

(A) new or additional plants, lines or systems and extensions, additions or improvements thereto acquired, made or constructed subsequent to April 10, 1926, (1) for, and used primarily and principally in, the business of generating, manufacturing, transmitting, distributing or supplying (a) ice or refrigeration for domestic or public use or consumption or (b) steam or hot water for power or heating purposes or (c) water for domestic or public use or consumption or (2) to be used primarily and principally in the street or interurban railway or other street or interurban transportation business;

(B) new or additional transmission lines or distribution, service or supply systems, acquired, made or constructed subsequent to April 10, 1926, for the operation of which a franchise is necessary and for which the Company has no franchise, or any such lines or systems operated under a franchise necessary for the operation thereof, of which franchise the duration is neither (1) unlimited, nor (2) such that it cannot be terminated without the consent of the owner before the maturity date of the bonds the authentication and delivery of which are then being applied for under Article VI hereof upon the basis of such lines and systems or, if the withdrawal of cash is applied for upon such basis, before the maturity date of the bonds, if any, theretofore issued hereunder upon the deposit of such cash, except upon the owner's default or for just cause or upon condemnation or upon payment of compensation for the property operated under such franchise; or

(C) new or additional plants, lines or systems, acquired, made or constructed subsequent to April 10, 1926, neither located within the limits of the States of North Carolina, South Carolina or Tennessee as the same may be now or hereafter constituted, nor connected with or auxiliary to a system, line, track, plant or power house owned by the Company located within said limits.

Section 6. The term "prior liens" shall mean mortgage or other liens prior to the lien of this Indenture, existing at any particular time upon any permanent improvements or additions, as defined in Section 4 hereof, then or theretofore made by the Company the basis for the authentication and delivery of bonds or the withdrawal of cash or the release of property hereunder, excepting at any time the liens of the underlying mortgage and of taxes for the then current year or of taxes or assessments not then due and any liens neither assumed by the Company nor on which it customarily pays the interest charges existing upon real estate or rights in or relating to real estate acquired by the Company for substation, transmission line or right of way purposes. The right, reserved to or vested in any municipality or public authority by the terms of any franchise, grant, license, permit or by any provision of law, to purchase or recapture or to designate a purchaser of, any of the property of the Company shall not, for any of the purposes of this Indenture, be deemed a lien, charge or encumbrance. The term "prior lien bonds" shall mean bonds, obligations or indebtedness secured by prior liens. The term "outstanding prior lien bonds" shall mean as of any particular time all prior lien bonds theretofore authenticated and delivered by the trustee or other holder of the mortgage or other lien securing the same except prior lien bonds theretofore canceled and except prior lien bonds held in pledge hereunder or by the trustee or other holder of the mortgage or other lien securing such prior lien bonds or other prior lien bonds (under conditions such that no transfer of ownership or possession of such prior lien bonds by the trustee or other holder of such mortgage or other lien is permissible thereunder except to the trustee or other holder of the mortgage or other lien securing the same for cancellation or to be held uncanceled under the terms of such mortgage or other lien under like conditions) or for the purchase, payment or redemption of which money in the necessary amount shall have been irrevocably deposited with the trustee or other holder of the mortgage or other lien securing such prior lien bonds.

Section 7. The term "the underlying mortgage" shall mean the mortgage and deed of trust of Yadkin River Power Company to Old Colony Trust Company, as Trustee, dated April 1, 1911. The term "underlying bonds" shall mean bonds secured by said underlying mortgage. The term "outstanding underlying bonds" shall mean as of any particular time all underlying bonds theretofore authenticated and delivered by the trustee of the underlying mortgage except underlying bonds theretofore canceled and except underlying bonds owned by the Company and held in pledge hereunder and/or held by the trustee under the underlying mortgage or for the purchase, payment or redemption of which money in the necessary amount shall have been irrevocably deposited with the trustee of the underlying mortgage.

Section 8. The term "net earnings certificate" shall mean a certificate signed and verified by the President or a Vice-President and the Treasurer or an Assistant Treasurer of the Company, stating (A) the net earnings of the Company for a period of twelve consecutive calendar months within the fifteen calendar months immediately preceding a date not earlier than 15 days before the date of the making of any application for the authentication and delivery of bonds under this Indenture in connection with which such certificate is made, showing how the same have been calculated and to that end specifying the operating and net non-operating income and revenues with the principal divisions thereof, and deducting from the total thereof the total operating expenses (including taxes, rentals, insurance and reasonable charges for current repairs and maintenance but not including charges for renewals and replacements), provided, however, that for the purpose of any such certificate not more than fifteen per centum (15%) of said net earnings shall consist in the aggregate of (1) net non-operating income and/or (2) net income which in the opinion of the signers is directly derived from the operation of (a) properties not subject to the lien of this Indenture and/or (b) properties leased to the Company; (B) the annual interest charge upon (1) all outstanding underlying bonds on the date of such certificate, (2) all bonds issued hereunder and outstanding at the date of such certificate, (3) those then applied for in the application in connection with which such certificate is made, (4) all outstanding prior lien bonds (as in Section 6 hereof defined) on the date of such certificate other than prior lien bonds deposited with or made the basis of such application, and (5) all indebtedness (other than indebtedness evidenced by prior lien bonds as in Section 6 hereof defined) outstanding in the hands of the public on the date of such certificate secured by lien prior to the lien of this Indenture upon property of the Company subject to the lien of this Indenture, if said indebtedness has been assumed by the Company or if the Company customarily pays the interest charges thereon; and (C) the aggregate principal amount of the respective bonds and other obligations mentioned in clauses (1), (2), (3), (4) and (5) of subsection (B) of this Section. In calculating net non-operating income no gains or losses on sales of fixed capital assets shall be taken into account. If any of the property of the Company owned by it at the time of the making of any net earnings certificate shall have been acquired by it during or after any period for which net earnings are to be computed, the net earnings of such property (computed in the manner herein specified for the computation of the net earnings of the Company) during such period or such part of such period as shall have preceded the acquisition thereof by the Company, to the extent that the same have not otherwise been included, may be treated as net earnings of the Company for all purposes of this Indenture.

ARTICLE II.

Form, Execution, Registration and Exchange of Bonds.

Section 9. At the option of the Company, the bonds issued hereunder may be issued in one or more series, the bonds of each series, other than the 5% Series of 1956, hereinafter in Section 20 described, maturing on such dates and bearing interest at such rates respectively as the Board of Directors of the Company prior to the issue thereof may determine. Subject to the provisions of Section 20 hereof as to the 5% Series of 1956, the form of each series of bonds issued hereunder and of the coupons to be attached to the coupon bonds of such series shall be established by resolution of the Board of Directors of the Company prior to the issue of any bonds of such series. The bonds and coupons of any one or more series may be expressed in one or more foreign languages, if also expressed in the English language. The English text shall govern the construction thereof and both or all texts shall constitute but a single obligation. The English text of the coupon bonds, coupons, registered bonds without coupons and the Trustee's certificate shall be respectively substantially of the tenor and purport above recited, provided, however, that the form of each series, as established by the Board of Directors, shall specify the descriptive title of the bonds (which shall contain the words "Mortgage Gold Bond"), the designation of the series, the rate of interest to be borne by the bonds of that series, the date of fixing the standard of weight and fineness, the date of maturity and a place for the payment of principal and interest. Any series of bonds may also contain such provisions as the Board of Directors, may, in their discretion, cause to be inserted therein:

(a) specifying any additional place or places, either in the United States or elsewhere, for the payment of principal and interest and/or any place or places, either in the United States or elsewhere, for the registration of bonds and/or the transfer of bonds; any currency or currencies in which the principal and interest shall be payable, whether of the United States of America or of any foreign country or countries; and any fixed rate or rates of exchange with respect to bonds payable in any foreign currency or currencies;

(b) expressing any obligation of the Company for the payment of the principal of the bonds of that series or the interest thereon, or both, without deduction for taxes and/or for the reimbursement of taxes in case of payment by the bondholders, it being understood that such obligation may be limited to taxes imposed by any taxing authorities of a specified class and may exclude from its operation or be limited to any specified tax or taxes or any portion thereof; and/or expressing any obligation of the Company for the creation of a sinking fund for bonds of that series, and/or expressing any obligation of the Company to permit the conversion of bonds of that series into capital stock of the Company of any class;

(c) permitting the bondholders to make, at a specified place or places, any or all of the following exchanges, in each instance the exchange to be for a like aggregate principal amount of bonds, viz., exchanges of coupon bonds for registered bonds; exchanges of registered bonds for coupon bonds; exchanges of coupon bonds for coupon bonds of other denominations; exchanges of registered bonds for registered bonds of other denominations; and exchanges of bonds of one series for bonds of another series. Such privilege of exchange may in any case be made subject to such conditions, limitations or restrictions as the Board of Directors shall determine and the privilege of exchange may in any case be