

such CFC Notes, Concurrent REA Note and Additional REA Notes, collectively, on the date of prepayment and shall be applied to such notes and installments thereof as may be designated by the respective noteholders at the time of any such prepayment. As used in this section 4, the term "Contemporaneous Loan" shall mean a loan made pursuant to a loan agreement or agreements providing for a loan or loans secured by this Mortgage, the making of which by either lender is conditioned upon the making of a loan, therein described, by the other lender. For purposes of this section 4, the terms "Concurrent REA Note" and "Additional REA Notes" shall not be deemed to include notes which refund, renew or are in substitution for Outstanding REA Notes.

SECTION 5. The Mortgagor will at all times, so long as any of the notes shall be outstanding, take or cause to be taken all such action as from time to time may be necessary to preserve its corporate existence and to preserve and renew all franchises, rights of way, easements, permits and licenses now or hereafter to it granted or upon it conferred, and will comply with all valid laws, ordinances, regulations and requirements applicable to it or its property. The Mortgagor will not (1) without the approval in writing of the Government consolidate with or merge into any other corporation or permit any other corporation to merge into the Mortgagor or acquire all or substantially all of the business or assets of another corporation if such acquisition is analogous in purpose or effect to a merger or consolidation, or so consolidate or merge or permit any such merger or so acquire any such business or assets without the approval in writing of CFC unless the corporation surviving such transaction shall have assumed the obligations of the Mortgagor under the notes, the Loan Agreements and hereunder pursuant to an assumption agreement satisfactory as to compliance with the conditions of this section to both of the Mortgagees and unless the Mortgagor and such other corporation, on a pro forma combined basis, have (1) a Times Interest Earned Ratio (as hereinafter defined and herein called "TIER") of not less than 1.5 and (ii) a ratio of total pro forma combined Equity to total pro forma combined assets and debits at least equal to the lesser of (a) two to five or (b) the ratio of the total Equity of the Mortgagor immediately prior to said transaction to its total assets and debits immediately prior thereto (Equity to be computed in accordance with the provisions of section 16 of this article II), or (2) without the approval in writing of both of the Mortgagees, sell, lease or transfer (or make any agreement therefor) any capital asset, unless the fair market value of such asset is less than \$25,000 and the aggregate value of assets so sold, leased or transferred in any 12-month period is less than \$100,000 and the proceeds of such sale, lease or transfer, less ordinary and reasonable expenses incident to such transaction, are immediately (i) applied as a prepayment of the notes, pro rata according to the aggregate unpaid principal amount of the notes, to such installments thereof as may be designated by the respective noteholders at the time of any such prepayment, (ii) in the case of dispositions of equipment, materials or scrap, applied to the purchase of other property useful in the Mortgagor's business, not necessarily of the same kind as the property disposed of, which shall forthwith become subject to the lien of this Mortgage or (iii) set aside as a deposit in the construction fund contemplated by Account Number 132.1 of the Uniform System of Accounts prescribed by REA for its Electric Borrowers (hereinafter, as in effect on the date hereof, called the "Uniform System of Accounts").

For purposes of this Mortgage, TIER shall mean the average of the two largest ratios with respect to each of the three calendar years last preceding the effective date of the merger, consolidation, acquisition or other transaction in question, determined as follows: for each such year: add Patronage Capital and Margins (as computed for purposes of Line A.22 on REA Form 7, rev. 10-65 and rev. 10-69 or Line A.23 on REA Form 7, rev. 12-70 and, if applicable, Line A.24 on such Form 7, rev. 12-70) of the Mortgagor and the other party to such transaction, on a consolidated basis, to Interest Expense (an amount as computed for purposes of Line A.14 of REA Form 7 minus an amount so computed for purposes of Line A.15 of REA Form 7, rev. 10-65, rev. 10-69 and rev. 12-70) of the Mortgagor and such other party, on a consolidated basis, and divide the total so obtained by Interest Expense (as so computed) of the Mortgagor and such other party on a consolidated basis.