

such expense. But it shall not be necessary for said Trustee to cause any inspection of the books and telephone system of the Telephone Company, but said Trustee shall have the right to rely upon affidavits of the President, Engineer and Treasurer of the Telephone Company that the Telephone Company has made betterments or improvements or extensions of its system, and as to the nature and costs thereof, and as to the time when the same were made, and as to whether any changes constitute betterments and improvements.

And it shall be the duty of said Trustee to preserve all proofs submitted to it by the Telephone Company, upon which demands for additional bonds are based, and all reports made to the Trustee by persons employed by it to make investigations of the character aforesaid, in order that subsequent references may be made to them when additional bonds may be demanded. The terms "betterments" and "improvements" as herein used, shall not include mere repairs or replacements of portions of the system with apparatus or material similar in character to that repaired or replaced, but shall only include that which is in good faith an improvement of its grade, and then only to the extent of such improvement; and shall include the cost of changes in the system which may hereafter be made necessary by legislative or municipal requirements.

(c) If any bond issued hereunder shall be mutilated, lost or destroyed, the Telephone Company may, upon terms and conditions prescribed by its Board of Directors, issue in lieu thereof a new bond of like tenor, amount and date, bearing the same serial number, which bond when so issued shall be duly certified by the Trustee upon receiving indemnity satisfactory to said Trustee.

2. The Telephone Company shall pay the principal of all the bonds issued under this mortgage, when the principal shall become due by the terms of the bonds, or by declaration as hereinafter provided, upon the surrender of the bonds; and it shall pay the interest thereon,