

MORTGAGE OF REAL ESTATE

thereof, with an adequate supply of electric energy and other services furnished by the Corporation.

SECTION 7. Except as specifically authorized in writing in advance by the holders or holders of not less than a majority in principal amount of the notes at the time outstanding, the Corporation will purchase all materials, equipment, and replacements to be incorporated in or used in connection with the Trust Estate outright, and not subject to any conditional sales agreement, chattel mortgage, bailment lease, or other agreement reserving to the seller any right, title or lien.

Section 8. The Corporation will take out, as the respective risks are incurred, and maintain insurance of such classes and in such amounts, and from time to time make such changes in respect thereof, as the holder or holders of not less than a majority in principal amount of the notes at the time outstanding shall have determined to be advisable to safeguard the interest of the noteholders. The Corporation will, upon request of the holder or holders of notes in the principal amount above specified, submit to the noteholder designated in such request a schedule of its insurance in effect on the date specified in such request and also originals or duplicate originals of such insurance policies as may be requested. If the Corporation shall at any time fail or refuse to take out or maintain insurance or to make changes in respect thereof upon appropriate request by such noteholder or noteholders, such noteholder or noteholders may take out such insurance on behalf and in the name of the Corporation, and the Corporation will pay the cost thereof.

Section 9. In the event of the failure of the Corporation in any respect to comply with the covenants and conditions herein contained with respect to the procuring of insurance, the payment of taxes, assessments, and other charges, the keeping of the Trust Estate in repair and free of liens and other claims or to comply with any other covenant contained in this Indenture, the Trustee or any noteholder or noteholders shall have the right (without prejudice to any other rights arising by reason of such default) to advance or expend moneys for the purpose of procuring such insurance, or for the payment of insurance premiums, taxes, assessments, or other charges, or to save the Trust Estate from sale or forfeiture for any unpaid tax or assessment or otherwise, or to redeem the same from any tax or other sale, or to purchase any tax title thereon, or to remove or purchase any mechanics' liens or other encumbrance thereon, or to make repairs thereon, or to comply with any other covenant herein contained, or to prosecute or defend any suit in relation to the Trust Estate, or in any manner to protect the Trust Estate and the title thereto, and all sums so advanced for any of the aforesaid purposes with interest thereon at the rate of five per centum (5%) per annum shall be deemed a charge upon the Trust Estate in the same manner as the notes at the time outstanding are secured and shall be forthwith paid to the Trustee or noteholder or noteholders making such advance or advances upon demand. It shall not be obligatory for the Trustee or any noteholder in making any such advances or expenditures to inquire into the validity of any such tax title, or of any of such taxes or assessments or sales therefor, or of any such mechanics' liens or other encumbrance.

Section 10. The Corporation will not, without the approval in writing of the holder or holders of not less than a majority in principal amount of the notes at the time outstanding; construct, make, lease, purchase, or otherwise acquire any extensions or additions to its system, or enter into any contract therefor, except such extensions or additions as may be financed with loans evidenced by additional notes; construct any customer services at its expense in excess of one pole and one span of wire in addition to a service drop not more than one hundred fifty (150) feet in length; enter into any contract or contracts for the operation or maintenance of all or any part of its property, for the purchase of electric energy or for the use by others of any of its property; or incur any expenses for legal, engineering, supervisory, accounting, or other similar services, except such reasonable expenses as are incurred in the routine course of business.

Section 11. The Corporation will not pay its directors, as such, any salaries for their services, except such as shall have been approved by the holder or holders of not less than a majority in principal amount of the notes at time outstanding, provided that nothing herein contained shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Salaries and wages paid officers and employees shall be reasonable and in conformity with the usual practice of corporations of the size and nature of the Corporation.

Section 12. The Corporation will at all times keep proper books, records, and accounts in which full and true entries will be made of all of the dealings, business, and affairs of the Corporation, in accordance with good accounting practice. The Corporation will furnish to each noteholder: (a) not later than the tenth day of each month a statement of operations for the preceding month, including, without limitation, an analysis of the Corporation's revenues, expenses, and customer accounts for the preceding month, and, if directed by the holder or holders of not less than a majority in principal amount of the notes at the time outstanding, such statement shall be in such form and include therein such information as may be specified in such direction; and (b) within thirty (30) days after the close of each fiscal year full and complete reports, certified by its Treasurer, of its financial condition as of the end of such fiscal year and of