

interest which shall have accrued on the notes and be unpaid; third, to the ratable payment of or on account of the unpaid principal of the notes; and, fourth, the balance shall be paid to whosoever shall be entitled thereto.

SECTION 18. The Mortgagor will not at any time employ, or enter into any contract for the employment of, any manager or superintendent of any electric transmission and distribution system or electric generating plant embraced in the Mortgaged Property, or any chief operator, engineer or other employee in active charge of any electric generating plant or electric transmission line embraced in the Mortgaged Property, unless such employment or such contract shall first have been approved by the holder or holders of not less than a majority in principal amount of the notes at the time outstanding. If, during such periods as the Mortgagor shall be in default in the making of a payment or payments of principal or interest on one or more of the notes, the holder or holders of not less than a majority in principal amount of the notes at the time outstanding shall at any time give notice to the Mortgagor that in their opinion any such transmission and distribution system, transmission line or generating plant is not being efficiently operated and shall request the termination of the employment of any such manager or superintendent, or of any such chief operator, engineer or employee, or shall request the termination of any operating contract in respect of any such transmission and distribution system, transmission line or generating plant, the Mortgagor will terminate such employment or operating contract within thirty (30) days after the date of such notice. All contracts in respect of the employment of any such manager or superintendent, or of any chief operator, engineer or employee, or for the operation of any such transmission and distribution system, transmission line or generating plant, shall contain provisions to permit compliance with the foregoing covenants.

SECTION 19. The Mortgagor will well and truly observe and perform all of the covenants, agreements, terms and conditions contained in the Loan Contract, as from time to time amended, on its part to be observed or performed.

SECTION 20. Notwithstanding anything contained in the Loan Contract, as from time to time amended, or in the notes, the Mortgagor will set up such records and accounts and maintain such reserve funds as the holder or holders of not less than a majority in principal amount of the notes at the time outstanding may from time to time require in writing and, if such holder or holders shall so require, the Mortgagor shall apply revenues arising from the operation of the Mortgaged Property to the payment of or on account of the principal of or interest on any one or more of the notes designated by such holder or holders, either prior to the time or in excess of the amount provided for in any one or more of the notes in respect of which the payment is to be made; provided, however, that the Mortgagor shall not be obligated hereby to make payments on account of the principal of or interest on any of the notes during any one calendar year in excess of five per centum (5%) of the amount of the principal of such note or notes advanced and unpaid at the time such payment is required; and provided further, that subject to the provisions of section 4 of article II hereof, the Mortgagor may at all times retain funds reasonably adequate for operating purposes for the current month, and in no event less than 1.5 times the amount of its cash expenditures for such purposes during the corresponding month of the preceding year.

#### ARTICLE III

##### REMEDIES OF THE MORTGAGEE AND NOTEHOLDERS

SECTION 1. If one or more of the following events (hereinafter called "events of default") shall happen, that is to say:

(a) default shall be made in the payment of any installment of or on account of interest on or principal of any note or notes when and as the same shall be required to be made and such default shall continue for thirty (30) days;

(b) default shall be made in the due observance or performance of any other of the covenants, conditions or agreements on the part of the Mortgagor, in any of the notes or in the Underlying Mortgage or in this Mortgage contained, and such default shall continue for a period of thirty (30) days after written notice specifying such default and requiring the same to be remedied shall have been given to the Mortgagor by any noteholder;