

the properties, plants, systems and transmission lines owned by the Company on the date of the execution and delivery of this Indenture, and may include other plants, systems, transmission lines or property hereafter acquired or constructed by the Company through purchase, merger, consolidation or otherwise, whether or not connected with or related to those now existing. It is further provided that additional property certified to the Trustee need not consist of a specific or completed addition, improvement, betterment, development, extension or enlargement, or a complete new property, but may include materials and supplies actually used, and work, labor and services actually performed, in the course of the construction by the Company of anything which will, upon the completion thereof, constitute additional property as above defined. Said terms shall not be deemed to include stocks, bonds or other obligations or securities, whether now owned or hereafter acquired.

(c) The "value" of additional property shall be determined as of the date when such property shall have first become properly chargeable to the fixed capital accounts of the Company, except as otherwise provided in §§8.05 and 8.06. Prior liens capable of being established as refundable shall be disregarded in determining value.

(d) Anything elsewhere herein to the contrary notwithstanding, the Company may, at its option, treat and the Trustee shall recognize as "additional property" any properties owned by a subsidiary corporation as below defined, of the character properly chargeable to fixed capital accounts under recognized accounting practices and used by or useful to such subsidiary corporation in the business of generating, transmitting and/or distributing electricity for light, heat and/or power directly or indirectly to the public within the United States of America, if and when such properties shall have been validly subjected to the lien of this Indenture (by an appropriate supplemental indenture or indentures approved by counsel as valid and effectual for the purpose and containing an after-acquired property clause of like scope as this Indenture), with like effect as if such property had been acquired by the Company and charged to its fixed capital accounts on the date when such property is so subjected to the lien hereof, except (a) that the cost of such property shall be deemed to be the amount of the cost thereof to such subsidiary corporation, and (b) the value thereof shall be determined as of the date when such property is subjected to the lien hereof. References herein to "additional property" and/or "fixed property" of the Company shall be deemed to include, unless otherwise indicated by the context, similar properties subjected to the lien hereof by such a subsidiary corporation as aforesaid. As used herein the term "subsidiary corporation" means any corporation organized for the purpose of owning and operating properties of the character above mentioned all of the outstanding stock of which (except the number of shares, if any, required by law to be owned by directors and/or officers thereof) is owned by the Company. The Company covenants and agrees that it will not, so long as any such property of a subsidiary corporation remains subject to the lien of this Indenture, dispose of, pledge or otherwise encumber any of the shares of stock of such a subsidiary corporation at any time owned by the Company, or permit the issuance by such subsidiary corporation of any additional shares of capital stock or of any obligations convertible into such stock, unless the additional shares of stock and/or convertible obligations so issued shall forthwith be acquired by the Company.

§2.09. From time to time upon application of the Company pursuant to this §2.09 (but subject to §2.02 and §2.10), the Trustee shall authenticate and deliver bonds to an aggregate principal amount which may be equal to but shall not exceed the aggregate principal amount of any bonds previously authenticated and delivered under this Indenture and/or any refundable prior lien bonds (*viz.*, the presently outstanding bonds of Southern Power Company and Catawba Power Company described in the granting clauses hereof and any bonds secured by prior liens upon after-acquired properties which shall have been

established as refundable as provided in §2.07) which may be refunded hereunder in any of the following ways, namely:

(1) Said previously authenticated bonds or refundable prior lien bonds may be delivered to the Trustee, in bearer form or accompanied by proper instruments of assignment and transfer, with all unmatured coupons, if any, thereunto appertaining. Bonds previously authenticated hereunder and/or refundable prior lien bonds may be delivered to the Trustee either before or after the maturity thereof, whether acquired by purchase or upon the redemption or payment thereof, and whether or not in cancelled form.

(2) The payment or redemption of such bonds previously authenticated hereunder may be provided for by the deposit with the Trustee of an amount of cash sufficient to pay any such bonds at maturity or to redeem any such bonds which shall have been called for redemption, together with a written request, signed by the President or a Vice-President or the Treasurer or an Assistant Treasurer of the Company, that the same be applied to the payment or redemption, as the case may be, of such refundable bonds.

(3) The payment or redemption of such refundable prior lien bonds may be provided for by the deposit with the trustee of the prior lien mortgage securing the same of an amount of cash sufficient to pay any such refundable prior lien bonds at maturity or to redeem any such bonds which shall have been called for redemption, together with such documents as may, under the terms of such prior lien mortgage, be required in order to authorize and direct such trustee to apply the amount so deposited to the payment or redemption, as the case may be, of such refundable prior lien bonds; and the Trustee shall be furnished with a certificate of such facts, signed by the trustee of such prior lien mortgage, or with other evidence thereof satisfactory to the Trustee in its discretion.

In the case of an application for the payment of cash deposited pursuant to §2.04, the provisions of the foregoing clause (2) may be complied with by including in the application a direction that the Trustee treat the amount of cash applied for as deposited under this §2.09 and by depositing with the Trustee such additional amount, if any, as may be necessary to provide for any redemption premium and/or for interest to accrue to the date of maturity or redemption.

All cash deposited with the Trustee under clause (2) of this §2.09 (or directed to be treated as so deposited) shall be applied by it to the payment or redemption of the bonds to be refunded in accordance with the application of the Company above provided for.

All bonds authenticated hereunder refunded under this §2.09, and appurtenant coupons, unless already cancelled, shall be cancelled by or under the direction of the Trustee, and shall be delivered by the Trustee to the Company upon written request of any of its officers. All prior lien bonds received by the Trustee under this §2.09 shall be dealt with by it as provided in §2.11.

A certificate by the Trustee showing that any bonds previously authenticated hereunder to be refunded have been previously cremated by the Trustee shall be deemed equivalent to the actual surrender of the bonds so cremated for the purposes of any application under this §2.09.

§2.10. The Company shall not be entitled to the authentication of any bonds pursuant to §2.09, or to the payment of any deposited cash in lieu thereof, on the basis of the delivery to the Trustee or provision for the payment or redemption of

(a) any bonds previously refunded under §2.09;

(b) any bonds in exchange for or in lieu of which other bonds have been authenticated and delivered under the provisions of Article 1;

(c) any bonds authenticated hereunder (but not prior lien bonds) purchased, redeemed or paid through the operation of any sinking fund hereafter established for the purpose of retiring bonds secured by this Indenture, so long as any of the