

bonds or other securities shall be substituted for property released or acquired with the proceeds of released property if (a) upon such substitution or acquisition, more than one third of the total value of the mortgaged premises would consist of stocks, unsecured bonds, unsecured notes and other unsecured evidences of indebtedness, or if (b) upon such substitution or acquisition, more than five per cent. (5%) of the total value of the mortgaged premises would consist of stock, bonds, notes and other evidences of indebtedness of corporations, which are not subject to supervision and regulation by a public service or public utility commission or other governmental authority. The Corporate Trustee may rely as conclusive evidence as to the proportionate values under this Section 9 on an affidavit of the President or a Vice President and the Treasurer or an Assistant Treasurer or chief accounting officer of the Telephone Company that the limitations of this Section 9 have not been exceeded.

Surrender or
modification of
franchises, etc.

Section 10. As long as there shall be no continuing default under this indenture, the Telephone Company, may without release or consent by the Trustees or either of them, surrender its rights under any franchise or other similar grant, or may assent to any modification of the terms thereof, if the Board of Directors of the Telephone Company shall by resolution determine that such surrender or modification is in the interest of successful operation of the mortgaged premises.

ARTICLE NINTH.

Remedies of the Trustees and Bondholders.

Subordination
of lien of coupons or claims for interest funded or extended.

Section 1. In case any coupon or claim for interest on any of the bonds secured hereby shall have been funded or extended by or with the consent of the Telephone Company, such coupon or claim for interest so funded or extended shall not be entitled, in case of default hereunder to the benefit or security of this indenture, except subject to the prior payment in full of the principal of all of said bonds that shall be outstanding and all of coupons and claims for interest thereon that shall not have been so funded or extended. If any coupons or claims for interest on any of said bonds at or after maturity shall be owned by the Telephone Company, then such matured coupons or claims for interest shall not be entitled to the benefit or security of this indenture; and the Telephone Company covenants that all such coupons and claims for interest so owned by it at or after the maturity shall promptly be cancelled.

Events of default
upon which Trustees
may enter.

Section 2. If one or more of the following events herein called "events of default" shall happen, that is to say:

(a) default shall be made in the payment of the principal of any bond or bonds issued hereunder when the same shall become due and payable either by the terms thereof or otherwise, as herein provided; or

(b) default shall be made in the payment of any installment of interest on any of the bonds issued hereunder, and such default shall continue for the period of ninety (90) days; or