased property, or any mortgage or unsecured indebtedness pledged or discharged, which shall previously have been used as a basis for the authentication and issuance of bonds hereunder, or as a basis for the withdrawal of deposited cash under the provisions of Section 6 of this Article, or as a basis for the withdrawal of moneys under the provisions of Article VIII of this Mortgage, or which shall have been made with the proceeds of the sale of any property of any Subsidiary or with the proceeds of any of its property taken by eminent domain, or with any insurance moneys received by it from the payment of losses or which shall have been certified to comply with the requirements of Article VIII hereof.

Bonds shall be authenticated by the Trustee under this section subject to the restrictions thereof and shall be delivered by it to or upon the 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 the authentication of the bonds requested to be authenticated, and