

(in lieu of actual payments required to be made on such refinanced Debt) upon the larger of (i) an annualization of the payments required to be made with respect to the refinancing debt during the portion of such year such refinancing debt is outstanding or (ii) the payments of principal and interest required to be made during the following year on account of such refinancing debt.

SECTION 16. The Mortgagor will not, in any one year, without the approval in writing of both of the Mortgagees, declare or pay any dividends, or pay or determine to pay any patronage refunds, or retire any patronage capital or make any other cash distributions (such dividends, refunds, retirements and other distributions being hereinafter collectively called "distributions"), to its members, stockholders or consumers if after giving effect to any such distribution the total Equity of the Mortgagor will not equal or exceed 40% of its total assets and other debits; provided, however, that in any event the Mortgagor may make distributions to estates of deceased patrons to the extent required or permitted by its articles of incorporation and bylaws, and, if such distributions to such estates do not exceed 25% of the patronage capital and margins received by the Mortgagor in the next preceding year, make such additional distributions in any year as will not cause the total distributions in such year to exceed 25% of the patronage capital and margins received in such next preceding year, and provided, further, however, that in no event will the Mortgagor make any distributions if there is unpaid when due any installment of principal or interest on the notes, if the Mortgagor is otherwise in default hereunder or if, after giving effect to any such distribution, the Mortgagor's total current and accrued assets would be less than its total current and accrued liabilities.

For the purpose of this section, a "cash distribution" shall be deemed to include any general cancellation or abatement of charges for electric energy or services furnished by the Mortgagor, but not the repayment of a membership fee of not in excess of \$25 upon termination of a membership. As used or applied in this Mortgage (1) "Equity" shall mean the aggregate of Equities and Margins (as such terms are defined in the Uniform System of Accounts) and Subordinated Indebtedness; and (2) "Subordinated Indebtedness" shall mean unsecured indebtedness of the Mortgagor payment of which shall be subordinated to the prior payment of the notes by subordination agreement in form and substance satisfactory to the Government and the Bank.

SECTION 17. In the event that the Mortgaged Property, or any part thereof, shall be taken under the power of eminent domain, all proceeds and avails therefrom, except to the extent that both of the Mortgagees shall consent to other use and application thereof by the Mortgagor, shall forthwith be applied by the Mortgagor: first, to the ratable payment of any indebtedness by this Mortgage secured other than principal or interest on the notes; second, to the ratable payment of interest which shall have accrued on the notes and be unpaid; third, to the ratable payment of or on account of the unpaid principal of the notes, to such installments thereof as may be designated by the respective noteholders at the time of any such payment, and, fourth, the balance shall be paid to whosoever shall be entitled thereto; provided, however, that any noteholder may cause funds to which it may be entitled under clause third hereof to be applied by the Mortgagor to the making of a deposit in the construction fund contemplated by Account 131.2 of the Uniform System of Accounts instead of causing such funds being applied to the prepayment of any note held by such noteholder.

SECTION 18. The Mortgagor will not at any time employ, or enter into any contract for the employment of, any general manager of the Mortgagor's system or any person exercising comparable authority to such a manager, unless such employment or such contract shall first have been approved by the Government. If, during such periods as the Mortgagor shall be in default in the making of payment or payments of principal or interest on one or more of the notes or otherwise be in default hereunder, the Government shall at any time give notice to the Mortgagor that in its opinion such system is not being efficiently operated and shall request the termination of the employment of any such manager or person exercising comparable authority, or shall request the termination of any operating contract in respect of any such system, the Mortgagor will terminate such employment or operating contract within thirty (30) days after the date of such notice. All contracts in respect of the employment of any such manager or person exercising comparable authority, or for the operation of any such system, shall contain provisions to permit compliance with the foregoing covenants.