

WHEREAS, North Carolina Telephone Company, (hereinafter called "North Carolina") was merged with and into the Company on September 30, 1977, and had issued First Mortgage Bonds (hereinafter collectively called the "North Carolina Bonds") in the original principal amount of \$9,200,000, of which \$6,820,000 was outstanding at October 1, 1980 as follows:

<u>Series</u>	<u>Date Issued</u>	<u>Original Amount</u>	<u>Balance Outstanding October 1, 1980</u>
5 3/4% Series due 1987	5/1/62	\$2,000,000	\$1,180,000
5 3/8% Series due 1989	1/1/64	1,000,000	620,000
5 1/8% Series due 1995	11/1/65	1,200,000	900,000
6 3/4% Series due 1998	3/1/68	2,000,000	1,480,000
9 1/4% Series due 2001	9/15/76	3,000,000	2,640,000

WHEREAS, the North Carolina Bonds are secured by an Indenture of Mortgage and Deed of Trust dated May 1, 1962 from North Carolina to First National City Bank (now Citibank, N.A.) and Edward F. Mitchell (now R. James DeRose) as Trustee, as supplemented and amended by supplemental indentures dated January 1, 1964, November 1, 1965, March 1, 1968, March 1, 1976, September 15, 1976 and September 30, 1977, respectively; and

WHEREAS, the Company has assumed the payment of the principal and interest on the North Carolina Bonds and desires to exchange for North Carolina Bonds the following Bonds issued pursuant to the terms and provisions of the Indenture as follows (as of October 1, 1980): First Mortgage Exchange Bonds, Series 1987 in the principal amount of \$1,180,000; First Mortgage Exchange Bonds, Series 1989 in the principal amount of \$620,000; First Mortgage Exchange Bonds, Series 1995 in the principal amount of \$300,000; First Mortgage Exchange Bonds, Series 1998 in the principal amount of \$1,480,000; and First Mortgage Exchange Bonds, Series 2001 in the principal amount of \$2,640,000; (hereinafter collectively called the "Exchange Bonds"); and

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