

Any new property acquired by exchange or purchase to take the place of any property released under any provision of this Article XII shall forthwith and without further conveyance become subject to the lien of and be covered by this Indenture as a part of the mortgaged and pledged property; but the Company shall if requested by the Trustee convey the same, or cause the same to be conveyed, to the Trustee by appropriate instruments of conveyance upon the trusts and for the purposes of this Indenture.

Any bonds issued hereunder deposited with the Trustee pursuant to the provisions of this Section shall forthwith be canceled and delivered to the Company, and any underlying bonds and prior lien bonds deposited with the Trustee pursuant to the provisions of this Section shall be held by the Trustee subject to the provisions of Article X.

Section 68. Should any of the mortgaged and pledged property be taken by exercise of the power of eminent domain or should any governmental body or agency, at any time, exercise any right which it may have to purchase any part of the mortgaged and pledged property, the Trustee may release the property so taken or purchased, and shall be fully protected in doing so upon being furnished with an opinion of counsel, as defined in Section 3 hereof, to the effect that such property has been taken by exercise of the power of eminent domain, or purchased by a governmental body or agency in the exercise of a right which it had to purchase the same. The proceeds of all property so taken or purchased shall be paid over to the Trustee (unless the same shall have been paid or delivered to the trustee under the underlying mortgage or to the trustee or other holder of a mortgage or other lien constituting a prior lien or lien prior hereto, in accordance with the provisions thereof and a certificate to that effect shall have been furnished to the Trustee), and (if paid over to the Trustee hereunder) may thereafter be withdrawn in the manner and for the purposes and subject to the conditions provided in Section 67 hereof.

Section 69. The Company may, at any time, by resolution, as defined in Section 3 hereof, request the Trustee to subordinate the lien of this Indenture with respect to any permanent improvements or additions, which have not been theretofore used as a basis for the release of any property or for the authentication and delivery of bonds or withdrawal of cash under any provision of this Indenture, to the lien of the underlying mortgage or of any prior lien for the purpose, but only for the purpose, of subjecting such property to the lien of the underlying mortgage or of any prior lien as a lien or liens prior to the lien of this Indenture and in order to secure releases or withdrawals of cash held by the Trustee under the underlying mortgage or the trustee or other holder of such prior lien; provided, however, that in every such case the cash so released or withdrawn shall be at least equal in amount to the then fair value (as shown by an engineer's certificate) of the permanent improvements or additions so subordinated, and, unless such cash shall have been paid to the trustee of the underlying mortgage or to the trustee or other holder of such prior lien pursuant to the requirements of the sinking fund or other similar device for the retirement of bonds of any underlying mortgage or of such prior lien, such cash shall be forthwith deposited with the Trustee hereunder to be dealt with in the manner provided in Section 67 hereof with respect to money received by the Trustee in consideration of releases of property from the lien of this Indenture; and the Trustee shall forthwith upon receipt by the Trustee of such request and such engineer's certificate execute any or all instruments that may be necessary or appropriate for such purpose.

Section 70. In case the mortgaged and pledged property shall be in the possession of a receiver, lawfully appointed, the powers hereinbefore conferred upon the Company with respect to the sale or other disposition of the mortgaged and pledged property may be exercised by such receiver, and any request, certificate or appointment made or signed by such receiver for such purposes shall be as effective as if made by the Company or its Board of Directors or Executive Committee or any of its officers or appointees in the manner herein provided; and if the Trustee shall be in possession of the mortgaged and pledged property under any provision of this Indenture, then such powers may be exercised by the Trustee in its discretion.

Section 71. No purchaser in good faith of property purporting to have been released hereunder shall be bound to ascertain the authority of the Trustee to execute the release, or to inquire as to any facts required by the provisions hereof for the exercise of this authority; nor shall any purchaser or grantee of any property or rights permitted by this Article XII to be sold, granted, exchanged or otherwise disposed of, be under obligation to ascertain or inquire into the authority of the Company to make any such sale, grant, exchange or other disposition.

#### ARTICLE XIII.

##### *Remedies of Trustee and Bondholders Upon Default.*

Section 72. Upon the occurrence of any one or more of the following events, (herein sometimes called "completed defaults") viz.:

- (a) Default in the payment of the principal of any bond hereby secured when the same shall have become due and payable, whether at maturity as therein expressed or by declaration, or otherwise; or
- (b) Default continued for ninety (90) days in the payment of any interest upon any bond hereby secured or upon any outstanding underlying bonds; or
- (c) Default in the payment of the principal of any underlying bond outstanding in the hands of the public when the same shall have become due and payable whether at maturity as therein expressed or by declaration or otherwise; or
- (d) Default in the payment of any interest upon or principal of any prior lien bonds (as defined in Section 6 hereof), continued for the period of grace, if any, specified in the mortgage or other instrument constituting a prior lien; or
- (e) Default in the covenants of the Company with respect to bankruptcy, insolvency or receivership contained in Section 49 hereof; or
- (f) Default continued for ninety (90) days after notice to the Company from the Trustee in the performance of any other covenant, agreement or condition herein contained or in any bond secured hereby;

the Trustee may, and upon written request of the holders of twenty per centum (20%) in principal amount of the bonds then outstanding hereunder, shall, by notice in writing delivered to the Company, declare the principal of all bonds hereby secured then outstanding and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable; subject, however, to the right of the holders of a majority in principal amount of all the bonds, by written notice to the Company and to the Trustee to annul such declaration and destroy its effect at any time before any sale hereunder, if before any such sale all agreements with respect to which default shall have been made shall be fully performed or made good, and all arrears of interest upon all bonds outstanding hereunder and the reasonable expenses and charges of the Trustee, its agents and attorneys, and all other indebtedness secured hereby, except the principal of any bonds not then due by their terms, and interest accrued on such bonds since the last interest day, shall be paid, or the amount thereof shall be paid to the Trustee for the benefit of those entitled thereto.

Section 73. Upon the occurrence of one or more completed defaults, the Company, upon demand of the Trustee, shall forthwith surrender to the Trustee the actual possession of, and it shall be lawful for the Trustee, by such officer or agent as it may appoint, to take possession of all the mortgaged and pledged property (with the books, papers and accounts of the Company), and to hold, operate and manage the same, and from time to time to make all needful repairs and such alterations, additions and improvements as to the Trustee shall seem wise; and to receive the rents, income, issues and profits thereof, and out of the same to pay all proper costs and expenses of so taking, holding and managing the same, including reasonable compensation to the Trustee, its agents and counsel, and any charges of the Trustee hereunder, and any taxes and assessments and other charges prior to the lien of this Indenture which the Trustee may deem it wise to pay, and all expenses of such repairs, alterations, additions and improvements, and to apply the remainder of the moneys so received by the Trustee, subject to the provisions hereof with respect to extended, transferred, or pledged coupons or claims for interest, first to the payment of the instalments of interest which are due and unpaid, in the order of their maturity, and next, if the principal of any of said bonds is due, to the payment of the principal and accrued interest thereon at the same rate as is expressed in the bonds *pro rata* without any preference or priority whatever, except as aforesaid. Whenever all that is due upon such bonds and instalments of interest and under any of the terms of this Indenture shall have been paid and all defaults made good, the Trustee shall surrender possession to the Company, its successors or assigns; the same right of entry, however, to exist upon any subsequent default.

Section 74. Upon the occurrence of one or more completed defaults it shall be lawful for the Trustee, by such officer or agent as it may appoint, with or without entry, to sell all the mortgaged and pledged property as an entirety, or in such parcels as the holders of a majority in principal amount of the bonds outstanding hereunder shall in writing request, or in the absence of such request, as the Trustee may determine at public auction, at some convenient place in Raleigh, North Carolina, or such other place or places as may be required by law, having first given notice of such sale by publication in at least one daily newspaper of general circulation, published in Raleigh, North Carolina (if there be such a daily newspaper), at least once a week for four (4) weeks next preceding such sale, and by like publication in at least one daily newspaper of general circulation published in the Borough of Manhattan, City of New York, and any other notice which may be required by law, and from time to time to adjourn such sale in its discretion by announcement at the time and place fixed for such sale without further notice, and upon such sale to make and deliver to the purchaser or purchasers a good and sufficient deed or deeds for the same, which sale shall be a perpetual bar, both at law and in equity, against the Company and all persons and corporations lawfully claiming or who may claim by, through or under it.