

sell or otherwise dispose of, free from the lien hereof, any of its property which is neither necessary to nor useful for the operation of the Corporation's business, or which has become obsolete, worn out or damaged or otherwise unsuitable for the purposes of the Corporation; provided, however, that the Corporation shall (a) to the extent necessary, replace the same by, or substitute therefor, other property of the same kind and nature, which shall be subject to the lien hereof, free and clear of all prior liens, and apply any proceeds derived from such sale or other disposition of such property and not needed for the replacement thereof to the payment of the indebtedness evidenced by the notes; or (b) immediately upon the receipt of the proceeds of any sale or other disposition of said property, apply the entire amount of such proceeds to the payment of the indebtedness evidenced by the notes; or (c) deposit all or such part of the proceeds derived from the sale or other disposition of said property as the majority noteholders shall specify in such restricted bank accounts as such holder or holders shall designate and shall use the same only for such additions to or improvements of the Trust Estate and on such terms and conditions as such holder or holders shall specify.

SECTION 6. (a) The Corporation will at all times maintain and preserve the Trust Estate in good repair, working order and condition, and will from time to time make all needful and proper repairs, renewals and replacements (hereinafter in this section called "maintenance and replacement") and useful and proper alterations, additions, betterments and improvements (hereinafter in this section called "improvements"), and will, subject to contingencies beyond its reasonable control, at all times keep its plant and properties in continuous operation and use all reasonable diligence to furnish the subscribers served by it through the Trust Estate with adequate telephone service.

(b) In the event that the Corporation shall not expend for maintenance and replacement during any fiscal year at least twenty-five per centum (25%) of the gross revenues received from the Trust Estate during said fiscal year, the amount (hereinafter called the "maintenance and replacement balance") by which twenty-five per centum (25%) of such gross revenues exceeds actual expenditures for maintenance and replacement shall be available for use by the Corporation in subsequent years for maintenance and replacement and, in accordance with and to the extent required by the provisions of section 6(c) of this article II, for improvements or prepayments on account of the principal of one or more of the notes.

(c) If at the end of any fiscal year, the cumulative maintenance and replacement net balance (computed by adding to the maintenance and replacement balance for the fiscal year just ended, the maintenance and replacement balances of previous fiscal years, less such amounts as shall have been subtracted therefrom in accordance with the provisions hereinafter specified in this paragraph) exceeds fifty per centum (50%) of the gross revenues for such fiscal year, such excess will be expended by the Corporation, promptly after the determination of such excess pursuant to section 6(d) of this article II, for either improvements or prepayments on account of the principal of one or more of the notes. Any such excess thus expended or applied for improvements or prepayments shall be subtracted in determining the subsequent year's cumulative maintenance and replacement net balance. In the event that the Corporation shall expend for maintenance and replacement during any fiscal year an amount in excess of twenty-five per centum (25%) of the gross revenues received during said fiscal year, such excess shall be subtracted in determining the cumulative maintenance and replacement net balance for such fiscal year, to the extent that such excess does not exceed the amount then in the cumulative maintenance and replacement net balance.

(d) The Corporation will, within thirty (30) days after the end of each fiscal year, furnish each noteholder, as a part of the annual reports required to be furnished pursuant to section 13 of article II hereof, with a