

RE 270

have, on a pro forma basis as determined by REA and CFC, for any of the first three years in which it is estimated installments of both interest and principal will be required to be made on such loan (herein called the "test years"), a Times Interest Earned Ratio (as hereinafter defined and herein called "TIER") of less than 1.5, or a Debt Service Coverage (as hereinafter defined and herein called "DSC") of less than 1.25. Notwithstanding the provisions of the second proviso of the next preceding sentence, the Mortgagor may execute and deliver such note if (i) such proviso shall be waived in writing by CFC, or (ii) the Mortgagor shall place in operative effect an increase in its rates for service sufficient to produce additional revenues so as to assure, to the satisfaction of REA and CFC, the ability of the Mortgagor to meet the TIER and DSC standards for the test years hereinabove set forth, or (iii) the Mortgagor shall apply the proceeds of the note restricted hereby directly to the prepayment in full of all of the CFC Notes then outstanding and to the payment in full of all obligations of the Mortgagor to CFC under such CFC Notes, this Mortgage and the CFC Loan Agreement, and such prepayment may be made without any penalty or premium, notwithstanding any provision of the CFC Loan Agreement or other instrument which would otherwise require such premium or penalty, and in the event of such prepayment, the provisions of Article II, Section 4 hereof, with respect to proportionate prepayments to CFC and the Government, shall not apply.

For purposes of this Section 1, TIER shall mean the ratio determined on a pro forma basis with respect to each of the test years as follows: for each such year: add Patronage Capital or Margins (as computed for purposes of Line A.23 on REA Form 7, and, if applicable, Line A.24 on such Form 7, with the appropriate pro forma adjustment) of the Mortgagor to Interest Expense (as computed for purposes of Line A.14 of REA Form 7, with the appropriate pro forma adjustment), and divide the total so obtained by Interest Expense (as so computed) of the Mortgagor; provided, however, that in computing Interest Expense there shall be added, to the extent not otherwise included, an amount equal to 33-1/3% of the excess of rentals of Restricted Property (as defined in section 7 of article II hereof) under Long Term Leases (as defined in section 7 of article II hereof) over 2% of the Mortgagor's Equities and Margins (as defined in the Uniform System of Accounts). Any reference in this Mortgage to REA Form 7 shall apply to the 9-72 revision (or to the revision of any other date which may be specified) of such REA Form 7 or to any later revision thereof which shall have been at the time prescribed for use by REA; if some other form containing the corresponding information shall at the time be prescribed by REA, such reference shall apply to the corresponding item in such other form; or, if no such form is applicable to the accounts of the Mortgagor, such reference shall apply to the corresponding information otherwise determined in a comparable manner.

For purposes of this section 1, DSC shall mean the ratio determined for each of the test years on a pro forma basis as follows: add Patronage Capital or Margins, and Interest Expense (as computed in accordance with the principles set forth in the preceding paragraph) to Depreciation and Amortization Expense (an amount as computed for purposes of Line A.11 of REA Form 7, with the appropriate pro forma adjustment), and divide the total so obtained by an amount equal to the sum of all payments of principal and interest required to be made during each of the test years on account of Total Long-Term Debt (as computed for the purposes of Line C.34 of REA Form 7).

No Additional CFC Notes shall be secured by this Mortgage without the prior written approval thereof by the Government.