

Sums recovered under any fidelity bond by the Mortgagor for a loss of funds advanced under the notes or recovered by a Mortgagee for any loss under such bond shall, unless otherwise directed by the Mortgagees, be applied to the prepayment of the notes, pro rata according to the unpaid principal amounts thereof (such prepayments to be applied to such installments thereof as may be designated by the respective noteholders at the time of any such prepayment), or to construct or acquire facilities approved by the Mortgagees, which will become part of the Mortgaged Property.

SECTION 9. In the event of the failure of the Mortgagor 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 Mortgaged Property in repair and free of liens and other claims or to comply with any other covenant contained in this Mortgage, either Mortgagee 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 Mortgaged Property 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 mechanic's 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 Mortgaged Property or in any manner to protect the Mortgaged Property and the title thereto, and all sums so advanced for any of the aforesaid purposes with interest thereon at the highest legal rate but not in excess of ten per centum (10%) per annum shall be deemed a charge upon the Mortgaged Property in the same manner as the notes at the time outstanding are secured and shall be forthwith paid to the Mortgagee making such advance or advances upon demand. It shall not be obligatory for any Mortgagee 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. A Mortgagee acting hereunder shall not be liable to the Mortgagor, the other Mortgagee or any noteholder except for losses resulting from gross negligence or wilful misfeasance.

SECTION 10. The Mortgagor will not (a) without the approval in writing of both of the Mortgagees, construct, make, lease, purchase or otherwise acquire any extensions or additions to its system which relate to serving any consumer having an anticipated or contract demand in excess of 1,000 kilowatts or make any capital expenditures other than such extensions and additions in excess of \$25,000 for any transaction or in excess of \$100,000 in the aggregate during any 12-month period, or enter into any contract or contracts in respect thereof, except such extensions, additions or other capital expenditures as may be financed with loans evidenced by Additional Notes hereunder; (b) without the approval in writing of the Government, construct, make, lease, purchase or otherwise acquire any other extensions or additions to its system; (c) without the approval in writing of both of the Mortgagees, enter into any contract or contracts for the sale for resale (except to parties then indebted to the Government under the Act), or for the sale to the ultimate consumer, of electric power and energy in excess of 1,000 kilowatts; (d) without the approval in writing of both of the Mortgagees, enter into any contract or contracts for the operation or maintenance of all or any substantial part of its property, or for the use by others of all or a substantial part of its property; (e) without the approval in writing of the holders of notes representing more than 50% of the unpaid principal amount of the notes, enter into or amend any contract or contracts for the purchase of electric power or energy; (f) without the approval in writing of both of the Mortgagees, 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; or (g) without the approval in writing of both of the Mortgagees, deposit any of its funds, regardless of the source thereof, in any bank or other depository which is not a member of the Federal Deposit Insurance Corporation, or the successor thereof, or of a Federal Reserve Bank.