

Section 5. The Company covenants that its business will be carried on and conducted in an efficient manner; that all property, plants, appliances, systems and equipment of the Company, useful and necessary in the carrying on of its business will be kept in thorough repair and maintained in a state of high operating efficiency corresponding to the progress of the industry; that it now has complete and lawful authority and privilege to maintain and operate its entire system and properties, and that none of its rights, franchises or privileges will be allowed to lapse or be forfeited so long as the same shall be necessary for the carrying on of its business; provided, however, that the expiration by lapse of time of any right, franchise or privilege shall not constitute a violation of this covenant, but the Company hereby expressly covenants that it will exercise its best endeavors and any and every proper means to procure extension or renewal of each and every such right, franchise or privilege so expiring and necessary or desirable for the maintenance of any of its plants, properties or systems.

Section 6. The Company covenants that all of the covenants, conditions and agreements of any "underlying mortgage" upon any property hereafter acquired by it will in all respects be fully complied with; that upon the payment of all bonds issued under each such mortgage it will procure such mortgage to be effectively satisfied and discharged of record; that the Company will not issue or permit to be issued any additional bonds secured by any "underlying mortgage", but that each and every such mortgage shall be effectively closed at the date of the acquisition of such property.

Section 7. The Company covenants that it will not acquire any property which after its acquisition will be subject to any "underlying mortgage" securing indebtedness in excess of sixty per cent (60%) (or sixty-six and two-thirds per cent (66 2/3%) under certain conditions hereinafter stated) of the lesser of

(a) the fair value of such property to the Company at the date of acquisition thereof; and

(b) the aggregate of (i) the amount of any indebtedness subject to which such property is acquired, (ii) the amount of any purchase money mortgage or vendor's lien created in connection with its acquisition, (iii) any cash payment made therefor and (iv) the market value, or, in the absence thereof, the fair value of any securities or other property of the Company exchanged therefor;

all as of the date of and as established by an "independent engineers' certificate", dated as of the date of the acquisition of such property, unless to offset such part of such indebtedness as shall exceed such percentage there shall be appropriated "net bondable expenditures for property additions" in an amount equivalent to such excess. Such appropriation shall be evidenced by a "resolution" deposited with the Trustee together with a "certificate of net bondable expenditures for property additions" dated as of the date of such appropriation and, if there be included in such "certificate of net bondable expenditures for property additions" any "new gross expenditures", the documents required by (i), (ii) and (iii) of subparagraph (4) of Section 3 of Article Four. If it shall appear that the "net operating earnings" of the Company, as disclosed by a "net operating earnings certificate" filed with the Trustee (which includes the earnings from the property to be acquired and treats all liens thereon as "underlying mortgages"), that such "net operating earnings" are at least equal to two and one-half (2½) times the annual bond interest requirements stated in such certificate, then the applicable percentage under the foregoing provisions shall be sixty-six and two-thirds per cent (66 2/3%) instead of sixty per cent (60%).

The Company further covenants and agrees that it will not acquire any property subject