

guided by consideration of the best interests of the Bondholders, taking into account such factors as the financial strength and reliability of the issuer of the new policy, and the premium savings to Borrower. In effecting the replacement of any policy of whole-life life insurance hereunder, the cash surrender value of the surrendered policy shall be applied towards the cost of the new policy. Upon the death of Richard W. Hills, Jr., the policy insuring his life shall not be required to be replaced.

Grantor may borrow against the cash surrender values of any whole life policy maintained pursuant to this Section for the purpose of paying the premiums thereon, but only if (i) such policy has a term dividend or similar option whereunder the proceeds payable in the event of the death of the insured will not be reduced below the face amount of such policy by reason of such borrowing, and (ii) the cash surrender value of such policy is not thereby reduced below ninety percent of the amount shown in the cash value schedules contained in such policy.

In the event of any default on the part of Grantor in paying any premium due on any such policy, Grantee shall have the right but not the obligation to borrow against the cash surrender or loan value of any such policy to pay premiums due on that or any other such policy, but any such borrowing shall be without prejudice to the obligation of Grantor to pay such premium or the other rights of Grantee accruing upon such default.

As soon as practicable after December 1, 1991, or such earlier date on which none of the Bonds are outstanding, Grantee shall release and reassign to Grantor (subject, however, to the next paragraph hereof) any life insurance policies maintained pursuant hereto.

All policies required to be maintained by this Section shall be owned by Grantor and assigned to Grantee for the benefit of the holders of the Bonds. The proceeds of any such policy, whether resulting by reason of death of the insured or any other cause, shall be deposited and held by Grantee in a special account to be known as the Life Insurance Account, as defined in the Indenture and subject to the terms and conditions of Section 701 of the Indenture. The funds in said account shall be used by the Grantee to cure any default of the Grantor under the Loan Agreement prior to the use by the Grantee of any other funds available to the Grantee for such purpose. Upon